

**Department of Real Estate
of the
State of California**

In the matter of the application of

UNIVERSAL BANK

for a Final Subdivision Public Report on

TRACT NO. 66786

"MARENGO TOWNHOMES"

LOS ANGELES COUNTY, CALIFORNIA

**FINAL SUBDIVISION PUBLIC REPORT
CONDOMINIUM**

FILE NO.: **130247LA-A01**
ISSUED: **AUGUST 26, 2008**
AMENDED: **AUGUST 31, 2011**
EXPIRES: **AUGUST 25, 2013**

DEPARTMENT OF REAL ESTATE

by Pushuang Quan
Signature

PUSHUANG QUAN

Printed Name

CONSUMER INFORMATION

- ❖ **This report is not a recommendation or endorsement of the subdivision; it is informative only.**
- ❖ **Buyer or lessee must sign that (s)he has received and read this report.**
- ❖ **A copy of this subdivision public report along with a statement advising that a copy of the public report may be obtained from the owner, subdivider, or agent at any time, upon oral or written request, *must* be posted in a conspicuous place at any office where sales or leases or offers to sell or lease interests in this subdivision are regularly made. [Reference Business and Professions (B&P) Code Section 11018.1(b)]**

This report expires on the date shown above. All material changes must be reported to the Department of Real Estate. (Refer to Section 11012 of the B&P Code; and Chapter 6, Title 10 of the California Administrative Code, Regulation 2800.) Some material changes may require amendment of the Public Report; which Amendment must be obtained and used in lieu of this report.

Section 12920 of the California Government Code provides that the practice of discrimination in housing accommodations on the basis of race, color, religion, sex, marital status, domestic partnership, national origin, physical handicap or ancestry, is against public policy.

Under Section 125.6 of the B&P Code, California real estate licensees are subject to disciplinary action by the Real Estate Commissioner if they discriminate or make any distinction or restriction in negotiating the sale or lease of real property because of the race, color, sex, religion, ancestry, national origin, or physical handicap of the client. If any prospective buyer or lessee believes that a licensee is guilty of such conduct, (s)he should contact the Department of Real Estate.

Read the entire report on the following pages before contracting to buy or lease an interest in this subdivision.

CONDITIONAL SUBDIVISION PUBLIC REPORT: IF YOU ENTERED INTO A PURCHASE AGREEMENT/CONTRACT TO PURCHASE OR LEASE AN INTEREST IN THE SUBDIVISION UNDER AUTHORITY OF A CONDITIONAL SUBDIVISION PUBLIC REPORT ("**CONDITIONAL PUBLIC REPORT**"), THE PURCHASE AGREEMENT/CONTRACT AND THE ESCROW INSTRUCTIONS CONTAINED ARRANGEMENTS FOR THE RETURN TO YOU OF MONIES PAID OR ADVANCED IF YOU ARE DISSATISFIED WITH THIS FINAL SUBDIVISION PUBLIC REPORT ("**FINAL PUBLIC REPORT**") BECAUSE OF A MATERIAL CHANGE IN THE SETUP OF THE OFFERING COVERED BY BUSINESS & PROFESSIONALS CODE SECTION 11012. YOU ARE ADVISED TO CAREFULLY READ THIS FINAL PUBLIC REPORT SINCE IT CONTAINS INFORMATION THAT IS MORE CURRENT AND POSSIBLY DIFFERENT THAN THAT INCLUDED IN THE CONDITIONAL PUBLIC REPORT.

THE USE OF THE TERM "**PUBLIC REPORT**" SHALL MEAN AND REFER TO THIS FINAL PUBLIC REPORT.

OVERVIEW OF SUBDIVISION

Location: This subdivision is located at 1020-1026 S. Marengo Avenue within the city limits of Pasadena. Prospective purchasers should acquaint themselves with the kinds of city services available.

Type of Subdivision: This subdivision is a common interest development of the type referred to as a condominium. It will be operated by an incorporated owners association.

Interests to be Conveyed: You will receive fee title to a specified unit, an undivided fractional fee interest as a tenant in common in the common area together with a membership in the Marengo Townhomes Association ("**Association**") and rights to use the common area.

About this Phase: This is a single phased subdivision which consists of approximately 0.34 acre on which 1 building, containing 11 units and 2 parking spaces per unit in a subterranean garage, plus 1 guest parking space in the common area, has been constructed.

Common amenities and/or facilities consisting of landscaping, courtyard slate/tile area, concrete drives/walkways, exterior stairs to garage, garage ventilation fan room, trash room, mailbox, water fountain, garage ventilation, concrete block wall, wrought iron fence, hand/stair railings, balcony railing, lighting, access control, and sump pumps/motors also have been constructed on the common area.

Sale of All Residences: The Subdivider has indicated that he intends to sell of the units in the subdivision; however, any owner, including the Subdivider, has a legal right to rent or lease the units.

Subdivider and Purchaser Obligations: IF YOU PURCHASE FIVE OR MORE SUBDIVISION INTERESTS (CONDOMINIUM UNITS), THE SUBDIVIDER IS REQUIRED TO NOTIFY THE REAL ESTATE COMMISSIONER OF THE SALE. IF YOU INTEND TO SELL YOUR INTERESTS OR LEASE THEM FOR TERMS LONGER THAN ONE YEAR, YOU ARE REQUIRED TO OBTAIN AN AMENDED FINAL PUBLIC REPORT BEFORE YOU CAN OFFER THE INTEREST FOR SALE OR LEASE.

NOTE: WHEN YOU SELL YOUR CONDOMINIUM UNIT TO SOMEONE ELSE, YOU MUST GIVE THAT PERSON A COPY OF THE DECLARATION OF RESTRICTIONS, ARTICLES OF INCORPORATION, THE BYLAWS AND A TRUE STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS, PENALTIES, ATTORNEYS FEES OR OTHER CHARGES, PROVIDED BY THE RESTRICTIONS OR OTHER MANAGEMENT DOCUMENTS ON THE CONDOMINIUM UNIT OF THE DATE THE STATEMENT WAS ISSUED.

WARNING: IF YOU FORGET TO DO THIS, IT MAY COST YOU A PENALTY OF \$500.00 – PLUS ATTORNEY’S FEES AND DAMAGES (CIVIL CODE SECTION 1368)

Completion of Common Area: The Subdivider states that all common area improvements, amenities, and facilities, including residential structures in the total subdivision, have been completed as evidenced by a Notice of Completion recorded September 22, 2008, as Instrument No. 20081698430.

No escrows will close until all common area improvements, amenities, facilities, and all residential structures have been completed and a Notice of Completion has been filed and all claims of lien have expired. If the period for all claims of lien has not expired, a title policy (paid by the Subdivider) shall be issued to each purchaser containing an endorsement against all claims of lien. (Section 11018.5 of the Business and Professions Code)

NOTWITHSTANDING ANY PROVISION IN THE PURCHASE CONTRACT TO THE CONTRARY, A PROSPECTIVE BUYER HAS THE RIGHT TO NEGOTIATE WITH THE SELLER TO ALLOW AN INSPECTION OF THE PROPERTY BY THE PURCHASER OR THE PURCHASER’S DESIGNEE UNDER TERMS MUTUALLY AGREEABLE TO THE PROSPECTIVE BUYER AND SELLER.

MANAGEMENT AND OPERATION

Association Obligations and Governing Documents: The Association, of which you become a member at time of purchase, is governed by and manages, maintains, and operates the subdivision in accordance with the Covenants, Conditions and Restrictions (the “**CC&Rs**”), the Articles of Incorporation, and the Bylaws. In addition, the Association has the right to adopt rules and regulations and guidelines for the subdivision and which will include subdivision design/architectural guidelines which will set forth the guidelines and procedures for design/architectural review within the subdivision. There may also be supplementary declarations or notices of annexation (“**Supplementary Declarations**”) which will be recorded against portions of the subdivision which may set forth additional restrictions and easements covering the areas covered by the Supplementary Declaration(s) (the CC&Rs, Bylaws, Articles, Supplementary Declaration(s) and rules and regulations and design/architectural guidelines may hereinafter be referred to as the “**Governing Documents**”). You should review each of these documents carefully.

Initial Meeting: THE ASSOCIATION WILL BE FORMED PURSUANT TO THE TERMS AND PROVISIONS OF GOVERNING DOCUMENTS. SINCE THE COMMON AREA IMPROVEMENTS, AMENITIES, AND FACILITIES WILL BE MAINTAINED BY THE ASSOCIATION, IT IS ESSENTIAL THAT THIS ASSOCIATION BE FORMED EARLY AND PROPERLY. THE ASSOCIATION MUST HOLD THE FIRST MEMBERSHIP MEETING AND ELECTION OF THE ASSOCIATION’S GOVERNING BODY WITHIN SIX MONTHS AFTER THE CLOSING OF THE SALE OF THE FIRST SUBDIVISION INTEREST UNDER THE FIRST AND FINAL PUBLIC REPORT FOR THE SUBDIVISION. HOWEVER, IN NO EVENT SHALL

THE MEETING BE HELD LATER THAN SIX MONTHS AFTER THE CLOSING OF THE SALE OF THE FIRST SUBDIVISION INTEREST. (REGULATIONS 2792.17 AND 2792.19) THE ASSOCIATION MUST ALSO PREPARE AND DISTRIBUTE TO ALL HOMEOWNERS A BALANCE SHEET AND INCOME STATEMENT. THEREAFTER THE ASSOCIATION MUST HOLD ELECTIONS OF THE ASSOCIATION'S GOVERNING BODY IN ACCORDANCE WITH THE GOVERNING DOCUMENTS. THE ASSOCIATION MUST THEN ALSO PREPARE AND DISTRIBUTE TO ALL HOMEOWNERS A BALANCE SHEET AND INCOME STATEMENT AND A SUMMARY OF THE ASSOCIATION'S RESERVES BASED UPON THE MOST RECENT REVIEW OR STUDY CONDUCTED PURSUANT TO SECTION 1365.5 OF THE CIVIL CODE.

The CC&Rs: This subdivision will be subject to the restated CC&Rs recorded in the office of the Los Angeles County Recorder on August 10, 2011, as Instrument No. 2011-1072732.

FOR INFORMATION AS TO YOUR OBLIGATION AND RIGHTS, YOU SHOULD READ THE RESTRICTIONS. THE SUBDIVIDER MUST MAKE THEM AVAILABLE TO YOU.

Documents to be Furnished: THE SUBDIVIDER STATED HE WILL FURNISH THE CURRENT BOARD OF OFFICERS OF THE ASSOCIATION AND EACH INDIVIDUAL PURCHASER WITH THE DEPARTMENT OF REAL ESTATE REVIEWED ASSOCIATION BUDGET.

THE SUBDIVIDER STATED HE WILL FURNISH EACH INDIVIDUAL PURCHASER WITH THE CONDOMINIUM PLAN.

THE SUBDIVIDER MUST MAINTAIN AND DELIVER TO THE ASSOCIATION THE SPECIFIC RECORDS AND MATERIALS LISTED IN REAL ESTATE COMMISSIONER'S REGULATION 2792.23 WITHIN THE STATED TIME PERIOD. THESE RECORDS AND MATERIALS DIRECTLY AFFECT THE ABILITY OF THE ASSOCIATION TO PERFORM ITS DUTIES AND RESPONSIBILITIES. (SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE AND SECTION 1363 OF THE CIVIL CODE.)

THE SUBDIVIDER SHALL MAKE A COPY OF THE ARTICLES, THE BYLAWS, AND THE CC&RS AVAILABLE FOR EXAMINATION BY A PROSPECTIVE BUYER BEFORE EXECUTION OF AN OFFER TO PURCHASE A CONDOMINIUM UNIT. A COPY OF EACH MUST ALSO BE GIVEN TO EACH BUYER AS SOON AS PRACTICABLE BEFORE CLOSE OF ESCROW. THESE DOCUMENTS CONTAIN NUMEROUS MATERIAL PROVISIONS THAT SUBSTANTIALLY AFFECT AND CONTROL YOUR RIGHTS, PRIVILEGES, USE, OBLIGATIONS, AND COSTS OF MAINTENANCE AND OPERATION. YOU SHOULD READ AND UNDERSTAND THESE DOCUMENTS BEFORE YOU OBLIGATE YOURSELF TO PURCHASE A CONDOMINIUM UNIT. (BUSINESS AND PROFESSIONS CODE SECTION 11018.6).

MAINTENANCE AND OPERATIONAL EXPENSES

Association to Levy Assessments: THE ASSOCIATION HAS THE RIGHT TO LEVY ASSESSMENTS AGAINST YOU FOR MAINTENANCE OF THE COMMON AREAS, AMENITIES AND FACILITIES, AND OTHER PURPOSES. YOUR CONTROL OF OPERATIONS AND EXPENSES IS LIMITED TO THE RIGHT OF YOUR ELECTED REPRESENTATIVES TO VOTE ON CERTAIN PROVISIONS AT ASSOCIATION MEETINGS.

Proposed Budget: The Subdivider has submitted a budget for the management, maintenance and operation of the Association obligations and for long-term reserves. This budget was reviewed by the Department of Real Estate in June, 2011. You should obtain a copy of this budget from the Subdivider. Under this budget, the monthly assessment against each condominium unit ranges from \$277.84 to \$319.74 of which \$61.89 is a monthly contribution to long-term reserves and is not pay to pay for current management, maintenance and operating expenses.

IF THE BUDGET FURNISHED TO YOU BY THE SUBDIVIDER SHOWS A MONTHLY ASSESSMENT FIGURE WHICH IS AT LEAST 20% MORE OR AT LEAST 10% LESS THAN THE ASSESSMENT AMOUNT SHOWN IN THE FINAL PUBLIC REPORT, YOU SHOULD CONTACT THE DEPARTMENT OF REAL ESTATE BEFORE ENTERING INTO A CONTRACT TO PURCHASE.

NOTE: THE BUDGET INFORMATION INCLUDED IN THIS PUBLIC REPORT IS APPLICABLE AS OF THE DATE OF BUDGET REVIEW AS SHOWN ABOVE. EXPENSES OF OPERATION ARE DIFFICULT TO PREDICT AND EVEN IF ACCURATELY ESTIMATED INITIALLY, MOST EXPENSES INCREASE WITH THE AGE OF FACILITIES AND WITH INCREASES IN THE COST OF LIVING.

Budget Information Provided by Subdivider: DELINQUENCIES IN THE PAYMENT OF ASSOCIATION ASSESSMENTS AFFECT THE ABILITY OF THE ASSOCIATION TO PERFORM ANY AND ALL OF ITS RESPONSIBILITIES AND COULD ALSO RESULT IN UNFORESEEN SPECIAL ASSESSMENTS LEVIED AGAINST ALL HOMES OR A SIGNIFICANT REDUCTION IN BUDGETED ASSOCIATION SERVICES. THE SUBDIVIDER MUST IMMEDIATELY NOTIFY THE DEPARTMENT OF REAL ESTATE IN WRITING IF DELINQUENT ASSESSMENTS HAVE CAUSED THE ASSOCIATION TO RECEIVE TEN PERCENT (10%) LESS INCOME THAN REFLECTED IN THE THEN CURRENT ASSOCIATION BUDGET (REGULATION 2800K).

THE SUBDIVIDER MUST MAKE AVAILABLE TO YOU A STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS AND RELATED CHARGES AS PROVIDED BY THE GOVERNING DOCUMENTS AND, IF AVAILABLE, CURRENT FINANCIAL INFORMATION AND RELATED STATEMENTS (BUSINESS AND PROFESSIONS CODE SECTION 11018.6).

In addition to other documentation provided to each prospective Buyer, a copy of the current financial information, and related statements, to the extent available, as specified by Section (a) of Civil Code Section 1365, must be made available for examination by a prospective Buyer before the execution of an offer to purchase a Condominium. A copy of this financial information must also be given to each Buyer as soon as practicable before close of escrow. YOU SHOULD PAY SPECIAL ATTENTION TO THIS FINANCIAL INFORMATION, AS IT PERTAINS TO CURRENT AND POSSIBLE FUTURE FINANCIAL OBLIGATIONS AFFECTING ALL HOMEOWNERS WITHIN THE SUBDIVISION ASSOCIATION. If you do not understand the contents of these financial documents, you may wish to consult with your own professional advisors. Should the amounts collected by the Association prove insufficient to properly maintain, operate, repair or replace the common facilities, the Association may increase Regular Assessments or levy one or more Special Assessments in accordance with the Governing Documents in order to provide such funding, which may affect your ability to purchase, or, as an alternative, the Association may decide to defer maintenance or eliminate services.

Exemptions from Association Regular Assessments: The Covenants, Conditions and Restrictions provide that the Subdivider or other owner of a subdivision interest will be allowed to defer from payment, that portion of any assessment which is directly attributable to any structural improvement and/or common facility that is not complete at the time assessments commence. The amount of the deferment may be a fixed amount, or may vary based upon dates of completion or use. Once the established criterion is met and the authority allowing the deferment is eliminated, all owners must pay the full amount of the monthly assessment as outlined herein. The limitations of this allowance are specifically set forth in the Restrictions. (Regulation 2792.16c).

Utility Rates: The utility rates used for the calculations within the above-referenced budgets are based on information available at the time of the budget review dates as shown above. Increases in assessments may be required as a measure to provide adequate funds to compensate for potential utility rate increases. Purchasers should be aware of the possible affect these increases may have on their assessments.

Assessments Increases/Decreases: The Association may increase or decrease assessments at any time in accordance with the procedure prescribed in the CC&Rs or Bylaws. In considering the advisability of a decrease (or a smaller increase) in assessments, care should be taken not to eliminate amounts attributable to reserves for replacement or major maintenance.

Commencement of Assessments: Regular assessments for the Association will commence on all condominium units on the first day of the month following the conveyance of the first condominium. The Subdivider must pay assessments to the Association for all unsold condominium units (Regulations 2792.9 and 2792.16).

Failure to Pay: The remedies available to the Association against owners who are delinquent in the payment of assessments are set forth in the CC&Rs. These remedies are available against the Subdivider as well as against other owners.

Subdivider's Assessment Security: The Subdivider will post financial security in escrow for the obligation to pay these assessments. The governing body of the Association should assure itself that the Subdivider has satisfied these obligations to the Association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

Capital Contribution: In addition to assessments, purchasers must make an initial capital contribution to the Association in the amount of Five Hundred Dollars (\$500.00) in order for the Association to have sufficient "start-up" funds for operating the common areas. This represents the purchaser's initial capital contribution and is not a prepayment of assessments or part of the purchase price of the unit.

USES/ZONING/HAZARD DISCLOSURES

The Subdivider has set forth below references to various uses, zoning, hazards and other matters based on information from a variety of sources. You should independently verify the information regarding these matters, as well as other matters, that may be of concern to you regarding the subdivision and all existing, proposed or possible future uses adjacent to or in the vicinity of the subdivision. At the time this Public Report was issued, some of the land uses that surround the subdivision include, but are not limited to, the following:

Zoning: Property to the north is zoned for multi-family residential use. Property to the south and east is zoned for single-family residential use. Property to the west is zoned for commercial use.

Uses: The Pasadena Civic Center is 1 mile north. California Institute of Technology is 1 1/4 miles northeast. Pasadena City College is 1 3/4 miles northeast.

Hazards: The following hazard(s) exist(s) within or near this development: access to the Foothill Freeway (210) is 1 1/8 miles northwest. The Ventura Freeway (134) is 1 1/2 miles northwest. The Pasadena Freeway (110) is 1/16 mile west. Metrolink tracks are 1/8 mile west. Metrolink stations are 1/2 mile northwest and 1 mile northwest.

Civil Code Section 1103, et seq: California Civil Code Section 1103 et seq. contains various disclosures addressing certain Natural and Environmental Hazards, Right-to-Farm, and other disclosures that must be made to purchasers upon transfer of residential property. In that regard, the Subdivider has provided the following information:

Natural Hazards: The Subdivider has contracted with an outside consulting firm to provide a "Natural Hazard Disclosure Statement" as set forth in Civil code Section 1103.2, a copy of which will be provided to each Buyer for the unit being purchased.

If any disclosure, or any material amendment to any disclosure, required pursuant to Civil Code Section 1103 et seq is delivered after the execution of an offer to purchase, the purchaser shall have three days after delivery in person or five days after delivery by deposit in the mail to terminate the offer by delivery of a written notice of termination to the Subdivider or the Subdivider's agent.

PURCHASERS SHOULD FAMILIARIZE THEMSELVES WITH THE SURROUNDING AREAS OF THE SUBDIVISION BEFORE SIGNING A PURCHASE AGREEMENT/CONTRACT.

TITLE

Preliminary Report: A preliminary report will be issued by the title insurer to reflect those items that affect the condition of title. You are encouraged to request a copy of this preliminary report for review of those items that affect the condominium unit you are purchasing. Those items typically shown on a report include, but are not limited to, general and special taxes, easements, mechanics liens, monetary encumbrances, trust deeds, utilities, rights of way and CC&Rs. In most instances, copies of documents can be provided to you upon request.

Easements: Easements for utilities and other purposes are shown on the title report and Subdivision Map recorded in the Office of the Los Angeles County Recorder, Book 1349 of Maps, Pages 39 through 40, and on the Condominium Plan recorded August 5, 2008, as Instrument No. 08-1397778.

Amendments to the original Condominium Plan may also be recorded. You may ask the Subdivider about such changes. If you purchase a condominium unit, this information will be included in your title policy.

Adjustments to the original subdivision map may also be recorded. You may ask the Subdivider about such changes. If you purchase a condominium unit within the lot subject to said adjustment, this information will be included in your title policy.

TAXES

Regular Taxes: The maximum amount of any tax on real property that can be collected annually by counties is 1% of the full cash value of the property. With the addition of interest and redemption charges on any indebtedness, approved by voters prior to July 1, 1978, the total property tax rate in most counties is approximately 1.25% of the full cash value. In some counties, the total tax rate could be well above 1.25% of the full cash value. For example, an issue of general obligation bonds previously approved by the voters and sold by a county water district, a sanitation district or other such district could increase the tax rate.

For the purchaser of a condominium unit in this subdivision, the full cash value of the condominium unit will be the valuation, as reflected on the tax roll, determined by the county assessor as of the date of purchase of the unit or as of the date of completion of an improvement on the lot if that occurs after the date of purchase.

NOTICE OF YOUR 'SUPPLEMENTAL' PROPERTY TAX BILL

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

FINANCING

Pursuant to Civil Code Sections 2956 through 2967, inclusive, Subdivider and purchasers must make certain written disclosures regarding financing terms and related information. The Subdivider will advise purchasers of disclosures needed from them, if any.

If your purchase involves financing, a form of deed of trust and note will be used. The provisions of these documents may vary depending upon the lender selected. These documents may contain the following provisions:

Acceleration Clause: This is a clause in a mortgage or deed of trust which provided that if the borrower (trustor) defaults in repaying the loan, the lender may declare the unpaid balance of the loan immediately due and payable.

Due-on-Sale Clause: If the loan instrument for financing your purchase of an interest in this Subdivision includes a due-on-sale clause, the clause will be automatically enforceable by the lender when you sell the property. This means that the loan will not be assumable by a purchaser without the approval of the lender. If the lender does not declare the loan to be all due and payable on transfer of the property by you, the lender is nevertheless likely to insist upon modification of the terms of the instrument as a condition to permitting assumption by the purchaser. The lender will almost certainly insist upon an increase in the interest rate if the prevailing interest rate at the time of the proposed sale of the property is higher than the interest rate of your promissory note.

Balloon Payment: This means that your monthly payments are not large enough to pay off the loan, with interest, during the period for which the loan is written and that at the end of the

period, you must pay the entire remaining balance in one payment. If you are unable to pay the balance and the remaining balance is a sizable one, you should be concerned with the possible difficulty in refinancing the balance. If you cannot refinance or sell your property, or pay off the balloon payment, you will lose your property.

Prepayment Penalty: This means that if you wish to pay off your loan in whole or in part before it is due, you must, in addition, pay a penalty.

Late Charge: This means that if you fail to make your installment payment on or before the due date or within a specified number of days after the due date, you, in addition, must pay a penalty.

Adjustable Rate Loan: The Subdivider may assist you in arranging financing from a federal or state regulated lender which will make loans that allow the interest rates to change over the life of the loan. An interest rate increase ordinarily causes an increase in the monthly payment you make to the lender. The lender will provide you with a disclosure form about the financing to assist you in the evaluation of your ability to make increased payments during the term of the loan. This disclosure form will be furnished to you at the time you receive your loan application and before you pay a nonrefundable fee.

BEFORE AGREEING TO ANY FINANCING PROGRAM OR SIGNING ANY LOAN DOCUMENTS, YOU SHOULD READ AND THOROUGHLY UNDERSTAND ALL THE PROVISIONS CONTAINED IN THE LOAN DOCUMENTS.

PURCHASE MONEY HANDLING

The Subdivider must impound all funds (purchase money) received from you in an escrow depository until legal title is delivered to you. [Refer to Business and Professions Code Sections 11013, 11013.4(a).]

If the escrow has not closed on your unit within one (1) year from the Execution Date of your Agreement and Escrow Instructions, you may request the return of your purchase money deposit.

Note: Section 2995 of the Civil Code provides that no real estate Subdivider shall require as a condition precedent to the transfer of real property containing a single family residential dwelling that escrow services effectuating such transfer shall be provided by an escrow entity in which the Subdivider has financial interest of 5% or more.

THE SUBDIVIDER HAS NO FINANCIAL INTEREST IN THE ESCROW COMPANY WHICH IS TO BE USED IN CONNECTION WITH THE SALE OR LEASE OF CONDOMINIUM UNITS IN THIS SUBDIVISION.

SOILS AND GEOLOGICAL CONDITIONS

Soils and geological information is available at the City of Pasadena Planning Department, 100 N. Garfield Avenue, Pasadena, California 91109.

CALIFORNIA IS SUBJECT TO GEOLOGICAL HAZARDS SUCH AS LANDSLIDES, FAULT MOVEMENTS, EARTHQUAKE SHAKING, RAPID EROSION, OR SUBSIDENCE. THE UNIFORM BUILDING CODE, APPENDIX CHAPTER 33, PROVIDES FOR LOCAL BUILDING

OFFICIALS TO EXERCISE PREVENTATIVE MEASURES DURING GRADING TO ELIMINATE OR MINIMIZE DAMAGE FROM SUCH GEOLOGICAL HAZARDS. THIS SUBDIVISION IS LOCATED IN AN AREA WHERE SOME OF THESE HAZARDS MAY EXIST. SOME CALIFORNIA COUNTIES AND CITIES HAVE ADOPTED ORDINANCES THAT MAY OR MAY NOT BE AS EFFECTIVE IN THE CONTROL OF GRADING AND SITE PREPARATION.

PURCHASERS MAY CONTACT THE SUBDIVIDER, THE SUBDIVIDER'S ENGINEER, THE ENGINEERING GEOLOGIST AND THE LOCAL BUILDING OFFICIALS TO DETERMINE IF THE ABOVE-MENTIONED HAZARDS HAVE BEEN CONSIDERED AND IF THERE HAS BEEN ADEQUATE COMPLIANCE WITH APPENDIX CHAPTER 33 OR AN EQUIVALENT OR MORE STRINGENT GRADING ORDINANCE DURING THE CONSTRUCTION OF THIS SUBDIVISION.

CITY SERVICES

Schools: This subdivision lies within the Pasadena Unified School District. This District advises the schools initially available to this subdivision are:

McKinley School (K-5)
325 S. Oak Knoll Ave.
Pasadena, Calif. 91101
626-844-7880;

Blair Middle School (6-8)
1201 S. Marengo Ave.
Pasadena, Calif. 91106
626-396-5820; and

Blair High School (9-12)
1201 S. Marengo Ave.
Pasadena, Calif. 91106
626-396-5820.

This school information was provided prior to the date of issuance of this Public Report and is subject to change. For the most current information regarding school assignments, facilities and bus service, purchasers are encouraged to contact the School District at 626-396-3600.

CONTACTING THE DEPARTMENT OF REAL ESTATE

If you need clarification as to the statements in this Public Report or if you desire to make arrangements to review the documents submitted by the Subdivider which the Department of Real Estate used in preparing this Public Report, you may contact:

Department of Real Estate
Subdivisions South
320 W. 4th Street, Suite 350
Los Angeles, CA 90013-1105
(213) 576-6983

RECEIPT FOR PUBLIC REPORT

The Laws and Regulations of the California Real Estate Commissioner require that you as a prospective purchaser or lessee be afforded an opportunity to read the public report for this subdivision before you make any written offer to purchase or lease a subdivision interest or before any money or other consideration toward purchase or lease of a subdivision interest is accepted from you.

In the case of a preliminary or interim public report, you must be afforded an opportunity to read the public report before a written reservation or any deposit in connection therewith is accepted from you.

In the case of a conditional public report, delivery of legal title or other interest contracted for will not take place until issuance of a final public report. Provision is made in the sales agreement and escrow instructions for the return to you of the entire sum of money paid or advanced by you if you are dissatisfied with the final public report because of a material change. (See California Business and Professions Code Section 11012.)

**DO NOT SIGN THIS RECEIPT UNTIL YOU HAVE RECEIVED
A COPY OF THE PUBLIC REPORT AND HAVE READ IT.**

I read the Commissioner's Public Report on 130247LA-A01,
[FILE NUMBER]

TRACT NO. 66786 - "MARENGO TOWNHOMES"

[TRACT NUMBER OR NAME]

I understand the public report is not a recommendation or endorsement of the subdivision, but is for information only.

The issue date of the public report which I received and read is: AUG. 31, 2011.

[SIGNATURE]

[DATE]

[ADDRESS]