

SANTA CRUZ COUNTY DISCLOSURES AND DISCLAIMERS ADVISORY

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

This Advisory is intended for use in Santa Cruz County, including all cities and unincorporated areas of the County. Please read it carefully, whether in electronic or hardcopy form along with any local Advisories or local disclosures and Seller or Agent Disclosures relating to the Property.

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INTRODUCTION

This Advisory provides general information about selling and buying real property in Santa Cruz County and is effective as of **April 2018**. It is not intended to be a comprehensive guide to buying real estate nor is it designed to alarm Buyers and Sellers. Although this Advisory does not limit any legal duty of real estate brokers, it does point out some limitations on real estate brokers' duties. This Advisory is designed to explain that when selling or purchasing something as important and valuable as real estate, you have a legal responsibility to protect yourselves by taking special precautions to investigate the issues detailed in this Advisory and any other issues that may impact the use, value or desirability of the Property. Consult with the appropriate experts and/or governmental agencies. Do not just rely on real estate brokers or Sellers as sources for all information. When Buyers have questions, doubts or concerns, they should conduct their own investigation with their own chosen professionals. For more information about the geographical areas covered by this Advisory, Buyers and Sellers can go online at the sites referenced at the end of this Advisory.

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

- Sellers must understand the importance and significance of their disclosure obligations. Sellers need to take the time to carefully and fully complete all aspects of the disclosure documents. Sellers must disclose anything that is known to the Sellers that materially affects the value or desirability of the Property. Sellers who need help in meeting their disclosure obligations should consult with their own attorney; Brokers cannot determine the legal sufficiency of any disclosure.
- 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 that relate to the Property or the issues in this Advisory and provide a copy of that material to Buyers, preferably with the Sellers' disclosure documents, regardless of which disclosure forms are used.
- 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 the Seller Property Questionnaire, if provided by Seller.
- Buyers are responsible for conducting their own investigations into the issues discussed in this Advisory as well as those issues that are not referenced below to the extent that those additional issues may affect the Buyers' determination of the use, value, desirability or development of the Property. That investigation should take place prior to the Buyers' removal or waiver of any investigation or inspection contingency. Buyers are urged to:
 - Carefully read the information contained in any advisories, disclosures, inspections, and/or reports that Buyers receive from any source.
 - Conduct additional/further investigations and inspections regarding any issues that concern Buyers that are raised in those advisories, disclosures, inspections, and/or reports received by Buyers from any source.
 - Thoroughly and thoughtfully inspect and evaluate the Property and, in so doing, meet Buyers' obligation to protect themselves, including those facts that are known to or within the diligent attention and observation of the Buyers.
- Buyers need to inquire into other or additional matters (beyond those contained in this Advisory) to the extent that those additional issues affect the Buyers' determination of the use, value, desirability or development of the Property.
- Buyers must bear in mind that a Property may suffer defects and deficiencies 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 people may be more sensitive than others.

- Buyers are urged to engage licensed professionals to evaluate all aspects of the Property and to consult all appropriate governmental agencies. Buyers' right to conduct certain types of investigations may be limited by the Purchase Agreement.
- Any representations about the issues in this Advisory made by third parties have not been verified by Brokers and need to be independently confirmed by Buyers.
- **Although licensed to list, sell and lease real estate, Brokers may not have expertise on the issues in this Advisory.**

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

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

A. MARKET CONDITIONS ADVISORY

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

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

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

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

B. GENERAL PROPERTY ADVISORIES

1. EXISTING HOUSING STOCK: Many properties have been built under different building codes and may not accommodate current or future personal property items such as electric cars. Regardless of its age, Buyers should have the Property inspected by a competent property inspector and obtain additional inspections recommended in any inspection report, or as may be necessary for Buyers to determine the actual condition of the Property. The Property's components, appliances, fixtures, systems and materials may have varying degrees of remaining useful life and may be subject to failure without notice. In addition, not all components, improvements or fixtures of the Property may comply with current code, zoning, health and safety, setback requirements, religious or cultural preferences. Some homes contain appliances, products or manufactured materials, such as Chinese dry wall, which may be defective, create problems with the use or value of other aspects of the home and/or may be subject to manufacturer or governmental recall and/or a class action lawsuit. All homes include many components which require ongoing maintenance. Deferred maintenance will decrease the lifespan and/or functionality of many of these components. Buyers should seek reliable advice from appropriate professionals and to plan/budget for maintenance and future repairs.

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

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

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

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

6. FENCE MAINTENANCE: If the Property has a fence that is located on the boundary line, Civil Code Section 841 provides that the adjoining private landowners have an equal obligation to maintain the fence. However, fences are not often located on the boundary line and when that is true, who is responsible for maintaining the fence is a legal determination. Thus, questions regarding who is responsible for repairing or maintaining a fence should be reviewed with a qualified California real estate attorney. Brokers are not qualified to make that determination.

7. TREES AND VEGETATION: Protected Trees. Most cities and counties have Ordinances that require property owners to obtain a permit prior to removing "Protected Trees" (also known as "Heritage Trees") from their property. The definition of Protected Trees varies from jurisdiction to jurisdiction. Removing or damaging any Protected Tree without the proper permit constitutes an infraction. In addition to the cost of the infraction,

violators may be liable for damages and if those fees are not paid, a lien can be put on the Property. That lien may subsequently be added to the County property tax bill.

If the Property is located within the County's Coastal Zone, Santa Cruz County requires property owners to obtain a permit prior to removing a "Significant Tree" and the County has additional rules to protect locally unique biotic species of trees and plants including but not limited to Valley Oaks, Santa Cruz Cypress, certain indigenous pines, ancient forests, maritime chaparral and coastal scrub.

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

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

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

8. RIVER, CREEK AND LEVEE PROTECTION: Many properties are impacted by creeks (a narrow channel or small stream), underground aquifers, and/or culverts (a man-made structure used to enclose a flowing body of water which is usually designed to allow water to pass underneath a road or other structures). If the Property includes, abuts or is located near a creek or culvert, Buyers should investigate the possibility of flooding and/or water intrusion or other nuisances that may result from proximity to those water sources by contacting appropriate experts. Brokers cannot determine these issues. In addition, some cities have enacted regulations regarding creeks and culverts making maintenance of these creeks and culverts the responsibility of adjacent property owners which can involve considerable expense. For example, the Santa Cruz County General Plan includes regulations to protect waterways especially those that are within the County's Coastal Zone.

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

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

Buyers can get more information about OWTS/Septic System regulations by contacting the State Water Resources Control Board, 1001 I Street, Sacramento, California 95814 or (916) 341-5455 and/or by reviewing the SWRCB's website: http://www.waterboards.ca.gov/water_issues/programs/owts/index.shtml

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

concerning UST's that may include removal and soil clean-up of any toxic material that may have leaked from the tank. Buyers and Sellers are advised to speak directly to the Public Works Department, Building Department and/or Fire Department in the pertinent city concerning specific regulations affecting UST's.

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

Some of the third-party Natural Hazards Disclosure ("NHD") companies may provide information regarding environmental hazards that are mapped by the federal government, state or local entities such as Super Fund Clean-Up sites. Buyers should consider discussing with the NHDS provider what environmental disclosures and maps may be available. NHD companies may also provide imbedded links to access the state pamphlets on Environmental Hazards and Buyers should obtain that pamphlet as part of a due diligence investigation of the Property.

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

If the Property is located in a Common Interest Development ("CID"), the Seller should request that the Homeowners' Association ("HOA") provide all required documents regarding the HOA's operation and expenses to meet the Seller's disclosure obligations under Civil Code Section 4525. Some neighborhoods have established HOAs that may charge dues and enforce their own restrictions. It is strongly recommended that Buyers receive the current HOA documents directly from the HOA rather than from any online, third party service or from an earlier transaction. Although Sellers can legally provide their own copies of the required documents, the best practice is to have the HOA provide the documents so that the most current information is provided to Buyers.

Buyers need to carefully examine all of the documents that are provided regarding the HOA and compare the documents with the list of required disclosures specified in the HOA form from the California Association of REALTORS®. If any document(s) are missing, Buyers should send a written request to the Seller that the Seller provide the missing documents and/or provide a written explanation for why the document(s) were not included with the other HOA documents. Many smaller HOA's do not prepare or keep all documents required by the law, such as reserve studies, minutes of all meetings and/or financials. 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.

Any changes or improvements to a unit generally require some form of review and approval by the HOA and the HOA may impose significant restrictions on those changes including imposing maintenance obligations and/or indemnification requirements in case of damage during installation. Buyers should review all HOA restrictions and determine the impact of those restrictions, during the contingency period, if they intend to make changes including but not limited to those which involve adding solar energy systems onto common area roofs or adding special equipment for televisions and other electronic equipment. For example, due to noise and other factors, a HOA may restrict the type of floor and/or wall material that can be used in certain units and/or the number of pets. Note that HOA's must comply with Fair Housing laws regarding service and companion animals. Buyers should directly contact the HOA Board to determine whether or not the Property can be used for Buyers' intended purposes. Buyers should also determine whether or not the Property meets Buyers' subjective personal preferences.

Many Condominiums and other Common Interest Developments have been involved in or are presently involved in litigation regarding the design, construction, maintenance and/or condition of all or a part of the Development. Whether or not these lawsuits are successful, litigation is expensive and the cost of such legal actions may impact not only the adequacy of the HOA reserves but also the amount of current or future

assessments. The existence of HOA insurance does not necessarily mean that there is insurance coverage for any given single interest or unit in the Development, an owner's remodeling or upgrade efforts, and/or the owner's contents. See Insurance information below.

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

13. PLASTIC PIPE: Some builders in Northern California used PEX water pipes in constructing homes. This type of pipe, manufactured under the name of KITEC®, has been alleged in a class action lawsuit to be faulty and a settlement of that lawsuit has been reached. Buyers should investigate whether or not there are any plastic pipes or fittings prior to removing their inspection contingency by retaining the services of a licensed plumber who has knowledge and experience in identifying plastic pipe; licensed plumbers are also able to advise Buyers as to the current and future condition of those pipes. For additional information about this particular type of pipes and/or to learn more about the lawsuit, there is a website available at: <http://www.kitecsettlement.com/faq.cfm>. Buyers should also contact a qualified California real estate attorney to discuss any questions they may have regarding their ability to recover proceeds from this settlement.

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

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

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

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

commentary of third parties.

18. ONLINE PHOTOS: Sellers and Buyers are advised that photos of their property will be included in the MLS listings and, perhaps, on the listing broker's website. It is now common that such photos will subsequently be added to other brokers' websites, and various national listing aggregation sites such as Realtor.com, Trulia, Zillow, and others. From there, photos may be copied on to other websites as well, with or without the permission of the host site. After the close of escrow, or termination of a listing, Sellers and Buyers must understand that it is not possible for the listing or selling broker to remove these photos from websites over which they have no control.

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

Probate property is sold "As-Is" and certain standard disclosure forms, such as the Real Estate Transfer Disclosure Statement, are not required. However, the Representative must nonetheless disclose all actual knowledge of material facts affecting the value or desirability of the Property. The best mechanism to make those disclosures is for the Representative to fully complete and sign the *Exempt Seller Disclosure* form.

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

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

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

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

22. SMOKE ALARMS AND CARBON MONOXIDE DETECTORS: California Health and Safety Code §13113.8 requires installation of smoke alarms in residential property. If a TDS is required, the Sellers certify that the Property has (or will have prior to Close of Escrow) operable smoke alarms which are approved and

installed in compliance with the State Fire Marshal's regulations and applicable local standards including installation of alarms with 10-year batteries in all bedrooms before finalizing any permitted contracting work costing \$1,000 or more. State law requires carbon monoxide detectors in living areas of residential properties that have fossil fuel burning appliances, even if those appliances are several floors below, for example, furnaces in the basement of a condominium building. Some Cities have more specific requirements. For example, some cities require that, prior to the sale of any real property, Sellers shall upgrade the smoke alarm/smoke detector system to photoelectric-only devices but there are exemptions for hardships and infeasibility of compliance. For more information, contact your local Building Department.

Additional fire extinguishing systems, such as interior sprinklers, may be required for apartments. Buyer should investigate all fire protection requirements with the local Fire Chief.

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

Property may be subject to local Ordinances regulating the maintenance, breeding, number or type of animals permitted, or other requirements such as spaying or neutering. Buyers should investigate whether Homeowner and Common Interest Associations have imposed restrictions on animals. Neighbors may have animals that can cause problems including, but not limited to, noise or odors. Common pets such as dogs can bark, cats are not easily contained, and in some cases more unusual animals (e.g. poultry, exotic birds, and reptiles) may create issues that impact the value, use and enjoyment of the Property. California is home to a wide variety of animals, birds, reptiles and insect life, including but not limited to ants, bedbugs, bats, rodents, snakes and larger wild animals such as mountain lions and deer, some or all of which may enter or inhabit the Property and may be difficult to eliminate or control. These creatures can damage landscaping, might be a hazard to people, pets or other animals and may cause issues that impact the Buyers' use and enjoyment of the Property. Proximity to rural or open space areas increases the likelihood of this problem. Buyers should investigate these issues with licensed professionals, including local animal/pest control companies, and/or other qualified agencies or organizations during Buyers' inspection period.

24. ARCHITECTURAL & CONSTRUCTION PLANS: Property owners often have architectural/ construction plans and renderings, whether or not those plans were ever approved or used for any purpose. These plans and drawings do not "run with the land" even if the plans were used to build existing structures and even if they are on file with the local planning department. In most situations, Sellers's contracts with the architect specify that the plans remain the possession of the architect; the Seller is granted a limited "non-exclusive license" to use that material. Thus, Sellers generally do not have the legal right to advertise, sell or give that documentation to Buyers without the express written authorization of the architect who in all likelihood has copyrighted the plans. Buyers who want to use the Sellers' plans and drawings for any purpose should contact the creator of the plans directly for authorization to use that material.

C. FEDERAL, STATE AND REGIONAL CONDITIONS ADVISORIES

25. UNSTABLE HILLSIDES/EXPANSIVE SOILS: Many hillside properties are active and potentially active landslide areas. Many of the geologic forces which have shaped California over the eons are still active today. The only way to determine the nature of the soil and bedrock under a structure, and how these forces may affect those structures, is with a geologic or geotechnical inspection and report. Some parts of Santa Cruz County have expansive, or adobe, soil which will expand and contract with the wet and dry seasons. This expansion and contraction can cause movement or shifting of structures and their foundations.

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

Some real property in Santa Cruz suffers from drainage and soils issues, which can lead to settlement affecting the structural integrity of the property. Occasional heavy rains, high water tables, and variations in yard elevations, can also cause standing water and poor drainage. Buyers should consult with appropriate experts regarding any concerns.

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

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

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

29. PERMIT ISSUES: Improvements made to any property such as repairs, remodels and additions may have been built or used without all required permits and/or without finalizing those necessary permits. One such example would be where a second living unit (an accessory dwelling unit "ADU" or "in-law unit") is being rented by the Seller but the required permit(s) were not obtained to construct this ADU. An improvement that is made without all required permits can, among other things, have a negative impact on property value, require a retrofit, impact habitability, preclude insurance coverage and/or result in fees, penalties, government and/or civil enforcement actions including, but not limited to, the removal of the unpermitted improvements. In some cities, there may be a lower standard applied in those circumstances where the property owner is the person obtaining the permits, as opposed to a contractor doing so but often these permits require that the homeowner affirmatively represent that the owner will not be reselling (e.g. "flipping") the property within a set time frame.

Obtaining and finalizing permits may trigger additional retrofit requirements that are not required as a condition of sale. Examples include but are not limited to water conserving plumbing fixtures and safety devices to prevent drowning of small children in pools and spas. See Paragraphs 37 and 38 below.

Buyers should investigate the permit status of all structures and uses; real estate licensees are not qualified to conduct such off-site investigations. If Buyers intend to make any improvements after Close of Escrow, they should investigate the feasibility of those improvements with appropriate experts during Buyers' inspection contingency period, if any.

30. NONCONFORMING USES, ROOMS, ALTERATIONS OR ADDITIONS: Any rooms, alterations or additions to the Property which were done without necessary permits or certificates of completion ("nonconforming improvements") may be subject to fines, permit and construction costs, and other expenses to bring them into conformity. Nonconforming improvements may be subject to removal by local building inspection and code enforcement agencies. Nonconforming rental units may be required to be vacated and possibly torn down. It may not be feasible to legalize nonconforming improvements because of zoning, permit and/or other legal or regulatory limitations. Some building inspection and code enforcement agencies may

conduct random inspections of properties for permit, code and other violations while the Property is being marketed. Such nonconforming improvements may also be discovered when anyone applies for a permit to do work on the property either before or after escrow closes. Whenever nonconforming uses are discovered, the then-current owner could face expensive repairs, permit fees and other costs and/or even removal of the nonconforming improvement.

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

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

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

33. HISTORIC RESOURCES: Some Cities have enacted Ordinances to preserve and protect certain properties or areas that have been deemed to be of historical significance. Real estate brokers are not qualified to identify the legal or practical effect of any historic designation. Buyers should investigate these issues with the local planning department.'

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

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

36. DROUGHT ADVISORY: Due to severe drought conditions, water usage has also been restricted by many local municipalities and water authorities. Current and future restrictions may impact the Property by limiting water usage and/or increasing water costs. These limitations may affect the quality of life at the Property and the ability to use water in the home or for landscaping, agricultural or livestock purposes. Buyers should thoroughly investigate this issue, including but not limited to: contacting the local water authority; contacting the local government including City and County authorities; and searching various public websites as to whether there are any existing or planned water limitations and/or the impact of those regulations on any local minimum landscaping requirements. Brokers do not have expertise in water usage rights or limitations, and Brokers do not have an obligation to, and will not, research any water restrictions relating specifically to the Property including but not limited to inspecting public records concerning water usage at the Property.

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

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

Commencing January 1, 2017, Sellers will need to disclose to Buyers, in either the Seller Property Questionnaire (SPQ) or the Exempt Seller Disclosure (ESD) form, if Sellers are aware of whether the Property has any noncompliant plumbing fixtures. If a Seller answers “No” to that question, Buyers should not assume that the Property is fully compliant since the “No” response may merely mean that Seller is unaware or is uncertain as to whether or not any such fixtures are noncompliant. For this reason, as a part of their property inspection of Properties subject to this law, Buyers are urged to have all plumbing fixtures inspected by a qualified professional to determine whether all plumbing fixtures are actually compliant with this law.

(b) ADDITIONAL LOCAL REQUIREMENTS: In addition to the forms created by Brokers and real estate organizations, some areas, such as the **City of Santa Cruz and Santa Cruz County**, as well as some local water districts, such as the **Soquel Creek Water District**, **require use of their own Addendum to the Real Estate Transfer Disclosure Statement regarding this topic as well as having the Buyer and Seller agree who is to be responsible for any retrofit of the noncompliant fixtures. The Cities of Capitola & Santa Cruz and the County of Santa Cruz have also enacted Plumbing Fixture Retrofit Ordinances.** High Efficiency Toilet Rebate Programs may also be available.

Regardless of where the Property is located, Sellers and Buyers are advised to determine, prior to contract acceptance, which Party will be responsible for the cost of the water-conserving plumbing fixtures retrofit and precisely what local forms need to be completed as a requirement of sale.

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

38. POOL AND SPA SAFETY: Commencing January 1, 2018, all home inspection reports used in the sale of a single-family residence **must** indicate whether or not a Property with a pool and/or spa has any of the 7 drowning prevention safety features described in Health & Safety Code Section 115925. Neither home inspectors nor Buyers and Sellers can agree to waive this requirement if there is a home inspection report but

the new law does not obligate Sellers or Buyers to obtain a home inspection report. Real estate professionals are not obligated to and are not qualified to determine if the Property meets current safety requirements.

Although it is important to have appropriate safety measures in place to prevent drowning of small children, this law is not a retrofit requirement that must be completed as a condition of sale. At the time that a single-family residence is altered or improved, the installation of 2 pool/spa safety features must be a condition of final permit approval. Therefore, Sellers and Buyers are advised to determine, prior to contract acceptance, which Party will be responsible for the cost of adding any required pool/spa safety features.

Some jurisdictions have their own separate requirements on this topic. See Paragraph 56 below.

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

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

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

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

Sellers and Buyers should consult with their legal and tax advisors regarding any questions about FIRPTA. Sellers and Buyers cannot agree to waive these federal requirements nor agree that FIRPTA does not apply.

41. RENTAL PROPERTY/FAIR HOUSING: When rental properties are offered to the public, the owner and real estate agent must act in compliance with all Fair Housing laws and regulations including, but not limited to, providing unrestricted access to potential tenants with service/companion animals. Landlords are required under Fair Housing laws to provide a "reasonable accommodation" for tenants with disabilities; in the case of tenants with disabilities, this includes allowing the tenant to occupy the rented residence with the service/companion animal. The landlord may not charge a "pet deposit" or otherwise charge the tenant for the service/

companion animal in any manner that is different from a tenant without such an animal. Any property owner renting their property should consult with a California real estate attorney specializing in landlord/tenant and Fair Housing issues for advice on any matters related to Fair Housing and service/companion animals.

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

42. RENTAL PROPERTY INSPECTION & MAINTENANCE: Some areas, such as the City of Santa Cruz, require that Property which is or will be rented or leased to tenants undergo a specific rental property inspection and the rental unit needs to be registered with the City. Buyers who intend to use the Property for rental purposes should contact the relevant City or County to ascertain all governmental requirements that may impact the ability to use the Property for rental purposes prior to removing any inspection contingencies. Although state law allows for the construction of secondary housing units, the ability to construct those units and/or to rent those units is subject to local jurisdiction regulations and approvals. If Buyers intend to construct or use secondary units for rental purposes, they should investigate the feasibility of those improvements and uses with appropriate experts during Buyers' inspection contingency period, if any.

43. RENTAL PROPERTY RESTRICTIONS ON RENT AND EVICTIONS: Due to the high percentage of renters and the decrease in affordable housing, many areas are enacting Ordinances or may enact Ordinances in the future that are designed to protect Tenants' rights. A state law known as the Costa-Hawkins Rental Housing Act prohibits cities from enforcing rent increase restrictions on certain types of properties, including but not limited to single-family residences, condominiums and townhouses that are separately owned or rental units with an initial certificate of occupancy dated on or after February 1, 1995.

Brokers cannot provide legal advice regarding state or local Landlord-Tenant laws affecting any Property. Buyers and Sellers should consult with a qualified California real estate attorney who specializes in local Landlord-Tenant laws. The Santa Cruz County Bar Association's Lawyer Referral Service (831-425-4755) can provide referrals to an experienced attorney for a 30-minute consultation for an administrative fee of \$50.

Buyers who intend to use a Property for any type of rental purposes should contact the relevant City or County to ascertain all governmental requirements that may regulate rental amounts, limit rent increases and/or impose special requirements regarding "just cause" evictions, prior to removing any inspection contingencies. See, for example, Paragraph 56. Several homeowner associations ("HOA") have imposed or are considering imposing restrictions on new owners who intend to rent out their Property that may differ from rules for existing owners in an effort to limit the percentage of non-owner-occupied units which can impact the ability to obtain financing.

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

In 2011, the County of Santa Cruz enacted a Vacation Rental Ordinance which includes a registration and permit process, limitations on use and occupancy as well as sign requirements and a transient occupancy tax. Neither Sellers nor Brokers can predict if, or when, any jurisdiction or HOA will adopt regulations, limitations or prohibitions on rentals in the future and/or what changes may be implemented with existing Vacation Rental

Ordinances. Buyers who are considering using their property for short-term or vacation rentals are strongly encouraged to investigate current and pending governmental and/or HOA rules and regulations related to rentals, insurance coverage, and the existence of taxation such as a Transient Occupancy Tax ("TOT") and to review that documentation with a qualified California real estate attorney as well as their own insurance broker prior to the close of escrow.

45. PUBLIC SERVICES: Public services (schools, fire, law enforcement, emergency response, etc.) may have been impacted by financial difficulties which can lead to changes in the level of service. For example, some school districts have experienced financial and academic achievement difficulties and, as a result, may face bankruptcy, reorganization or takeover by a state administrator. Each school district has its own rules regarding school assignments, and these rules may change at any time with little notice. For these reasons, brokers cannot represent or guarantee that anyone who resides in any particular property will be able to attend any particular school or school district. If Buyers have any concerns regarding the quality and/or financial viability of public services, Buyers should investigate to their satisfaction prior to removing any applicable contingencies.

46. NEW CONSTRUCTION WARRANTIES, DEFECTS AND LAWSUITS: The Real Estate Transfer Disclosure Statement ("TDS") requires Sellers to disclose if there are any lawsuits by or against the Sellers threatening or affecting the real property along with questions related to construction defects, citing Civil Code Sections 900, 903, 910 and 914. These codes are part of a law that is often referred to as SB800 or Title 7, which generally applies to residential real property built by a "Builder" (as defined in Section 911) and sold for the first time after January 1, 2003. Section 900 provides for a limited one-year warranty from the Builder and Builders may provide "enhanced protection agreements" which may extend the warranty period. Homeowners are required to follow all reasonable maintenance obligations and schedules communicated in writing by the Builder and product manufacturers, as well as commonly accepted maintenance practices. Failure to do so may provide a defense against a homeowner claim and Builders often require specific pre-litigation procedures and remedies in the event of a claim against the Builder. Sellers who have questions about how to answer this TDS question should consult with a California real estate attorney for advice. If the Sellers disclose any lawsuits or claims, Buyers should investigate such disclosures with a California real estate attorney. Brokers are not qualified to provide advice on these matters.

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

48. HVAC/DUCTING: The California Energy Commission issued New Duct Sealing Requirements in 2005. Depending upon certain conditions and the Property location, if a central air conditioner or furnace was installed or replaced after October 1, 2005, the ducts must be tested for leakage. If the ducts leak 15% or more, then repairs must be made to seal the ducts. Additional testing may then be required to verify that the work was done properly. It is strongly recommended that all of this work be done by licensed contractors who should obtain all required permits. Only a contractor who has specialized knowledge regarding HVAC systems can determine whether or not the ducts must be sealed. Only a review of the official map of the California Energy Commission can determine whether a particular property is exempt. **See Map for applicable Climate Zones at: http://www.energy.ca.gov/maps/climate_zone_map.html**

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

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

50. COASTAL COMMISSION AND OTHER RESTRICTIONS ON IMPROVEMENTS & LAND USE: The Property may be located within the jurisdiction of the California Coastal Commission or other government agency, or subject to a contract preserving use of all or part of the Property for agriculture or open space. Specific structures, sites, trails, roads and natural features may be identified in a General Plan or local Specific Plan as requiring special treatment and/or 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 and/or remove or trim trees or landscaping. Buyers should investigate these issues during Buyers' inspection period, if any, by retaining the services of a land use consultant and/or contacting all of the applicable governmental agencies including, but not limited to, local city and/or county planning departments, the California Coastal Commission at www.coastal.ca.gov. Buyers should also check with the California Department of Fish and Wildlife at www.wildlife.ca.gov and the U.S. Army Corps of Engineers at www.spn.usace.army.mil. Brokers have not and will not verify any of the issues detailed in this Paragraph and thus cannot determine the ability of Buyers to preserve, maintain, change or develop the Property.

51. 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 in the Property. Effective January of 2018, FHA has announced that it will not insure mortgages with a PACE lien in place. 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.

52. MARIJUANA (Cannabis): Effective January 1, 2018, California has legalized certain uses of cannabis; however, this statewide law requires local cities and counties to enact regulations for the issuance of permits and licenses prior to anyone using, cultivating, distributing and/or selling cannabis. Those regulations may include but are not limited to an inspection of the property and/or a determination as to the availability of water and other resources to grow cannabis. However, there are still federal laws that may make those activities illegal and the federal government's position on enforcement of those restrictions in states such as California that have passed contrary legislation is still possible.

If Buyers are intending to purchase property that has been used for cultivation, distribution and/or sale of cannabis or if Buyers are intending to purchase property for those same purposes, Buyers should consult with a local, qualified California real estate attorney who has expertise in this area. Cultivation or storage of marijuana may cause damage or alteration to the Property which may not be visibly apparent. Brokers are not qualified to make any determinations regarding these issues.

State law allow landlords to prohibit/regulate smoking of marijuana in or on the Landlord's property as well as to allow Landlords to prohibit the cultivation, distribution and sale of marijuana for any purpose.

D. COUNTY AND CITY ADVISORIES

53. ACCESS TO SANTA CRUZ COUNTY FILES: Files maintained by the County of Santa Cruz Assessor can only be accessed if the Owner provides specific written Authorization to the person seeking to review and/or copy documents from those files by means of a form created by the County of Santa Cruz.

54. AGRICULTURAL LAND PRESERVATION AND PROTECTION ORDINANCE NOTIFICATION AND DISCLOSURE STATEMENT REQUIREMENT: Santa Cruz County Code §15.50.090(a):

"Santa Cruz County has a strong rural character and an active historical agricultural sector. As a property owner or lessee, you should be prepared to accept properly-conducted agricultural practices that are allowed

for in Federal, State and County laws and regulations, are consistent with accepted customs and standards and are operated in a non-negligent manner. Accepted agricultural practices that may cause inconveniences to property owners during any 24-hour period may include, but are not limited to: noise, odors, fumes, dust, smoke, pests, operation of farm equipment, storage, application and/or disposal of manure and the application of pesticides and fertilizers by ground or air. The County of Santa Cruz will not consider any agricultural practice to be a nuisance if it is implemented in accordance with Federal, State and local law. Nothing herein is intended to limit rights under Federal, State, and local regulations governing pesticide use.”

55. SANTA CRUZ COUNTY SANITATION DISTRICTS: Santa Cruz County administers and manages three Sanitation Districts: (1) Santa Cruz County Sanitation District; (2) Freedom Sanitation District; and (3) Davenport Sanitation District. The County Sanitation District Code requires Property Owners whose properties are serviced by these Districts to maintain their sewer systems to prevent overflows; Property Owners are financially responsible for any repairs made by the Districts. If there are more than 2 overflows within a 12-month period, the system must be televised and repaired or replaced and certified, in writing, by a licensed plumber. As a condition of sale for property connected to a sanitary sewer main constructed more than 20 years before the date of sale which has not been inspected within the past 20 years, the Owner shall have the sanitary system inspected and certified by a licensed plumber to be in good working order (free of obstructions and breaks) before Close of Escrow. Sellers are responsible for the testing/inspection and repair where required and cannot transfer that obligation to the Buyer. The County also requires the installation of a clean-out and an overflow device by and at the sole expense of the Owner on all sewer systems. This installation shall occur prior to the Close of Escrow or as a condition of approval of any major remodel estimated by the District to cost \$50,000 or more. For further information contact the County Sanitation District at (831) 454-2160.

There are eight other County service areas and other individual Sanitation Districts that have their own rules and regulations on these subjects. The County Sanitation Districts, County service areas, and individual Sanitation Districts are mapped on the County Geographic Information Systems website - <http://gis.co.santa-cruz.ca.us/publicgisweb>. Once on that site, click “Legend,” then “Special Districts,” then “Sanitation District.”

56. SWIMMING POOL ENCLOSURE ORDINANCE: The County of Santa Cruz requires that all new and modified residential one and two-family dwellings (R-3) that have swimming pools meet the requirements of the Swimming Pool Enclosure Ordinance (“Ordinance”) Santa Cruz County Code §112.10.216. The Ordinance applies to all swimming pools, spas and hot tubs, including in-ground, above-ground, on-ground and fixed-in-place swimming pools that are located on the premises of residential one and two-family dwellings in the unincorporated areas of Santa Cruz County. In addition to mandating compliance with specific pool enclosure standards, the Ordinance requires Sellers of such dwellings to provide written certification of compliance with the Ordinance to the Buyer upon transfer of the property to the Buyer. Certification can only be issued by a Certified Home Inspector or County Building Inspector. A real estate licensee cannot determine compliance nor issue the requisite Certification.”

57. CITY OF SANTA CRUZ INTERIM RENT FREEZE/JUST-CAUSE EVICTION ORDINANCES: Effective February 13, 2018, the City of Santa Cruz has adopted two Ordinances as emergency measures to impose a moratorium on the amount Landlords can increase rents for certain types of rental units and a “Just-Cause” Eviction Ordinance which restricts the grounds upon which Landlords can legally evict tenants. During the moratorium the rent increase is limited to 2%; the rental increase limitation does not apply to the categories of rental units exempted by the Costa-Hawkins Rental Housing Act (**see Paragraph 43**); the 2% rental limitation applies to accessory dwelling units (“ADU”) and duplexes unless those structures received an initial Certificate of Occupancy after February 1, 1995.

The “Just Cause” Eviction Ordinance outlines 8 different permissible grounds for eviction, including but not limited to failure to pay rent or using or permitting the use of a rental unit for any illegal purposes. This Ordinance does not apply to a rental unit that constitutes the Landlord’s sole rental property and if the Landlord resides on-site, the Ordinance does not apply to a single-family residence, duplexes and a single-family residence with an ADU.

These Ordinances are temporary and will automatically expire unless they are approved by voters during the November 2018 election; to obtain these Ordinances go to <http://www.cityofsantacruz.com/government/city-council/publication-of-Ordinances/government-city-council-publication-of-Ordinances>.

58. CITY OF SANTA CRUZ SEWER SYSTEM ORDINANCE: In the City of Santa Cruz, Property Owners are responsible for maintaining the sewer laterals which connect their property to the public sanitary sewer collection system. As of the date of this Advisory, the City of Santa Cruz is in the process of amending its Sewer System Ordinance 16.08 to require Property Owners to stop all sewer spills promptly and take steps, to the satisfaction of the Public Works Department that the sewer lateral has been properly repaired. The revised Ordinance will also require inspection of the sewer lateral system of all residential and commercial properties at the time of sale and obtain a report and video from a Certified Sewer Inspector and the filing of a Sewer Inspection Form provided by the Public Works Department. The results of the inspection can trigger the need for remedial repair or replacement; failure to comply with these requirements could result in fines. The Property may be exempt if the sewer lateral was constructed within 10 years of the date of sale or passed an inspection with 5 years of the date of sale. Older sewer laterals with a p-trap system are an automatic fail and clean-outs will need to be installed. The revised Ordinance will also require inspections of private sanitary sewer collection systems and private sanitary sewer lift stations and ejector pumps. For more information about the existing and proposed Sew Ordinances, Sellers and Buyers should contact the Public Words Department at (831) 420-5160 or go online to the City’s website at www.cityofsantacruz.com.

59. WATSONVILLE ORDINANCES REGARDING SIDEWALKS, DRIVEWAYS, CURBS & GUTTERS: The Watsonville Municipal Code Improvement Act of 1911 states that a property owner is responsible to maintain the sidewalk, driveway, curb and gutter adjacent to their property in good condition so as to not interfere with public safety and use. If any of these areas become “deficient” (for example a tripping hazard), the property owner is responsible for making the necessary repairs. Once the City of Watsonville becomes aware of a deficiency, the property owner is sent a “Notice to Repair” and given 30 days in which to complete those repairs identified in the Notice which includes a cost estimate. A city permit is required to complete the work which must be done by a bonded contractor with an “A” or C-8” license. For additional information regarding maintenance of sidewalks, driveways, curbs and gutters as well as the options available to property owners upon receipt of a “Notice to Repair” and/or the appeal process, go to: www.cityofwatsonville.org and/or contact the Public Works & Utilities Department at 831-768-3110.

E. SOURCES OF INFORMATION: 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, this Advisory does not warrant or guarantee the accuracy of the information provided by these sites and resources.

COUNTY OF SANTA CRUZ: <http://www.co.santa-cruz.ca.us>

CITY OF CAPITOLA: <http://www.cityofcapitola.org/>

CITY OF SANTA CRUZ: <http://www.cityofsantacruz.com/>

CITY OF SCOTTS VALLEY: <http://www.scottsvalley.org/>

CITY OF WATSONVILLE: <http://www.cityofwatsonville.org/>

F. ATTORNEY AND ACCOUNTANT RECOMMENDATIONS: In addition to the professional service providers Buyers will retain to inspect and analyze the property being purchased or sold, a situation may arise during the course of Buyers’ purchase transaction that requires Buyers to either make an important decision or select a plan of action that could result in significant legal consequences and/or have a substantial impact on Buyers’ personal finances. The most prudent and best plan is to identify a certified public accountant and real estate attorney in advance of the sale or purchase of the property so that Buyers and Sellers can quickly contact and seek the proper financial and/or legal advice and guidance if needed during the transaction. If a 1031 exchange is contemplated, also contact an exchange accommodator to discuss the proper method and timing of the exchange.

G. THE PARTIES ACKNOWLEDGE THE FOLLOWING REGARDING BROKER:

- Broker does not warrant or guarantee the condition of the Property.

- Broker shall not be responsible for failure to disclose to Buyer facts regarding the condition of the property where the condition (i) is unknown to Broker or (ii) is not capable of being seen by Broker because it is in an area of the property that is reasonably and normally inaccessible to a Broker;
- **Broker has not verified square footage, size of structures, acreage or boundary lines of the property; representations made by others; information received from public records, Seller or other third parties; information contained in inspection reports or in the Multiple Listing Service, or that has been copied therefrom; or statements in advertisements, flyers or other promotional material; or any other matters described in this Disclosures and Disclaimers Advisory; unless otherwise agreed in writing;**
- Broker does not guarantee, and shall not be responsible for, the labor or services or products provided by others to or on behalf of Buyers or Seller and does not guarantee, and shall not be responsible for, the quality, adequacy, completeness or code compliance of repairs made by Seller or by others;
- Broker does not decide what price Buyers should pay or Seller should accept;
- Broker is not qualified to give legal, tax, insurance or title advice; and
- Brokers lack professional expertise in the areas listed above, and do not verify the results of any inspections or guarantee the performance or reports of any inspection or professional services.
- **Buyers and Sellers are advised to investigate and choose their own service providers to conduct investigations and advise them on these and all matters related to the sale and purchase of real property. In these and all other matters referred to in this Disclosures and Disclaimers Advisory, Buyers and Sellers are advised to seek any desired assistance from appropriate qualified professionals. Nothing any real estate licensee may say will change the terms or effect of this Advisory. This document may be signed in counterparts.**

ELECTRONIC SIGNATURES

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

WIRE FRAUD SCAM ALERT

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

**THE UNDERSIGNED ACKNOWLEDGE RECEIPT OF ALL 20 PAGES OF THIS
SANTA CRUZ COUNTY DISCLOSURES AND DISCLAIMERS ADVISORY
WHICH CAN BE SIGNED IN COUNTERPART**

Dated: _____

Buyer

Dated: _____

Buyer

Dated: _____

Seller

Dated: _____

Seller