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SAN MATEO/SANTA CLARA COUNTIES ADVISORY
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INTRODUCTION: This Advisory is intended to be used in connection with the purchase and/or sale of real property located within San Mateo or Santa Clara County. PRDS does not warrant or guarantee the accuracy of the information contained in this Advisory or the adequacy of this information in connection with any specific real property transaction. This Advisory was created as of May 2013 and 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, including what to disclose and how to disclose it 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 any Supplemental Seller Disclosure.
- Buyers are responsible for conducting their own investigations into the issues discussed in this Advisory and any issues that are not referenced below that may affect the Buyers' determination of the value or desirability of the Property. Buyers have the right to condition their purchase on conducting such investigations. Buyers should conduct all necessary investigations prior to the Buyers' removal or waiver of any contractual inspection contingencies to avoid owing Sellers any potential damages. Buyers are urged to do all of the following:
 - 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 value or desirability 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 during their inspection contingency period. Buyers' right to conduct certain types of investigations may be limited by the Purchase Contract.
- Broker has not and will not verify licensing and insurance information of third parties nor determine if the people who prepare inspection reports or perform repairs are properly licensed to provide those services. Broker cannot and will not determine if the reports prepared by third parties or any repair work performed by third parties has been properly completed.
- 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.**

1. EXISTING HOUSING STOCK: Many properties in this area have been built under different building codes. Regardless of the age of the Property, Buyers should have the Property inspected by a competent property inspector and to have any additional inspections that are recommended in any inspection report, or as may be necessary or desired by 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. Brokers have not verified any of the issues discussed in Paragraph 1.

2. FLOORS AND WALLS: Sellers' personal property may make a visual inspection of floors and walls difficult. The existence of certain types of flooring (such as carpeting and rugs), some wall coverings (such as wallpaper and paneling) and the presence of furniture may prevent Buyers, inspectors and Brokers from fully inspecting the condition of floors and walls. When exposed, these areas may have a different pattern of wear or shade of color. In order for Buyers to determine the actual condition of the floors and walls beneath such coverings, Buyers will need to secure the written authorization of Sellers to conduct investigations with licensed professionals during Buyers' inspection period, if any, since destructive testing may be required.

3. TEMPERED GLASS: Many homes contain glass that IS NOT tempered where tempered glass IS required by building regulations. Buyers should have a contractor identify glass that is not properly tempered during Buyers' inspection period, if any. Buyers should replace any non-tempered glass with tempered glass to reduce the risk of injury.

4. FIREPLACES, WOOD-BURNING APPLIANCES AND SPARK ARRESTORS: If the Property has a fireplace or wood-burning appliance, it may be subject to ordinances that may restrict or prohibit usage. Many cities and towns have enacted or are considering ordinances that may affect existing and future fireplaces or wood-burning appliances at the Property, including but not limited to the need for spark arrestors on chimneys. Buyers should contact all relevant public agencies regarding the applicability of this type of ordinance to Buyers' intended use of the Property.

5. SIZE AND AGE: Any representations regarding square footage, number of rooms, or age of Property improvements that have been obtained from third parties have not been verified by Brokers. Such figures, including those from assessor's records, are only approximations, may not be accurate and should not be relied upon. If square footage, number of rooms or age of the Property is important to Buyers, then Buyers must verify same by hiring an appraiser during Buyers' inspection period, if any. If lot size or location of boundaries is important to Buyers, then Buyer should hire a surveyor during Buyers' inspection period, if any.

6. SEPTIC SYSTEMS AND WASTEWATER TREATMENT SYSTEM REGULATIONS: If the Property has a Septic System (usually consisting of a septic tank, cesspool, leach lines, a leach field, pits, or a combination thereof), Buyers should obtain a current, written inspection report from a licensed professional regarding the condition and adequacy of the System for the Buyers' specific needs. Visual inspection of the tank alone is insufficient. Buyers' lender or government agencies may require an inspection and testing of the Septic System. Brokers make no representations as to the condition, capacity, operability or expandability of the Septic System.

Expansion or remodeling of the dwelling may be restricted or even denied due to the existence of a Septic System. Securing approval for changes in the dwelling may be conditioned upon testing, removal, repair, expansion, or other changes to the System (e.g., connection to sewer 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. Buyers should investigate these issues at appropriate government agencies and with qualified licensed professionals (e.g., architects, contractors, engineers) during Buyers' inspection period, if any. For more information about OWTS/Septic System regulations, Buyers should contact the State Water Resources Control Board at (916) 341-5250 and by reviewing the SWRCB's website: <http://www.swrcb.ca.gov/ab885/index.html>.

7. SEWERS AND SEWER LATERALS: A number of public sanitary districts and private sanitary entities serve various communities and some have different rules and regulations regarding fees and costs. Buyers need to determine whether or not the Property is part of such a district and Buyers need to make arrangements with the Seller to transfer any necessary rights to any private sanitary entities. Some sanitary districts and private entities have implemented various requirements, restrictions and costs relating to participation, usage, maintenance, and type of equipment used in connection with sewers, such as sewer lateral clean-outs, backflow prevention devices and drainage into sewer systems. Many cities have enacted ordinances requiring the abatement of sewer laterals (from the building served to the clean out in the city's right of way) which are leaking. Such ordinances require testing and repair of sewer laterals prior to sale under certain circumstances. Testing, repair and/or replacement of the sewer laterals may be required when transferring title, remodeling and/or expanding the residence and/or when changing plumbing fixtures or service. Buyers should contact the applicable public district or private entity to determine what, if any, action must be taken with respect to sewer systems and sewer laterals during Buyers' inspection contingency, if any.

If the Property has a private sewage disposal system, some jurisdictions, upon transfer of ownership, may require an inspection of the system, a written report and possible requirements for hook-up to a public sewer system depending upon the proximity of the Property to a public sewer system.

A number of jurisdiction require certification procedures which may need to be completed on or before the close of escrow and, if not, within a fixed period of time after close of escrow; penalties for noncompliance can be imposed. Each jurisdiction has its own unique requirements which Buyer should research during Buyer's inspection contingency, if any.

Even though the Property may be located in a sanitary district or subject to a sewer assessment, the Property may not be (and may not be entitled to be) connected to the sewer system. There may be a separate cost for the installation and connection of the Property to the sewer system and/or other actions that must be taken by Sellers and Buyers to transfer rights. Buyers should retain qualified professionals to evaluate the Property so as to determine the existence and condition of any sewer connections; that evaluation may require a video "scoping" of the system and/or pressure testing.

Brokers have not verified any of the issues discussed in Paragraph 7.

8. WATER AND WELL SYSTEMS: The Property may be served by a well, a spring, public or private water systems, or a combination thereof. Buyers should consider requesting that Sellers complete the PRDS Well and Private Water System Checklist form if the Property has a well and/or is served by a private water system. Buyers should hire qualified professionals to determine the water source and have the water system and its components inspected. Water may contain bacteria, chemicals, metal, minerals, and/or may emit odors. The availability, quantity, quality and potability of the water should be tested and some cities require testing of water pressure. Results of such testing may vary by season and may change over time due to geological events and other factors. Any testing and/or inspection of water availability, quantity, quality and/or potability should be conducted by qualified professionals and contacting appropriate governmental agencies. Brokers have not verified any of the issues discussed in Paragraph 8.

Recent studies have revealed that some wells in Morgan Hill and San Martin contain the chemical perchlorate. Other wells in Santa Clara County may be contaminated by this or other chemicals. Any questions about possible chemical contamination, including but not limited to its impact on any given Property, should be directed to the Santa Clara Valley Water District by calling (408) 265-2607 or visiting their website at www.valleywater.org.

The Santa Clara Valley Water District manages water resources and provides stewardship for the county's five watersheds, including 10 reservoirs (such as the Anderson Reservoir), hundreds of miles of streams and groundwater basins. The District captures local rainfall in the reservoirs throughout the winter months. Then in the spring and summer, the District makes releases from the reservoirs to replenish the underground water supply. Because the amount of local rainfall cannot be predicted, there is no way to guarantee that any given Reservoir will fill up each winter or that there will be sufficient water for all purposes, including recreation facilities. Brokers are not experts on this topic. Buyers can obtain additional information from the Santa Clara Valley Water District by calling (408) 265-2607 or go to the following website: www.valleywater.org.

9. WATER SHORTAGES AND CONSERVATION: The Property may be subject to water shortages, conservation, usage and other measures, such as water hook-up restrictions and, at various times, rationing including the need to bring in water from outside sources. The policies of local water districts and/or the city or county in which the Property is located can result in limitations on the amount of water available to the Property, restrictions on the use of water, and an increasingly graduated cost per unit of water use, including, but not limited to, penalties for excess usage. For further information, Buyers should contact the supplier of water to the Property regarding the supplier's current or anticipated policies on water usage and to determine the extent to which those policies may affect Buyers' intended use of the Property. If the Property is serviced by a private well or private water system, drought conditions and/or a low water table may make it necessary to arrange, through a private supplier, for delivery of water to the Property. Buyer should contact water supply companies for the costs involved.

10. WET WEATHER CONDITIONS: California experiences a wide range of weather conditions and at times has heavier than usual rainfall. During heavy rains, properties may become susceptible to earth movement, drainage problems and/or flooding. Properties which may not have experienced past water intrusion into or under improvements may experience these conditions due to weather-related phenomena. Sellers are obligated to disclose to Buyers those defects or conditions known to Sellers which affect the value or desirability of the Property; however, not all Sellers may be aware of recent changes in the condition of a Property or its improvements caused by unusually wet weather. Buyer should investigate these issues and conditions with licensed geotechnical engineers or other licensed engineers during Buyers' inspection period, if any.

11. WATER INTRUSION: Many homes suffer from water intrusion or leakage. The possible causes of water intrusion are varied, and may include defective construction, faulty grading, deterioration of building materials and absence of waterproofing. Water intrusion can cause serious damage to the Property including but not limited to wood rot, mold, mildew and even damage to the structural integrity of the Property. The cost of repairing and remediating water intrusion damage and its causes can be very significant. The existence and cause of water intrusion is often difficult to detect. Simply because there is no visual evidence of water intrusion does not mean that such intrusion does not exist. Buyers should have the Property inspected for water intrusion by a licensed professional during Buyers' inspection period, if any.

12. GROUND WATER, NATURAL SPRINGS AND WATER RUNOFF: Some properties have high water tables that can lead to water intrusion problems, intensify mold growth and compromise the stability of soils and/or foundations. High water tables may affect septic systems, wells and the use and enjoyment of the land, particularly during months of heavy rain. Many properties have natural springs and/or rain water runoff issues that may result in standing water, dry rot, flooding, mold, foundation failure or other potential water damage to improvements. Hillside properties or properties with retaining walls may be more susceptible to these issues. Buyers should retain geo-technical engineers and some civil engineers to help evaluate the effect of high water tables on the Property and when necessary consider drainage modifications to protect the structure and improve the value, development, use, and/or enjoyment of the surrounding area. If the Sellers' disclosures, any visual inspection of the Property, or any professional inspection report indicates a past or current water-related issue, Buyers are strongly encouraged to thoroughly investigate the problem, even if it is common to the area to determine its cause and the possible repair cost to rectify the problem with licensed professionals during the Buyers' inspection period, if any. Brokers have not verified any of the issues discussed in Paragraph 12.

13. CREEKS AND CULVERTS: Many properties are impacted by creeks (a narrow channel or small stream) and/or a culvert (a manmade 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 near a creek or culvert, Buyer should investigate the possibility of flooding and/or water intrusion that may result from those water sources with licensed professionals during Buyers' inspection period, if any. In addition, federal, state, county and some city entities and agencies have enacted regulations regarding creeks and culverts.

Some municipalities have implemented land management programs to keep creeks and groundwater clean. Due to pressures from development, all potential sources of environmental pollution are coming under public scrutiny, including farming and horse property. Buyers should investigate the County's land management programs during their inspection period, if any, at the following website: <http://www.sccgov.org>.

14. LEVEES: A levee is an embankment to prevent a river or body of water from flooding bordering land. Due to proximity to various bodies of water and waterways, several geographic areas have existing levees or require the construction of a levee(s). The Federal Emergency Management Agency ("FEMA") is responsible for certifying that any existing or proposed levees will protect an area against certain flood levels. FEMA is in the process of digitizing and updating their Flood Insurance Rate Maps ("FIRM") for several areas. All levees must be properly maintained and FEMA has indicated that certain levees need to be improved. The current and future existence

or condition of a levee may impact the need for flood insurance. Brokers are not qualified to determine whether or not the Property is or will be impacted by the existence, maintenance, improvement or construction of any levee. For more information contact the relevant County government or FEMA at <http://www.fema.gov>.

15. WOOD DESTROYING PESTS AND ORGANISMS: The presence of wood destroying pests or organisms can cause damage to the structures on the Property. To determine whether such pests or organisms are present, Buyer should have the Property inspected during Buyers' inspection period, if any, by a licensed structural pest control company which will issue a written report separated into two sections: Section 1 will identify areas where current infestation or infection is evident. Section 2 will identify conditions which will likely lead to infestation or infection. The costs for such inspection, and for any repairs, should be agreed upon as part of the Purchase Contract.

16. PETS, ANIMALS AND PESTS: Current or previous owner(s) may have had domestic and/or other indoor or outdoor animals on the Property; animals can cause various types of damage to Property. Odors from animal urine or waste may be dormant for long periods and then become active because of heat, humidity or other factors such as some cleaning techniques, or be temporarily masked by other odors such as fresh paint or new carpet. Animal urine and feces can also damage floors, floor coverings, walls, baseboards, or other components. Additionally, animals can attract fleas, ticks and other pests that can remain on the Property after the animal has been removed. Complete elimination of odors and other problems created by animals may not be possible even by professional cleaning efforts or replacing carpets, pads and other affected components.

The Property may be subject to ordinances regulating the maintenance, breeding, number, or type of animals permitted, or other requirements such as spaying or neutering. Homeowner and Common Interest Associations often impose additional restrictions on animals. Buyers should investigate such restrictions during their inspection period, if any. Neighbors may have animals that can cause problems including but not limited to noise or odors. Common pets such as dogs can bark, cats are not easily contained, and in some cases more unusual animals (e.g. poultry, exotic birds, and reptiles) may create issues that impact the value, use and enjoyment of the Property.

California is home to a wide variety of animals, reptiles and insect life, including but not limited to ants, bedbugs, birds, bats, rodents, snakes and larger wild animals such as mountain lions and deer, some or all of which may enter or inhabit the Property and may be difficult to eliminate. These animals can damage landscaping, might be a hazard to people, pets or other animals and may cause issues that impact the Buyers' use and enjoyment of the property. Proximity to rural or open space areas increases this likelihood. If these are issues of concern, Buyers should discuss and/or investigate these issues with licensed professionals, including local animal/pest control companies, and/or other qualified agencies or organizations during Buyers' inspection period, if any.

17. POWER LINES AND POWER PLANTS: Cities and counties receive electrical service through power lines from power plants that may be located in proximity to the Property. The Property may be impacted by an easement for the benefit or use of utilities and/or impacted by the existence of high voltage lines, transformers, other types of power equipment and/or electro-magnetic fields. All areas have experienced power outages caused by various factors at various times. Buyers should investigate the impact that any of these issues may have on the value, development, use, and/or enjoyment of the Property with the local utility, the State Public Utilities Commission and appropriate professionals.

18. UNDERGROUND UTILITIES AND PIPES: Some communities have begun the process of relocating utility lines underground in order to remove the utility poles in the neighborhood. These projects can result in special tax assessments, increased costs for homeowners and temporary disruptions of the neighborhood. Water, natural gas and other types of fuels are delivered to communities through a network of underground pipes that are connected to residential and commercial properties. Some areas have been adversely impacted by disruptions in service or damage to these underground pipes including, but not limited to, the destruction of homes. The general location of gas and hazardous liquid transmission pipelines is available to the public via the National Pipeline Mapping System (NPMS) Internet Web site maintained by the United States Department of Transportation at <http://www.npms.phmsa.dot.gov/>. Buyers should investigate these issues with the appropriate municipality and/or Pacific Gas and Electric Company ("PG&E") to determine if the Property is or will be impacted by underground utilities and/or pipes.

19. RE-KEYING: Buyers are advised to re-key all locks upon possession. Alarms, if any, may be leased and should be serviced by professionals and codes should be changed. Garage door openers and remotes should be re-coded

20. LOT SIZE AND BOUNDARIES: Only a land surveyor can reliably confirm square footage, lot size, property corners and exact boundaries. Representations regarding these items in the Multiple Listing Service, advertisements, computer generated property profiles and data in property tax assessor records are often approximations, or based upon inaccurate or incomplete records. Fences, hedges, walls or other barriers may not represent actual boundary lines. Brokers have not verified any representations regarding lot size and boundaries. If these issues are material to Buyers, they should not rely on any representations without independently verifying the size and boundary locations by hiring a licensed surveyor to investigate these issues during Buyers' inspection period, if any.

21. SOILS AND GEOLOGIC CONDITIONS: All land in California is subject to settling, slippage, subsidence, earthquakes and other forms of movement. The geologic forces that have shaped California over the eons are still active today. Much of California has expansive or adobe soil which can expand and contract depending upon the amount of water in the soil. Soil expansion and contraction can cause movement or shifting of structures, foundations and the land. Hillside properties are frequently active or potentially active landslide areas which can negatively impact the Property itself and surrounding properties. The Property may be constructed on fill or improperly compacted soil and/or have inadequate drainage capability. Buyers should confirm the legality, enforceability and/or scope of any easements (whether recorded or not) to deal with all surface and ground water with an attorney. Additionally, the Property may

have known or unknown mines, mills, caves or wells. Any of these issues can cause structural problems or destruction of improvements on the Property and/or impact the ability to develop the Property. Buyers should retain geo-technical engineers and/or some civil engineers to evaluate soil stability, grading, drainage and other soil conditions of the Property to determine how these forces may affect improvements to the Property, and when necessary consider drainage modifications to protect the structure and improve the use and enjoyment of the surrounding area. Buyers should not simply rely on geologists or companies that review governmental maps (see Paragraph 37) For further information, Buyers should contact licensed geo-technical professionals during Buyers' inspection period, if any.

22. EASEMENTS, ENCRANCHMENTS, PUBLIC TRAILS, ACCESS RIGHTS, PRIVATE ROADS & MAINTENANCE AGREEMENTS: Sellers need to disclose all known facts relating to the location, existence, maintenance and/or other obligations of any easement, access right, shared or private road/driveway, shared or private well systems and components, public trails and/or any possible encroachments affecting the Property. Buyers should investigate these issues by having a real estate attorney evaluate all relevant documents, whether recorded or not.

Some communities have created and maintain public trail systems which abut private residences. Trails may be used by pedestrians, bicyclists, horseback riders and other animals; as such, the proximity of public trails may impact the value, development, use and/or enjoyment of the Property.

Only a surveyor can confirm the exact location of easements, trails, shared or private roads/driveways and/or encroachments. There may be unrecorded easements, access rights, encroachments and other agreements affecting the Property that may not be known by the Sellers or cannot be determined by a survey and/or a title search. Representations regarding these issues in the Multiple Listing Service, advertisements, or plotted by a title company are often approximations, or based upon inaccurate or incomplete records.

The use or maintenance of the Property or other property(s) by Sellers or others may or may not establish an actual easement, access right, shared or private road, driveway, maintenance obligation or encroachment. Where no written agreement exists to establish a perceived use or obligation, Buyers should have these issues evaluated by a real estate attorney. Brokers have not verified any representations made by third parties regarding any matters identified in Paragraph 22.

23. VIEWS AND VIEW ORDINANCES: Views from the Property may be affected by weather conditions, future development, growth of trees and vegetation on other properties, current location and/or future construction of cellular antennas and the use of any property within the line of sight of the Property. Buyers should review any Covenants, Conditions and Restrictions, government ordinances or regulations, or any other documentation which may impact views. Buyers should also contact neighboring property owners, government agencies, architects and homeowner associations, if any, during Buyers' inspection period, if any, to evaluate any issues that might impact the view. Brokers have not verified the ability to preserve existing views.

Some cities and counties have view ordinances to protect existing views which may limit the planting of new trees, restrict the height of trees and limit future construction. Properties that are subject to a view easement may be required to maintain their landscaping so as to prevent any unreasonable obstructions to the views of other property owners. Certain trees that are part of the natural habitat may be exempt from these local ordinances. Often a view property will have recently trimmed trees and shrubs revealing the view; maintaining that view could entail not only trimming foliage on the Property, but may also involve enlisting the cooperation of their neighbors to keep their foliage trimmed, possibly at Buyers' expense. Cities and counties do not often take an active role in these issues; rather they tend to encourage private resolution of such disputes. Each municipality has a slightly different mechanism for handling these situations, and Buyers should review the applicable Municipal or County Code/Ordinance during Buyers' inspection period, if any.

24. TREE ORDINANCES: Several municipalities have enacted ordinances to regulate and control the removal of trees in any given area. Some cities have identified Heritage or other significant trees that must be protected or preserved in certain areas. Permits may be required to cut down, destroy, remove or relocate designated trees. Buyers should read any applicable tree preservation ordinances, check with relevant governmental entities and consult with an arborist during their inspection period, if any, to determine the health of trees and whether or not any special action can or must be taken with respect to any trees on the Property. Brokers cannot determine the health of trees and/or whether or not any tree is subject to any particular tree preservation ordinance. The City of San Jose requires Sellers to make specific disclosures to Buyers regarding street trees on a separate form prior to the sale of residential property. If the Property is in the City of San Jose, Buyers should not close escrow without receiving the Sellers' Street Tree Disclosure form.

25. LAND LEASE: Some developments are built on leased land which means: (a) Buyers will not own the land; (b) the right to occupy the land will terminate at some future time; (c) the cost to lease the land may increase in the future; (d) Buyers may not be able to obtain insurance; (e) the ability to obtain or the cost of initial and future financing of the Property may be impacted; and (f) the value, development, use and enjoyment of the Property may be impacted. This list may not identify all issues. Buyers should obtain a copy of the Land Lease and discuss the practical and legal implications of owning a home on leased land with their own attorney or other appropriate professionals.

26. BUILDING PERMITS, ZONING AND CODE COMPLIANCE: Any structure, or portion thereof, on the Property, including the original building, any addition, modification, remodel, repair, improvement or second unit may have been built without permits, not according to building codes, and/or in violation of zoning laws and/or may not legally be used or occupied as contemplated by Buyers (collectively referred to as "nonconforming"). The existence of a nonconforming improvement may have a negative impact on appraised value, ability to obtain financing, require a retrofit, impact habitability, preclude insurance coverage and/or result in fees, penalties and government enforcement actions. In some cases, nonconforming improvements may be subject to removal by local governmental agencies including building, planning, zoning, environmental health, and code enforcement. Nonconforming or illegal rental units may

be required to be vacated and possibly torn down. It might not be possible to legalize and/or bring such nonconforming improvements up to current code because of zoning or permit issues and/or other legal or regulatory limitations. Even if a nonconforming improvement was built according to the then-existing code or zoning requirements, it may not be in compliance with current building standards or local zoning. As such, commencing any new construction or remodeling projects may not be possible or may require bringing nonconforming improvements into compliance with current requirements. It is also possible that local law may not allow nonconforming improvements that now exist to be rebuilt in the event of damage or destruction. While Sellers are obligated to disclose any known nonconforming improvements, Sellers may not be aware of all noncompliant or illegal improvements or uses especially those that were made prior to the Sellers' ownership of the Property.

Buyers are strongly urged to investigate the status of all possible nonconforming improvements by reviewing all files maintained by any governmental agencies for the Property including those listed above as well as obtaining the advice of contractors, architects, engineers or other professionals to verify the actual status of all permits, legal requirements and the effect of such requirements on past, current and future use of the Property, its development and size limitations during the Buyers' inspection period, if any. Brokers 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. Brokers have not verified any of the issues detailed in Paragraph 26 and thus cannot determine the ability of Buyers to change or develop the Property.

27. FUTURE REPAIRS, REPLACEMENTS AND REMODELS: Various governmental agencies impose limitations and restrictions regarding house size, configuration, design, materials and/or development of the Property. Replacement or repairs of certain systems or remodels of portions of Property may trigger requirements that homeowners comply with laws and regulations that either come into effect after Close of Escrow or are not required to be complied with until the replacement, repair or remodel has occurred. Permit or code requirements or building standards may change after Close of Escrow, resulting in increased costs to repair existing features or the inability to make any future repair, replacement, remodel or addition to the property. Changes to state and federal energy efficiency regulations impact the installation, replacement and some repairs of heating and air conditioning units (HVAC). State regulations require that when installing or replacing HVAC units, duct work must be tested for leaks in some coastal areas. Home warranty policies may not cover such inspections or repairs. For further information on any of these issues, Buyers should obtain the advice of contractors, architects, engineers or other professionals and investigate with the appropriate governmental agency (e.g. building, planning, zoning, environmental health, code enforcement), and/or the California Energy Commission's website <http://www.energy.ca.gov/title24/changeout> during Buyer's inspection period, if any.

Many people use unlicensed repair people to save money. However, using unlicensed repair people may create problems because they may not be qualified to do the work, they may not know all of the legal requirements for performance of that work, they may not have insurance, performance bonds or other means to enable them to financially stand behind the work performed.

Brokers have not verified any of the issues detailed in Paragraph 27 and thus cannot determine the ability of Buyers to change or develop the Property or the quality of work that has or will be performed by any repair people.

28. SMOKE DETECTORS: Some cities or counties may require a smoke detector inspection by a qualified inspector prior to the transfer of title. Fire departments vary from District to District. Sellers and Buyers should contact the appropriate governmental agency and all applicable regulators regarding the type, number and/or location of smoke detectors. Buyers need to determine if an inspection or additional documentation is needed to certify proper installation and operation of the smoke detectors as well as the impact that these issues may have on the value, use, enjoyment or development of the Property.

29. RETROFIT, SAFETY & SECURITY REQUIREMENTS: State and/or local laws may require installation of barriers, access alarms, self-latching mechanisms and/or other measures to decrease the risk to children and others of swimming pools and hot tubs. State and/or local laws may require the installation of certain locking mechanisms on doors and window bars, operable smoke and carbon monoxide detectors, bracing or strapping of water heaters, and completion of a corresponding written statement of compliance that is delivered to Buyers. Some local governments may impose additional retrofit standards, including, but not limited to, installing low-flow toilets and showerheads, gas shut-off valves, spark arresters and tempered glass. Unless specifically agreed in the Purchase Contract, the Property may not be in complete compliance with applicable requirements. To determine the retrofit requirements and any applicable penalties for non-compliance, and to determine the extent to which the Property complies with such standards, consult with the appropriate government agencies. To determine the costs, if any, consult licensed construction professionals.

30. EPA REQUIREMENTS FOR PRE-1978 HOUSING: Beginning October 1, 2010, U.S. Environmental Protection Agency (EPA) regulations require, among other things: (a) that contractors be certified before performing work in homes built before 1978, (b) the use of lead-safe practices and other actions aimed at preventing lead poisoning, and (c) that property owners who wish to renovate, repair, or prepare surfaces for painting in pre-1978 rental housing or space rented by child-care facilities must, before beginning work, also be certified and follow the lead-safe work practices required by EPA's Renovation, Repair and Remodeling rule. For further information, contact the U.S. EPA's Lead Information Center at 1-800-424-LEAD [5323], or go to: <http://www.epa.gov>. See also Paragraph 41 of this Advisory.

31. HISTORICAL DESIGNATION, COASTAL COMMISSION, AND OTHER RESTRICTIONS ON IMPROVEMENTS AND LAND USE: The Property may be designated as a historical landmark, protected by historical conservancy, subject to an architectural or landscaping review process, within the jurisdiction of the California Coastal Commission or other government agency, or subject to a contract preserving use of all or part of the Property for agriculture or open space. Specific structures, sites, trails, roads and natural features may be identified in a General Plan or local Specific Plan as requiring special treatment. If the Property is so designated then there may be restrictions on Buyers' ability to retain existing features of the Property, develop, remodel, improve, build or rebuild any of the structures

and/or remove or trim trees or other landscaping. Buyers should investigate these issues during Buyer's inspection period, if any, by contacting the applicable governmental entities.

32. RENTAL PROPERTY: Some cities and counties impose restrictions that limit the rent that can be charged to a tenant, the maximum number of tenants who can occupy the property and the right of the landlord to terminate a tenancy and the costs to do so. Buyers should investigate the issue with the appropriate governmental authority and/or an attorney during Buyers' inspection period, if any. If rental property is offered to the public, the owner and real estate agent must comply with all state and federal fair housing laws, including but not limited to making reasonable accommodations for individuals with service or companion animals.

33. 1915 BOND AND MELLO-ROOS COMMUNITY AND OTHER FACILITIES DISTRICTS: The Property may be subject to an improvement bond assessment under the Improvement Bond Act of 1915 and/or a levy of a special tax pursuant to a Mello-Roos community facilities or other district. The existence of Mello-Roos and 1915 Bond districts will be reported 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 Sellers or local disclosure. Sellers are generally required to make a good faith effort to obtain a disclosure notice from any local agency collecting such taxes and deliver such notice to Buyers. The responsibility for prorating or paying taxes and assessments should be determined as part of the negotiations for the Purchase Agreement.

34. NOTICE OF YOUR "SUPPLEMENTAL" PROPERTY TAX BILL: Pursuant to Civil Code § 1102.6(c), Seller or Seller's agent is required to provide the following "Notice of our "Supplemental" Tax Bill" to the Buyer.

"California property tax law requires the Assessor to revalue real property at the time the ownership of 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 bill 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 regarding this matter, please call your Tax Collector's Office."

Although this statutory Supplemental Tax Bill Notice refers to a loan closing as a trigger, it is actually the change of ownership which triggers this reassessment. Therefore, the Property can be reassessed even if there is no loan involved in the purchase of the Property. The Purchase Agreement may allocate supplemental tax bills received after the Close of Escrow to the Buyer. For further information concerning these matters, Buyer should contact the County Assessor or Tax Collector. Parcel and other types of taxes may be added and/or increase over time.

35. FIRPTA/CALIFORNIA WITHHOLDING: 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 withholding 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 such as the escrow holder, state under penalty of perjury that the Substitute has the required taxpayer identification information. Buyers can also avoid the federal withholding requirement if the Property price is \$300,000 or less and the Buyers sign an affidavit stating that the Buyers intend to occupy the Property as a principal residence.

California law requires that Buyers withhold and remit to the California Franchise Tax Board 3 1/3% of the purchase price unless the Sellers sign an affidavit that the Property was the Seller's (or the decedent's if a trust or probate sale) principal residence or that the sales price is \$100,000 or less or another exemption applies. Exemptions from withholding also apply to legal entities such as corporations, LLCs, and partnerships. Brokers cannot give tax or legal advice. Buyers and Sellers should seek advice from a CPA, attorney or taxing authority.

36. DEATH: California law requires that all Sellers, whether or not they are exempt from completing any specific disclosure forms, must disclose any death on the Property that occurred within three (3) years of the date of transfer.

37. NATURAL HAZARDS DISCLOSURE: Unless exempt, Sellers must disclose known natural hazards on the Natural Hazards Disclosure Statement ("NHDS") form. Sellers generally retain the services of a third party Natural Hazards Disclosure ("NHD") company to review public records and maps to provide that information to Buyers. Even if a Seller is exempt or is otherwise not required to provide the NHDS, Buyers should still obtain a report from an NHD company regarding the natural hazards which could affect the use and development of the Property. Some NHD companies provide information based upon federal, state, county and local sources, but these sources are not always consistent with each other, the maps relied upon may change over time, and the thoroughness of the report may vary depending upon the company chosen and/or the cost of the report. Buyers should carefully review all of the sources relied upon in the NHD report. Not all NHD companies use the same sources and/or some do not include all of the local information. Buyers should not rely exclusively on the NHDS or the accompanying NHD reports for all information regarding natural hazards which may affect the Property. Buyers who have questions about any NHD reports should contact the NHD Company that issued that NHD report. Although some NHD providers are licensed geologists, they are not conducting a geological examination of the Property. Buyers should have the actual Property inspected by a licensed geologist, geotechnical engineer, or other licensed professionals to evaluate the past and current condition of the Property, so as to assess its value, future use and development. Brokers are not qualified to determine the location or extent of natural hazards and/or to explain the contents of NHD reports.

38. GEOLOGIC HAZARDS: California has experienced earthquakes of varying sizes and frequency. There is always a potential for future earthquakes. Earthquake damage may not be discoverable by Buyer's or Broker's visual inspection. Inspection by a licensed structural engineer is strongly recommended to determine the structural integrity and safety of all improvements on the Property. If the Property is a condominium, or located in a planned unit or common interest development, Buyers should contact the Homeowners' Association regarding earthquake repairs and retrofit work. Buyers are encouraged to obtain and read the pamphlet entitled "The Homeowners Guide to Earthquake Safety". If the home was built prior to 1960, Sellers may be required to complete a questionnaire within that state pamphlet. If the Property was built before 1975 and contains structures built with masonry or precast (tilt up) concrete walls, then Sellers must provide Buyers with a pamphlet entitled "The Commercial Property Owner's Guide to Earthquake Safety". Many areas have a wide range of geologic problems and numerous studies have been made of these conditions. Some of this information is available for review at city and county planning departments. Buyers should review public maps and reports and/or obtain a geologist's inspection report rather than relying solely on the NHDS (see Paragraph 36). Buyers may be able to obtain earthquake insurance; Sellers who agree to provide financing should also consider requiring Buyers to obtain such insurance.

39. EARTHQUAKE FAULT ZONES AND SEISMIC HAZARD ZONES: California law requires the delineation and mapping of "Earthquake Fault Zones" along known active faults and "Seismic Hazard Zones." Affected cities and counties must regulate construction projects within these zones. Improvement of affected properties may be subject to the findings of a geological report prepared by a registered California geologist. However, earthquakes and seismic hazards may occur outside designated zones. For further information, Buyers should make independent inquiries of any research company retained by Sellers (see Paragraph 37) or with appropriate government agencies concerning the use and improvement of the Property during the Buyers' inspection period, if any.

40. FIRE HAZARDS/ZONES: Fires annually cause the destruction of many properties in California. Due to climate and topography, certain areas have higher risks of fires than others and certain fire hazard zones are reported in the NHDS (see Paragraph 37). Certain types of materials used in home construction create a greater risk of fire than others. However, there is a potential for fires even outside designated zones. For further information, Buyers should contact the local fire department as well as Buyers' insurance agent regarding the risk of fires during Buyers' inspection period, if any.

State and/or local jurisdictions may require that homeowners maintain their property by means of weed/brush abatement, tree trimming and other measures to create "defensible space" in a fire hazard area. Buyers should consult with all applicable governmental agencies regarding any questions about fire safety zones and applicable regulations.

41. FLOOD HAZARDS/ZONES: The National Flood Insurance Program identifies flood plain areas and establishes flood-risk zones within those areas which are shown on the NHDS (see Paragraph 37). That Program mandates flood insurance for properties within high-risk zones if loans are obtained from a federally-regulated financial institution or are insured by any agency of the United States Government. The extent of coverage and costs may vary. However, there is potential for flooding even outside designated zones. For further information, Buyers should consult their lender, insurance agent and/or the Federal Emergency Management Agency (FEMA) during Buyers' inspection period, if any.

42. ENVIRONMENTAL HAZARDS: The presence of certain environmental hazards such as lead-based paint and other lead contamination, asbestos, formaldehyde, radon, methane, 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 or tri-chloro-ethylene (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."

43. MOLD: Mold is one type of environmental hazard. The presence of toxic and/or non-toxic mold, fungi, mildew and other organisms (collectively referred to as "Mold") may adversely affect the Property. Current information indicates that some types of Mold may cause severe health problems for certain individuals, but not everyone. Not all Molds are detectable as part of a visual inspection by a Broker or even a professional whole house inspector. It is also possible that the Property could have a hidden Mold problem that is unknown to the Sellers. The only way to provide any reasonable assurance that the Property does not have a Mold or other health hazard problem is to retain the services of an environmental expert to conduct specific tests at the Property. These tests customarily consist of an interior and exterior examination for airborne spores and a carpet test but other procedures may be necessary. Any visible Mold should be professionally evaluated. Brokers have not and cannot verify whether there is or is not any type of health hazard.

All Buyers should consider having a specific Mold test performed by an environmental professional as either a separate investigation or an add-on to their whole house inspection. This is especially necessary if a Buyer has a known problem with Mold and/or if any, of the inspection reports or disclosure documents indicates that there is evidence of past or present moisture, standing water or water intrusion at the property since most Mold thrives on moisture. All inspections, including those to detect Mold, should be completed during Buyers' inspection period. Any waiver or failure on the part of Buyers to complete and obtain all appropriate tests, including those for Mold, is against the Brokers' advice.

44. UNDERGROUND STORAGE TANKS (UST): Many homes may have or have had an Underground Storage Tank ("UST") for the fuel oil that fired the Property's furnace or for storage of gasoline or oil. As natural gas became the standard fuel for home furnaces, virtually all of the old furnaces were replaced. However, many UST remain buried on some properties and cannot be detected as part of a visual inspection. The California State Water Resources Control Board regulates all residential USTs in California. The licensing, inspection and regulation of residential USTs is currently not required if the tank is less than 750 gallons and was used for fuel oil only. However,

this does not guarantee that any given Property would be exempt from abatement if a UST is discovered. Each municipality has different regulations concerning USTs that may include tank removal and soil cleanup of any toxic material that may have leaked from the UST. For further information contact the Public Work Department, Building Department and/or Fire Department for the Property.

45. GOVERNMENTAL SERVICES: Economic and other political factors may impact the cost, nature and extent of available governmental services including but not limited to law enforcement, fire protection, postal service and/or public works. Buyers should investigate the impact that these issues may have on the value, development, use and enjoyment of the Property during their inspection period, if any. Brokers have not verified the issues in Paragraph 45.

46. SCHOOLS: Neighborhood schools normally serving the Property may not have space available in the current or upcoming school years and some schools may be impacted by busing, overcrowding, financial cutbacks, academic achievement difficulties, possible closings and/or other issues. Each school district has its own rules regarding school assignments and these rules may change at any time with little notice. The ability to provide schooling for children with special needs varies greatly in different communities. Buyers should thoroughly investigate these and other issues with local school districts during Buyers' inspection period, if any. Brokers have not verified the issues in Paragraph 46.

47. NOISE/ODORS: Noise/odors levels and types of noise/odors that bother one person may be acceptable to others. Factors which can impact these subjective issues include, but are not limited to, various types of trains, buses, light rail, BART, freeways, nearby farming industry, construction, neighbors, animals and other causes. The Bay Area is also served by three international airports, several municipal and private airports and Moffett Field. Aircraft fly over virtually all residential areas creating noise levels that vary depending upon the aircraft type, size, altitude, time of flight, weather conditions and on the Property's proximity to flight paths and airports. Local amenities, facilities and services which add to the richness of the community may also produce noise at various times including but not limited to the Shoreline Amphitheater, Paul Masson Winery, Montalvo Center for the Arts, Great America, schools, parks and ball fields. Some coastal properties may be impacted by tsunami warning systems. Buyers should visit the Property at various days and times to personally determine noise levels; Buyers should also contact the respective transportation agencies to determine whether potential noise/odors levels are acceptable to Buyers and/or will impact the value, development, use and enjoyment of the Property.

48. SMOKING ORDINANCES: Santa Clara County and some cities in both San Mateo and Santa Clara Counties have or are in the process of enacting smoking ordinances regulating smoking pollution within certain types of residential property. These regulations may limit or affect where smoking is permitted, the terms of any applicable lease agreements, the smoker's responsibilities to others for the effects of second-hand smoke and other issues. Different rules may apply to multi-unit residences. CC& R's and homeowners' association rules and regulations may also address these issues. For more information, Buyer should go to the applicable governmental website and/or should contact the homeowners' association.

49. FREEWAYS, HIGHWAYS AND STREETS: The ability to travel on public roads varies greatly due to development, construction, weather, traffic congestion, and other factors such as peak travel times. There are a variety of public and private events and venues that can adversely impact travel during these activities and/or the value, development, use and enjoyment of the Property. Buyers should investigate their transportation needs during their inspection period, if any,

50. TRAINS AND BART: Cal-Train operates commuter trains from San Jose to San Francisco which run daily through and make various stops in Santa Clara and San Mateo Counties. A railroad train also runs between San Jose and Cupertino several times a week. There are also freight trains which operate at various times of day and night in both counties. The Bay Area Rapid Transit district operates trains. The presence of any type of train, their tracks and train stations may create noise, impact local streets and may also impact the value and desirability of some property. Under regulations issued by the Federal Railroad Administration, these trains must produce a distinct, separate, sequential blast at various grade crossings (where a street crosses the tracks) and whenever a train engineer sees a trespasser near the tracks. To comply with those regulations, Cal-Train has temporarily relocated their horns onto the top of the locomotives which has increased the volume and range of the sound. Cal-Train is attempting to balance neighborhood noise concerns with the required safety regulations. The ultimate impact of any type of train on the Property or Buyers is subjective in nature. Buyers are advised to investigate this issue during their inspection period, if any, to determine the potential impact of any of these issues. For more information, go to <http://www.caltrain.org>; <http://www.bart.gov>.

51. HIGH-SPEED RAIL: On November 5, 2008, California voters approved Proposition 1A authorizing funding of a high-speed rail transportation system linking various cities in the State. Both the location of the proposed train system and the possible effect that the construction and operation of that system will have on residential areas has been the subject of concern and debate. Some news reports have indicated that, depending upon the location of the high-speed rail system, it may have a negative effect on some properties in the San Francisco Bay Area. It is anticipated that construction is likely to begin as early as 2011. Precisely what impact, if any, the proposed high-speed rail transportation system will have on the Property or Buyers is unknown either before, during or after construction and is subjective in nature. Brokers are not experts in this area and Buyers are advised to satisfy themselves with regard to this issue during their inspection contingency period. The California High-Speed Rail Authority ("Authority") is the entity that is responsible for planning, constructing and operating that high-speed rail system. Buyers can obtain more information about the proposed high-speed rail system by contacting the Authority or online at <http://www.cahighspeedrail.ca.gov>.

52. INSURANCE: Buyers should consult an insurance broker during Buyers' inspection period, if any, to determine the cost of homeowners' insurance, the types of available coverage and any restrictions that the carrier may impose. Some insurance companies may impose conditions such as complying with retrofit requirements, such as installation of safety glass, fireplace spark arrestors and a gas shut-off valve. (The fact that an insurance company may require these repairs does not necessarily mean that a Seller is obligated to make the repairs required by the insurer.) Insurance coverage for certain high fire risk, hillside, oceanfront and brush properties

may only be available from the California Fair Plan; coverage may be limited but the cost of this insurance may be increased. Buyer's own insurance agent should be consulted during Buyer's inspection contingency period regarding the availability of coverage under the California Fair Plan and the length of time it may take for processing a California Fair Plan application. Flood insurance may also be required from the National Flood Insurance Program (see Paragraph 41). If the Property is a condominium or part of a common interest development, the Homeowners' Association may provide some insurance coverage for the common area and/or units, but the Homeowners' Association may not provide coverage for the individual units or the homeowners' personal belongings. Buyers should ask for a copy of the Homeowners' Association Insurance Certificate and provide that to their own insurance broker to insure that adequate coverage is provided. Buyers should also consider asking that Sellers order a C.L.U.E. report to provide a 5 year history of past insurance claims on the Property.

Some insurance companies have stopped writing homeowner's insurance policies in California as well as in other states as a result of the increase in Mold claims. Many insurance companies will not write a homeowner's policy on a home that has had any Mold or water intrusion claims within the last five years. Obtaining homeowner's insurance may be difficult, if not more expensive, where either the seller or the buyer has made a mold and/or water intrusion claim within the last five years. Buyers should assure themselves that homeowner's insurance can be obtained on the property during their inspection and/or insurance investigation.

53. HOME WARRANTY: Buyers and Sellers can purchase home warranty plans covering various systems of the Property both before and after the Close of Escrow. Sellers can obtain coverage for the Property during the listing period. For an additional premium, an upgraded policy providing additional coverage for air conditioning, pool, spa, appliances, well and other features may be purchased. Home Warranties do not cover every aspect of the Property and may not cover pre-existing conditions, upgrades for repairs required by state or federal laws. Buyers should review the availability of various home warranty plans during Buyers' inspection period, if any.

54. COMMON INTEREST DEVELOPMENTS: Buyers are advised that if the Property is a condominium, or is located in either a planned unit development or common interest subdivision, there will probably be a Homeowners' Association ("HOA") as well as governing documents that may control the individual Properties and the common area. HOA rules and regulations may limit Buyers' use and enjoyment of the Property. Failure to follow HOA rules and regulations may cause the HOA to impose fines, liens and/or take other legal action against a homeowner. HOA rules may include limitations on interior and exterior unit modifications, including but not limited to design, landscaping, color choices, types of floor and/or wall materials, installation of TV antennae and/or satellite dishes and fencing. HOAs often impose limitations on the ability to rent the Property, use of guest, assigned or restricted parking, noise levels, use of pool, fitness equipment and other common area amenities. HOAs may also regulate having visitors, conducting home businesses, use of storage facilities, number and size of pets, storing RVs, trailers and/or inoperative vehicles, vehicle maintenance activities, use and location of basketball hoops and other sports equipment, placement, size and purpose of signs and other regulations.

Under California law, the Sellers must provide a list of specific documents regarding the operation and financial condition of the HOA to Buyers. Buyers should carefully examine all of these documents and compare the documents received with the list of required disclosures as detailed on the PRDS Request for Homeowner Documents or the California Association of REALTORS® Homeowner Association Information Request forms. Sellers should order the required documents directly from the HOA, using one of the request forms above rather than relying on documents previously obtained by Sellers from on-line services or outdated documents from an earlier transaction. Sellers need to be aware that standard real estate contract forms require the Seller to produce "current" documents as of the date of the contract, such as the last 12 months of minutes, any notices, and changes in fees/assessments. However, if Buyer determines any HOA documents are missing, out of date or incomplete, Buyers should send a written request to Sellers asking for the missing documents or a written explanation as to why the documents were not provided.

Buyers should carefully review the HOA's financial condition including current dues and assessments, as well as pending or contemplated increases. Buyers need to understand that upon becoming part of an HOA makes them financially liable for their proportional share of the HOA's Reserve Account (money set aside for the maintenance, repair, and replacement cost of all the physical components of the common area of the complex). Buyers should compare the amount of money actually set aside in reserve by the HOA verses the amount of money that should have been set aside in reserve. 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 other financial issues relating to the association. Brokers have no expertise in this area.

Many Common Interest Developments have been involved in, are presently involved in or are contemplating litigation regarding the design, construction, maintenance and/or physical 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 seriously impact the adequacy of the HOA reserves as well as the amount of current or future HOA fees and/or special assessments. If the Property has had past, current or is considering litigation in the future, Buyers are advised to seek advice regarding these issues from a qualified real estate attorney during the Buyers' inspection period, if any.

If the HOA provides assigned or allocated parking spaces. Buyers should investigate for themselves whether or not the space is adequate to park the Buyers' vehicle(s) in the assigned space by actually parking in that space. Actual assigned or allocated parking and storage spaces may be in conflict with the spaces described in a Condominium Map or in the Preliminary Report issued by a Title Company. Buyers should confirm that the parking and storage spaces that are actually being transferred to the Buyers are the same ones that are designated in the recorded documents and that those space(s) are acceptable for the Buyers' intended needs and uses.

55. PRIVATE TRANSFER FEE: Sellers must disclose the existence of any Private Transfer Fee required in CC&Rs, deeds or other recorded documents. That disclosure must include the amount of the fee required, a description of how the fee is calculated, the entity that is to be paid the fee, the purposes for which the fee will be used, and the date or circumstances under which the obligation to pay the transfer fee expires, if any. Since a Seller may or may not have actual awareness of the existence of a Private Transfer Fee, Buyers should carefully examine any and all title documents to determine this issue.

56. NON-CONFIDENTIALITY OF OFFERS: Sellers or Sellers' representatives may not treat the existence, terms or conditions of any Buyers offer as confidential unless confidentiality is required by law, regulation, or a confidentiality agreement between the parties. Sellers and Buyers should carefully consider the relative need, value, advantage and disadvantage of requiring the execution of a confidentiality agreement as a precondition to submittal of an offer in consultation with a real estate attorney early enough in time for the attorney to prepare a satisfactory confidentiality agreement (if any) and for it to be delivered to Broker prior to presentation of Buyers' offer.

57. LIQUIDATED DAMAGES: A liquidated damages clause enables Buyers and Sellers to set a cap on the maximum amount of damages that Sellers may recover if Buyers breach the Purchase Contract. The liquidated damages clause in a real property Purchase Contract needs to be separately initialed by both parties to be enforceable. For any deposit(s) put into escrow after the initial deposit to be subject to the liquidated damages clause, there must be a separately signed or initialed agreement made at the time of the subsequent deposit(s). If the Property contains 1 to 4 residential units, one of which the Buyers intend to occupy, California Civil Code §1675 limits the amount of deposit that is subject to the liquidated damages clause to a maximum of 3% of the purchase price. Even if Buyers and Sellers agree to include liquidated damages in the Purchase Contract and there is a breach of contract by the Buyers, the deposit will generally not be released by the escrow holder without mutually consistent written instructions from the Buyers and Sellers or a decision by a judge or arbitrator. Buyers and Sellers must decide on their own, or with the advice of legal counsel, whether to agree to a liquidated damages clause. Brokers cannot give legal advice regarding these matters.

58. MEDIATION: Mediation is a form of dispute resolution which involves hiring a neutral third party (the "Mediator") to facilitate informal discussions and negotiations with the goal of reaching a settlement of the dispute; the Mediator does not determine who is right or who is wrong. The Parties involved in the Mediation generally share in the cost of this confidential, non-binding process. If no settlement agreement is reached, either Party may pursue further legal action as provided in the Purchase Contract. A Party's failure or refusal to mediate before resorting to arbitration or judicial action may result in that Party losing the right to recover their attorney's fees even if he or she prevails. Which Parties should be involved in Mediation and/or who should serve as the Mediator are issues that need to be determined by an attorney. Brokers are not qualified to represent Buyers or Sellers in resolving disputes through mediation since Brokers cannot give legal advice to Buyers and/or Sellers.

59. ARBITRATION: Arbitration is a form of dispute resolution which involves hiring a neutral third party (the "Arbitrator") to render a formal decision as to who is right and/or what damages, if any, should be paid. Arbitration may be faster and less expensive than resolving disputes by litigation in court. The rules are usually less formal than in court; it is a private process that is not of public record however the arbitration process is best handled by attorneys who understand these issues. By agreeing to Arbitration the Parties give up their rights to a jury trial and appeal. Arbitrations decisions have been upheld even when Arbitrators have made a mistake as to the law or the facts of the case. If Parties agree to include an arbitration provision in their real property agreement(s), then any dispute arising out of those agreements (with some limited exceptions) must be submitted to binding arbitration. Buyers and Sellers must decide on their own, or with the advice of legal counsel, whether or not to agree to arbitration.

The Purchase Contract does not obligate the Brokers to participate in Arbitration even if Buyers and Sellers agree to use that forum; however, Broker may have the option to voluntarily agree to participate in Arbitration. Brokers cannot give legal advice regarding these matters to Buyers and/or Sellers.

60. LEGAL ACTION: Sellers should disclose to Buyers any known claim or legal action (litigation or arbitration) which affects the title or use of the Property, whether or not that claim or legal action is resolved. Buyers should consult with their attorney regarding the affect that any disclosed claim or legal action may have on the value, development, use and enjoyment of the Property.

REGIONAL ISSUES

61. LITIGATION BY OR AGAINST A CITY, COUNTY OR GOVERNMENTAL AGENCY: Buyer should investigate whether there is any pending litigation or administrative claim that may affect the value, development, use and/or enjoyment of the property and/or impact the ability of the local community to provide necessary services. Check appropriate governmental websites.

62. COASTAL CONDITIONS: Property located near any coast lines may be subject to frequent strong winds, wind-driven rain, fog, salty sea air and mist, and direct sunlight, any of which, alone or in combination, can impact the condition of the land as well as prematurely age structures and personal property items exposed to the elements. Coastal properties may be impacted by ocean tides, currents and tsunamis. 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, and thus coastal properties require regular, thorough maintenance. Development, current, and future use and remodeling of coastal properties may be regulated by the California Coastal Commission. Buyers should investigate these conditions as well as the cost of increased maintenance and repairs that may be needed for any Property located in coastal areas.

The foghorn located at the El Granada breakwater is audible at times and at various sound levels in adjacent coastal communities, depending upon weather conditions and proximity.

California Emergency Management Agency (Cal EMA) and the California Geological Survey (CGS) have released California Tsunami Inundation Maps covering areas along about 50% of the state's coastline, and including 100% of the San Francisco Bay Area. Buyers should investigate local emergency preparedness and potential tsunami hazards by going to the following websites: www.myhazards.calema.ca.gov and www.consrv.ca.gov/cgs.

63. SAN FRANCISCO BAY REGULATIONS: The San Francisco Bay Conservation and Development Commission (“BCDC”) is charged with the responsibility of restoring Bay wetlands and marshes, preventing wetlands and mudflats from being filled, and supporting the continued and productive use of salt ponds. Properties abutting San Francisco Bay, its tidelands and marshes, may be subject to the jurisdiction of the BCDC which may limit building, and impose other requirements on property owners. Buyers of such property should contact BCDC at (415) 352-3600 for additional information.

64. BAY FILL: Some properties that are built on bay fill have experienced salt leaching from the soil, through the concrete and corroding the iron rebar in the foundations. Buyers of Property built on bay fill should investigate this issue with qualified professionals.

65. AGRICULTURAL AREAS: Agricultural enterprises occasionally produce dust, noise and odors and utilize airborne fertilizers and pest control products which, depending on weather and other conditions, proximity and manner of application, may affect the environment and/or surrounding residential areas.

66. GOLF COURSES: There are several golf courses in San Mateo and Santa Clara Counties. Property located near a golf course may be affected by errant golf balls, noise, lighting or other problems that Buyers should investigate.

67. LOCAL OPTION DISCLOSURES: Cities and counties can enact “Local Option” Disclosures which require Sellers to disclose issues of local concern on a specifically required Disclosure Form. The Cities of Pacifica, Millbrae, South San Francisco and San Bruno have enacted ordinances requiring separate disclosures about noise generated by airports and aircraft. Sellers in the unincorporated areas of Santa Clara County are required to disclose specific information about that County’s “right-to-farm” ordinance, the private well inspection disclosure ordinance, whether or not the Property is subject to a contract pursuant to the California Land Conservation Act of 1965 (“Williamson Act”), and/or whether the Property is subject to an open space easement agreement. Although Brokers may provide the Local Option Disclosure form to Sellers and Buyers, only the Seller is to complete the questions contained in a Local Option Disclosure form.

68. MANDATED/AFFORDABLE HOUSING: Many cities are studying how to add units and/or “affordable housing” within their jurisdictions so as to comply with legal requirements, some are in litigation relating to affordable housing issues and others have already implemented affordable housing plans. For more information about what any particular city is doing in regard to this topic, go to that city’s website (the sites for cities in San Mateo and Santa Clara County are listed on the last page of this Advisory).

LOCAL SAN MATEO COUNTY ISSUES

69. DALY CITY 3R REPORT: Daly City requires Sellers of residential property of 1 to 3 units to obtain a report of the residential building record (“3-R Report”) which must be provided to Buyers. The 3-R Report is prepared by the Daly City Building Division from its historical records only and is not based upon an actual inspection of the Property. The information in the 3-R Report may not be accurate or complete for various reasons. Although most of the City’s records are computerized, many records were originally handwritten and incomplete. It is possible that errors could have occurred when the information was transferred from the original documents and these errors might be repeated in subsequent 3-R Reports. However, the 3-R Report does contain useful information.

Buyers of residential property of 1 to 3 units in Daly City should not rely solely on the permit information contained in 3-R Reports. Some properties may have rooms, additions, structures or decks where there is no record of a permit ever having been issued for their construction. Such improvements may or may not have been built with a permit and/or officially finalized. If an improvement was constructed without all necessary permits and/or not in compliance with building codes, the City may require the owner to remove it or legalize it at a substantial cost. Buyers should independently confirm the information contained in a 3-R Report during their inspection period, if any, including engaging the services of a qualified contractor, architect or other professional(s) to verify the information in the 3-R Report. For additional information or to request a 3-R Report, contact the Daly City Building Division, 333 90th Street, Daly City, California 94015-1895; Telephone (650) 991-8061. See also Paragraphs 26 and 27 of this Advisory.

70. HALF MOON BAY: The City of Half Moon Bay settled a law suit resulting in a substantial payment obligation on behalf of the City. Buyer should investigate whether this litigation impacts the value, development, use and/or enjoyment of the property and/or impacts the ability of Half Moon Bay to provide necessary services. The City is reviewing design options to replace the Main Street Bridge on Main Street just south of Highway 92. Construction is tentatively scheduled for 2014. For additional information, go to <http://www.hmbcity.com>.

71. HILLSBOROUGH ORDINANCES: The Town of Hillsborough Municipal Code requires Sellers of real property to provide Buyers with a Statement of Compliance regarding proper installation of Spark Arrester(s), Smoke Detectors and Address Number Visibility. Buyers of property located in Hillsborough should not close escrow without receiving the Seller’s Statement of Compliance form.

The Town of Hillsborough Municipal Code 5.12.050 requires the issuance of a permit for possession and use of home alarm systems. These permits cannot be assigned to the Buyer as part of the sale of residential property. Buyers who are acquiring property in Hillsborough which is already equipped with a home alarm system or who intend to install a home alarm system must secure a new permit. Permit applications can be obtained at the Hillsborough Town Hall at 1600 Floribunda Avenue. For more information about the home alarm permit requirements and/or other requirements for property located in Hillsborough, go to the following website: <http://www.hillsborough.net>.

72. MILLBRAE FIRE SPRINKLER AND ILLUMINATED ADDRESS NUMBER ORDINANCES: The Millbrae Municipal Code requires that, in addition to complying with the State of California Smoke Detector law, fire sprinklers must be installed in the garage of any

building or structure, including one or two family dwellings, when any addition, alteration or repair of the structure or building (with the exception of repairs to the exterior only) which requires a building permit is estimated to cost in excess of \$1,000.

The Millbrae Municipal Code also requires that all building addresses must be visible and legible from the street or road in front of the property and the addresses must be either internally or externally illuminated.

73. PORTOLA VALLEY RESIDENTIAL DATA REPORT AND HISTORIC PRESERVATION: The Town of Portola Valley requires Sellers to provide Buyers with a Residential Data Report from the Town listing the regularly authorized use, occupancy and zoning classification of the Property. The information in the Residential Data Report is from historical records only and is not based upon an actual inspection of the Property. The Residential Data Report may not be accurate or complete for various reasons. It is possible that errors could have occurred when the information was transferred from the original documents and these errors might be repeated in subsequent reports. However, these reports contain useful information regarding the permits that are of record with the Town.

Buyers should independently confirm the information in the Residential Data Report during their inspection period, if any, including engaging the services of a qualified contractor, architect or other construction professional(s) to verify the information in the Residential Data Report. For additional information or to request a Residential Data Report, go to the Town of Portola Valley's offices located at 765 Portola Road, Portola Valley, California 94028. For additional information, call (650) 851-1701. See also Paragraphs 26 and 27 of this Advisory.

74. REDWOOD SHORES: Redwood Shores is a master-planned community. Property located in Redwood Shores may be subject to multiple homeowners' associations. For more information about Redwood Shores, contact the managing agent for the Redwood Shores Owners' Association at the Manor Association (650) 637-1616 or go to the following website: <http://www.RSOA.info>. The Redwood Shores Community Association is a social and community advocacy organization which can be contacted at the following website: <http://www.RSCA.org>.

75. SAN MATEO CITY SUPPLEMENTAL FLOOD ZONE DISCLOSURE: The Federal Emergency Management Agency ("FEMA") has been investigating the possibility of expanding the flood hazard area designations for the City of San Mateo. FEMA has indicated that the new Final Map should be published at some point in 2010. On July 13, 2009, the City Council for the City of San Mateo approved the formation of the South Bayfront Flood Control Facilities Assessment District to create a funding source for improvement of the City's levees. Buyer is advised to investigate this issue with the City of San Mateo, a third party provider of Natural Hazard Disclosure Statements and/or their own insurance broker to determine the possible ramifications of such an expansion of the flood designation on their use and enjoyment of the Property. For questions or concerns related to the South Bayfront Flood Control Facilities Assessment District, flood insurance, any FEMA related topics, and/or any other regulations which might impact property located in the City of San Mateo, contact the City Offices at (650) 522-7327 or go to the following website: <http://www.cityofsanmateo.org>.

LOCAL SANTA CLARA COUNTY ISSUES

76. MORGAN HILL: The Santa Clara Valley Water District intends to drain Lake Anderson as part of their plan to rebuild Anderson Dam in 2016; the project will take approximately 3 years to complete. It is unknown what impact, if any, the retrofit project will have on the development, condition, use, and/or enjoyment of surrounding homes. Buyers are encouraged to investigate this project by contacting the Water District at www.valleywater.org.

77. LOS ALTOS HILLS: The Town of Los Altos Hills has established standards for roads; the Town has compiled a list of private streets. Private streets can be converted to public streets under specified conditions. Buyers should investigate to determine if any given street is public or private or whether any given private street can be dedicated to the Town. For information about this or any other issues affecting property in the Town of Los Altos Hills, go to the following website: <http://www.losaltoshills.ca.gov>.

78. SARATOGA: The City of Saratoga has enacted an ordinance which may require an occupancy inspection upon transfer of title on properties other than single family residences. For information about this or any other issues affecting property in Saratoga, go to the following website: <http://www.saratoga.ca.us/>

79. SUNNYVALE: The City of Sunnyvale has enacted an ordinance which requires storm water run-off management by owners of certain types of buildings. This ordinance may impact some common interest developments which may trigger a point of sale disclosure by the Homeowners' Association. Sellers and Buyers should investigate whether or not the ordinance is applicable and its impact, if any, on the Property. For further information go to <http://www.sunnyvale.ca.gov>.

COUNTY AND MUNICIPAL WEBSITES

County and municipal websites can be a useful source of information about their communities including, but not limited to, representatives, services, ordinances, demographics and local news. These websites may also have links to other resources such as other governmental agencies, non-profit community based organizations, and for-profit entities. While these links are provided for your convenience in accessing the information you seek, this Advisory does not warrant or guarantee the accuracy of the information provided by these sites and resources.

COUNTY OF SAN MATEO: <http://www.co.sanmateo.ca.us/>

CITIES AND TOWNS WITHIN SAN MATEO COUNTY:

- Town of Atherton: <http://www.ci.atherton.ca.us/>
- City of Belmont: <http://www.belmont.gov/>
- City of Brisbane: <http://www.ci.brisbane.ca.us/>
- Township of Broadmoor: website unknown
- City of Burlingame: <http://www.burlingame.org/>

CITIES AND TOWNS WITHIN SAN MATEO COUNTY (cont.):

- Town of Colma: <http://www.colma.ca.gov/>
- City of Daly City: <http://www.dalycity.org/>
- City of East Palo Alto: <http://www.ci.east-palo-alto.ca.us>
- City of Foster City: <http://www.fostercity.org/>
- City of Half Moon Bay: <http://ci.half-moon-bay.ca.us/>
- Town of Hillsborough: <http://www.hillsborough.net/>
- City of Menlo Park: <http://www.ci.menlo-park.ca.us/>
- City of Millbrae: <http://www.ci.millbrae.ca.us/>
- City of Pacifica: <http://www.cityofpacificca.org/>
- Town of Portola Valley: <http://www.portolavalley.net/>
- City of Redwood City: <http://www.ci.redwood-city.ca.us/>
- City of San Bruno: <http://sanbruno.ca.gov/>
- City of San Carlos: <http://www.cityofsancarlos.org/>
- City of San Mateo: <http://www.ci.sanmateo.ca.us/>
- City of S. San Francisco: <http://www.ci.ssf.ca.us/>
- Town of Woodside: <http://www.woodsidetown.org/>

COUNTY OF SANTA CLARA: <http://www.sccgov.org>

CITIES AND TOWNS WITHIN SANTA CLARA COUNTY:

- City of Campbell: <http://www.ci.campbell.ca.us/>
- City of Cupertino: <http://www.cupertino.org/>
- City of Gilroy: <http://www.cityofgilroy.org/cityofgilroy/>
- City of Los Altos: <http://www.ci.los-altos.ca.us/>
- Town of Los Altos Hills: <http://www.losaltoshills.ca.gov/>

CITIES AND TOWNS WITHIN SANTA CLARA COUNTY (cont.):

- Town of Los Gatos: <http://www.town.los-gatos.ca.us/>
- City of Milpitas: <http://www.ci.milpitas.ca.gov/>
- City of Monte Sereno: <http://www.montesereno.org/>
- City of Morgan Hill: <http://www.morgan-hill.ca.gov/>
- City of Mountain View: <http://www.ci.mtnview.ca.us/>
- City of Palo Alto: <http://www.cityofpaloalto.org/>
- City of San Jose: <http://www.sanjoseca.gov/>
- City of Santa Clara: <http://santaclaraca.gov/>
- City of Saratoga: <http://www.saratoga.ca.us/>
- City of Sunnyvale: <http://www.sunnyvale.ca.gov/>

SELLERS AND BUYERS ACKNOWLEDGE THE FOLLOWING REGARDING BROKERS:

1. Brokers do not warrant or guarantee the condition of the Property and shall not be responsible for any undisclosed facts regarding the condition of the Property;
2. Brokers have no duty to inspect and will not inspect (a) any areas of the Property that are not reasonably and normally accessible to Broker; (b) any areas that are located offsite of the Property, (c) common areas, (d) public records or permits of any kind regarding the state of title or the use of the Property, or (e) any matter affecting or relating to the Property that is described in this Advisory;
3. Brokers have not verified square footage or size of structures or land, boundary lines of the Property, representations made by others (including but not limited to Sellers), information contained in inspection reports, the Multiple Listing Service, or in advertisements, flyers or other promotional material, or any other matters described in this Advisory, unless otherwise agreed in writing;
4. Brokers do not guarantee and shall not be responsible for the labor or services or products provided by others to or on behalf of Buyers and/or Sellers and do not guarantee and shall not be responsible for the quality, adequacy, completeness or code compliance of repairs made by Sellers or by others. Sellers and Buyers may select any professionals that they choose to retain; and
5. Brokers are not qualified to give legal, tax, insurance or title advice, therefore Sellers and Buyers should consult the appropriate professionals for such advice.

This document may be signed in counterparts.

BY SIGNING BELOW, BUYERS AND SELLERS ACKNOWLEDGE THAT THEY HAVE READ, UNDERSTAND, AND HAVE RECEIVED A COPY OF THIS 14 PAGE ADVISORY.

DATE: _____ SELLER _____
John Raleigh

DATE: _____ SELLER _____

DATE: _____ BUYER _____

DATE: _____ BUYER _____