

SACRAMENTO DISCLOSURES AND DISCLAIMERS ADVISORY

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

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

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INTRODUCTION

This Advisory provides general information about selling and buying real property in Sacramento County and is effective as of July 7, 2017. It is not intended to be a comprehensive guide to buying real estate nor is it designed to alarm you. It does not limit any legal duty of real estate brokers; however it does point out some limitations on real estate brokers' duties. This Advisory points out that, when purchasing something as important and valuable as real estate, you have a legal responsibility to protect yourself by taking special precautions to investigate the issues detailed in this Advisory and any other issues that impact the use, value or desirability of the Property. Consult with appropriate experts and/or governmental agencies. Do not just rely on real estate brokers or Sellers as sources for all information. When you have questions, doubts or concerns, conduct your own Investigation with your own chosen professionals. For more information about Sacramento County, Buyers can go online at: <http://www.saccounty.net>

The information in this Advisory may change over time and/or new issues may develop due to actions taken at the federal, state, county, city and/or private, local level. Some of the issues that are covered in this Advisory are point-of-sale or retro-fit requirements that may also be triggered by remodeling efforts or efficiency requirements. Sellers and Buyers should investigate the applicability of these requirements to the past, present and future sale, purchase, ownership and/or development of the Property.

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

- **Although licensed to list, sell and lease real estate, Brokers may not have expertise on the issues in this Advisory.**

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

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

A. MARKET CONDITIONS ADVISORY

Real estate markets are cyclical. It is impossible to predict what market conditions will be at any given time. The ultimate decision of how much to offer on any property rests with Buyers. Buyers need to decide what they are willing to pay in light of market conditions and their own financial resources. Buyers must also decide what type of offer to make in recognition of existing market conditions. Purchase price is not a simple calculation based upon square footage but an agreement as to what Buyers will pay and what Sellers will accept.

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

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

The lender's approval of financing includes the lender's determination that: (1) the Buyers are creditworthy and can afford to make the mortgage payments and (2) that the Property appraises for at least the principal amount of the loan. Even if Buyers have obtained a pre-qualification or pre-approval letter from a lender, the lender may not ultimately approve the loan if the lender's appraiser determines that the Property's fair market value is less than the amount of the purchase price or if the Buyers' financial/employment situation has changed. If there is no financing contingency and the Property does not "appraise," Buyers may not be able to afford to make up the difference between the loan amount applied for and the loan amount actually offered by the lender. Under those circumstances, Buyers may not be able to perform on Buyers' contractual obligations. This could then result in the Buyers paying damages to the Seller.

It is a serious risk for Buyers to eliminate from the purchase contract their right to have a financing contingency if they intend to secure a loan.

B. GENERAL PROPERTY ADVISORIES

1. EXISTING HOUSING STOCK: Many properties have been built under different building codes and may not accommodate current or future personal property items such as electric cars. Regardless of its age, Buyers should have the Property inspected by a competent property inspector and obtain additional

inspections recommended in any inspection report, or as may be necessary for Buyers to determine the actual condition of the Property. The Property's components, appliances, fixtures, systems and materials may have varying degrees of remaining useful life and may be subject to failure without notice. In addition, not all components, improvements or fixtures of the Property may comply with current code, zoning, health and safety, setback requirements, religious or cultural preferences. Some homes contain appliances, products or manufactured materials, such as Chinese drywall, which may be defective, create problems with the use or value of other aspects of the home, and/or may be subject to manufacturer or governmental recall and/or a class action lawsuit. All homes include many components which require ongoing maintenance. Deferred maintenance will decrease the lifespan and/or functionality of many of these components. Buyers should seek reliable advice from appropriate professionals and to plan/budget for maintenance and future repairs.

2. FLOORS AND WALLS: The personal property of the Seller may make a visual inspection of floors and walls difficult. The existence of certain types of floor coverings, such as carpeting and rugs, as well as certain types of wall coverings, such as wallpaper and paneling, and furniture prevent inspectors and brokers from inspecting the condition of the floors and walls beneath those materials. When exposed, these areas may have a different pattern of wear or shade of color. If the Buyers wish to determine the condition of the floors and walls beneath such coverings, Buyers will need to secure the written authorization of Seller to conduct investigations with appropriate professionals since removal of floor coverings may be required.

3. TEMPERED GLASS: Many homes contain glass that IS NOT tempered in locations where tempered glass IS required by building regulations. Buyers are advised to have a contractor's inspection to identify the presence of any glass that is not properly tempered before removing a physical inspection contingency on a prospective purchase of real property. Buyers should consider replacing any non-tempered glass with tempered glass to reduce the risk of injury.

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

5. SQUARE FOOTAGE AND LOT SIZE: Different sources of size information including but not limited to Sellers and Appraisers often provide different square footage or lot size numbers for a property; public records may be, and often are, inaccurate and thus there are frequently discrepancies in the advertised sizes. Buyers are advised that square footage and/or lot size numbers, which may be obtained from various sources such as public records, MLS and others and are provided to Buyers regarding the Property are not, and will not be, verified by Sellers or the real estate agents. **If the square footage or lot size of the Property is an important consideration in Buyers' decision to purchase the Property and/or how much Buyers are willing to pay for the Property, then Buyers must independently conduct Buyers' own investigation through appropriate professionals and rely solely on that data.**

6. TREES AND VEGETATION: Protected Trees: Most cities have an ordinance that requires property owners to obtain a permit prior to removing *Protected Trees* from their property. *Protected Trees* are defined within the code of each city. Removing or damaging any *Protected Tree* without the proper permit constitutes an infraction. In addition to the cost of the infraction, violators are liable for damages for an amount up to the value of the removed tree. The City may place a lien on the Property if the infraction is not paid on a timely basis. That lien may subsequently be added to the county property tax bill.

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

View Ordinances: Some cities have view ordinances that restrict the height of trees so that trees do not unreasonably obstruct the view that existed at the time of purchase of the property. Certain trees that are part of the natural habitat can be exempt from this law. Often a view property will have recently trimmed trees and shrubs revealing the view. Buyers should take note that maintaining that view could entail not

only trimming foliage on their own property, but also enlisting the cooperation of their neighbor to keep their foliage trimmed, usually at the Buyers' expense. Cities do not take an active role in these issues; rather they encourage the private resolution of such disputes. Each city has a slightly different mechanism for handling these situations, and Buyers are encouraged to review the Municipal Code during their inspection period.

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

7. RIVER, CREEK AND LEVEE PROTECTION: Many properties are adjacent to rivers and levees. Others are impacted by creeks (a narrow channel or small stream) and/or a culvert (a man-made structure used to enclose a flowing body of water which is usually designed to allow water to pass underneath a road or other structures). If the Property includes, abuts or is located near a river, levee, creek or culvert, Buyers should investigate the possibility of flooding and/or water intrusion or other nuisances that may result from proximity to those water sources by contacting appropriate experts. Brokers cannot determine these issues. In addition, some cities have enacted regulations regarding rivers, levees, creeks and culverts. Buyers need to review local ordinances with their own experts before commencing any work in, over or near a river, levee, creek or culvert.

8. FLOOD ADVISORY: Flood insurance rates are increasing due to a number of factors. The 2012 federal Biggert-Waters Flood Insurance Reform Act eliminated many existing subsidies for properties in flood zones as determined by the Federal Emergency Management Administration ("FEMA"). Also, FEMA, which basically backs all flood insurance, has experienced extraordinary expenses dealing with Hurricane Sandy and other natural disasters. Also, as a result of the "Homeowner Flood Insurance Affordability Act of 2014," properties in flood zones, as designated in a Natural Hazards Disclosure report, will experience annual premium increases in an amount which could be as much as 18% to 25% per year. For details of how this law will affect a property you are buying, go to: <http://www.realtor.org/articles/senate-passes-flood-insurance-with-house-amendments> or <https://www.floodsmart.gov/floodsmart/>

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

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

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

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

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

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

12. CONDOMINIUMS, COMMON INTEREST DEVELOPMENTS & HOMEOWNERS' ASSOCIATIONS:

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

Some HOA's do not prepare or keep all documents required by law, such as reserve studies, minutes of all meetings and/or financials and may not be operating in compliance with the law. As a result, Buyers may only receive a portion of the state required documents; in which case Buyers must be aware that they are buying into an HOA without the benefit of the information those documents would provide. Buyers should retain the services of experts, such as attorneys, accountants or others who specialize in reviewing HOA documents to determine the adequacy of the reserves and whether or not the Property is suitable for the Buyers' intended uses.

Due to noise and other factors, a HOA may restrict the type of floor and/or wall material that can be used in certain units and/or the number of pets. Note that HOA's must comply with Fair Housing laws regarding service and companion animals. Buyers should directly contact the HOA Board to determine whether or not the Property can be used for Buyers' intended purposes. Buyers should also determine whether or not the Property meets Buyers' subjective personal preferences.

Many Condominiums and other Common Interest Developments have been involved in or are presently involved in litigation regarding the design, construction, maintenance and/or condition of all or a part of the Development. Three examples are discussed in Paragraphs 46, 47 and 48 below but these examples are not intended to be nor are these examples of all HOA lawsuits in Sacramento County. Whether these lawsuits are successful or not, litigation is expensive and the cost of such legal actions may impact not only the adequacy of the HOA reserves but also the amount of current or future assessments. The existence of HOA insurance does not necessarily mean that there is insurance coverage for any given single interest or unit in the Development, an owner's remodeling or upgrade efforts, and/or the owner's contents. See Insurance information below.

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

designated in the recorded documents are actually being transferred to Buyers and that those space(s) are acceptable for the Buyers' intended needs and uses of the Property.

Sellers who have ever served on the HOA Board may have access to information and documentation that is not provided by the HOA and/or which is deemed "confidential" or protected by an "attorney-client privilege". Sellers should consult with their own qualified California real estate attorney to determine how they will need to disclose that additional information; Brokers are not qualified to evaluate or investigate those legal issues.

Effective January 1, 2017, owners of a single interest in a common interest development will be required to provide annual notification to the HOA of their contact information.

13. PLASTIC PIPE: Some builders in the Sacramento area used **PEX** water pipes in constructing homes. This type of pipe, manufactured under the name of **KITEC®**, has been alleged in a class action lawsuit to be faulty and a settlement of that lawsuit has been reached. Buyers should investigate the presence of such pipes prior to removing their inspection contingency. For additional information about this particular product and any litigation, go to: <http://www.kitecsettlement.com/faq.cfm>

14. INSURANCE: During the inspection contingency, Buyers should consult with an insurance broker to determine the cost of homeowners' insurance as well as the types of coverage that may be available and any conditions that the insurance company intends to impose. For example, many insurance companies are refusing to provide homeowners' insurance coverage unless certain retrofit requirements are met, such as installation of safety glass and/or fireplace spark arresters and a gas shut-off valve. The fact that an insurance company may require these repairs does not necessarily mean that the Seller is obligated to pay for and/or make the repairs requested by the insurer. In addition, prior claims submitted by Buyers on other properties may affect the final cost of the homeowners' insurance on the property being purchased by Buyers. Buyers should investigate these matters thoroughly prior to removing their inspection contingency.

15. C.L.U.E. REPORTS OF INSURANCE CLAIMS: Standard real estate disclosure forms specify that Sellers must provide Buyers with insurance claims history for the property for a period of five years preceding the sale. Sellers do not always know (or remember) the insurance claims history. Thus, for many years the Natural Hazards Disclosure Statement ("NHDS") Reports included a report used by insurance companies called C.L.U.E. The NHDS Reports no longer include the C.L.U.E. report. Because a C.L.U.E. report itself is not required, Sellers may disclose the insurance information themselves as part of the disclosure process. If Sellers want to rely on C.L.U.E. for the most accurate information regarding past insurance claims, Sellers may be able to either: (a) go online to: https://personalreports.lexisnexis.com/homesellers_disclosure_report/agent.jsp and create an account that will enable the Sellers to order a C.L.U.E. report; or (b) contact their homeowner insurance policy broker who may be able to provide a copy. Buyers can also add to their Offer to purchase the obligation for Sellers to provide them a C.L.U.E. report.

16. RE-KEYING: All locks should be re-keyed immediately upon close of escrow so as to ensure the Buyers' safety and security of their persons as well as their personal belongings. Alarms, if any, should be serviced by professionals and codes should be changed. Garage door openers and remotes should be re-coded.

17. ONLINE INFORMATION: Online information regarding the property you are buying, or the neighborhood, may exist online in various blogs, discussion boards, Facebook pages, etc. For example, some neighborhood associations and homeowner associations (HOA's) have official sites; whereas other unofficial sites written by third parties may exist with postings about the community. Some of the online sites offer viewers the opportunity to express opinions and air complaints. The information contained on those sites may consist of opinion, speculation, unfounded assertions or rumor, making it difficult to determine what is factual and what is not. **Neither seller nor any of the real estate licensees may be aware of, nor will they conduct a search of, such online information and they are not obligated to verify or explain the posted issues and/or commentary of third parties.**

18. ONLINE PHOTOS: Sellers and Buyers are advised that photos of their property will be included in the MLS listings and, perhaps, on the listing broker's website. It is now common that such photos will subsequently be added to other brokers' websites, and various national listing aggregation sites such as Realtor.com, Trulia, Zillow, and others. From there, photos may be copied on to other websites as well,

with or without the permission of the host site. After the close of escrow, or a termination of a listing, Sellers and Buyers are advised it is not possible for the listing or selling broker to remove these photos from websites over which they have no control.

19. PROBATE SALES AND COURT CONFIRMATION: An executor or administrator (the "Representative") of a probate estate may sell estate property if it is in the best interests of the estate to do so. The sale of estate real property is typically subject to Probate Court Confirmation. The Independent Administration of Estates Act ("IAEA") provides a simplified method of probating estates with limited court supervision. Under the IAEA, the Representative may list real property with a broker for a period not to exceed 90 days without prior court approval and to sell the Property without court confirmation, unless a person named in the will or other person who is entitled to receive a Notice of Proposed Action objects; in which case court confirmation will be required. The Representative's ability to sell without court supervision or approval under IAEA is not absolute and is conditioned upon there being no objections by interested persons (generally, the heirs). If there is any objection, Court Confirmation may be necessary.

Probate property is always sold "As-Is" and certain standard disclosure forms, such as the Real Estate Transfer Disclosure Statement, are not required. However, the Representative must nonetheless disclose all actual knowledge of material facts affecting the value or desirability of the Property.

If Court Confirmation is required and is subject to open competitive bidding (which is true in probate, conservatorship, guardianship, receivership or bankruptcy sales), it is strongly recommended that Buyers personally appear in Court when their offer is scheduled for confirmation. Buyers should understand that in most sales requiring Court Confirmation, the Property may continue to be marketed and that their broker and others may represent other competitive bidders prior to and at the Court Confirmation hearing. Different types of courts have their own rules for how to handle the possibility of over-bids, including whether initial deposits need to be in a certain amount or whether an over-bid needs to be a specific percentage above the original offer. Any questions regarding the specific rules for the Court where the confirmation hearing is to be held should be directed to the clerk of that Court. It is also strongly recommended that Buyers consult a real estate attorney who is knowledgeable about Court Confirmation sales since real estate brokers/agents are not qualified to provide legal advice.

20. PERSONAL PROPERTY AND STAGING ITEMS: Sellers and Listing Brokers/Agents often engage the services of "Staging" companies to assist in presenting the Property in its best light. The furniture, furnishings and accessories provided by the staging company is removed prior to close of escrow and do not transfer to the Buyers.

Standard Purchase Agreement forms specify that NO personal property is included in the sale unless specifically designated in the Agreement or an Addendum. The MLS entry, flyers and other marketing materials are NOT part of the Purchase Agreement. NONE of the staged furniture or other items (e.g. window treatments, mirrors, rugs, lamps, plants, etc.) is included in the sale. Buyers who wish to purchase any staged items should enter into a separate written agreement with the staging company.

21. WATER HEATERS: Under State law, all water heaters must be braced, anchored or strapped to resist falling or horizontal displacement due to earthquake motion and Sellers of Property must certify to Buyers that the bracing requirement has been satisfied. In addition, water heaters which are newly installed or moved must be raised so their ignition point is 18 inches off the ground. Many other plumbing code requirements may also apply, e.g. gas venting, pipe wrapping, temperature and pressure relief valves, drain valves, bollard protection in garages.

22. SMOKE ALARMS AND CARBON MONOXIDE DETECTORS: California Health and Safety Code §13113.8 requires installation of smoke alarms in residential property. If a TDS is required, the Sellers certify in the TDS that the Property has (or will have prior to Close of Escrow) operable smoke alarms which are approved and installed in compliance with the State Fire Marshal's regulations and applicable local standards, including installation of alarms with 10-year batteries in all bedrooms before finalizing any permitted contracting work costing \$1,000 or more. State law requires carbon monoxide detectors in living areas of residential properties that have fossil fuel burning appliances, even if those appliance are several floors below, for example, furnaces in the basement of a condominium building.

23. ANIMALS: Current or previous owner(s) may have had domestic and/or other indoor or outdoor animals on the Property; animals can cause damage to various aspects of the 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.

Property may be subject to local ordinances regulating the maintenance, breeding, number or type of animals permitted, or other requirements such as spaying or neutering. Buyers should investigate whether Homeowner and Common Interest Associations have imposed restrictions on animals. 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, birds, reptiles and insect life, including but not limited to ants, bedbugs, 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 or control. These creatures 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 the likelihood of this problem. Buyers should investigate these issues with licensed professionals, including local animal/pest control companies, and/or other qualified agencies or organizations during Buyers' inspection period.

C. FEDERAL, STATE AND REGIONAL CONDITIONS ADVISORIES

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

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

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

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

27. WET WEATHER CONDITIONS: At times, this area may have months with heavier than usual rainfall which can negatively impact various private and public property including but not limited to transportation systems. During these times, hillside properties may be susceptible to earth movement and drainage problems. Properties on flatlands may be susceptible to flooding. Properties which may not have experienced water intrusion into or under the property in the past may experience these conditions as a result of weather-related phenomena. Sellers are obligated to disclose to Buyers those material defects or conditions known to them which affect the value or desirability of the property; however, not all Sellers may be aware of recent changes in the conditions of the property or its improvements caused by unusually wet

weather. Because of these factors, it is recommended that, in addition to a home inspection, Buyers have such additional inspections by inspectors or engineers regarding these conditions as Buyers may desire.

28. CLIMATE CONDITIONS: The Sacramento area has several micro climates. Buyers are advised that these areas are subject to frequent strong winds, wind-driven rain, fog and mist, and direct sunlight, any of which, alone or in combination, can impact the condition of the land as well as prematurely age the interior and exterior of structures. Erosion, warping and cracking of surfaces, failed seals on dual-paned windows, loss of roof shingles, and water intrusion, among other problems, are not uncommon with such properties, and thus these properties require regular, thorough maintenance. Buyers are advised to fully investigate these conditions and the increased maintenance and repairs that may be needed for any Property located near the delta, wetlands, streams and other water areas.

29. PERMIT ISSUES: Improvements made to any property such as repairs, remodels and additions may have been built or used without all required permits. One such example would be where a second living unit ("in-law unit") is being rented by the Seller but the required permit was not obtained for this in-law unit. An improvement that is made without the required permit can, among other things, have a negative impact on value, require a retrofit, impact habitability, preclude insurance coverage and/or result in fees, penalties, government and/or civil enforcement actions. In some cities, there may be a lower standard applied in those circumstances where the property owner is obtaining the permits, as opposed to a contractor doing so. Finalizing repair permits issued after January 1, 2017 may be impacted by the new water-conserving plumbing fixtures requirements (see Paragraph 36 below). Buyers should investigate the permit status of all structures and uses; real estate licensees are not qualified to conduct such off-site investigations.

30. NONCONFORMING USES, ROOMS, ALTERATIONS OR ADDITIONS: Any rooms, alterations or additions to the Property which were done without necessary permits or certificates of completion ("nonconforming improvements") may be subject to fines, permit and construction costs, and other expenses to bring into conformity. Nonconforming improvements may be subject to removal by local building inspection and code enforcement agencies. Nonconforming rental units may be required to be vacated and possibly torn down. It may not be feasible to legalize nonconforming improvements because of zoning, permit and/or other legal or regulatory limitations. Some building inspection and code enforcement agencies may conduct random inspections of properties for permit, code and other violations while the Property is being marketed. Such nonconforming improvements may also be discovered when anyone applies for a permit to do work on the property either before or after escrow closes. Whenever nonconforming uses are discovered, the then-current owner could face expensive repairs, permit fees and other costs and/or even removal of the nonconforming improvement.

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

31. BALCONIES/DECKS RETROFIT REQUIREMENTS: Some cities and counties are enacting periodic inspection requirements of residential buildings that have "appendages" which are generally defined as decks, balconies, landings, exit corridors, stairway systems, guardrails, handrails, fire escapes or any parts that are subject to weather exposure to determine if these appendages require any repairs or retrofits to ensure that these systems are safe to use. Licensed professionals, such as structural pest control inspection companies, general contractors or engineers are often the best individuals to verify that the exit system, corridor, balcony, deck or any part of the building appendage is in safe condition, in adequate working order and free from hazardous dry rot, fungus, deterioration, decay or improper construction. Buyers are strongly urged to investigate possible inspection and retrofit requirements by personally contacting the local building inspection and code enforcement agencies as well as the licensed professionals referenced in this paragraph regarding the status and condition of any building appendages at the Property prior to removing inspection contingencies

32. CODE COMPLIANCE AND ENFORCEMENT: Even if the Property is new construction, not all aspects, components and structures on the property may comply with current code. This may be because

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

33. UNDERGROUND UTILITIES: Some towns and cities have begun the process of burying utility lines underground in order to remove the utility poles in the neighborhood. These projects can result in special tax assessments and set-up costs for the individual homeowners. It is recommended that Buyers investigate this issue with the Pacific Gas and Electric Company (“PG&E”).

34. CRIME: The existence of crime is a fact of urban and suburban life. Some areas experience more crime than others. Crime statistics for various areas and municipalities may rise and fall over time and the incidence of various types of criminal activity may also increase or decrease. At times, local law enforcement agencies may target designated areas for special but temporary enforcement measures. Individual criminal acts may occur in any neighborhood or may occur close to a property that is being sold while other criminal acts may occur far away. Some crimes may be reported in the local news while others are ignored by the media. Because of the ever-changing nature of the statistics and information regarding crimes, neither Seller nor Brokers will independently investigate crime or criminal activity in the area of any property being purchased by any means including, but not limited to, contacting the police or reviewing any internet databases. If criminal activity is a factor in the decision to purchase a particular property, or in a particular neighborhood, Buyers are urged to check with the local law enforcement agencies and online information, prior to removing their inspection contingency.

35. DROUGHT ADVISORY: Due to severe drought conditions and mandatory water restrictions have been imposed statewide. Water usage for various purposes has also been restricted by many local municipalities and water authorities. Current and future restrictions may impact the Property by limiting water usage and/or increasing water costs. These limitations may affect the quality of life at the Property and the ability to use water in the home or for landscaping, agricultural or livestock purposes. Buyers should thoroughly investigate this issue, including but not limited to: contacting the local water authority; contacting the local government including City and County authorities; and searching various public websites as to whether there are any existing or planned water limitations. Buyers should also investigate the quality of the water for Buyer’s intended uses.

Brokers do not have expertise in water usage rights, limitations, water quality and safety. Brokers do not have an obligation to, and will not, research any water restrictions, quality and safety issues relating specifically to the Property including but not limited to inspecting public records concerning water usage and/or quality at the Property.

36. WATER-CONSERVING PLUMBING FIXTURES: Existing law calls for installation of water-conserving plumbing fixtures when the existing plumbing fixtures are “noncompliant” by certain dates, as discussed here. A **noncompliant plumbing fixture** means: (1) any toilet manufactured to use more than 1.6 gallons of water per flush; (2) any urinal manufactured to use more than one gallon of water per flush; (3) any showerhead manufactured to have a flow capacity of more than 2.5 gallons of water per minute; and (4) any interior faucet that emits more than 2.2 gallons of water per minute. There are various dates for compliance:

SINGLE-FAMILY RESIDENCES: Under this law, a condo, even a single condo occupied by only one family, is not a single-family residential property. **Until December 31, 2016**, if a single-family residence is altered or improved, the installation of such fixtures must be a condition of final permit approval. However, **after January 1, 2017, all single-family residences built prior to January 1, 1994 must comply with this law by replacing all noncompliant plumbing fixtures whether or not the property is being remodeled or sold.**

Commencing January 1, 2017, Sellers will need to disclose to Buyers, in either the Seller Property Questionnaire (SPQ) or the Exempt Seller Disclosure (ESD) form, if Sellers are aware of whether the Property has any noncompliant plumbing fixtures. If a Seller answers “No” to that question, Buyers

should not assume that the Property is fully compliant since the “No” response may merely mean that Seller is unaware or is uncertain as to whether or not any such fixtures are noncompliant. For this reason, as a part of their property inspection of Properties subject to this law, Buyers are urged to have all plumbing fixtures inspected by a qualified professional to determine whether all plumbing fixtures are actually compliant with this law.

Sellers and Buyers are advised to determine, prior to contract acceptance, which Party will be responsible for the cost of the water-conserving plumbing fixtures retrofit.

MULTI-FAMILY AND COMMERCIAL PROPERTIES: Until December 31, 2018: As a condition of final permit approval, owners must replace all plumbing fixtures with water-conserving fixtures if (1) permits are obtained to increase the floor area by more than 10%; (2) building alterations or improvements exceed \$150,000 in costs; or (3) permits are obtained for a room with plumbing fixtures. **After January 1, 2019:** All multi-family and commercial properties must comply with this law by replacing all noncompliant plumbing fixtures. Also, starting on that date, Sellers will need to disclose to the prospective Buyers if the property has any noncompliant plumbing fixtures.

37. REAL PROPERTY TAXES AND ASSESSMENT DISTRICTS: The Purchase Agreement addresses payment of real property taxes and assessments relating to the Property. As part of their negotiations for the Purchase Agreement, the parties may decide how to prorate such taxes and assessments; payments on bonds and assessments and their assumption by Buyers; and payment on Mello-Roos and other Special Assessment District bonds and assessments that are now a lien on the Property.

The existence of Mello-Roos and 1915 Bond districts will be outlined in a report by a Natural Hazard Disclosure (NHD) company. Most other assessment districts will be reported in the Preliminary Report from the title company. Still others may be disclosed by Sellers or local disclosure. The Sellers' tax bill alone does not necessarily reflect all of the costs related to taxes and assessments on real property. If there is a question as to whether an existing bond or assessment will be prorated as of the close of escrow, or whether Sellers will pay off the bond or assessment at close of escrow, Buyers are advised to discuss the matter with the appropriate District prior to removal of the appropriate inspection or title contingency, and to address responsibility for payment of taxes and assessments in the negotiation of the Purchase Agreement.

38. FIRPTA: Federal law requires Buyers to withhold and remit to the Internal Revenue Service fifteen percent (15%) of the sales price (or 10% if the property is to be used as the Buyer's residence and the sales price is \$1,000,000 or less) if a Seller is a non-resident alien ("Foreign Investor"), unless a federal exemption applies to the Seller and/or the transaction. Sellers who are relying on the exemption that they are not classified as a Foreign Investor may avoid this federal withholding requirement one of two ways: (a) by providing Buyers with Seller's Affidavit of Nonforeign Status ("Affidavit") which is signed by each Seller under penalty of perjury and includes each Seller's Social Security Number ("SSN") or Taxpayer Identification Number ("TIN"); or b) if the Escrow holder provides the Buyers with a Qualified Substitute Statement ("QSS") in which the Escrow holder, as the Qualified Substitute, states under penalty of perjury that the Substitute has verified the required taxpayer information. **NOTE TO BUYERS: Unless an exemption applies, if a Buyer does not obtain either the Seller's Affidavit or the Escrow holder's QSS, and a Foreign Investor Seller fails to pay taxes due on the sale, the IRS can assess against the Buyer the full 10 or 15 percent of the sales price that should have been withheld, or the Seller's actual tax liability in the sale, whichever is less, plus interest and penalties.**

Sellers who are relying on the exemption that they are not classified as a Foreign Investor are required to provide either Buyer or the Escrow holder with a completed Seller Affidavit that includes the Seller's SSN or TIN. If after a request, Buyer does not receive either the fully completed and signed Seller Affidavit, or a properly prepared and signed QSS, then Buyer should either instruct the Escrow holder to withhold the correct percentage of the sales price, or instruct the Escrow holder to delay the closing of escrow to enable the Seller to provide the proper documentation.

Sellers and Buyers are urged to consult with their legal and tax advisors with any questions regarding FIRPTA. Sellers and Buyers cannot agree to waive these federal requirements nor can they sign any agreement that FIRPTA does not apply

39. RENTAL PROPERTY FAIR HOUSING: When rental properties are offered to the public, the owner and real estate agent must act in compliance with all Fair Housing laws and regulations including, but not

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

HUD has issued guidelines for housing providers, landlords and property managers in the use of criminal records in tenant selection, and when that use may be a Fair Housing violation. While it is still legal to take into consideration a criminal record of a prospective tenant in approving an application, the blanket use of criminal records to refuse to rent can be a Fair Housing violation. And the discrimination does not have to be intentional. The violation can occur if the effect of the use of criminal records results in a “disparate impact” on protected classes. Landlords are urged to consult with a qualified California landlord tenant attorney regarding the use of criminal records in tenant selection. The full HUD article can be accessed at: <https://portal.hud.gov/hudportal/documents/huddoc>

40. SHORT-TERM & VACATION RENTAL: With the increased popularity of short-term and vacation rental services and websites such as Airbnb and VBRO, various local governmental entities and homeowner associations (“HOA”) have enacted, or are considering enacting, regulations on the ability of owners to rent out some portion or all of their property on either a short-term or long-term basis. Existing and proposed regulations may include a complete prohibition against certain types of rentals, licensing, permit requirements, special health and safety inspections, taxation and/or restrictions such as a limitation on the number of nights per month, total number of renter occupants, parking requirements and noise restriction. Renting out one’s property may also be impacted by subdivision and HOA Covenants, Conditions, and Restrictions (“CC&R’s”). In some areas, the HOA and/or governmental entities are classifying short-term and vacation rentals as constituting the running of a business out of a residence which is often prohibited in CC&R’s and/or requires approval of a home occupation permit from the local governmental entity.

Neither Sellers nor Brokers can predict if, or when, any jurisdiction or HOA will adopt regulations, limitations or prohibitions on rentals in the future. Buyers who are considering using their property for short-term or vacation rentals are strongly encouraged to investigate current and pending governmental and/or HOA rules and regulations related to rentals, insurance coverage, and the existence of taxation such as a Transient Occupancy Tax (“TOT”) and to review that documentation with a qualified California real estate attorney as well as their own insurance broker prior to the close of escrow.

41. PUBLIC SERVICES: Public services (schools, fire, law enforcement, emergency response, etc.) may have been impacted by financial difficulties which can lead to changes in the level of service. In addition, each school district has its own rules regarding school assignments, and these rules may change at any time with little notice. For these reasons, Brokers cannot represent or guarantee that anyone who resides in any particular property will be able to attend any particular school or school district. If Buyers have concerns regarding the quality and/or financial viability of public services, Buyers should investigate these issues to their satisfaction prior to removing any applicable contingencies.

42. NEW CONSTRUCTION DEFECTS AND LAWSUITS: Question 2.C.16 of the Real Estate Transfer Disclosure Statement (“TDS”) asks Sellers to disclose if there are any “lawsuits by or against the Seller threatening to or affecting this real property” along with questions related to construction defects citing references Civil Code Sections 900, 903, 910 and 914. These code sections are part of a law that is often referred to as SB800 or Title 7, which generally applies to residential real property built by a “Builder” (as defined in Section 911) and sold for the first time after January 1, 2003. Section 900 provides for a limited one-year warranty from the Builder and Builders may provide “enhanced protection agreements” which may extend the warranty period. Homeowners are required to follow all reasonable maintenance obligations and schedules communicated in writing by the Builder and product manufacturers, as well as commonly accepted maintenance practices. Failure to do so may provide a defense against a homeowner claim and Builders often require specific pre-litigation procedures and remedies in the event of a claim against the Builder. Sellers who have questions about how to answer this TDS question should consult with a California real estate attorney for advice. If the Sellers disclose

any lawsuits or claims, Buyers should investigate such disclosures with a California real estate attorney. Brokers are not qualified to provide advice on these matters.

43. PRIVATE ROADS: If the property is accessed, or affected, by a private road that is shared with one or more other properties, Buyers need to determine the existence of a recorded private road maintenance agreement and compliance with that document. If no such agreement exists, Civil Code Section 845(s) provides that “the cost shall be shared proportionately to the use made of the easement by each owner.” Buyers should contact city/county officials and/or their attorney to evaluate their potential responsibilities.

44. SMARTMETERS™: There has been controversy nationally regarding the health, safety and security of SmartMeters™ and other types of utility meters that record consumption of energy and communicate that information to the utility for monitoring and billing purposes. Some public agencies and governmental bodies have placed moratoriums on the installation of these meters. Buyers are advised to fully investigate and satisfy themselves regarding the health, safety and security of such meters. Brokers cannot and will not investigate or verify whether or not there are risks associated with SmartMeters™ or other similar meters.

PG&E has developed a SmartMeter™ “Opt-Out” program pursuant to the requirements of the California Public Utilities Commission. For further information regarding PG&E’s “Opt-Out” program call PG&E at 866-743-0263 or visit their Web site at: <http://www.pge.com/myhome/customerservice/smartmeter/optout/>

D. COUNTY AND CITY ADVISORIES

45. SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY (“SHRA”):

The SHRA has entered into agreements with several developers of housing projects in Sacramento County to provide “low income-below market value” housing units. Developers agree to designate certain houses in a recorded Inclusionary Regulatory Agreement which sets a cap on the resale value of the designated housing units and to bar the owners from renting out the designated housing units. Sellers who knowingly acquired Property subject to an Inclusionary Regulatory Agreement should disclose the restriction to Buyers and Buyers should carefully review the Preliminary Report issued by a Title Company to determine if the Property they are buying is subject to an Inclusionary Regulatory Agreement. Brokers do not have expertise to determine these title issues.

46. GOLD RIVER AND RANCHO CORDOVA:

A. Proposed Interchange: There is a proposal to construct an interchange on Highway 50, between Hazel Avenue and Sunrise Blvd. to provide access to a planned development South of Highway 50. Traffic will not be able to enter Gold River from the interchange. Some Gold River residents have expressed opposition to this project. The actual impact of this project on traffic, noise and other factors is difficult to assess. Buyers should research this issue to determine for themselves if that project would negatively impact their use and enjoyment of the Property. Broker cannot make that determination.

B. Water Quality: The U.S. Environmental Protection Agency had determined that ground water and surface water in the area had been contaminated by manufacturing activities of Aerojet General Corporation and its subsidiaries. The site was placed on the National Priorities List in 1983 to clean up and monitor the water quality. Buyers are strongly encouraged to carefully review all of the available information about the site, the various clean-up efforts that have been undertaken as well as the reported health studies which are accessible online at:

[http://yosemite.epa.gov/r9/sfund/r9sfdocw.nsf/3dc283e6c5d6056f88257426007417a2/a87b19cbf8bd29738825784f0005767e/\\$FILE/Aerojet2006-09.pdf](http://yosemite.epa.gov/r9/sfund/r9sfdocw.nsf/3dc283e6c5d6056f88257426007417a2/a87b19cbf8bd29738825784f0005767e/$FILE/Aerojet2006-09.pdf)

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

47. CAMPUS COMMONS VILLAGE: Campus Commons Villages 2, 3, 4, and 10 have amended their

Covenants, Conditions and Restrictions (CC&Rs) so as to create a limitation on the ability of owners to rent or lease their units. The Amendment to the CC&Rs states, in part:

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

Any questions regarding the Amendment to the CC&Rs or anything else about the Homeowners’ Association should be directed to the Homeowners’ Association Manager. Sellers and Buyers of units in Campus Commons Villages 2, 3, 4 and 10 should carefully review all of the documentation provided by the Homeowners’ Association to determine for themselves their rights, duties and obligations.

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

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

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

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

E. ATTORNEY AND ACCOUNTANT RECOMMENDATIONS

In addition to the professional service providers Buyers and Sellers retain to inspect and analyze the property being purchased/sold, a situation may arise during the course of the purchase transaction that requires either an important decision, or that a plan of action be selected that could result in significant legal

consequences and substantial impact on personal finances. The most prudent and best plan is to identify a certified public accountant and real estate attorney in advance of the sale or purchase of real property so that quick and proper financial and/or legal advice and guidance can be obtained if needed during the transaction. If a 1031 exchange is being considered, an exchange accommodator should also be identified in order to discuss the proper method and timing of the exchange.

F. THE PARTIES ACKNOWLEDGE THE FOLLOWING REGARDING BROKER:

1. Broker does not warrant or guarantee the condition of the Property.
2. Broker shall not be responsible for failure to disclose to Buyers facts regarding the condition of the property where the condition (a) is unknown to Broker or (b) is not capable of being seen by Broker because it is in an area of the property that is reasonably and normally inaccessible to a Broker;
- 3. Broker has not verified square footage, size of structures, acreage or boundary lines of the property; representations made by others; information received from public records, Sellers or other third parties; information contained in inspection reports or in the Multiple Listing Service, or that has been copied therefrom; or statements in advertisements, flyers or other promotional material; or any other matters described in this Disclosures and Disclaimers Advisory; unless otherwise agreed in writing;**
4. Broker does not guarantee, and shall not be responsible for, the labor or services or products provided by others to or on behalf of Buyers or Sellers and does not guarantee, and shall not be responsible for, the quality, adequacy, completeness or code compliance of repairs made by Seller or by others;
5. Broker does not decide what price Buyers should pay or Sellers should accept;
6. Broker is not qualified to give legal, tax, insurance or title advice; and
7. Brokers lack professional expertise in the areas listed above, and do not verify the results of any inspections or guarantee the performance or reports of any inspection or professional services.
8. Buyers and Sellers are advised to investigate and choose their own service providers to conduct investigations and advise them on these and all matters related to the sale and purchase of real property.

ELECTRONIC SIGNATURES ADVISORY

During a real estate listing and/or real estate sale transaction you may be asked to sign various documents electronically if you are willing to use that method. Because of the nature of electronic documents, it is possible to skip from one signature line to the next, making it easy to ignore the language of the paragraph(s) to which the signatures or initials apply. Because of this feature of electronic signatures, it is important that you read and understand the following recommendations:

PLEASE READ EACH DOCUMENT: It is important that you read and understand each transaction document prior to initialing any paragraphs or pages or signing the document where indicated. You should take the time to thoroughly read through each document and make sure that you understand what you are signing, just as you should do if you were signing paper versions of these documents. You may have to scroll up or down to read a whole page.

TAKE YOUR TIME: There may be a temptation to just skip from one place indicated for your signature to the next. This is easy to do when signing documents in an electronic format. However, please **TAKE YOUR TIME**. Review the entire document before initialing or signing it.

OPTIONAL SIGNATURES OR INITIALS: If there is an indication that a signature or initial is optional, such as for Liquidated Damages or Arbitration paragraphs, take your time to consider whether you want to sign/initial that paragraph so as to make it a part of the contract.

MORE THAN ONE SIGNER: If more than one person is required to sign the following documents, it is essential that each party separately affix their signatures where indicated on each document.

PRINT A COPY before sending the documents after signature because the documents are gone making it difficult to obtain a copy of those documents.

QUESTIONS OR CONCERNS: If you have any questions or concerns, it is important that you call or e-mail your real estate professional; or if you need legal, tax or insurance advice, be certain to consult the appropriate professional(s).

WIRE FRAUD SCAM ALERT

Recently there is a small but growing scheme in which Buyers and Sellers have received e-mails from their agent or an escrow company providing wire transfer information for money from Buyers to Escrow, or to Seller for proceeds from Escrow. Hackers intercept these e-mails and then alter the wire transfer instructions to re-direct the funds to the hacker's account with an off-shore bank. **DO NOT EVER WIRE FUNDS PRIOR TO CALLING THE ESCROW OFFICER AT THE NUMBER PREVIOUSLY PROVIDED TO YOU and confirming verbal wire transfer instructions before taking steps to have the funds transferred.** If you have received questionable wiring instructions, notify your bank, real estate agent and the Escrow Holder, as well as the FBI at: <https://www.fbi.gov/> and the Internet Crime Complaint Center at: <http://www.ic3.gov/>

In these and all other matters referred to in this Disclosures and Disclaimers Advisory, Buyers and Sellers are advised to seek any desired assistance from appropriate qualified professionals. Nothing any real estate licensee may say will change the terms or effect of this Advisory.

This document may be signed in counterparts.

THE UNDERSIGNED ACKNOWLEDGE RECEIPT OF ALL 17 PAGES OF THIS ADVISORY

Dated: _____

Buyer

Dated: _____

Buyer

Dated: _____

Seller

Dated: _____

Seller