

Department of Real Estate
of the
State of California

FINAL SUBDIVISION PUBLIC REPORT
TENANCY-IN-COMMON

In the matter of the application of

585 OCEAN STREET LLC,
A California limited liability company

FILE NO.: 125329SA-F00

ISSUED: APRIL 9, 2007

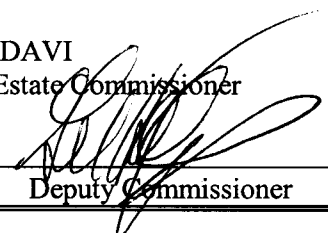
EXPIRES: APRIL 8, 2012

for a Final Subdivision Public Report on

585 OCEAN VIEW BLVD.

JEFF DAVI
Real Estate Commissioner

MONTEREY COUNTY, CALIFORNIA

By: 
Deputy Commissioner

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, 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.

SPECIAL NOTES

1. THIS PUBLIC REPORT AUTHORIZES THE SALE OF 9 TENANCY-IN-COMMON INTERESTS.
2. NO ESCROW WILL CLOSE ON ANY INTEREST UNTIL YOU OBTAIN AN APPRAISAL OF THE FAIR MARKET VALUE OF YOUR ASSIGNED UNIT PREPARED BY A LICENSED APPRAISER ACCEPTABLE TO THE LENDER ORIGINATING THE LOAN DESCRIBED WITHIN SECTION 1D OF THE PURCHASE CONTRACT. YOU WILL HAVE A PERIOD OF SEVEN (7) DAYS FROM THE RECEIPT OF THE APPRAISAL TO DETERMINE IF YOU ARE SATISFIED WITH THE VALUE OF THE ASSIGNED UNIT AS STATED IN THE APPRAISAL. NO LATER THAN THE CONCLUSION OF THIS 7 DAY PERIOD, YOU MUST DELIVER TO SELLER A WRITTEN NOTICE STATING WHETHER OR NOT YOU ARE SATISFIED WITH THE APPRAISAL AND WISH TO PROCEED WITH THE TRANSACTION. IF YOUR NOTICE STATES THAT YOU ARE NOT SATISFIED AND DO NOT WISH TO PROCEED WITH THE TRANSACTION, THE CONTRACT SHALL BE DEEMED TERMINATED AND ALL FUNDS YOU DEPOSITED INTO ESCROW SHALL BE RETURNED TO YOU.
3. 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 BUYER OR THE BUYER'S DESIGNEE UNDER TERMS MUTUALLY AGREEABLE TO THE PROSPECTIVE BUYER AND SELLER.
4. THIS PROJECT IS A SUBDIVISION OF THE TYPE REFERRED TO AS AN UNDIVIDED INTEREST SUBDIVISION. YOU ARE BUYING AN UNDIVIDED PERCENTAGE OF AN APARTMENT BUILDING, AND WILL CO-OWN THE PROPERTY WITH OTHERS AS A TENANCY IN COMMON (HEREAFTER REFERRED TO AS A "TIC"). THE PROPERTY HAS NOT BEEN DIVIDED INTO CONDOMINIUMS AND YOU ARE NOT BUYING A CONDOMINIUM. TENANT IN COMMON OWNERSHIP DOES NOT INCLUDE MANY OF THE LEGAL AND FINANCIAL PROTECTIONS ASSOCIATED WITH CONDOMINIUM OWNERSHIP. IT WILL BE OPERATED BY AN UNINCORPORATED TENANCY IN COMMON ORGANIZATION IN ACCORDANCE WITH A "TENANCY IN COMMON OWNERSHIP AGREEMENT " ("TIC AGREEMENT")
5. IN A TIC, YOU DO NOT OWN YOUR APARTMENT, PARKING SPACE, OR ANY PARTICULAR PORTION OF THE PROPERTY AS YOU WOULD IF THIS WERE A CONDOMINIUM. YOU OWN A SHARE OF THE ENTIRE BUILDING. THE RIGHT TO USE A PARTICULAR APARTMENT (AND, POSSIBLY OTHER AREAS, SUCH AS PARKING SPACES, STORAGE AREAS, DECKS, ETC.) ALONG WITH THE ALLOCATION OF GROUP COSTS IS CREATED BY A WRITTEN CONTRACT CALLED A TENANCY IN COMMON AGREEMENT. THE TIC AGREEMENT REQUIRES YOU TO SHARE MANY OF THE OBLIGATIONS AND RESPONSIBILITIES OF OWNERSHIP WITH OTHERS, INCLUDING PROPERTY TAXES. AS EXPLAINED IN THE TIC AGREEMENT, A WRITTEN CONTRACT, SIGNED BY ALL CO-OWNERS WHICH CALLS FOR THE ASSIGNMENT TO YOU OF AN EXCLUSIVE RIGHT TO USE A SPECIFIC APARTMENT AND, POSSIBLY, OTHER AREAS OF THE PROPERTY, SUCH AS A PARKING SPACE. YOU WILL BE RELYING ON THE VALIDITY OF THE TENANCY IN COMMON AGREEMENT AS THE BASIS OF YOUR USE RIGHTS AND YOU MUST USE THE MECHANISMS IN THAT AGREEMENT TO ENFORCE YOUR RIGHTS.
6. THE TIC AGREEMENT (SECTION 1.07) INCLUDES PROVISIONS FOR ELIMINATION OF

EXCLUSIVE OCCUPANCY RIGHTS IF ANY STATE OR MUNICIPAL LAW OR REGULATION IS ENACTED PROHIBITING COTENANTS FROM HAVING EXCLUSIVE OCCUPANCY RIGHTS. YOU SHOULD READ SECTION 1.07 SO THAT YOU UNDERSTAND THE ARRANGEMENTS FOR ELIMINATING EXCLUSIVE OCCUPANCY RIGHTS TO A UNIT.

7. WHILE CONDOMINIUM CONVERSION IS ALLOWED FOR CERTAIN BUILDINGS IN PACIFIC GROVE UNDER CERTAIN VERY LIMITED CIRCUMSTANCES, IT IS NOT GUARANTEED. AS OF THE DATE OF ISSUANCE OF THIS PUBLIC REPORT, THE CHANCES OF WINNING THE SAN FRANCISCO CONVERSION LOTTERY ARE VERY LOW, AND IT IS POSSIBLE TO ENTER FOR MANY YEARS WITHOUT WINNING. IT IS ALSO POSSIBLE THE CONVERSION LAW WILL CHANGE AND THE ABILITY TO CONVERT WILL BE FURTHER RESTRICTED OR EVEN ELIMINATED. YOU SHOULD NOT BUY THE PROPERTY BASED ON THE ABILITY TO CONVERT THE PROPERTY TO CONDOMINIUMS.
8. A TIC AGREEMENT MAY NOT BE BINDING ON A CO-OWNER WHO DOES NOT SIGN IT, SO IT IS ESSENTIAL TO MAKE SURE THAT THE TIC AGREEMENT IS SIGNED BY ALL OF THE CURRENT CO-OWNERS, AND BY EACH PERSON WHO LATER BECOMES A CO-OWNER. IF A CO-OWNER HAS NOT SIGNED THE AGREEMENT, YOU MAY LOSE THE RIGHT TO USE YOUR ASSIGNED APARTMENT, AND FACE A VARIETY OF OTHER SERIOUS PROBLEMS.
9. THE SELLER REPRESENTS THE TIC OFFERING IS NOT A "COMMON INTEREST DEVELOPMENT" AS DEFINED IN SECTION 1351(C) OF THE CALIFORNIA CIVIL CODE NOR IS SUBJECT TO THE PROTECTIONS OF THE DAVIS-STERLING COMMON INTEREST DEVELOPMENT ACT THAT ARE APPLICABLE TO CONDOMINIUM, PLANNED DEVELOPMENTS, COMMUNITY APARTMENT PROJECTS OR STOCK COOPERATIVES. THE SHARED USE, MAINTENANCE, MANAGEMENT, COST SHARING AND GENERAL OPERATION OF THIS SUBDIVISION WILL BE CONTROLLED BY THE TERMS OF THE TIC AGREEMENT. THE ENFORCEABILITY OF THESE ARRANGEMENTS DIFFER FROM MOST CALIFORNIA SUBDIVISIONS IN THAT THERE ARE NO RECORDED RESTRICTIONS OR COVENANTS RUNNING WITH THE LAND THAT ARE ENFORCEABLE UNDER SECTION 1468 OF THE CIVIL CODE.
10. THE TENANCY IN COMMON AGREEMENT PROVIDES FOR, AMONG OTHER THINGS, THE FOLLOWING:
 - A. ASSESSMENTS WILL BE LEVIED AGAINST YOU FOR MAINTENANCE OF THE COMMON AREAS, AMENITIES AND FACILITIES, AND OTHER PURPOSES.
 - B. THE ORGANIZATION OF COTENANTS MUST HOLD THE FIRST MEMBERSHIP MEETING WITHIN SIX MONTHS AFTER THE CLOSING OF THE SALE OF THE FIRST SUBDIVISION INTEREST UNDER THE FIRST PUBLIC REPORT FOR THE SUBDIVISION. THE ORGANIZATION OF COTENANTS MUST ALSO PREPARE AND DISTRIBUTE TO ALL COTENANTS A BALANCE SHEET AND INCOME STATEMENT.

YOUR CONTROL OF OPERATIONS AND EXPENSES IS LIMITED TO THE RIGHT OF YOUR ELECTED REPRESENTATIVES TO VOTE ON CERTAIN PROVISIONS AT MEETING. SINCE THE COMMON AREA IMPROVEMENTS AND FACILITIES WILL BE MAINTAINED BY CO-OWNERS, IT IS ESSENTIAL THAT THE ORGANIZATION OF CO-OWNERS BE FORMED EARLY AND PROPERLY.

11. THE SUBDIVIDER SHOULD PROVIDE YOU WITH A COPY OF THE TENANCY IN COMMON AGREEMENT PRIOR TO CLOSE OF ESCROW. THIS DOCUMENT CONTAINS NUMEROUS MATERIAL PROVISIONS THAT SUBSTANTIALLY AFFECT AND CONTROL YOUR RIGHTS, PRIVILEGES, USE, OBLIGATIONS, AND COSTS OF MAINTENANCE AND OPERATION. YOU SHOULD READ AND UNDERSTAND THIS DOCUMENT BEFORE YOU OBLIGATE YOURSELF TO PURCHASE AN INTEREST. YOU MAY CONSIDER SEEKING QUALIFIED LEGAL ADVICE BEFORE MAKING A DECISION TO PURCHASE, TO BETTER UNDERSTAND WHAT YOUR RIGHTS AND OBLIGATIONS WILL BE AS AN OWNER.
12. THE SUBDIVIDER MUST PAY ASSESSMENTS TO THE ORGANIZATION OF CO-OWNERS FOR ALL UNSOLD INTERESTS. THE PAYMENTS MUST COMMENCE ON THE FIRST DAY OF THE MONTH AFTER THE SUBDIVIDER CONVEYS THE FIRST SUBDIVISION INTEREST.
13. THE SUBDIVIDER STATED HE WILL FURNISH THE CURRENT BOARD OF OFFICERS OF THE ORGANIZATION OF COTENANTS AND EACH INDIVIDUAL PURCHASER WITH THE DEPARTMENT OF REAL ESTATE REVIEWED ASSOCIATION BUDGET.
14. THE SUBDIVIDER MUST MAINTAIN AND DELIVER TO THE ORGANIZATION OF CO-OWNERS THE SPECIFIC RECORDS AND MATERIALS LISTED IN THE TIC AGREEMENT WITHIN THE STATED PERIOD OF TIME. THESE RECORDS AND MATERIALS DIRECTLY AFFECT THE ABILITY OF THE ORGANIZATION OF CO-OWNERS TO PERFORM ITS DUTIES.
15. IF YOU PURCHASE FIVE OR MORE SUBDIVISION INTERESTS FROM THE SUBDIVIDER, 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 SUBDIVISION PUBLIC REPORT BEFORE YOU CAN OFFER THE INTERESTS FOR SALE OR LEASE.
16. WARNING: WHEN YOU SELL YOUR INTEREST TO SOMEONE ELSE, YOU SHOULD GIVE THAT PERSON A COPY OF THE AGREEMENT AND A TRUE STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS, PENALTIES, ATTORNEYS' FEES OR OTHER CHARGES, PROVIDED BY THE TENANCY IN COMMON AGREEMENT ON THE INTEREST AS OF THE DATE THE STATEMENT WAS ISSUED.

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

INTERESTS TO BE CONVEYED: You will receive fee title to a specified undivided fractional interest as tenant in common in the common area together with a membership in the Organization of Cotenants ("Organization") and rights to use the common area.

LOCATION AND SIZE: This subdivision is located at 585 Ocean View Blvd. within the city limits of Pacific Grove, California. Prospective purchasers should acquaint

themselves with the kinds of city services available.

This is a single phase project which consists of approximately 0.236 acre on which one (1) building containing 9 units has been constructed. There is also a 4-car garage and a 4-car carport.

CONVERSION: This development is a conversion of an existing apartment to tenancy in common. The structure was completed in 1972. Renovations are estimated to be completed by April 2007.

Renovations include interior and exterior painting and roof and garage/carport renovations.

NO ESCROWS WILL CLOSE UNTIL ALL RENOVATIONS HAVE BEEN COMPLETED AND A NOTICE OF COMPLETION HAS BEEN FILED AND ALL CLAIM OF LIENS HAS EXPIRED, OR A TITLE POLICY IS ISSUED TO EACH PURCHASER CONTAINING AN ENDORSEMENT AGAINST ALL CLAIM OF LIENS. (SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE.)

MANAGEMENT AND OPERATION: The Organization of which you become a member at time of purchase, manages, maintains and operates the common area(s) in accordance with the TIC Agreement.

MAINTENANCE AND OPERATIONAL EXPENSES: The subdivider has submitted a budget for the management, maintenance and operation of the common areas and for long-term reserves. This budget was reviewed by the Department of Real Estate in October 2006. You should obtain a copy of this budget from the subdivider. Under this budget, the monthly assessment against the subdivision interests range from \$1,025.01 to \$1,233.35 of which \$94.84 is a monthly contribution to long-term reserves and is not to pay for current management, maintenance and operating expenses.

The utility rates used for the calculations within this budget are based on information available at the time of the budget review date (as shown above). Increases in regular assessments or special 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 homeowner assessments.

The TIC budget includes property taxes based on estimated sales prices. Your actual property tax will depend on your purchase price and the applicable tax rate, and may be substantially higher than the estimated amount included in the budget. You should be aware of the affects these increases may have on your homeowner assessments.

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

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