



**PRDS®  
SAN MATEO/SANTA CLARA COUNTIES ADVISORY**



**INTRODUCTION:**

This Advisory is intended to be used in connection with the purchase and 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 February 2017; the information in this Advisory may change over time, and new issues may develop due to actions taken at federal, state, county, city and private, local levels. Some of the issues that are covered in this Advisory are point-of-sale or 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 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, even if general information about the topic is included in the Advisory or on an inspection report. To the extent any disclosures made by Sellers are inaccurate or change over time, it is important for Sellers to update and correct their written disclosures in a timely fashion. In general, if Sellers are uncertain about whether they need to disclose something, Brokers recommend that Sellers err on the side of providing as much information as possible. Sellers who need help in completing their disclosure obligations, including what to disclose and how to disclose it, should consult with their own qualified, California real estate attorney; Brokers cannot determine the legal sufficiency of any disclosure or factual adequacy of any statement or disclosure made by Sellers. Brokers have not verified and will not verify any of Sellers' statements and disclosures and Buyers are advised to do so.
- Sellers should conduct a diligent search of their documents to determine if they have any disclosures, reports, repair estimates and invoices (of any age) or other information which relate to the Property or the issues in this Advisory and provide a copy of that material to Buyers.
- Whether documents are signed electronically or in hard copy, 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 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. Buyers are urged to do all of the following:
  - Carefully read the information contained in any advisories, disclosures, inspections, and 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, or reports.
  - Meet Buyers' obligation to protect themselves, including those facts which are known to or within the diligent attention and observation of the Buyers, by thoroughly and thoughtfully inspecting and evaluating the Property.
- 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 of 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 issues may be more relevant to some people 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, if any. Buyers' right to conduct certain types of investigations may be limited by the Purchase Contract.
- Broker has not verified and will not verify licensing and insurance information of third parties and will not determine whether vendors who prepare inspection reports or perform repairs are properly licensed to provide those services. Broker cannot and will not determine whether the reports prepared, or repair work performed, by third parties has been properly completed.
- Representations made by third parties or Sellers regarding the issues in this Advisory 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.**

## ADVISORY INDEX

TOPICS	¶	PAGE
Animals, Pets & Pests	19	6
Arbitration	69	14
Building Permits, Zoning & Code Compliance	28	7
Common Interest Developments	64	13
Creeks & Culverts	16	5
Crime	56	11
Death on the Property	41	9
Earthquake Fault/Seismic Zones	45	10
Easements, Encroachments, Access Rights	24	7
Endangered Species Act	20	6
Environmental Hazards	48	10
EPA Requirements for Pre-1978	34	8
Fire Hazards/Zones	46	10
Fireplaces/Wood-Burning Appliances	4	3
FIRPTA/California Withholding	40	9
Flood Hazards/Zones	47	10
Floors & Walls	2	3
Freeways, Highways & Streets	58	12
Future Repairs, Replacements, Remodels	29	8
Geologic Hazards	44	10
Glass, Tempered	3	3
Governmental Services	51	11
Ground Water, Natural Springs & Water Runoff	15	5
High Speed Rail	60	12
Historical Designation, Coastal Comm./Other	35	8
Home Warranty	63	12
Housing Stock, Existing	1	3
Insurance	61	12
Land Leases	27	7
Legal Actions	70	14
Leased/Liened Personal Property & Solar Panels	5	3
Levees	17	6
Liquidated Damages	67	14
Marijuana & Drug Labs	55	11
Mediation	68	14
Mello-Roos Districts, 1915 Bonds	37	9
Mold	49	11
Natural Hazards Disclosure	43	10
New Construction Warranties, Defects/Lawsuits	6	3
Noise and Odors	53	11
Non-Confidentiality of Offers	66	13
Online Photos & Information	33	8
PACE	39	9
Power Lines and Power Plants	21	6
Private Transfer Fee	65	13
Re-Keying	32	8
Rental Property	36	9
Retrofit, Safety & Security Requirements	31	8
Schools	52	11
Septic Sys./Wastewater Regs	9	4

TOPICS	¶	PAGE
Sewers & Sewer Laterals	10	4
Size – Lots & Boundaries	7	4
Size – Sq. Ft., No. of Rooms & Age	8	4
Smoke Alarms/Carbon Monoxide	30	8
Smoking Ordinances	54	11
Soils & Geologic Conditions	23	6
“Supplemental” Property Tax Bill	38	9
Title Insurance	62	12
Trains & BART	59	12
Transfer Disclosure Statement	42	10
Tree Ordinances	26	7
Underground Storage Tanks	50	11
Underground Utilities and Pipes	22	6
Views & View Ordinances	25	7
Water & Well Systems	11	4
Water Intrusion	14	5
Water Shortages/Conservation & Plumbing Fixtures	12	5
Wet Weather Conditions	13	5
“Wire Fraud” Scam Alert	57	12
Wood-Destroying Pests/Organisms	18	6
<b>REGIONAL ISSUES</b>		14
Affordable Housing, Mandated	78	15
Agricultural Areas	75	15
Bay Fill	74	14
Coastal Conditions	72	14
Golf Courses	76	15
Litigation By/Against Government	71	14
Local Option Disclosures	77	15
San Francisco Bay Regulations	73	14
Signage/Address Identification	79	15
<b>LOCAL SAN MATEO COUNTY ISSUES</b>		15
Belmont	81	15
Daly City 3R Report	82	15
Half Moon Bay	83	15
Hillsborough Ordinances	84	15
Millbrae Ordinances	85	16
Portola Valley	86	16
Redwood Shores	87	16
San Mateo City Flood Zone	88	16
San Mateo Co. Onsite Wastewater	80	15
<b>LOCAL SANTA CLARA COUNTY ISSUES</b>		16
Aldercroft Hts. Co. Water District	89	16
Los Altos Hills	91	16
Morgan Hill	90	16
Saratoga	92	16
Sunnyvale	93	16

**1. EXISTING HOUSING STOCK:** Many properties in this area have been developed at different times under different building codes. They may not be able to accommodate current or future personal property items including but not limited to electric cars. Regardless of its age, the Property should be inspected by a competent property inspector and Buyers should obtain all additional inspections recommended by any inspector, or as Buyer may deem necessary for determining the actual condition of the Property. Property components, appliances, fixtures, systems and materials may have varying degrees of remaining useful life and could fail without notice. Not all aspects 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 or plastic pipe, which may be defective, create problems with the use or value of other aspects of the home and may be subject to manufacturer or governmental recall or a class action lawsuit. All homes include many components which require ongoing maintenance. Deferred maintenance will decrease the lifespan and functionality of many of these components. Buyers should seek reliable advice from appropriate professionals and plan/budget for maintenance and future repairs. Brokers have not verified and will not verify any of the issues discussed in Paragraph 1.

**2. FLOORS AND WALLS:** Amount and placement of Sellers' personal property may make a visual inspection of floors and walls difficult. The existence of certain types of floor coverings (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. Exposed areas may show differing patterns of wear, shade or color. Since destructive testing may be required in order for Buyers to determine the actual condition of the floors and walls beneath coverings, Buyers may need to secure the written authorization of Sellers to conduct investigations with licensed professionals during Buyers' inspection period, if any.

**3. TEMPERED GLASS:** Many homes contain non-tempered glass in areas where tempered glass is required by building codes. During Buyers' inspection period, if any, Buyers should have a contractor identify any glass that is not properly tempered. Buyers may want to replace any non-tempered glass with tempered glass to reduce the risk of injury.

**4. RESIDENTIAL FIREPLACE DISCLOSURE:** Residential wood burning is the leading source of wintertime air pollution in the Bay Area and studies have confirmed there are significant health impacts from exposure to fine particulate matter found in wood smoke. The Bay Area Air Quality Management District ("BAAQMD") established the Wood Smoke Rule, Regulation 6, Rule 3 to reduce wintertime smoke pollution and protect public health. The Wood Smoke Rule requires anyone selling, renting or leasing a property in the Bay Area to disclose the potential health impacts from air pollution caused from burning wood. Fine particulate matter, also known as PM2.5, can travel deep into the respiratory system, bypass the lungs and enter the blood stream. Exposure may cause short term and long term health effects, including eye, nose and throat irritation, reduced lung function, asthma, heart attacks, chronic bronchitis, cancer and premature deaths. Exposure to fine particulates can worsen existing respiratory conditions. High PM2.5 levels are associated with increased respiratory and cardiovascular hospital admissions, emergency department visits, and even deaths. Children, the elderly and those with pre-existing respiratory or heart conditions are most at risk from negative health effects of PM2.5 exposure. The buyer should consult with a licensed professional to inspect, properly maintain, and operate a wood burning stove or fireplace insert according to manufacturer's specifications to help reduce wood smoke pollution. The Air District encourages the use of cleaner and more efficient, non-wood burning heating options such as gas-fueled or electric fireplace inserts to help reduce emissions and exposure to fine particulates.

When the BAAQMD issues a Winter Spare the Air Alert during the winter season from November 1 through the end of February, it is illegal to burn wood, manufactured fire logs, pellets or any solid fuels in fireplaces, wood stoves or outdoor fire pits. To check when a Winter Spare the Air Alert is issued and it is illegal to burn wood, please call 1-877-4NO-BURN or visit [www.baaqmd.gov](http://www.baaqmd.gov) or [www.sparetheair.org](http://www.sparetheair.org).

The information in Paragraph 4 was provided by BAAQMD. Brokers have not verified and will not verify any of the information provided by BAAQMD.

**5. LEASED/LIENED PERSONAL PROPERTY; SOLAR PANEL LEASES:** Many homes have alarm systems, solar systems, water softeners, appliances or other equipment which may be leased or liened. Sellers should disclose to Buyers whether any appliances, systems or equipment are leased or liened and provide all documents relating to those leases and liens. Buyers should investigate whether or not any equipment leases are transferable or may require approval from the lessor, as well as what fees or costs may be imposed whether or not the leased items are to remain in place. See also Paragraph 39, below, regarding PACE liens.

Solar panels may be leased for long periods of time and are included in the sale only if agreed by Sellers and Buyers and Buyer is able to assume the lease. Solar leasing companies may secure lease payments by filing a Uniform Commercial Code form (UCC-1), which gives notice of a creditor's security interest (lien) against the Property. Buyers should consider retaining a qualified expert to investigate the solar-related system prior to assuming any solar lease. Brokers have not verified and will not verify any of the issues discussed in Paragraph 5.

**6. NEW CONSTRUCTION WARRANTIES, DEFECTS AND LAWSUITS:** Builders of new construction are required to provide certain warranties and information about how to report claims, but may not be required to complete the Real Estate Transfer Disclosure Statement ("TDS"). When there are subsequent sales, Sellers must provide Buyers with builder warranty and claim information. The TDS asks Sellers to disclose any lawsuits by or against the Seller threatening or affecting the Property. It then goes on to ask questions related to construction defects and references Civil Code Sections 900, 903, 910 and 914. These code sections are part of a law that is widely known as SB 800 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 requires a limited one-year warranty from the builder. Section 901, et seq., refers to "enhanced protection agreements", which are sometimes provided by the builder and may extend the warranty period. Other provisions (see section 907, et al.) require the homeowner 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 (see Section 944). Sections 910 and 914 reference pre-litigation procedures and remedies in the event of a claim against the builder. Sellers who have questions about how to answer this TDS question should consult with a qualified California real estate attorney for advice. If lawsuits or claims are disclosed by Seller, Buyers should investigate such disclosures with a qualified California real estate attorney. Brokers are not qualified to provide any advice on these matters.

**7. SQUARE FOOTAGE, NUMBER OF ROOMS AND AGE:** Multiple sources provide data regarding a property's square footage, number of rooms, number of units and age. These sources, including but not limited to Sellers, appraisers, architects, builders and space planners, often employ quite different square footage measurement criteria. Public records (e.g., Assessor data) also contain that data may be, and often are, inaccurate but which the Multiple Listing Service ("MLS") auto-populates such information into its listings. As such, there are frequent discrepancies in advertised measurements and other data relating to structures on real property. Any statements from any source regarding square footage, size or age of Property improvements (whether contained in the MLS, advertisements, computer-generated property profiles, disclosures and reports) have not been verified and will not be verified by Brokers. If the estimated or exact square footage, number of rooms or age of the Property are important factors in Buyers' decision to purchase the Property and in determining what price to pay, Buyers should independently verify that data by hiring an Appraiser or other qualified professional during Buyers' inspection period, if any.

**8. LOT SIZE AND BOUNDARIES:** Only a land surveyor can reliably determine actual lot size, property corners, and the exact location of boundaries. Statements regarding these issues in the MLS, advertisements, computer-generated property profiles, data in property tax assessor records or any disclosures are often approximations, or are based upon inaccurate or incomplete records. Fences, hedges, walls or other barriers may not represent actual boundary lines. Brokers have not verified any statements made by anyone regarding lot size and boundaries. If these issues are important to Buyers, they should not rely on any statements made by anyone without independently investigating these issues by hiring a licensed surveyor during Buyers' inspection period, if any.

**9. SEPTIC SYSTEMS AND WASTEWATER TREATMENT SYSTEM REGULATIONS:** If the Property has a septic system (usually consisting of a septic tank, cesspool, leach lines, 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 septic 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 or condition of a septic system. Securing approval for changes in the dwelling may be conditioned upon testing, removal, repair, expansion, or other changes to the septic 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 on-site waste water treatment/septic system regulations, Buyers should contact the State Water Resources Control Board at (916) 341-5250 and go to the website: [www.swrcb.ca.gov](http://www.swrcb.ca.gov). See also Paragraph 80 of this Advisory.

**10. 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 or entity and make arrangements with Sellers to transfer any necessary rights to any private sanitary entities. Some sanitary districts and private entities have implemented various requirements, restrictions and charges relating to participation, usage, maintenance, and type of equipment (such as sewer lateral clean-outs, backflow prevention devices) and drainage into sewer systems. Many cities have enacted ordinances requiring the abatement of failed sewer laterals (from the building served to the clean out in the city's right of way). Some ordinances require testing and repair of sewer laterals prior to sale, remodeling or expanding the residence or when changing plumbing fixtures or utility 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. Prior to transfer of title, some private sewage disposal systems may mandate an inspection of the system, a written report and other requirements for hook-up to a public sewer system, depending upon the proximity of the Property to a public sewer system. Some jurisdictions require certification procedures pre- or post- 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 and will not verify any of the issues discussed in Paragraph 10.

**11. WATER AND WELL SYSTEMS:** The Property may be served by a well, a spring, public or private water systems, or a combination thereof, in which case Buyers should consider requesting that Sellers complete the PRDS Well and Private Water System Checklist. Water may contain bacteria, chemical, metals, minerals, and may emit odors, Buyers should contact appropriate governmental agencies and should hire qualified professionals to determine the water source and have the water pressure, water system and its components inspected and determine the availability, quantity, quality and potability of the water. Results of such testing may vary by season and may change over time due to geological events and other factors. Brokers have not verified and will not verify any of the issues discussed in Paragraph 11.

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](http://www.valleywater.org). See also Paragraphs 88 and 89 of this Advisory.



The Santa Clara Valley Water District manages water resources and provides stewardship for the county's five watersheds, including ten reservoirs, groundwater basins and hundreds of miles of streams. The District captures local rainfall in the reservoirs throughout the winter months. Then in the spring and summer, the District releases water 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](http://www.valleywater.org).

**12. WATER SHORTAGES AND CONSERVATION / WATER CONSERVING PLUMBING FIXTURES:** The Property may be subject to state or local water shortages, conservation, usage and other measures, such as water hook-up restrictions and, at various times, mandatory rationing and the need to bring in water from outside sources. The policies of local water districts and 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 its use of water, increasingly graduated costs, and penalties for excess usage. 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 or development of the Property. If the Property is serviced by a private well or private water system, drought conditions or a low water table, it may become necessary to arrange, through a private supplier, for delivery of water to the Property. Buyers should contact water supply companies for the costs involved.

Current law [Civil Code Section 1101.1, et seq.] requires that "noncompliant plumbing fixtures" be replaced with "water-conserving plumbing fixtures" by certain prescribed deadlines. A "noncompliant plumbing fixture" is (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. The compliance deadlines are as follows:

**A. Single Family Residences:** If an alteration or improvement is undertaken for which a permit is required, compliance is a precondition of final permit approval (or, as applicable, certificate of final completion or occupancy). **After January 1, 2017, however,** all single family residences built before 1994 must be brought into compliance whether or not the property is being altered, repaired or otherwise improved. [Note: Condominium units are not subject to this requirement.]

**B. Multifamily and Commercial:** Compliance is required where (1) building additions increase the floor area of the space in the building by more than 10%, (2) estimated costs of alterations or improvements exceed \$150,000 or (3) plumbing fixture are located in the room where permit-required work is undertaken. **After January 1, 2019, however,** all multifamily and commercial properties must be brought into compliance whether or not the property is being altered, repaired or otherwise improved. **CAUTION:** Owners of such properties should carefully review the applicable statutory language and seek legal advice regarding compliance with the many important elements of compliance, disclosure, notification and other provisions not detailed in this summary.

**13. 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 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. Buyers should investigate these issues and conditions with licensed geotechnical engineers or other licensed engineers during Buyers' inspection period, if any.

**14. WATER INTRUSION:** Many homes suffer from water intrusion or leakage either on a short-term or long-term basis. 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 significant. The existence and cause of water intrusion is often difficult to detect. An absence of 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.

**15. 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 foundations. High water tables may affect septic systems, wells and the development, use and enjoyment of the land, particularly during months of heavy rain. Many properties have natural springs and 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 geotechnical engineers and civil engineers to help evaluate the effect of high water tables on the Property and consider drainage modifications to protect the structure and improve the value, development, use, and 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 possible repair costs to rectify the problem with licensed professionals during the Buyers' inspection period, if any. Brokers have not verified and will not verify any of the issues discussed in Paragraph 15.

**16. CREEKS AND CULVERTS:** Many properties are impacted by creeks (narrow channels or small streams) and culverts (man-made structures 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, buyers should engage licensed professionals and investigate the possibility of flooding and water intrusion that may result from those water sources 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 free-flowing and clean. Due to pressures from development, all potential sources of environmental pollution are coming under public scrutiny, including these from farming and horse property. Buyers should investigate the County's land management programs during their inspection period, if any, at the following website: [www.sccgov.org](http://www.sccgov.org).

**17. 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 either have existing levees or require the construction of levee. 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: [www.fema.gov](http://www.fema.gov).

**18. 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, Buyers 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. Who pays to correct these issues is negotiable.

**19. PETS, ANIMALS AND PESTS:** Current or previous owners may have kept domestic and other indoor or outdoor animals at the Property. Animals can cause damage to 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.

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 and 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, 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. 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.

**20. ENDANGERED SPECIES ACT:** Under the Federal Endangered Species Act (16 U.S.C. §§ 1531-1544) and several additional California requirements, many species of plants and animals are deemed to be "endangered" or "threatened" and are thus subject to special protective measures which may impact the use or development of the Property; this is especially true in areas that abut a body of water or are in designated wetland area. Violating these laws can result in substantial fines and other civil penalties, and Buyers should contact the U.S. Fish and Wildlife Service at [www.fws.gov](http://www.fws.gov) and the California Department of Fish & Wildlife at [www.dfg.ca.gov](http://www.dfg.ca.gov) to determine if the Property is within any designated critical or essential habitat for any listed species. Buyers should also consider hiring qualified professionals experienced with application and enforcement of the Endangered Species Act during Buyers' inspection period, if any. Brokers have no expertise on this subject.

**21. POWER LINES AND POWER PLANTS:** Cities and counties receive electrical service through power transmission 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 impacted by the existence of high voltage lines, transformers, other types of power equipment and electro-magnetic fields. All areas have experienced power outages caused by various factors at various times. Buyers should confer with the local utility, the State Public Utilities Commission and appropriate professionals during Buyers' inspection period, if any, and investigate the impact that any of these issues may have on the value, development, use, and enjoyment of the Property.

**22. 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 [www.npms.phmsa.dot.gov](http://www.npms.phmsa.dot.gov). Buyers should investigate these issues with the appropriate municipality and/or Pacific Gas and Electric Company ("PG&E") during Buyers' inspection period, if any, to determine if the Buyers' development, use or enjoyment of the Property is or will be impacted by underground utilities and/or pipes.

**23. 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. Hillsides are frequently active or potentially active landslide areas which can negatively impact hillside properties and surrounding properties. The Property may be constructed on unstable or improperly compacted soil and have inadequate drainage capability. Buyers should confirm with an attorney the legality, enforceability and scope of any easements (whether

recorded or not) to deal with all surface and ground water. 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 impact the ability to use or develop the Property. Buyers should retain geotechnical engineers and 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 43); for further information, Buyers should contact licensed geotechnical professionals during Buyers' inspection period, if any.

**24. EASEMENTS, ENCROACHMENTS, PUBLIC TRAILS, ACCESS RIGHTS, PRIVATE ROADS & MAINTENANCE AGREEMENTS:** Sellers need to disclose all known facts relating to the location, existence, maintenance and other obligations of any easement, access right, shared or private road/driveway, shared or private well systems and components, public trails and any possible encroachments affecting the Property. Buyers should investigate these issues and engage 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 animals; as such, the proximity of public trails may impact the value, development, use and enjoyment of the Property.

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

The use or maintenance of the Property or other properties by Sellers or others may or may not establish an actual easement, access right, shared or private road, driveway, maintenance obligation or encroachment. Whether or not a 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 and will not verify any statements made regarding matters identified in Paragraph 24.

**25. 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 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 ("CC&R's"), ordinances, regulations, and any other documentation which may relate to views. Buyers should also contact neighboring property owners, government agencies, architects and homeowner associations during Buyers' inspection period, if any, to evaluate any issues that might impact views.

Some cities and counties have view ordinances that 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. Brokers have not verified and will not verify the information relating to views.

**26. TREE ORDINANCES:** Several municipalities have enacted ordinances to regulate and control the removal of trees. 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 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. The City of San Jose, for example, requires Sellers to make specific disclosures to Buyers regarding street trees on a separate form prior to the sale of residential property. If Property is in the City of San Jose, Buyers should not close escrow without receiving the Sellers' Street Tree Disclosure form. Brokers cannot determine the health of trees or whether or not any tree is subject to any particular tree preservation ordinance.

**27. LAND LEASE:** Some developments are built on leased land, which may mean that: (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 (and 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 include all related possible issues. Buyers should obtain a copy of the land lease and discuss with their own attorney or other appropriate professionals the practical and legal implications of owning a home on leased land.

**28. 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, or in violation of zoning laws and may not legally be used or occupied as contemplated by Buyers (collectively referred to as "nonconforming improvements"). 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 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 departments. Nonconforming or illegal rental units may be required to be vacated and possibly torn down. It might not be possible to legalize or bring such nonconforming improvements up to current code because of zoning or permit issues 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 all known nonconforming improvements, Sellers may not be aware of all nonconforming improvements or uses, especially those that were made prior to the Sellers' ownership of the Property.



Buyers are strongly urged to investigate the possible existence and status of all possible nonconforming improvements by reviewing all files maintained by 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 and will not verify any of the issues detailed in Paragraph 28.

**29. FUTURE REPAIRS, REPLACEMENTS AND REMODELS:** Various federal, state and local governmental agencies impose limitations and restrictions regarding house size, configuration, design, construction and landscaping materials and development of real property depending upon the general location of the Property (e.g., if it is in the Coastal Zone, abuts waterways or is in a designated watershed area or environmental protection zone). Replacement or repairs of certain structures or systems or remodels of portions of the 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. For example, remodeling or repairs may trigger the need to upgrade the electrical system, the type and number of smoke alarms, installation of water conserving plumbing fixtures (see Paragraph 12). Incentives may be available from some utilities to install energy efficient appliances. Permit or code requirements and building standards can change over time, 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 may impact the installation, replacement and some repairs of roofs, windows, water heaters heating and air conditioning units ("HVAC"). Federal Environmental Protection Agency ("EPA") regulations require phasing out the use of R-22, freon which may also impact repairs and replacements of existing air conditioning units and heat pumps. 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, during Buyer's inspection period, if any, obtain the advice of land use professionals, contractors, architects, engineers or other relevant professionals and investigate with the appropriate governmental agency (e.g., building, planning, zoning, environmental health, code enforcement), the U.S. Department of Energy's website [www.energy.ca.gov](http://www.energy.ca.gov) and the California Energy Commission's website: [www.energy.ca.gov/title24](http://www.energy.ca.gov/title24).

Many homeowners use unlicensed repair people to save money. However, using unlicensed repair people may create problems because those individuals may not be qualified to do the work, they may not know all of the legal requirements for performance of that work and they may not have insurance, performance bonds or other means to enable them to financially stand behind the work performed. Brokers have not verified and will not verify any of the issues detailed in Paragraph 29.

**30. SMOKE ALARMS & CARBON MONOXIDE DEVICES:** Some cities or counties may require a smoke alarm inspection by a qualified inspector prior to the transfer of title. Sellers and Buyers should contact the appropriate governmental agency and all applicable regulators regarding the type, number and location of smoke alarms and carbon monoxide devices. Buyers need to determine whether an inspection or additional documentation is needed to certify proper installation and operation of the smoke alarms and ascertain the impact that these issues may have on the value, use, enjoyment or development of the Property. Fire department resources vary from district to district. Buyers should investigate these issues during Buyers' inspection period, if any.

**31. RETROFIT, SAFETY & SECURITY REQUIREMENTS:** State and local laws may require installation of barriers, access alarms, self-latching mechanisms and other measures to decrease risks to children and others presented by swimming pools and hot tubs. State and local laws may require the installation of locking mechanisms on doors and window bars, operable smoke alarms and carbon monoxide devices, 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 shower heads, 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.

**32. RE-KEYING:** Buyers are advised to re-key all locks upon possession. Alarm system, (which may be leased, see Paragraph 5), should be serviced by professionals and all alarms codes should be changed by Buyers. Garage door openers and remotes should also be re-coded.

**33. ON-LINE PHOTOS & INFORMATION:** Photographs of the Property provided to the MLS and brokers' websites may appear on other brokers' sites as well as national aggregation sites, including Realtor.com, Trulia, and others. It is not possible for brokers to remove photos from websites over which they have no control. Information regarding the Property and the neighborhood may exist online in various blogs, discussion boards, neighborhood associations and homeowner association sites that may offer viewers the opportunity to express opinions and air complaints. Some of that posted information may contain speculation, unfounded assertions and rumors, and it may be difficult to determine what is and what is not true. Sellers and brokers may not be aware of this online information and are not obligated to verify, investigate, or explain posted commentary.

**34. EPA REQUIREMENTS FOR PRE-1978 HOUSING:** U.S. Environmental Protection Agency ("EPA") regulations require (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, 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: [www.epa.gov](http://www.epa.gov).

**35. 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, lie within the jurisdiction of the California Coastal Commission or other government agency, or be 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 and various types of permits and other fees (especially if the Property is located along the California coastline). If the Property is specially designated on any governmental entity's list or map, there may be severe restrictions on Buyers' ability to retain existing features of the Property, develop, remodel, improve, remove, build or rebuild any of the structures or remove or trim trees or other landscaping. Buyers should investigate these issues during Buyer's inspection period, if any, by retaining the services of a land use consultant and contacting all applicable governmental agencies (including, but not limited, to local city and county planning departments, the California Coastal Commission ([www.coastal.ca.gov](http://www.coastal.ca.gov)); or call North Central Coast District Office at (415) 904-5260, the California Department of Fish and Wildlife ([www.wildlife.ca.gov/](http://www.wildlife.ca.gov/)) and the U.S. Army Corps of Engineers at: [www.spn.usace.army.mil/](http://www.spn.usace.army.mil/)). See also Paragraph 29 of this Advisory. Brokers have not verified and will not verify any of the issues detailed in Paragraph 35.

**36. RENTAL PROPERTY:** Some state and local laws impose restrictions that limit residential rent that can be charged, the maximum number of tenants who can occupy property, the right of the landlord to terminate a tenancy and the costs to do so. Some municipalities are considering imposing restrictions on vacation rentals as well as bed & breakfast establishments. 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. Effective July 1, 2017, landlords must provide a statutory bedbug notice to new tenants and must comply with other state regulations to eradicate bedbugs. Buyers should investigate these issues with appropriate governmental authorities and a local landlord/tenant attorney during Buyers' inspection period, if any. Brokers have no expertise on these topics.

**37. 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 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 should be referenced 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.

**38. 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 Your "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.

**39. PACE:** California First, also known as PACE ("Property Assessed Clean Energy"), is a program available to homeowners to help with energy and water conservation improvements to their property. Through PACE, property owners may finance such projects as adding insulation or installing more energy efficient furnaces, drought tolerant landscaping etc. Buyers and Sellers are cautioned that these financed funds become a line-item obligation on future property tax bills and are usually not listed on Preliminary Reports from Title Companies.

Note: Some lenders may not allow PACE financing because it affects their security interest. Buyers and Sellers are advised to consult with qualified tax, financial and legal advisors regarding the ramifications of an existing PACE loan and applying for a PACE loan. Sellers should disclose the known existence of, and any other information regarding, PACE financing relating to the Property.

**40. FIRPTA/CALIFORNIA WITHHOLDING:** Federal law nominally requires Buyers to withhold and remit to the Internal Revenue Service a set percentage of the purchase price if a Seller is a non-resident alien, unless an exemption applies. The original 10% withholding amount is increased to 15% where the sales price is \$1 million or more. Sellers may avoid this federal withholding requirement by providing to Buyers a "FIRPTA" statement duly claiming exempt status. The statement must be signed by each Seller under penalty of perjury and include each Seller's taxpayer identification number. Alternatively, a "Qualified Substitute" (such as the escrow holder) can state under penalty of perjury that it has verified the required taxpayer identification information. Buyers can also avoid the federal withholding requirement if the Property purchase price is \$300,000 or less and Buyers sign an affidavit stating that they intend to occupy the Property as their principal residence. California law requires that Buyers withhold and remit to the 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 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.

**41. DEATH ON THE PROPERTY:** California law requires that all Sellers, whether or not exempt from completing any specific disclosure forms, disclose any death on the Property that occurred less than three years of the date an offer to purchase is made. Although the California Legislature deems such deaths not to be "material facts," any responses by Sellers and Listing Agents to direct questions on that topic must be truthful. Buyers who have questions or concerns about this topic should put their inquiries in writing for a written response, if any, from Sellers.

**42. TRANSFER DISCLOSURE STATEMENT:** Unless exempt, Sellers of residential property consisting of 1 to 4 units must complete a Real Estate Transfer Disclosure Statement (“TDS”) even if the property is being sold “AS IS”. The Parties cannot waive this statutory requirement. Seller must, for example, disclose any past or current lawsuits affecting the Property of which they are aware and disputes regarding construction defects with references to Civil Code Sections 900, 903,910 and 914. See Paragraph 6 above. If Sellers have any questions regarding how to respond to any of the questions in the TDS, any supplements to the TDS, any other questionnaires, Buyer inquiries or how to disclose any known material fact, Sellers should consult with their own qualified California real estate attorney.

If Sellers become aware of new information that affects the value, development, use and enjoyment of the Property that has not already been disclosed to the Buyers, Sellers may be required (depending upon, e.g., the purchase contract form) to amend the TDS and give the Buyer a right to rescind the purchase contract within three days of personal delivery (or five days of mailing) of the amended TDS. If Sellers have any questions regarding the obligation to provide an amended TDS, they should consult with a qualified California real estate attorney. Brokers do not have the requisite expertise to provide advice on the issues in Paragraph 42.

**43. NATURAL HAZARDS DISCLOSURE:** Unless exempt, Sellers of residential property consisting of 1 to 4 units 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 company to review public records and maps to provide that information to Buyers. Where a Seller is exempt or is otherwise not required to provide the NHDS, it is recommended that Buyers still secure a NHD report to be informed of 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 the cost of the report. Buyers should carefully review all sources relied upon in the NHD report. Not all NHD companies use the same sources and 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 report should contact the NHD company that issued the 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 or to explain the contents of NHD reports.

**44. 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 Buyers’ or Brokers’ visual inspections. 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 is 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 pamphlet. If the Property was built before 1975 and contains structures built with masonry or precast (tilt-up) concrete walls, 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 43). Buyers may be able to obtain earthquake insurance; Sellers who agree to provide financing should also consider requiring Buyers to obtain such insurance.

**45. 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 43) or with appropriate government agencies concerning the use and improvement of the Property during the Buyers’ inspection period, if any.

**46. 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. Certain fire hazard zones are reported in the NHDS (see Paragraph 43). 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 during Buyers’ inspection period, if any, regarding the risk of fires. State and local jurisdictions may require that homeowners maintain their properties 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.

**47. 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 43). 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 depending upon which flood zone applies and some properties may now be required to have an elevation certification on file with the local government in order to obtain insurance coverage. Buyers should recognize that there is potential for flooding even outside designated zones. For further information, Buyers should consult their lender, insurance agent and the Federal Emergency Management Agency (FEMA) during Buyers’ inspection period, if any.

**48. ENVIRONMENTAL HAZARDS:** The presence of such environmental hazards 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 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, if any. 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.”

**49. MOLD:** Mold is one type of environmental hazard. The presence of toxic and 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 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 verified and cannot verify whether there is or is not any type of health hazard.

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 or if any of the inspection reports or disclosure documents indicate that 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 Buyer’s inspection period, if any. 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. For more information about Mold, Buyers should consult the Environmental Pamphlet referenced in Paragraph 48.

**50. UNDERGROUND STORAGE TANKS (“UST”):** Many homes may have or have had an underground storage tank (“UST”) for the fuel oil that fired the 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 USTs 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 tanks capacity is less than 750 gallons and it 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 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 Works Department, Building Department and Fire Department for the Property.

**51. GOVERNMENTAL SERVICES:** Economic and 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 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 and will not verify the issues addressed in Paragraph 51.

**52. SCHOOLS:** Neighborhood schools normally serving the Property may not have space available in current or upcoming school years and some schools may be impacted by busing, overcrowding, financial cutbacks, academic achievement difficulties, possible closings and 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 and will not verify the issues in Paragraph 52.

**53. NOISE AND ODORS:** Levels and types of noise and 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 venues including, but not limited to, the Shoreline Amphitheater, Mountain Winery, Montalvo Center for the Arts, Great America, Levi’s Stadium, Avaya Stadium, SAP Arena, schools, parks and ball fields, produce noise at various times. 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 and odors levels are acceptable to Buyers and will impact the value, development, use and enjoyment of the Property.

**54. SMOKING ORDINANCES:** The Counties of Santa Clara and San Mateo as well some cities in those counties have or are in the process of enacting smoking ordinances regulating smoking pollution from variety of tobacco and non-tobacco devices within some 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&Rs and homeowners’ association rules and regulations may also address these issues. For more information, Buyers should go to the applicable governmental website and should contact the homeowners’ association.

**55. MARIJUANA & DRUG LABS:** Although California law now permits some cultivation, possession and use of marijuana, federal law recognizes no lawful use for marijuana and federal criminal penalties regarding marijuana remain in effect. Buyers and Sellers should consult with a California attorney regarding the legal risks and issues surrounding the purchase or ownership of a property where marijuana activity has been taking place. Cultivation or storage of marijuana may cause damage or alteration to the Property which may not be visibly apparent. Parts of some properties have been used as illegal methamphetamine labs. California law requires owners to notify occupants of such usage. Depending upon the circumstances, special clean-up efforts may be needed. Brokers do not have the necessary expertise to evaluate the issues in Paragraph 55. Buyers should consider hiring an environmental hygienist contractor and other appropriate professionals to inspect a property where marijuana activity has taken place or where there has been a methamphetamine lab.

**56. CRIME:** The existence of crime is a fact of life. Some areas experience more crime than others and crime statistics for various areas may rise and fall over time. Local law enforcement agencies may target designated areas for special, but temporary, enforcement measures. Individual criminal acts may occur anywhere and may or may not be reported to law enforcement or news sources. During their inspection contingency period, if any, Buyers should check with local law enforcement agencies if concern over criminal activity is a factor in the purchase of the Property. Brokers do not undertake these investigations and do not have the necessary expertise to evaluate criminal activity.



**57. WIRE FRAUD SCAM ALERT:** Recently some Buyers and Sellers have received emails purportedly sent by their agent or an escrow company providing wire transfer information, but that are actually sent by hackers who re-direct the funds to the hacker's account with an off-shore site. Buyers and Sellers should confirm all email wire transfer instructions directly with the escrow officer by calling the escrow officer directly and personally confirming verbal wire transfer instructions before taking any steps to have their funds transferred. If a questionable wiring instruction has been received, Buyers and Sellers should promptly notify their bank, their real estate broker and the escrow officer, as well as the FBI at [www.fbi.gov](http://www.fbi.gov) or the Internet Complaint Center at [www.ic3.gov](http://www.ic3.gov).

**58. FREEWAYS, HIGHWAYS AND STREETS:** The ability to travel on public roads varies greatly due to present and future changes in those roads, development and construction of other properties, weather, traffic congestion, and such other factors as peak travel times. Public and private events and venues can add substantially to travel times, and resultant traffic impacts may adversely affect the value, development, use and enjoyment of the Property. Buyers should assess their own transportation needs and investigate relevant transportation issues during various times and days of the week during their inspection period, if any.

**59. TRAINS AND BART:** Caltrans operates commuter trains that run daily from San Jose to San Francisco and make stops in Santa Clara and San Mateo Counties. A railroad train also runs between San Jose and Cupertino several times a week. Freight trains operate at various times of day and night in both counties. The Bay Area Rapid Transit district operates trains. Trains, train tracks and train stations may create noise, impact local streets, and affect the value and desirability of some property. Under regulations issued by the Federal Railroad Administration, 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. Caltrans has temporarily relocated horns onto the top of the locomotives, increasing the volume and range of the sound. Caltrans is attempting to balance neighborhood noise concerns with required safety regulations. Since ultimate impact on the Property or Buyers of any type of train traffic is subjective in nature, Buyers are advised to personally investigate these issues during their inspection period, if any, to determine their potential impact. For more information, go to [www.caltrans.org](http://www.caltrans.org); [www.bart.gov](http://www.bart.gov).

**60. HIGH-SPEED RAIL:** On November 5, 2008, California voters approved Proposition 1A authorizing funding of a high-speed rail transportation system ("HSRTS") linking various cities in the State. Both the location of the proposed HSRTS and the possible effect that the construction and operation of that system will have on residential areas has been the subject concern and debate. Some news reports have indicated that, depending upon the location of the HSRTS, it may have a negative effect on some properties in the San Francisco Bay Area. Precisely what impact, if any, the proposed HSRTS 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, if any. The California High-Speed Rail Authority ("Authority") is responsible for planning, constructing and operating that HSRTS; Buyers can obtain more information at [www.cahighspeedrail.ca.gov](http://www.cahighspeedrail.ca.gov).

**61. 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 might impose. Some insurance companies may impose such retrofit requirements as installation of safety glass, fireplace spark arrestors, and a gas shut-off valve. (The fact that an insurance company may require these repairs as a pre-condition of coverage does not necessarily mean that a Seller is otherwise legally obligated to install such devices). 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 and the cost of this insurance may be increased. Buyer's own insurance agent should be consulted during Buyer's inspection contingency period, if any, 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 47). 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 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 ensure that adequate coverage is provided for. Buyers should also consider asking Sellers order a C.L.U.E. report, (a 5-year history of past insurance claims) on the Property. Some insurance companies at various times have stopped issuing homeowner's insurance policies in California as well as in other states as a result of the increase in mold claims. Some insurance companies will not issue 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 or water intrusion claim within the last five years. During their inspection or insurance investigation, Buyers should assure themselves that homeowner's insurance can be obtained on the Property.

In the event that the Parties propose either that Seller retain possession of the Property after escrow closes (for any period of time), or that Buyer obtain possession prior to the Close of Escrow, the Parties should first consult with their insurance brokers to ascertain the availability of necessary insurance coverage.

**62. TITLE INSURANCE:** Buyers generally receive a Preliminary Report ("Prelim") from a title company as part of the Buyer's investigation of the Property. California law provides that a Prelim is only an offer of title insurance and is not a guarantee of title. The Prelim may not contain every item affecting title. Buyers should carefully review the Prelim and investigate all of the underlying documents that are referenced as policy "exceptions" or "exclusions". Although lenders must disclose that title insurance is optional, Brokers strongly encourage Buyers to purchase title insurance as recommended in the Mandatory Notice of California Civil Code Section 1057.6 which states, "Important: in a purchase or exchange of real property, it may be advisable to obtain title insurance in connection with the close of escrow since there may be prior recorded liens and encumbrances which affect your interest in the property being acquired. A new policy of title insurance should be obtained in order to ensure your interest in the property that you are acquiring."

**63. HOME WARRANTY:** Buyers and Sellers can purchase home warranty plans that cover, both before and after close of escrow, various systems of the Property. Sellers can obtain coverage for the Property during the listing period. For an additional premium, upgraded policies providing additional coverage for, e.g., air conditioning, pool, spa, appliances, well and other features may be available. 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.



**64. COMMON INTEREST DEVELOPMENTS:** 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 pertain to the HOA, 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 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 wall materials, window coverings, installation of TV antennae, satellite dishes and fencing. HOAs often impose restrictions 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 visitor issues, conducting home businesses, use of storage facilities, number and size of pets, storing RVs, trailers, inoperative vehicles, vehicle maintenance activities, use and location of basketball hoops and other sports equipment, placement, size and purpose of signs and other activities and aspects of the Property.

Under California law, the Sellers must provide to Buyer a number of specific documents regarding the operation and financial condition of the HOA. Buyers should carefully examine all of these documents and compare the documents received with the list of required disclosures 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 either 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. If Buyers determine 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 versus 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 smaller HOA's do not prepare or keep all documents required by the law, such as reserve studies, minutes of all meetings and 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.

Many common interest developments have been involved in, are presently involved in, or are contemplating litigation regarding the design, construction, maintenance and 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 special assessments. Litigation exists or may be under consideration by individual property owners against the developer, design professionals, contractors, and others regarding the design, construction, maintenance or physical condition of individual units or the Development. If the HOA has a history of litigation or is contemplating litigation, Buyers are advised to seek advice regarding these issues from a qualified real estate attorney during the Buyers' inspection period, if any. Brokers are not qualified to evaluate or investigate legal issues.

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

If the HOA provides assigned or allocated parking spaces, Buyers should investigate for themselves by actually parking in the assigned space whether or not the space is adequate for Buyers' vehicle. 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 spaces are acceptable for the Buyers' intended needs and uses.

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.

**65. PRIVATE TRANSFER FEE:** A private transfer fee ("PTF") is a payment required and imposed within CC&Rs or other recorded instruments and due upon transfer of title. Sellers must disclose the existence of any PTF, the amount of the fee required, a description of how the fee is calculated, the entity that is to be paid, 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 Seller may not actually know whether the Property is subject to a PTF, Buyers should carefully examine any and all title documents to determine this issue.

**66. NON-CONFIDENTIALITY OF OFFERS:** Sellers or Sellers' representatives may not be legally obligated to treat the existence, terms or conditions of any Buyers' offer as confidential unless confidentiality is required by law, regulation, or a confidentiality agreement exists 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.

**67. 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 deposits 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. 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 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. California law prohibits including in the Purchase Contract any other type of remedy (such as a release or forfeiture of deposit or a non-refundable deposit) aside from the statutory liquidated damages clause for the Buyers' breach of contract. Brokers cannot give any legal advice about the issues in Paragraph 67 or determine who is entitled to receive the deposit. Any questions on these topics should be referred to a qualified California real estate attorney.

**68. 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 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. Brokers are not obligated to mediate with the Parties.

**69. ARBITRATION:** Arbitration is a form of dispute resolution which involves hiring a neutral third party (the "Arbitrator") to render a formal decision on the claims and allegations and what damages, if any, shall 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. Arbitration is best handled by attorneys who understand real estate principals and the arbitration process issues. By agreeing to Arbitration, the Parties give up their rights to a jury trial and appeal. Arbitration 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 arbitration, any dispute arising out of purchase and sale must (with some limited exceptions) be submitted to binding arbitration. Buyers and Sellers must decide on their own, or with the advice of legal counsel, whether 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. Brokers cannot give legal advice regarding these matters.

**70. 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:**

**71. LITIGATION BY OR AGAINST A CITY, COUNTY OR GOVERNMENTAL AGENCY:** Buyers should investigate whether there is any pending litigation or administrative claim that may affect the value, development, use or enjoyment of the Property or impact the ability of the local community to provide necessary services. Buyers should check appropriate governmental websites.

**72. COASTAL CONDITIONS:** Property located near 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, maintenance, repair and remodeling of coastal properties may be regulated by the California Coastal Commission and other governmental agencies (see Paragraph 35 above). Buyers should investigate these conditions and restrictions as well as the cost of increased maintenance and repairs that may be needed. 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](http://www.myhazards.calema.ca.gov) and [www.consrv.ca.gov/cgs](http://www.consrv.ca.gov/cgs).

**73. 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 size and location of structures and impose other requirements and restrictions on property owners. Buyers of such property should contact BCDC at (415) 352-3600 for additional information.

**74. BAY FILL:** Some properties that are built on bay-fill have experienced salt leaching from the soil into and through concrete causing corrosion to the iron rebar in the foundations. Buyers of property built on bay-fill should investigate this issue with qualified professionals.

**75. 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 surrounding residential areas.

**76. 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.

**77. "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 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 that form.

**78. MANDATED/AFFORDABLE HOUSING:** Many cities are studying how to add units and "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).

**79. SIGNAGE & ADDRESS IDENTIFICATION ORDINANCES:** Many cities regulate the type and size of "For Sale" and other signs that may be located on private property and public property. The visibility, size and type of residential house numbers are also subject to various local regulations. In some cities, residential addresses must be illuminated.

### **LOCAL SAN MATEO COUNTY ISSUES**

**80. SAN MATEO COUNTY ONSITE WASTEWATER ORDINANCE:** All new residential or commercial facilities that are unable to connect to a sewer line must install an Onsite Wastewater Treatment System ("OWTS"), depending on the size of the property and where it is located (e.g., Half Moon Bay, Portola Valley, Woodside and unincorporated areas of San Mateo County). For a new septic system, a site exam and soil percolation test must be completed prior to submission of a septic installation permit application. A remodel of properties serviced by existing OWTS may require an upgrade of the OWTS and additional plans or testing may be necessary. Existing septic tanks must be serviced by a certified septic pumping company that must provide the County with a copy of the written report regarding the condition of the septic tank within 30 days of pumping. If there are deficiencies noted in the OWTS, the County Environmental Health Department will notify the owner in writing of the needed corrections and the homeowner will then have 60 days to make the repairs. Securing septic inspection report is not a condition of sale unless Buyer and Seller agree in writing to conduct that inspection. Any resulting report must be provided to the County. Brokers cannot determine the impact or applicability of this ordinance; Buyers and Sellers should investigate this issue by going to the following website: [www.smchealth.org/landuse](http://www.smchealth.org/landuse).

**81. BELMONT:** The City of Belmont requires that Buyers receive a written notice that property owners are responsible for sewer lateral repair and maintenance obligations. For more information go to [www.belmont.gov/home/showdocument?id=1606](http://www.belmont.gov/home/showdocument?id=1606)

**82. 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 or officially finalized. If an improvement was constructed without all necessary permits or not in compliance with building codes, the City may require the owner to remove it or legalize it at substantial cost. Buyers should independently confirm the information contained in a 3-R Report during their inspection period, if any, and should engage the services of a qualified contractor, architect or other professionals to verify its information. 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.

**83. HALF MOON BAY:** The City of Half Moon Bay settled a law suit resulting in the issuance of city bonds; the City will be using insurance proceeds to pay down its debt. Buyer should investigate whether this latest fiscal decision impacts the ability of Half Moon Bay to provide necessary services. For additional information, go to [www.hmbcity.com](http://www.hmbcity.com).

**84. 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 arresters, smoke alarms and address number visibility by means of illuminated numbers. 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 other requirements for property located in Hillsborough, go to the following website: [www.hillsborough.net](http://www.hillsborough.net).

**85. 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 properties. This requirement is triggered when any addition, alteration or repair of the structure or building (with the exception of repairs to the exterior only) requiring a building permit is undertaken and the cost estimate exceeds \$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.

**86. 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 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 27 and 28 of this Advisory.

**87. 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: [www.RSOA.info](http://www.RSOA.info). The Redwood Shores Community Association is a social and community advocacy organization which can be contacted at the following website: [www.RSCA.org](http://www.RSCA.org).

**88. 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. . 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 their own insurance broker to determine the possible ramifications of expanding the flood designation on the value, 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 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: [www.cityofsanmateo.org](http://www.cityofsanmateo.org).

#### **LOCAL SANTA CLARA COUNTY ISSUES**

**89. ALDERCROFT HEIGHTS COUNTY WATER DISTRICT ("AHCWD"):** AHCWD is a California Special District that provides water services in the Aldercroft Heights neighborhood of the Santa Cruz Mountains. Sellers are responsible for contacting the AHCWD's Business Office so that a final meter reading can be taken and a transfer fee is collected in escrow. To initiate water service, the Buyer must also contact the AHCWD's Business Office and all past due water service charges must be made current as a condition of receiving water service. Brokers have not determined and will not determine applicable charges. Buyers and Sellers should investigate this issue by calling (408) 353-4255 or going to the following website: [www.aldercroftheightscwd.org](http://www.aldercroftheightscwd.org).

**90. MORGAN HILL:** The Santa Clara Valley Water District intends to drain Lake Anderson as part of its 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 enjoyment of surrounding homes. Buyers are encouraged to investigate this project by contacting the Water District at [www.valleywater.org](http://www.valleywater.org).

**91. LOS ALTOS HILLS:** The Town of Los Altos Hills has established standards for roads and 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: [www.losaltoshills.ca.gov](http://www.losaltoshills.ca.gov).

**92. 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: [www.saratoga.ca.us/](http://www.saratoga.ca.us/)

**93. 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: [Sunnyvale.ca.gov](http://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/>  
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.cityofpaciica.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.woodsidesideton.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/>  
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/>

## ELECTRONIC SIGNATURES

You may be able to sign transaction documents electronically making it possible to skip from one signature line to the next and thus easier to ignore the terms and conditions to which a signature or initial applies. If you choose to sign documents electronically be certain to take your time to read each document thoroughly and only sign or initial those documents that you with full knowledge and consent intend to sign.

### 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 and will not verify square footage or size of structures or land, boundary lines of the Property, statements made by others (including but not limited to Sellers), information contained in inspection reports, the MLS, 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 17 PAGE ADVISORY.**

DATE: \_\_\_\_\_ SELLER \_\_\_\_\_

DATE: \_\_\_\_\_ SELLER \_\_\_\_\_

DATE: \_\_\_\_\_ BUYER \_\_\_\_\_

DATE: \_\_\_\_\_ BUYER \_\_\_\_\_