

ADDENDUM NO. 3

MSGG EL DORADO REALTY PARTNERS, L.L.C.

DISCLOSURE STATEMENT

BUYER(S): _____ DATE: _____

CONDOMINIUM UNIT NO. _____

The El Dorado Lofts is a ____-unit mixed use condominium project, located at 416 S. Spring Street, in the City of Los Angeles, California, consisting of 65 residential units on the second through twelfth floors, and seven units on the ground floor, mezzanine and basement of the building designated for commercial retail use ("**Project**"). The Project is being developed by MSGG EL DORADO REALTY PARTNERS, L.L.C., a limited liability company ("**Seller**") who intends to sell the individual Residential Condominium Units within the Project to members of the general public.

This Disclosure Statement ("**Disclosure**") discloses to the prospective buyers identified above ("**Buyer**") various matters that might affect Buyer's decision to purchase condominium unit number _____, located within the Project (the "**Unit**"). Please read this Disclosure carefully.

THE PROJECT CONSISTS OF AN EXISTING HISTORICAL BUILDING IN THE DOWNTOWN LOS ANGELES AREA, ORIGINALLY CONSTRUCTED IN 1913 THAT HAS BEEN REHABILITATED AND REDESIGNED FOR OCCUPANCY AS A MIXED USE BUILDING, WITH COMMERCIAL RETAIL USES ON THE GROUND FLOOR, MEZZANINE AND BASEMENT AND CONDOMINIUM "LOFT" UNITS ON THE SECOND THROUGH TWELFTH FLOORS. THE BUILDING IS SUBJECT TO RESTRICTIONS REQUIRED BY THE CITY OF LOS ANGELES BECAUSE OF ITS UNIQUE HISTORICAL NATURE. AS A HISTORICAL PROPERTY, THE BUILDING CONTAINS CERTAIN ORIGINAL OR PREVIOUSLY INSTALLED BUILDING ELEMENTS AND FEATURES, FRAMING AND FIXTURES THAT ARE REQUIRED TO BE PRESERVED AND PROTECTED BY APPLICABLE ORDINANCES AND LAWS. SUCH HISTORICAL ELEMENTS ARE IN FUNCTIONAL CONDITION BUT MAY NOT MEET CURRENT BUILDING CODES AND STANDARDS, MAY CAUSE OR CONTRIBUTE TO TRANSMISSION OF NOISES AND MAY NOT MEET CURRENT DECIBEL LEVEL STANDARDS.

This Disclosure is intended to assist Buyer with Buyer's own investigation of the Project and is not intended to be a substitute for Buyer's own independent investigation. As part of the purchase of a Condominium Unit within the Project, in addition to this Disclosure Buyer will receive other documents and disclosures from Seller, the title insurance company insuring the property and the escrow company handling the purchase and sale of the Unit, collectively referred to as the "**Project Documents**" (as defined below). This Disclosure is not intended as a substitute for your review of the remainder of the Project Documents, nor does it amend, modify or supersede the remainder of the Project Documents. If there is an inconsistency between the other Project Documents and this Disclosure, unless otherwise expressly provided in the Project Documents, the other Project Documents will control. Unless defined herein, capitalized words and phrases used in this Disclosure shall have the meanings given them in the Declaration of Covenants, Conditions and Restrictions for the El Dorado Property ("Declaration"). Where the Declaration gives the same capitalized word or phrase a different meaning than this Disclosure, the meaning given in the Declaration shall apply.

Because much of the information included in this Disclosure has been obtained from other sources (e.g., governmental and other public agencies, public records, etc.) and because the information is subject to change for reasons beyond Seller's control, Seller cannot guarantee the accuracy or completeness of any information disclosed herein. Further, Seller does not undertake any obligation to advise Buyer of any changes. Buyer should independently verify the information regarding any matter of concern to Buyer regarding the purchase of the Unit. To that end, as a starting point, in addition to a thorough review of this Disclosure, the Project Documents, the Association Documents (defined below), and the Declaration, Seller strongly recommends that Buyer visit the Project and drive around the surrounding general vicinity on at least several occasions on different days and at different times to familiarize Buyer with the physical and other conditions to determine whether there are material factors that might affect Buyer's decision to purchase the Unit. Buyer should also consult with the City of Los Angeles Planning Department for more information about existing and proposed uses of the real property in the vicinity of Project. If there are specific matters of concern to Buyer, Buyer should consult with appropriate professionals regarding those concerns before deciding whether the purchase the Unit.

BY SIGNING THIS DISCLOSURE WHERE INDICATED, BUYER ACKNOWLEDGES RECEIPT OF A COPY OF THIS DISCLOSURE AND THAT BUYER HAS INVESTIGATED ALL FACTS CONCERNING THE PROJECT TO BUYER'S SATISFACTION.

1. **CONDOMINIUM OWNERSHIP.** Each purchaser of a Residential Condominium Unit within the Project will receive (a) fee title to a specified "Condominium Unit," (b) an undivided fee interest in the "Common Area," and (c) "Exclusive Use Common Area" easements, if any. Each purchaser will be given the right to use at least one (1) parking space in the adjacent parking garage located at 415 – 429 S. Main Street, as provided in the Declaration, subject to payment of monthly parking fees and the terms of the parking agreement.

a. **Condominium Unit.** The Unit Buyer is purchasing consists of airspaces described in the Condominium Plan. The boundaries of the Unit are the interior unfinished surfaces of perimeter walls, windows, doors, floors and ceiling. The elements of the Unit

include the respective portions of the building and improvements lying within said boundaries and the airspace so encompassed, the surfaces of any bearing walls, columns, and beams within such space, but not including elements which are part of the "Common Area," as described in the Condominium Plan.

b. **Common Area**. The term "Common Area" refers to the entire Project, except those portions shown and defined in the Condominium Plan as Condominium Units or Association Property. The Common Area consists of the Residential Common Area and the Commercial Common Area. The following physical features are, as described in the Condominium Plan, and to the extent that they exist in the Project, are part of the Common Area, or Association Property, and are not a part of any Condominium Unit: land, driveways, exterior walls, railings and enclosures, elevator, common stairways and hallways, bearing walls, columns, girders, beams, soffits, sub-floors, , roof; tanks, pumps, motors, ducts, flues and chutes, conduits, pipes, plumbing, wires, sprinkler pipes and sprinkler heads, and other utility installations, wherever located, together with the space surrounding the same whether or not located within the walls or furred ceilings, servicing more than one unit and providing power, light, telephone, gas, water, sewage, drainage, heat or air conditioning service (except the outlets of said utility installations when located within or above the Unit and serving only that particular Unit).

c. **Exclusive Use Easements**. The term "Exclusive Use Easements" refers to portions of the Project, if any, designated as Exclusive Use Common Area within the Project. The Exclusive Use Easements are reserved for the exclusive use of one or more Owners of the Condominium Units, but fewer than all Owners as defined by Section 2.35 of the Declaration.

2. **PROPERTY OWNERS, ASSOCIATION**. By virtue of ownership of a Condominium Unit, Buyer will also automatically become a Member in the El Dorado on Spring Property Owners' Association, a California nonprofit mutual benefit corporation ("***Association***"). The Association is the management body for the Project and is responsible for owning, maintaining and administering the Common Area and Association Property, and for administering and enforcing the covenants, conditions and restrictions set forth in the Declaration. The maintenance responsibilities of the Association are set forth in the Declaration. The affairs of the Association are managed by a Board of Directors elected by the members of the Association as provided in the Association Documents (defined below). As a Member of the Association, Owners have various rights and obligations as set forth in the Declaration, the Bylaws for the Association, and the Articles of Incorporation for the Association, and any Rules and Regulations adopted by the Association ("***Association Documents***"). Owners' obligations include, but are not limited to, paying assessments to the Association and maintenance of such Owner's Condominium Unit. All Members of the Association are also entitled to vote for the members of the Board of Directors, and if nominated and elected, may serve on the Board of Directors. The number of votes attributable to each Owner and the issues upon which each Owner is entitled to vote are defined in Article 5 of the Declaration. **Please refer to the Declaration for specific voting requirements because all Owners are NOT necessarily entitled to vote on every issue and different classes of Members are entitled to varying numbers of votes for each Condominium Unit owned. Further, Seller currently does not intend to sell the Commercial Retail Units to individual Owners and by virtue of Seller's ownership of Condominium Units, Seller will have a significant voice in the making of**

decisions where the Commercial Unit Owners are entitled to vote, including the election of the Board of Directors.

3. **PROPERTY OWNER ASSESSMENTS.** Each Owner of a Condominium Unit in the Project will be charged regular assessments by the Association on a monthly basis to cover the costs of its performance of its responsibilities. The amount of the assessments will vary from Condominium Unit to Condominium Unit based on the square footage and type (i.e., residential verses commercial units) of Condominium Unit. The allocation of common expenses also vary based on the particular benefit derived by the type of Condominium Unit. Please refer to the approved Budget for the Project to determine the initial amount of assessments that will be levied against the Unit Buyer intends to purchase. Buyer should anticipate that the regular assessments in the initial Budget may increase in the future due to the annexation of additional Phases of development, inflation and changing maintenance needs. In addition to the monthly assessments, the Association may at some time need to levy special assessments against all Owners to pay for unexpected costs, or may need to levy a special assessment against a single Owner in order to collect the cost of repairing damage to the Common Area or Association Property caused by such Owner. The Association's ability to increase the regular assessments and to levy special assessments without the consent of the Members of the Association is subject to certain limitations set forth in the Declaration. The Board of Directors of the Association is obligated to provide Owners with an annual Budget and other financial statements for the Association every year as provided in the Declaration and the Bylaws.

4. **PROJECT AND PURCHASE DOCUMENTS.** Buyers should carefully review all the documents provided to Buyer in connection with the purchase of the Unit in order to understand Buyer's specific rights and obligations as a purchaser and as a Member of the Association. These documents establish limits and restrictions on the ownership and use of all Condominium Units by Owners after the purchase as well as define Buyer's rights prior to the completion of the purchase of the Unit.

a. **Declaration.** The Project is subject to the conditions, covenants and restrictions set forth in the Declaration. A complete copy of the Declaration will be provided to Buyer for Buyer's review during escrow, along with the other project documents. The Declaration is subject to revisions and amendment pursuant to its terms. Buyer is urged to become thoroughly familiar with the entire Declaration prior to the completion of the purchase of the Unit. However, Buyer is urged to pay particular attention to Article 3, defining ownership and easement rights, Article 5 defining Owners' voting rights, Article 6 defining each Owner's assessment obligations, Article 7 defining the applicable use restrictions and Article 8 defining Owner maintenance responsibilities..

b. **Other Project and Purchase Documents.** Buyer is strongly advised to review and understand all project and purchase related documents. The project documents will have a significant impact on the Buyers rights, duties, and obligations, with respect to the purchase and sale of the Unit and Buyer's rights, duties and obligations as an Owner after the close of escrow. If Buyer does not understand Buyer's rights, duties and obligations Buyer should seek independent counsel for assistance. The project documents that Buyer should review and understand include, but are not limited to:

- The final Subdivision Public Report for the El Dorado Lofts that is applicable to the Unit;
- The El Dorado Lofts Deposit Receipt, Offer to Purchase Property and Escrow Instructions;
- The Preliminary Title Report for the Unit;
- The Condominium Plan for the Project;
- The Declaration of Covenants, Conditions and Restrictions for the El Dorado Property, and any amendments thereto;
- The Bylaws of the El Dorado on Spring Property Owners' Association;
- The Articles of Incorporation of El Dorado on Spring Property Owners' Association;
- The Association Budget;
- Limited Warranty for the Unit, if any;
- Natural Hazards Disclosure Statement; and
- All other supplemental disclosures, escrow instructions, amendments or other purchase or project related documentation provided to Buyer by Seller, Seller's agents, the Escrow Holder or the Title Insurance Company.

5. **OWNER MAINTENANCE OBLIGATIONS.** All Owners within the Project must maintain their Condominium Unit in a safe, clean, neat and attractive condition at all times, including but not limited to: the interior surfaces of the Unit, the utility services and connections located within the walls, ceilings, floors adjacent to such Owner's Condominium Unit, all windows, doors, locks and appliances within or enclosing such Owner's Condominium Unit. All Owners are solely responsible for the maintenance of their respective Units. All Owners will be provided with copies of the maintenance manuals, recommendations and schedules pertaining to their Condominium Unit, which must be strictly followed by each Owner. Failure to properly maintain improvements in Owner's Condominium Unit may cause premature deterioration of important features, finishes or equipment and may reduce or eliminate Buyer's legal rights with respect to the Unit. Seller is not responsible for failure of equipment or other improvements caused by an Owner's failure to properly maintain such improvements.

6. **ASSOCIATION MAINTENANCE.** The Association is responsible for monitoring and servicing all of the Common Area and Association Property on a regular basis as well as complying with all applicable laws and local ordinances. The Association's maintenance obligations include, but are not limited to:

- a. Exterior finishes
- b. Exterior flooring materials
- c. Landscape irrigation and area drain maintenance
- d. Refuse pick-up/bin access
- e. Firewall electronic devices/hold open doors
- f. Common Area emergency lighting
- g. Gutters and downspout maintenance
- h. Fire alarm system maintenance and testing
- i. Fire sprinkler system maintenance
- j. Roof maintenance
- k. Handicap parking regulations

- l. Cable television equipment
- m. Elevators
- n. Stairwells
- o. Skylights
- p. Balconies
- q. The “El Dorado” sign

7. **USE RESTRICTIONS.** All Owners must comply with various use restrictions set forth in the Declaration. These restrictions include, among other things, restrictions on nonresidential uses of certain Units, prohibitions on placing signs within the Project, restrictions on permissible window coverings, **restrictions on altering original windows, window frames, door frames and other original historical elements of the building**, prohibitions on water beds and certain large aquariums, prohibition on affixing fixtures that cause sound or vibrations, restrictions on the number and types of animals that may be kept within the Condominium Units, as well as numerous other important restrictions. Buyer should review all applicable use restrictions contained in the Declaration and review the current Rules and Regulations adopted for the Project, if any, prior to deciding to complete the purchase of the Unit. Some of the important use restrictions include:

a. **Permissible Uses of Units.** The Residential Units may only be used for residential purposes and trades or businesses permitted by the Adaptive Reuse Ordinance of the City of Los Angeles. The Residential Units shall be maintained as joint living and work quarters as defined in Section 17958.8 of the California Health and Safety Code and any applicable ordinances. The Commercial Unit Owners are not permitted to operate certain kinds of businesses, including hazardous material storage, vehicle repair shops, arcades, adult or pornographic stores, tattoo parlors, any other business that cause objectionable noise or utilize hazardous materials.

b. **Parking and Vehicular Restrictions.** Each Residential Unit Owner shall be entitled to use a parking space or spaces in the adjacent commercial parking garage. Further information concerning licensing of parking spaces and parking regulations and restrictions is contained in Section 3.5 of the Declaration. In addition, the owner of the Parking Garage will also impose its own rules regarding the use of the parking facility. Further, Buyer acknowledges that it is the Buyer's responsibility to determine whether the parking provided in the Project is satisfactory for Buyer's purposes and to verify that the standard height and depth of the parking garage and the designated parking stall will be acceptable for Buyer's purposes. The parking plans and regulations will be strictly enforced.

c. **Pets.** No more than two (2) domesticated pets, such as dogs or cats, are permitted to be kept within a Condominium Unit, subject to the restrictions in the Declaration and any Rules and Regulations that may be adopted by the Association. Buyer shall be liable for any unreasonable noise or damage (including, but not limited to, clean up after such animal(s)) caused by any animal brought or kept upon the Project as more fully described in Section 7.5 of the Declaration.

d. **Window Coverings.** All window covering must be of a neutral color or have a neutral backing and be approved by the Architectural Control Committee. No windows within

the Project may be tinted. Buyer is required to purchase approved window coverings as part of its initial purchase.

e. **Leasing of Units.** Until 12 months after each Owner's close of escrow for its acquisition of its Residential Unit, the Owner may not rent its Unit other than to immediate family of the Owner. IF AN OWNER BREACHES THIS AGREEMENT, OWNER SHALL PAY TO SELLER UPON DEMAND THE GREATER OF THE RENTAL RECEIVED BY OWNER IN THE FIRST 12 MONTHS OR \$2.50 PER SQUARE FOOT PER MONTH FOR THE PERIOD RENTED IN THE FIRST 12 MONTHS AFTER THE CLOSE OF ESCROW. Thereafter, Owners may lease their Residential Units subject to the restrictions in the Declaration, which provide among other things that all leases must be in writing and all leases must be subject to the terms of the Declaration. In addition, no owner may lease less than an entire Condominium Unit and no Condominium Units may be leased for hotel or transient purposes or for a period of less than 30 days.

f. **Hard Surface Flooring.** No Owner may alter the existing flooring, install or remove carpeting or install hard surface flooring in any Condominium Unit unless and until the Architectural Committee for the Association (defined below) has approved the alteration or installation of such flooring and such Owner has complied with the all requirements imposed by the Architectural Control Committee. See Section 7.15 and Article 9 of the Declaration.

g. **Television Antennas and Satellite Dishes.** No television antennas or satellite dishes may be installed anywhere within the Project unless and until such proposed installation is approved by the Architectural Committee.

8. **ARCHITECTURAL CONTROL.** In order to protect the harmony and structural integrity of the Project, the Declaration has established an Architectural Control Committee to review and approve proposed modifications to the Project by Owners ("*Architectural Committee*"). Before commencing any modifications, alterations or any remodeling or renovation operations or activities to a Residential Unit, the Owner must obtain written approval from the Architectural Committee. Approval of the Architectural Committee does not preclude or substitute for such Owner obtaining any permits or approvals required by the City of Los Angeles. The Architectural Committee may require Owners to pay fees for review and approval of proposed plans and may require cash deposits or bonds to be posted to assure proper clean up and compliance with the Declaration and any additional restrictions imposed by the Architectural Committee. Details of the Committee's approval process are described in Article 9 of the Declaration. The Committee will not review any plans submitted prior to Buyer's close of escrow.

9. **WARRANTY INFORMATION.** Seller will provide a Limited Warranty for the Unit Buyer is purchasing that warrants the Unit against certain defects in the original materials and workmanship for one year from the commencement date as set forth in the Limited Warranty. Some items may have a shorter warranty period as set forth in the Limited Warranty. During the warranty period, Seller will repair or replace, at Seller's sole discretion and no charge to Buyer, certain components of Buyer's Unit, as set forth in the Limited Warranty, which Seller finds to be either structurally or functionally defective. This Limited Warranty does not cover defects owing to lack of normal owners' maintenance procedures. Minor expansion, contraction,

settlement cracks normal to construction, and secondary damage, are not covered under the terms of this Limited Warranty. Please refer to the Limited Warranty for additional information. This warranty is given to you in place of and in lieu of all other warranties or guarantees, written or oral, whether expressed or implied, except those given by others, which shall be in force according to their own terms. The Limited Warranty is not an "enhanced protection agreement" as such term is used in California Civil Code Sections 901 through 906.

10. **RESIDENTIAL CONSTRUCTION LEGISLATION.** California Civil Code Section 895 et seq. , as hereafter amended ("*Construction Claims Statute*"), went into effect on January 1, 2003. The Construction Claims Statute delineates standards for how various components of Buyer's Unit should be constructed and function, limits the time frames for bringing various claims against a builder to anywhere from one year to ten years (as listed in the Construction Claims Statute) from the close of escrow, imposes an obligation on all Buyers and Buyers' successors to follow the builder's maintenance recommendations and schedules, or other applicable maintenance guidelines, and establishes a non-adversarial claims resolution procedure. Pursuant to Section 914 of the Construction Claims Statute, Seller is permitted to elect to utilize its own alternate contractual pre-litigation procedures. Rather than follow the procedures in the Construction Claims Statute, Seller has elected to utilize its own alternate contractual prelitigation procedures. The applicable claims handling procedures are outlined in Paragraph 4.9 of Buyer's purchase agreement entitled "Construction. Defect Claims Resolution Procedure" paragraph of Buyer's Purchase Agreement as well as in Article 16 of the Declaration entitled "Enforcement." A separate "Notice of Seller's Election for Handling of Construction Claims Pursuant to California Civil Code Section 895 et seq" has been recorded on the title to all real property within the Project providing notice of the existence of these procedures.

BUYER IS ADVISED THAT THE CONSTRUCTION CLAIMS STATUTE AFFECTS BUYER'S LEGAL RIGHTS. BUYER IS ADVISED TO READ THE STATUTE CAREFULLY AND SEEK LEGAL ADVICE IF BUYER HAS ANY QUESTIONS REGARDING ITS AFFECT ON BUYER'S LEGAL RIGHTS.

Buyer's Initials

a. **Obligation to Retain Purchase Documents.** Buyer will be provided copies of certain documents through escrow in conjunction with the purchase of the Unit, including the Declaration, maintenance and preventative maintenance recommendations and schedules from Seller, maintenance and preventative maintenance recommendations and schedules for manufactured products or appliances included with the Unit, a Limited Warranty, and other documentation relating to the Construction Claims Statute. Buyer is required by the Construction Claims Statute to retain these documents and provide copies of such documents to Buyer's successors in interest upon the sale or transfer of Buyer's Unit.

Buyer's Initials

b. **Duty to Follow Maintenance Guidelines.** Buyer is obligated by Section 907 of the Construction Claims Statute to follow Seller's maintenance and preventative maintenance

recommendations and schedules, including the maintenance and preventative maintenance recommendations and schedules for manufactured products and appliances provided with the Unit, as well as all commonly accepted maintenance practices (collectively, "***Maintenance Recommendations***"). Per Section 945.5 of the Construction Claims Statute, failure to follow the Maintenance Recommendations may reduce or preclude Buyer's right to recover damages relating to Buyer's Unit, which could have been prevented or mitigated had the Maintenance Recommendations been followed. Buyer must maintain Buyer's Unit in a neat, clean, safe and attractive condition at all times. All areas not designated as Common Area and located within the boundaries of a Condominium Unit are the responsibility of each respective Owner. Failure to properly maintain interior improvements may cause premature deterioration of important features, finishes or equipment. Seller is not responsible for failure of equipment or other improvements caused by your failure to properly maintain such improvements. In addition, Buyer acknowledges that certain upgraded materials selected by Buyer may have specific maintenance requirements. Seller is not responsible for any damages that may occur to such materials due to Buyer's failure to properly maintain them.

Buyer's Initials

11. **DISPUTE RESOLUTION PROCEDURES**. Seller believes that it is in the best interests of all parties in the Project to provide an impartial and expeditious procedure for the resolution of disputes between the Association and/or Owners and Seller and Seller's contractors, subcontractors, consultants or other agents. Therefore, when Buyer decides to purchase the Unit in the Project. Buyer agrees to abide by the dispute resolution procedure described in Section 16.5 of the Declaration. This procedure includes mediation, and if that does not result in resolution, then arbitration, with each party waiving their right to a jury trial. Only awards in excess of \$500,000 are appealable. Such procedures are intended to provide an alternative to costly and lengthy litigation of disputes involving the Declarant.

12. **ESCROW**. First American Title Company, _____, will act as Escrow Holder in connection with the purchase of the Unit. The Escrow Holder is not an affiliate of Seller.

13. **CLOSING**. Approximately one week prior to the scheduled closing, all documents and records will be available for your signature at the Escrow Holder. The escrow officer will notify Buyer at that time. A cashier's check drawn on a California bank for the balance of the down payment and your closing costs must be made payable to the Escrow Holder. Only after all documents are executed, the monies are received, and the grant deed is recorded will the keys to the Unit be released to Buyer. Seller's sales representative will be responsible for providing Buyer with the keys to Buyer's Unit upon the close of escrow.

14. **INSURANCE**. The Association will maintain insurance policies covering fire and casualty for improvements constructed on the Association Property. The Association will also maintain policies of public liability insurance in connection with its ownership and maintenance of the Association Property. Such insurance is to benefit the Association. Owners are not insured under the Association's policies. Owners are solely responsible for determining the type and quality of insurance required to adequately insure their Condominium Unit, its

contents, and Owner's personal liability for ownership of their Condominium Unit. If any insurance is required, Buyer is responsible for obtaining all required insurance prior to close of escrow.

15. **EARTHQUAKE INSURANCE.** THERE IS CURRENTLY NO EARTHQUAKE INSURANCE COVERAGE ON THE BUILDING. THE ASSOCIATION IS NOT REQUIRED TO MAINTAIN EARTHQUAKE INSURANCE COVERAGE, BUT MAY DO SO IF IT DETERMINES THAT SUCH INSURANCE IS AVAILABLE AT A REASONABLE COST AND UPON TERMS THAT ARE IN THE BEST INTERESTS OF THE OWNERS.

16. **TITLE INSURANCE.** A title insurance policy will be issued through First American Title Company. Seller is not affiliated with the title insurance company.

17. **SALES PRICES, VALUES, AND CONCESSIONS.** Buyer understands and hereby acknowledges that neither Seller nor Seller's agents can make any claims or representations about the future value of the Condominium Units within the Project. All prices, terms, specifications, product upgrades or any other form of concession or Buyer inducement, whether related to the current phase or any proposed or existing phase(s), are subject to change without notice at the sole discretion of Seller. Buyer understands and acknowledges that the California real estate market reacts to economic and other conditions that may cause the price of housing to fluctuate. Similar to any other investment, the purchase price of real estate may increase or decrease depending upon current market conditions, which conditions are beyond the control of Seller. At the sole discretion of Seller, and without notice to Buyer, the purchase price, terms of purchase, product type, options, upgrades and other concessions, whether for the current Phase or any proposed or future Phase of the Project, are subject to change from time to time. Buyer shall not hold Seller responsible for any fluctuations in the purchase price of property within the Project. In consideration of Seller's agreement to sell the Unit to Buyer, Buyer agrees that Buyer shall have no claims against Seller for any possible change in the purchase price of Units within the Project or any other terms of purchase, including, without limitation, upgrades or other concessions or incentives offered by Seller to other purchasers of Units within the Project and/or the construction of any modified floor plans.

18. **SQUARE FOOTAGE REPRESENTATIONS.** Representations of square footage are approximate only. Buyer may not rely upon any written (brochures and other sales documents) or oral statements by Seller or Seller's agents regarding the exact square footage of any of the Units within the Project. The computation of square footage varies based upon the criteria used and can vary, among other reasons, based on whether measurement are taken from outside or inside boundaries of walls and whether supporting walls and pillars are included. Buyer agrees by acceptance of a deed to the Unit to hold Seller harmless in any dispute arising over the any representations concerning the square footage of Buyer's Unit.

19. **DEVIATIONS FROM PLANS AND SPECIFICATIONS.** Completed Condominium Units may vary and differ from the models, and both may vary and differ from the building plans and/or sales brochure. The "as-built" construction and installation of the Project is not, and is not intended to be, in precise and exact compliance with such plans and specifications. As with any construction Project, minor changes and insubstantial deviations

from the plans and specifications are made during the process of construction for various reasons. The "as-built" configuration, location and condition of the Project, and its component parts, is and shall constitute the Project. No person shall be entitled to rely upon the plans and specifications for an accurate and complete description of the Project, or its component parts, without an inspection of the actual physical configuration, location and condition of the Project to determine the changes and deviations from the plans and specifications made in the construction of the Project. Seller hereby expressly disclaims any and all liability based upon the failure of the Project, or any part thereof, as constructed and installed, and as approved by the applicable governmental authorities, to conform precisely to the plans and specifications.

20. **VIEWS**. Seller makes no representations, express or implied, concerning any particular view from any Unit or other portion of the Project. The evaluation of views is highly subjective and a personal matter. Specific prices and/or premiums for the Condominium Units are assigned by Seller and are based on location, size and other factors, but not for any preexisting view. Any view may be partially, materially or completely obstructed by a variety of factors, including without limitation current and future construction in the vicinity of the Project. Seller makes no statements or assurances with respect to the construction and future improvements and landscaping that may have an impact upon the view from the Project or any Unit within the Project. Any view from the Project, the Unit Buyer is purchasing or surrounding areas is not part of the value of the subject property and is not guaranteed. Since Seller does not control future development adjacent to or surrounding the Project, Seller cannot guarantee and makes no representation, express or implied, regarding preservation of any potential view now or in the future.

21. **ORIENTATION INSPECTION**. Prior to the Close of Escrow, Buyer must schedule a preliminary walk-through of the Unit with Seller's customer service representative or broker. The purpose of the orientation is to familiarize Buyer with the various locations and operation of improvements, utility connections, mechanical systems, and particular maintenance requirements of the Unit.

22. **NOISE. OWNERS IN THE PROJECT LIVE IN CLOSE PROXIMITY TO EACH OTHER. THE PROJECT AND THE CONDOMINIUM UNITS ARE NOT SOUNDPROOF. THE BUILDING IS A HISTORICAL BUILDING AND WAS NOT CONSTRUCTED TO COMPLY WITH AND DOES NOT COMPLY WITH MODERN SOUND INSULATION BUILDING CODE REQUIREMENTS. THE PLUMBING, AIR CONDITIONING EQUIPMENT, STAIRWAYS, FRONT ENTRY AND ELEVATOR SYSTEM WILL GENERATE NOISE. SIGNIFICANT TRANSMISSION OF SOUNDS FROM OUTSIDE THE BUILDING AND AIRBORNE AND IMPACT SOUNDS GENERATED BY OCCUPANTS WITHIN THEIR UNITS WILL BE HEARD. AIRBORNE SOUNDS MAY INCLUDE, BUT NOT BE LIMITED TO, CONVERSATIONS, MUSICAL INSTRUMENTS, AUDIO EQUIPMENT, TELEVISIONS AND THE LIKE. IMPACT SOUNDS MAY INCLUDE, BUT NOT BE LIMITED TO, FOOTFALL SOUNDS, DOOR CLOSING OR SLIDING, OBJECTS BEING DROPPED OR DRAGGED, ETC. OTHER SOURCES OF NOISE INCLUDE, BUT ARE NOT LIMITED TO, STREET AND ACTIVITIES ON NEIGHBORING PROPERTIES. BEFORE DECIDING TO COMPLETE THE PURCHASE OF THE UNIT, BUYER SHOULD CONSIDER WHETHER THE EXISTENCE OF SOUND**

ATTENUATION BETWEEN CONDOMINIUM UNITS WOULD AFFECT BUYER'S USE AND ENJOYMENT OF THE PROPERTY. BUYER, BY ACCEPTING A DEED TO A CONDOMINIUM UNIT, ACKNOWLEDGES, AGREES AND ACCEPTS THAT THE SOUND TRANSMISSION BETWEEN CONDOMINIUM UNITS IS INEVITABLE AND IS NOT THE RESPONSIBILITY OF SELLER TO FURTHER REMEDIATE OR MITIGATE.

BUYER ACKNOWLEDGES THAT THE BUILDING IS SITUATED IN AN INNER CITY, URBAN PORTION OF DOWNTOWN LOS ANGELES, WITH A HIGH DENSITY OF RESIDENT AND WORKING POPULATIONS, WHICH GENERATES TRAFFIC, NOISE AND OTHER SIMILAR INCONVENIENCES TO A GREATER DEGREE THAN IN TYPICAL RURAL OR SUBURBAN RESIDENTIAL AREAS, AND THAT SUCH INCONVENIENCES DO NOT CONSTITUTE A NUISANCE OR BREACH BY SELLER. THE ISSUE OF SOUND TRANSMISSION IS PARTICULARLY ACUTE ON THE GROUND FLOOR WHERE HISTORIC CEILINGS PREVENT THE INSTALLATION OF CERTAIN SOUND-PROOFING MATERIALS.

23. **FLOOR COVERINGS/SOUND TRANSMISSION**. The existing flooring in the building was designed in part to mitigate or eliminate sound transmission between Condominium Units. Owners may not alter any sound reducing materials without first obtaining approval from the Architectural Control Committee. It is each Owner's responsibility to ensure that any floor coverings installed by such Owner meets the minimum requirements contained in the Declaration and any additional requirements imposed by the Architectural Control Committee, if permitted at all.

24. **LAND USE/NEIGHBORHOOD CONDITIONS**. Owners may be affected by future development or redevelopment of the property in the neighborhood of the Project or surrounding areas, including without limitation, view, light noise, traffic, local services and safety. Buyer should fully investigate neighborhood and other conditions affecting the Project including, without limitation, the school and school system, adequacy of law enforcement, crime statistics, traffic and noise conditions, proximity to commercial activities or development, proximity of hospitals and fire protection services, existing and proposed bus and other transportation routes, airport or aircraft noise, and other conditions which may affect Buyer's use and enjoyment of the Unit Buyer is purchasing. The current surrounding land uses include high-rise downtown office, commercial and residential buildings, including office complexes, commercial developments and multi-family residential uses. Neither Seller nor any of Seller's authorized agents or representatives have made any representations, promises or warranties respecting improvements that may be constructed or uses that may be conducted on property adjacent to or in the vicinity of the Project. If Buyer has any concerns respecting the use of improvement of real property adjacent to or in the vicinity of the Project or the impact thereof on the Project or any Condominium Unit, Buyer should inquire with the City of Los Angeles as to any such uses or improvements. During construction on the neighboring parcel, access from Spring Street to the parking garage may be impacted or blocked.

25. **CONSTRUCTION AND SALES ACTIVITY**. Construction and sales activities may be occurring within and in the vicinity of the Project. This may result in inconvenience to Owners within the Project, due to increased light, noise and dust from the construction activities

and the operation of the models and a sales office. As a result of construction and sales activities and installation of public and private utilities (water, electrical, cable television, sewers, storm drain, etc.) within and around the Project, utility services to the Units within the Project may be temporarily interrupted and/or adversely affected. Buyer agrees to exercise extreme caution, to observe all signs while driving through construction areas, and to observe the temporary closure of streets and rerouting of traffic. Buyer consents to this and waives any and all claims which Buyer may have against Seller, its agents, representatives, employees, contractors and suppliers arising directly or indirectly out of continuing construction activities after Buyer's close of escrow.

26. **CHANGES IN DEVELOPMENT PLAN.** The real estate market continually fluctuates due to changes in economic, social and political conditions, which directly affect the supply of and demand for housing. As a result, the development plan for the Project, sales prices as well as the terms and conditions of sale are also subject to change. Therefore:

a. Based upon market and other conditions and circumstances, Seller reserves the right at any time prior to or after the close of escrow for the sale of the Unit and without notice, (i) to increase or decrease the sale price, adjust incentives and/or otherwise adjust the terms and conditions of sale for other Condominium Units in the Project (or in the vicinity thereof), and (ii) change the size or design of the Condominium Units in the Project;

b. Seller may offer prices, incentives and/or terms and conditions of sale that vary in amount or type to different buyers;

c. Seller is not obligated to offer any buyer the same price, incentives and/or other terms and conditions of sale that Seller has previously offered or may subsequently offer to another buyer; and

d. Seller has neither offered nor agreed to any price protection or other similar commitment to Buyer regarding the value or resale value of the Unit Buyer is purchasing (or any other property), and Seller shall not have any obligation or liability whatsoever to you in the event any price changes directly or indirectly affect the value of your Unit.

27. **EXTENDED USE OF THE SALES OFFICE.** Seller reserves the right to operate the Project sales office and to display signs and banners in connection with its program of marketing and selling Residential Units and selling or leasing Commercial Units in the Project as well as other Projects owned by Seller.

28. **IMPROVEMENTS AND ALTERATIONS.** The alteration and construction of many improvements within the Project requires written approval of the local governmental authority's building department and the Architectural Committee. It is the sole responsibility of each Owner to determine the approvals and permits necessary to perform desired modifications or improvements and to obtain all such required approvals. In addition:

a. **No Liability to Seller.** Any alterations or improvements made by Owners to their Condominium Unit or Exclusive Use Area shall be made at such Owner's sole risk. Seller assumes no responsibility for any damage caused by the design, construction, installation or alteration and maintenance by you of any improvement on the Unit or Exclusive Use Area.

b. **Licensed Experts**. If an Owner desires to alter or install any improvement on or in such Owner's Unit or Exclusive Use Area, such Owner must obtain the advice of a licensed architect or civil, geotechnical or structural engineer, as applicable, and should design and complete the alteration or installation of the improvement in accordance with such expert's advice and specifications.

c. **No Changes Prior to Close of Escrow**. Buyer may not make any changes of any kind to the Unit prior to the close of escrow (e.g. alarm systems, intercoms, stereo wiring, etc.). Only those options and upgrades specifically listed on the option list provided by Seller will be made. Any other changes and non-approved options found in any Condominium Unit during the construction period will be removed by Seller and the cost of removal and any repairs shall be Buyer's sole responsibility.

d. **Common Area Modifications**. There are strict prohibitions on improvements or changes to the Common Area. Only the Association has the right to modify or alter the Common Area improvements subject the restrictions in the Declaration, Articles of Incorporation, Bylaws, Maintenance Manual and Association Rules and Regulations. No Owner shall have the right to alter, improve or otherwise modify any portion of the Common Area.

29. **PAINT DISCOLORATION**. Buyer's Unit has been professionally painted. Certain portions of the Unit, such as paint-grade cabinets, casework, moldings and interior doors, may be painted with oil-based enamel paint. Yellowing is common with oil-based enamel paints. Additionally, if the Unit has white oil-based enamel paint-grade cabinets, yellowing will occur.

30. **VARIATIONS IN NATURAL MATERIALS**. The Unit Buyer is purchasing may include various natural materials (e.g., wood products and/or stone products). Some of the natural characteristics of wood will show through the painted or stained finish. For example, there may be shades of white, red, black, gray or even green in areas. Mineral streaks may also be visible. This is caused by the irregularity of mineral absorption from one part of the tree to another. Grain patterns or texture will vary from even to irregular throughout your cabinetry. Similarly, granite and natural stone products are composed of various mineral contents. Marble is less dense and more porous than granite. Great care must be taken to prevent damage to marble and other stone products. Owners should follow the manufacturers' recommendations for cleaning and maintenance. Because these are natural products, they are subject to variation in color, veining, spotting, holes, cloudiness, texture and cracking. Some may vary significantly in filler and sheen. If replacement of natural material, tile or carpet is required, you understand and agree that a match with existing material cannot be guaranteed.

31. **DRYWALL PANELS AND FINISHES**. Drywall panels are placed over the wall studs, joists, rafters and beams. Drywall is typically used to finish window openings. Drywall panels will not completely eliminate variations in the dimension and plane of wood framing members. Metal trim (i.e. corner bead) is used at corners, window edges, soffits and ceilings. They are designed to be filled with finish compounds. These trim metals provide a durable finish but cause the wall plane to "flare" at the metal edge. Panel joints and seams are taped and coated with finish compounds. Fasteners are coated with finish compounds to cover the small "dimple" in the surface of the drywall panel. Progressive applications of finish

compounds are required to cover the joints, fasteners, and seams. In some cases, the normal finishing of these joints, fasteners, and seams will cause a subtle "bulge." When the finishing process is complete, the walls and ceilings receive a texture coat. In certain lighting conditions (up-lights placed close to the walls), irregularities and variations in the wall plane or intersection of vertical and horizontal panels may be evident. These variations are normal and not the responsibility of Seller.

32. **BRASS PLUMBING/LIGHT FIXTURES/HARDWARE.** Brass, bronze or other finishes have their limitations. In time, the protective lacquer may deteriorate from exposure to weather, perspiration, cleaning agents, frequency of use and other factors. Tarnishing or excessive wear of these finishes is, therefore, not a defect, but a normal process, which is unavoidable. Under the circumstances, these finishes cannot be guaranteed and products will not be repaired or replaced under the manufacturer's warranties for tarnishing or wear of finishes.

33. **WINDOWS AND FRONT DOORS.** Windows and doors may vary from floor plan to floor plan. Alteration of historical building elements is prohibited. All window coverings shall be of neutral color, or have a neutral backing, harmonious with and not in conflict with the color scheme of the exterior wall surface of the Condominium and the Project. Window coverings shall be subject to the approval of the Architectural Control Committee. Tinting of windows is prohibited. Window dimensions may vary unit to unit.

34. **ENERGY CONSERVATION.** Subject to the applicable restrictions regarding preservation of historical building elements, the Project has been renovated to the extent feasible to comply with the energy conservation standards that are a part of Title 24 of the California Administrative Code. This is an energy conservation law that is designed to help reduce the overall use of energy in the Condominium Units. Title 24 describes the amount of cooling capacity as well as the minimum efficiency ratings for each geographic location in the state. In complying with Title 24, the cooling units installed in the Unit are designed for maximum efficiency. Due to the Title 24 geographic requirements, and the preservation of original windows and other building elements, on extremely warm days the inside room temperature may be warmer than the thermostat selection. This is due to the energy inefficiency of the historical building elements as well as the design restrictions imposed by Title 24, and not any design or installation defect of Seller or its contractors.

35. **WATER CONSERVATION.** All Condominium Units within the Project are equipped with low flow fixtures and other equipment to aid in water conservation including low flush toilets that use not more than 1.6 gallons of water per flush. These toilets are designed for normal toilet tissue usage only. Any paper towels, excessive tissue, etc. may cause a stoppage.

36. **REAL ESTATE TAXES.** The real property taxes for the Project are determined as follows: the maximum amount of real property tax that can be levied annually by counties is one percent (1%) of the full cash value of the property, as determined by the county assessor. For the purchaser of a Condominium Unit in this Project, "full cash value" is defined as the county assessor's appraised value of the real property when purchased, newly constructed, or a change on ownership has occurred. The full cash value is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or other factors. Other special taxes and assessments may be

collected on the county tax roll in addition to the one percent (1%) "ad valorem" property tax. Exempt from that limitation are any taxes above that level required to pay (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Also exempt are special assessments levied for the financing of public improvements that benefit particular real property and that are approved by a majority of the owners of such real property, and similar special purpose taxes approved by vote of a majority of such owners.

37. **HAZARDOUS SUBSTANCES**. Buyer acknowledges that Seller and Seller's representative have made no representations or warranties regarding the existence or nonexistence of any hazardous substances within the Project. **Buyer specifically agrees to forever waive, release, and hold Seller harmless from and against any liability, obligation, damages, costs, losses, claim or cause of action in connection with the production or existence of hazardous substances in the Project.** Buyer further agrees to indemnify, defend at Buyer's sole cost and expense, and hold Seller harmless from and against, any claim or cause of action from third parties with respect to the production or existence of hazardous substances at the Project, and Buyer waives and releases Seller from any claims with respect thereto.

a. **Formaldehyde**. According to information provided by the California Building Industry Association ("**CBIA**"), state and federal governmental agencies have tested the indoor air of certain buildings in California for the presence of formaldehyde. Formaldehyde is present in the air because it is emitted by many building materials and household products. These materials and products include carpeting, pressed wood products, insulation, plastics, and glues. Most buildings that were tested contained formaldehyde, which may present significant health hazards, including significant cancer risk. **The Condominium Units in this Project have not been tested by Seller.** Given the cost of testing, it is not feasible to test every Condominium Unit to ascertain the level of formaldehyde present. According to information provided by the CBIA, the concentration of formaldehyde in buildings varies with no obvious explanation for the differences. One problem is that many material suppliers and manufacturers don't provide information on chemical ingredients. If you have further questions about these issues, Seller will provide, upon request, a list of the known material suppliers so that you may contact them directly.

b. **Radon**. As Seller has no information regarding the potential of radon gas in the project or the surrounding area, Seller makes no representation regarding presence or absence of radon gas.

c. **Mold**. Water intrusion may occur during construction, or may occur after construction is completed and the building is occupied. Seller is informed that water intrusion, if left unremediated, may set the stage for the growth of mold or bacteria which can be toxic or which can otherwise potentially cause serious damage to the occupant's health. Please see the separate mold disclosure provided to Buyer.

38. **PROPOSITION 65**. The State of California requires Seller to inform you of the potential hazards associated with exposure to certain chemicals in the environment. Buyer

hereby acknowledges and agrees that Buyer has read or will read a posted warning relating to exposure to chemicals known to cause cancer, birth defects or reproductive

39. **SEX OFFENDER DATABASE:** NOTICE: The California Department of Justice, Sheriff's departments, police departments serving jurisdictions of 200,000 or more and many other local law enforcement authorities maintain for public access a data base of the locations of persons required to register pursuant to paragraph (1) of subdivision (a) of Section 290.4 of the Penal code. The database is updated on a quarterly basis and is a source of information about the presence of these individuals in any neighborhood. The Department of Justice also maintains a sex offender identification line through which inquiries about individuals may be made. This is a "900" telephone service. Callers must have specific information about individuals they are checking. Information regarding neighborhoods is not available through the "900" telephone service.

40. **SCHOOLS.** Buyer should verify with the local school district, which designated schools will service this Project. Due to the rate of population change, the school districts may find it necessary to change boundaries and designated schools periodically, both prior to and after the close of escrow. Seller has no control or responsibility for any such changes. We strongly recommend that you contact the school district offices directly for the most current information regarding placement at the public schools as well as school bus transportation. The Project is located within the Los Angeles Unified School District. Information can be obtained from Los Angeles Unified School District. Buyer should also refer to the subdivision public report for a listing of the schools presently serving the Project. Buyer should investigate this matter to Buyer's satisfaction prior to purchasing the Unit.

41. **NO ADDITIONAL REPRESENTATIONS.** Buyer acknowledges, accepts and agrees that no salesperson, employee or agent of Seller has the authority to interpret, change or modify the terms of any documents whatsoever, including, but not limited to, any Purchase Documents or the Association Documents. Additionally, no representation or promise, whether oral or in writing, made by any salesperson, employee or agent shall be binding on Seller, unless provided in writing by Seller. You acknowledge and agree that no representation or promise has been made to you by any salesperson, employee or agent upon which Buyer is relying in connection with the purchase of the Unit. To ensure that Buyer and Seller are in complete agreement with respect to the terms and conditions of Buyer's purchase, please indicate below any representation or promise made by a salesperson, employee or agent upon which you are relying that is not set forth in the Purchase Documents or the Association Documents: _____

BUYER HEREBY ACKNOWLEDGES THAT BUYER HAS RECEIVED, READ AND UNDERSTANDS THE CONTENTS OF THIS DISCLOSURE STATEMENT CONCERNING BUYER'S PURCHASE OF THE UNIT. BUYER HAS CONSIDERED THE POSSIBLE EFFECTS OF THE VARIOUS ITEMS NOTED IN THIS DISCLOSURE IN BUYER'S DECISION TO PURCHASE A UNIT IN THE PROJECT. BUYER HAS INVESTIGATED THE ISSUES RAISED HEREIN TO BUYER'S SATISFACTION, AND BUYER UNDERSTANDS AND ACCEPTS THE CONTENTS THEREOF, AND BUYER

HAS ELECTED TO PROCEED WITH THE PURCHASE OF THE CONDOMINIUM UNIT AS REFERENCED ON PAGE 1 OF THIS DISCLOSURE STATEMENT.

BUYER

DATE

BUYER

DATE