

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 172338SA-F00/C01

[FILE NUMBER]

TRACT NO. 10579

[TRACT NUMBER OR NAME]

a.k.a. ARROYO VILLAGE, PHASE 3

[PHASE NUMBER]

[LOT/UNIT NUMBER]

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:

DECEMBER 2, 2022

[DATE ISSUED]

JULY 19, 2023

[DATE AMENDED]

JANUARY 18, 2024

[EXPIRATION DATE]

[NAME]

[SIGNATURE]

[ADDRESS]

[DATE]

*Department of Real Estate
of the
State of California*

**CONDITIONAL SUBDIVISION PUBLIC REPORT
CONDOMINIUM**

In the matter of the application of

TAYLOR MORRISON OF CALIFORNIA, LLC,
a California limited liability company

FILE NO.: 172338SA-F00/C01

ISSUED: DECEMBER 2, 2022

AMENDED/
RENEWED: JULY 19, 2023

EXPIRES: JANUARY 18, 2024

for a Conditional Subdivision Public Report on

TRACT NO. 10579
a.k.a ARROYO VILLAGE, PHASE 3

DEPARTMENT OF REAL ESTATE

by *Gil Hatfield*
Gil Hatfield, Real Estate Specialist

SANTA CLARA COUNTY, CALIFORNIA

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, ancestry, gender identity, gender expression, sexual orientation, familial status, source of income, disability, or genetic information 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, disability, medical condition, genetic information, marital status, sexual orientation, 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.

COMMON INTEREST DEVELOPMENT GENERAL INFORMATION

Common Interest Development

The project described in the attached Subdivision Public Report is known as a common-interest development. Read the Public Report carefully for more information about the type of development. The development includes common areas and facilities which will be owned and/or operated by an owners' association. Purchase of a lot or unit automatically entitles and obligates you as a member of the association and, in most cases, includes a beneficial interest in the areas and facilities. Since membership in the association is mandatory, you should be aware of the following information before you purchase:

Governing Instruments

Your ownership in this development and your rights and remedies as a member of its association will be controlled by governing instruments which generally include a Declaration of Restrictions (also known as CC&R's), Articles of Incorporation (or association) and bylaws. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law. Study these documents carefully before entering into a contract to purchase a subdivision interest.

Assessments

In order to provide funds for operation and maintenance of the common facilities, the association will levy assessments against your lot or unit. If you are delinquent in the payment of assessments, the association may enforce payment through court proceedings or your lot or unit may be liened and sold through the exercise of a power of sale. The anticipated income and expenses of the association, including the amount that you may expect to pay through assessments, are outlined in the proposed budget. Ask to see a copy of the budget if the subdivider has not already made it available for your examination.

Common Facilities

A homeowner association provides a vehicle for the ownership and use of recreational and other common facilities which were designed to attract you to buy in this development. The association also provides a means to accomplish architectural control and to provide a base for homeowner interaction on a variety of issues. The purchaser of an interest in a common-interest development should contemplate active participation in the affairs of the association. He or she should be willing to serve on

the board of directors or on committees created by the board. In short, "they" in a common interest development is "you". Unless you serve as a member of the governing board or on a committee appointed by the board, your control of the operation of the common areas and facilities is limited to your vote as a member of the association. There are actions that can be taken by the governing body without a vote of the members of the association which can have a significant impact upon the quality of life for association members.

Subdivider Control

Until there is a sufficient number of purchasers of lots or units in a common interest development to elect a majority of the governing body, it is likely that the subdivider will effectively control the affairs of the association. It is frequently necessary and equitable that the subdivider do so during the early stages of development. It is vitally important to the owners of individual subdivision interests that the transition from subdivider to resident-owner control be accomplished in an orderly manner and in a spirit of cooperation.

Cooperative Living

When contemplating the purchase of a dwelling in a common interest development, you should consider factors beyond the attractiveness of the dwelling units themselves. Study the governing instruments and give careful thought to whether you will be able to exist happily in an atmosphere of cooperative living where the interests of the group must be taken into account as well as the interests of the individual. Remember that managing a common interest development is very much like governing a small community ... the management can serve you well, but you will have to work for its success. [B & P Code Section 11018.1(c)]

Informational Brochure

The Department of Real Estate publishes the *Living in a California Common Interest Development* brochure. The information in this brochure provides a brief overview of the rights, duties and responsibilities of both associations and individual owners in common interest developments. To review or obtain a **free** copy of this brochure, please visit the Department of Real Estate (DRE) website: www.dre.ca.gov.

RE 646 (Rev. 12/99)

THIS CONDITIONAL SUBDIVISION PUBLIC REPORT COVERS PHASE THREE OF ARROYO VILLAGE ("**SUBDIVISION**") WHICH CONSISTS OF CONDOMINIUM UNITS 15 THROUGH 18 AND 56 THROUGH 60 (EACH A "**CONDOMINIUM UNIT**" OR COLLECTIVELY, "**CONDOMINIUM UNITS**") ON BUILDING COMMON AREA PARCELS 5 AND 6 ("**BUILDING COMMON AREA**"), AND PROJECT COMMON AREA, ALL LOCATED ON A PORTION OF PARCEL A OF TRACT 10579. THE CONDOMINIUM UNITS ARE BEING DEVELOPED BY TAYLOR MORRISON OF CALIFORNIA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY ("**SUBDIVIDER**").

THE PHASE IS PART OF A MULTI-PHASE SUBDIVISION THAT WILL BE SUBJECT TO THE JURISDICTION OF THE ARROYO VILLAGE COMMUNITY ASSOCIATION ("**ASSOCIATION**").

SPECIAL INTEREST AREAS IN THIS CONDITIONAL SUBDIVISION PUBLIC REPORT: YOUR ATTENTION IS ESPECIALLY DIRECTED TO THE PARAGRAPHS BELOW ENTITLED: CONDITIONAL SUBDIVISION PUBLIC REPORTS, EASEMENTS, MANAGEMENT AND OPERATION, MAINTENANCE AND OPERATIONAL EXPENSES, USES/ZONING/HAZARD DISCLOSURES, TITLE, TAXES, FINANCING, PURCHASE MONEY HANDLING, SOILS AND GEOLOGIC CONDITIONS, UTILITIES AND OTHER SERVICES.

NOTE: IN ADDITION TO THESE AREAS, IT IS IMPORTANT TO READ AND THOROUGHLY UNDERSTAND THE REMAINING SECTIONS SET FORTH IN THIS CONDITIONAL SUBDIVISION PUBLIC REPORT PRIOR TO ENTERING INTO A PURCHASE AGREEMENT (TOGETHER WITH ALL APPLICABLE ESCROW INSTRUCTIONS, ADDENDA AND AMENDMENTS, COLLECTIVELY, THE "**CONTRACT**") TO PURCHASE PROPERTY IN THE SUBDIVISION.

CONDITIONAL SUBDIVISION PUBLIC REPORT: THIS IS NOT A FINAL SUBDIVISION PUBLIC REPORT ("**FINAL PUBLIC REPORT**"), THIS IS WHAT IS KNOWN AS A CONDITIONAL SUBDIVISION PUBLIC REPORT ("**CONDITIONAL PUBLIC REPORT**"). IT IS A CONDITIONAL PUBLIC REPORT BECAUSE THE SUBDIVIDER HAS NOT YET SATISFIED ALL OF THE CONDITIONS NECESSARY FOR THE ISSUANCE OF A FINAL PUBLIC REPORT. UNTIL ISSUANCE OF THE FINAL PUBLIC REPORT NO ESCROW SHALL CLOSE, NO FUNDS SHALL BE RELEASED FROM ESCROW TO THE SUBDIVIDER, AND NO TITLE SHALL BE CONVEYED FOR ANY PORTION OF THE SUBDIVISION COVERED BY THIS CONDITIONAL PUBLIC REPORT. HOWEVER, THE SUBDIVIDER MAY ENTER INTO A BINDING CONTRACT WITH YOU FOR THE PURCHASE OR LEASE OF A CONDOMINIUM UNIT IN THIS SUBDIVISION IF:

- (A) THE SUBDIVIDER FIRST PROVIDES YOU WITH A COPY OF THIS CONDITIONAL PUBLIC REPORT AND A WRITTEN STATEMENT CONTAINING CERTAIN DISCLOSURES REQUIRED BY CALIFORNIA BUSINESS & PROFESSIONS CODE SECTION 11018.12(F).
- (B) PROVISION IS MADE IN THE CONTRACT FOR THE RETURN OF THE ENTIRE SUM OF MONEY PAID OR ADVANCED ("**PURCHASE MONEY**") BY YOU IF A FINAL PUBLIC REPORT HAS NOT BEEN ISSUED DURING THE TERM OF THIS CONDITIONAL PUBLIC REPORT.
- (C) PROVISION IS MADE IN THE CONTRACT FOR THE RETURN TO YOU OF THE PURCHASE MONEY IF YOU ARE DISSATISFIED WITH THE FINAL PUBLIC REPORT BECAUSE OF A MATERIAL CHANGE IN THE SETUP OF THE OFFERING (REFER TO CALIFORNIA BUSINESS & PROFESSIONS CODE SECTION 11012).

- (D) AS A CONDITION OF THE PURCHASE, DELIVERY OF LEGAL TITLE OR OTHER INTEREST CONTRACTED FOR WILL NOT TAKE PLACE UNTIL ISSUANCE OF A FINAL PUBLIC REPORT.

BEFORE ENTERING INTO A CONTRACT UNDER THE AUTHORITY OF THIS CONDITIONAL PUBLIC REPORT, YOU SHOULD REVIEW THE CONTRACT CAREFULLY TO MAKE SURE THAT YOU WILL BE ABLE TO HONOR YOUR OBLIGATIONS WHEN IT IS TIME TO CLOSE ESCROW. FOR EXAMPLE, IF YOU DO NOT HAVE FUNDS TO COMPLETE THE PURCHASE MONEY LOAN, YOU MAY BE OBLIGATED UNDER THE CONTRACT TO KEEP AN ADEQUATE LOAN COMMITMENT IN EFFECT UNTIL THE FINAL PUBLIC REPORT IS ISSUED AND IT IS TIME TO COMPLETE THE PURCHASE. YOU SHOULD CAREFULLY CONSIDER WHETHER THERE WILL BE CHANGES IN YOUR INCOME, ASSETS OR LIABILITIES THAT COULD MAKE YOUR LENDER UNABLE TO FUND THE LOAN. YOU SHOULD ALSO CONSIDER YOUR PERSONAL SITUATION BEFORE ENTERING INTO A CONTRACT AS YOUR DESIRE AND ABILITY TO COMPLETE THE PURCHASE MAY CHANGE. THE DEPARTMENT OF REAL ESTATE ("DRE") HAS REVIEWED THE CONTRACT FORM BUT HAS NOT REVIEWED ANY ARRANGEMENTS YOU MAY ENTER INTO WITH YOUR PURCHASE MONEY LENDER. YOU SHOULD CAREFULLY REVIEW YOUR ARRANGEMENTS WITH THE LENDER.

BEFORE SIGNING, YOU SHOULD READ AND THOROUGHLY UNDERSTAND ALL SALES CONTRACT AND LOAN DOCUMENTS. IF YOU DO NOT UNDERSTAND THE TERMS OF YOUR CONTRACT OR LOAN DOCUMENTS, YOU MAY WISH TO CONSIDER CONSULTING WITH YOUR OWN ATTORNEY BEFORE ENTERING INTO A CONTRACT TO PURCHASE THE PROPERTY.

THE INITIAL TERM OF THIS CONDITIONAL PUBLIC REPORT IS SIX MONTHS AND HAS BEEN RENEWED FOR ONE ADDITIONAL SIX-MONTH TERM. WHEN THE CONDITIONAL PUBLIC REPORT EXPIRES, YOU MAY WISH TO CONSIDER CONTACTING THE SUBDIVIDER TO DISCUSS THE STATUS OF YOUR CONTRACT.

THIS CONDITIONAL PUBLIC REPORT ALLOWS THE SUBDIVIDER TO ENTER INTO A BINDING CONTRACT WITH YOU, SUBJECT TO YOUR RECEIPT, EXAMINATION, AND ACCEPTANCE OF A FINAL PUBLIC REPORT WITHIN THE TIME PERIOD INDICATED IN YOUR CONTRACT.

THE FOLLOWING CONDITIONS MUST BE SATISFIED BY THE SUBDIVIDER BEFORE A FINAL PUBLIC REPORT CAN BE ISSUED:

1. Evidence that the Declaration of Annexation and Supplemental Restrictions for the Phase has been recorded in the Official Records of the County (not applicable for Phase 1);
2. A current preliminary title report of a licensed title insurance company for all subdivision interests to be included in the Final Public Report must be issued and provided to the DRE after recording of the above referenced documents;
3. Evidence that the Articles of Incorporation of Arroyo Village Community Association ("**Association**") have been filed with the California Secretary of State;

4. Evidence that the Grant Deed to the Association for the Phase has been reviewed and accepted by the DRE and signed, acknowledged and deposited in escrow for recordation in accordance with escrow instructions;
5. Evidence that DRE has reviewed and accepted the Budget for the Association;
6. Evidence that financial arrangements acceptable to the DRE have been made to secure the Seller's obligation to pay the Association's regular assessments;
7. Evidence that financial arrangements acceptable to the DRE have been made to secure the Seller's obligation to assure completion of advertised future phase common area improvements described in the planned construction statement attached to the security agreement, in compliance with California Business & Professions Code Section 11018.5(a)(2);
8. Evidence that financial arrangements acceptable to the DRE have been made to secure the Seller's obligation to make subsidy payments pursuant to the Subsidy Agreement between Seller and the Association; and
9. Evidence that the DRE has reviewed the Private Street Easement and Maintenance Agreement.

PRELIMINARY SUBDIVISION PUBLIC REPORT: IF YOU RECEIVED A PRELIMINARY SUBDIVISION PUBLIC REPORT ("**PRELIMINARY PUBLIC REPORT**") FOR THIS SUBDIVISION, YOU ARE ADVISED TO CAREFULLY READ THIS CONDITIONAL PUBLIC REPORT SINCE IT CONTAINS INFORMATION THAT IS MORE CURRENT AND PROBABLY DIFFERENT FROM THAT INCLUDED IN THE PRELIMINARY PUBLIC REPORT.

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

OVERVIEW OF SUBDIVISION

Location: This subdivision is located at Mary Avenue and Stevens Creek Boulevard within the city limits of Cupertino, California. 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 interest as tenant in common in the Building Common Area, together with a membership in the Association and rights to use the Project Common Area (as these terms are defined in the CC&Rs).

About This Phase: This is the third phase which consists of approximately 0.47 acres on which 2 building(s) containing a total of 9 Condominium Units, each with an attached 2-car garage, will be constructed.

Common amenities and/or facilities consisting of landscaping, private drives, walkways, walls, railing and lighting will be constructed on the Common Area in the phase. The estimated completion date is March 2024.

This phase is part of a total subdivision which, if developed as proposed, will consist of a total of eight phases containing 88 units within the overall projected subdivision. The estimated completion date is February 2025.

There is no assurance that the total subdivision will be completed as proposed.

FUTURE DEVELOPMENT OF THE SUBDIVISION CANNOT BE PREDICTED WITH ACCURACY. THE SUBDIVIDER HAS THE RIGHT TO BUILD MORE OR FEWER THAN THE NUMBER OF HOMES CURRENTLY PLANNED, CHANGE PRODUCT LINES, ENLARGE OR DECREASE THE SIZE OF HOMES, ADDING LARGER, SMALLER OR DIFFERENTLY DESIGNED MODELS OR CHANGING (PARTIALLY OR IN TOTAL) DESIGNS AND/OR MATERIALS, AT ANY POINT DURING DEVELOPMENT.

DUE TO THE INABILITY TO PREDICT FUTURE MARKET CONDITIONS WITH ACCURACY, THERE ARE NO ASSURANCES THAT THE SUBDIVISION WILL BE BUILT AS CURRENTLY PLANNED, OR PURSUANT TO ANY PARTICULAR BUILD-OUT SCHEDULE. TOPOGRAPHICAL MAPS IN THE SALES OFFICE, LOT PLOTTING MAPS, MAPS OFFERED BY SUBDIVIDER AND OTHER FORMS SHOWING "COMPLETE" SUBDIVISION PROJECTIONS DO NOT NECESSARILY COMMIT THE SUBDIVIDER TO COMPLETE THE SUBDIVISION OR, IF COMPLETED, TO COMPLETE THE SUBDIVISION AS SHOWN. THE SUBDIVIDER MAY SELL AT ANY TIME, ALL OR ANY PORTION OF THE LOTS OR CONDOMINIUM UNITS WITHIN THE SUBDIVISION TO ANY THIRD PARTY, INCLUDING OTHER DEVELOPERS OR BUILDERS.

Sale of All Condominium Units: The Subdivider has indicated that it intends to sell all of the Condominium Units in this Subdivision; however, any owner, including the Subdivider, has a legal right to rent or lease the Condominium Units.

SUBDIVIDER AND PURCHASER OBLIGATIONS: IF YOU PURCHASE FIVE OR CONDOMINIUM UNITS 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 FINAL PUBLIC REPORT BEFORE YOU CAN OFFER THE INTERESTS 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 COVENANTS, CONDITIONS AND 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 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 (CALIFORNIA CIVIL CODE SECTION 4540).

Completion Arrangements of Common Area: The Subdivider will post a bond to assure completion of Common Area improvements described in the Planned Construction Statement attached to the bond. The estimated completion date for these improvements is March 2024.

This is a phased subdivision on one lot.

The Subdivider advises that each purchaser and the Association will receive a special title endorsement insuring him/her against future mechanic liens which may be incurred in the construction of Condominium Units in the additional phases of this one lot subdivision. The title endorsement provides that the total liability of the title company is limited to the face amount of the title policy only. The insurance will contain the following endorsement:

"The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of any statutory lien for labor or materials attaching to the Land, arising out of any work of improvement under construction or completed at the date of policy or arising from any future construction, provided said construction is to complete the improvements as shown in the Condominium Plan described in the legal description set forth in paragraph 3 of Schedule A, whether such future construction is performed by the present Subdivider or a successor in interest to said Subdivider.

Excluded from coverage hereunder are any liens arising from any work of improvement to which the insured has contracted or consented, including any work of improvement to which the insured is deemed to have consented pursuant to Section 4615 of the California Civil Code.

Nothing contained herein shall be deemed to ensure the actual completion of any such improvements on the Land which are either under construction as of the date of policy or are to be constructed in the future.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the date of policy, or (iv) increase the Amount of Insurance.

To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements."

Should the owner of a Condominium Unit in this subdivision sell his/her Condominium Unit to another purchaser prior to the completion of the final phases, he/she should inform the

new purchaser that a special future mechanic lien endorsement should be obtained from their title insurance company.

NOTWITHSTANDING ANY PROVISION IN THE 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, ("**Articles**"), 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 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 SECTIONS 5500 ET. SEQ. OF THE CALIFORNIA CIVIL CODE.

The CC&Rs: This subdivision will be subject to the Declaration of Covenants, Conditions and Restrictions of Arroyo Village and any and all supplements, amendments and modifications (collectively "**Declaration**" or "**CC&Rs**"), recorded April 13, 2023 as Instrument No. 25461927, the First Amendment to Declarations of Covenants, Conditions and Restrictions for Arroyo Village, to be recorded, and the Declaration of Annexation and

Supplemental Restrictions for Arroyo Village, Phase 3, to be recorded, all in the Office of the Santa Clara County Recorder.

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

DOCUMENTS TO BE FURNISHED: THE SUBDIVIDER STATED THAT SUBDIVIDER WILL FURNISH THE CURRENT BOARD OF DIRECTORS OF THE ASSOCIATION AND EACH INDIVIDUAL PURCHASER WITH THE DRE REVIEWED ASSOCIATION BUDGET.

THE SUBDIVIDER STATED THAT SUBDIVIDER 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 CALIFORNIA BUSINESS & PROFESSIONS CODE AND SECTION 4800 OF THE CALIFORNIA 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 (CALIFORNIA BUSINESS & 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 Budgets: The Subdivider has submitted budgets for the maintenance and operation of the Association obligations and for long-term reserves when the community is substantially completed (built-out budget) and an interim budget applicable to this phase. These budgets are currently under review by the Department of Real Estate. You should obtain a copy of the budget applicable to your phase from the Subdivider.

Under the built-out budget, the monthly assessment against each Condominium Unit will be approximately \$429.00. The Association may or may not elect to use this budget when additional phases are annexed. Under the interim budget applicable to this phase, the monthly assessment per interest will be approximately \$431.00. Of these amounts, the monthly contributions toward long-term reserves, which are not to be used to pay for

current management, maintenance and operating expenses, are approximately \$120.75 and \$112.84, respectively.

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 THIS PUBLIC REPORT, YOU SHOULD CONTACT THE DEPARTMENT OF REAL ESTATE BEFORE ENTERING INTO AN CONTRACT TO PURCHASE.

According to the Subdivider, assessments under the interim budget should be sufficient for management, maintenance and operation of the Association's obligations until the subdivision is substantially completed at which time it may be anticipated that assessments will be adjusted.

YOU SHOULD BE AWARE THAT IF, AND WHEN ADDITIONAL PHASE(S) ARE ANNEXED INTO THE SUBDIVISION, THE MONTHLY ASSESSMENTS AGAINST YOUR CONDOMINIUM UNIT MAY INCREASE OR DECREASE DEPENDING UPON, AMONG OTHER THINGS, THE NUMBER OF CONDOMINIUM UNITS BEING ANNEXED IN SUCH SUBSEQUENT PHASE(S) AND WHETHER ANY ADDITIONAL COMMON AREA AND/OR COMMON FACILITIES ARE ALSO BEING ANNEXED AS PART OF ANY SUCH PHASE(S).

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 OR ALL OF ITS RESPONSIBILITIES AND COULD ALSO RESULT IN UNFORESEEN SPECIAL ASSESSMENTS LEVIED AGAINST ALL CONDOMINIUM UNITS. 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 (CALIFORNIA BUSINESS & 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 California Civil Code Section 5300(b), must be made available for examination by a prospective Buyer before the execution of an offer to purchase a Condominium Unit. 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 CC&Rs 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 CC&Rs. (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 payable to the Association will commence on all Condominium Units in this phase on the first day of the month immediately following the conveyance of the first subdivision Condominium Units in the phase. 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 a bond as partial security 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.

Maintenance Agreement: The Subdivider will enter into a Private Street Easement and Maintenance Agreement with the Association in order to provide for the maintenance of the private streets within the Subdivision. The Agreement commences with the first close of escrow on the first Condominium Unit in Phase 1 and terminates as of the date of conveyance of fee title to the Private Street to the Association. You may request a copy of the Maintenance Agreement from the Subdivider. Once fee title to the private street is conveyed to the Association the private streets serving the Condominiums shall be maintained by another party that will be maintaining all of the streets serving the Subdivision as well as the neighboring properties that share the same primary access from the public streets. The costs of the maintenance will be paid by the Association to the other party and is included as a portion of your monthly assessments. For additional information, Buyer should request a copy of the "Reciprocal Easement, Operating and Cost Allocation Agreement" dated December 16, 2021.

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 all 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: The subdivider advises that the following zoning exists within or near this subdivision:

North - Residential
South - Commercial
East - Public Park / Commercial
West - Highway 85 / Residential

Uses: The subdivider advises that the following uses exists within or near this subdivision:

- Property is located within 1 mile of an area zoned for commercial or industrial use;
- Property is located directly adjacent to Cupertino Memorial Park, including a sports park, amphitheater and group picnic area.

Hazards: The subdivider advises that the following hazard exists within or near this subdivision:

- Property is located adjacent to Highway 85 along Stevens Creek Boulevard.

PURCHASERS SHOULD FAMILIARIZE THEMSELVES WITH THE SURROUNDING AREAS OF THE SUBDIVISION BEFORE SIGNING A 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, mechanic 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, drainage, rights-of-way, and other purposes are shown on the title report and Subdivision Map recorded November 18, 2021 in book 943 of Maps, at Pages 36 to 43, and the Condominium Plan recorded December 7, 2022 as Document No. 25412880, both in the Office of the Santa Clara County Recorder.

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(s) may also be recorded. You may ask the Subdivider about such changes. If you purchase a 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 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 unit 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.

Special Taxes & Assessments: This subdivision lies within the boundaries of the following District(s) and is subject to any taxes, assessments and obligations thereof:

- Santa Clara Valley Water District (SCVWD) Clean Safe Creeks
- Cupertino School District Parcel Tax Measure A
- Santa Clara County Vector Control District
- San Francisco Bay Restoration Authority "Clean and Healthy Bay" Parcel Tax
- SCVWD Flood Control Benefit Assessments
- Fremont Union High School District Parcel Tax
- Cupertino Sanitary District Sewer Services
- Cupertino Clean Water and Storm Drainage Fee
- Cupertino Storm Water Protection Fee

This subdivision lies within the Santa Clara County Library District JPA Community Facilities District (CFD) No. 2013-1 and is subject to any taxes, assessments and obligations thereof. The Subdivider must provide purchasers with a disclosure entitled, "Notice of Special Tax" prior to a purchaser entering into a contract to purchase. This Notice contains important information about district functions, purchaser's obligations, rights of the district, and information on how to contact the district for additional materials. Purchasers should thoroughly understand the information contained in the Notice prior to entering into a contract to purchase. This special tax appears on the yearly property tax bill, and is in addition to the tax rate affecting the property described above in the section entitled "Regular Taxes."

The buyer has five days after delivery of this Notice by deposit in the mail, or three days after delivery of any notice in person, to terminate the Contract by giving written notice of that termination to the owner, Subdivider, or agent selling the property.

FINANCING

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 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 that 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

(Note: The Surety Bond (RE 600), Blanket Surety Bond (RE 600A) or other purchase money guarantee may not be used for a Conditional Public Report.)

The subdivider must impound all Purchase Money received from you in an escrow depository until except for such amount as the subdivider has covered by furnishing a bond to the State of California (not applicable under authority of a Conditional Public Report). [Refer to California Business & Professions Code Sections 11013, 11013.1, and 11013.4(b).]

If the escrow has not closed on your Condominium Unit within twelve (12) months of the date of the subdivider's acceptance of your offer, you may request the return of your Purchase Money deposit.

IF THE FINAL PUBLIC REPORT HAS NOT BEEN ISSUED WITHIN SIX (6) MONTHS FROM THE DATE OF THE ISSUANCE OF THIS CONDITIONAL PUBLIC REPORT YOU MAY REQUEST THE RETURN OF YOUR DEPOSIT.

THE CONTRACT INTENDED FOR USE BY THE SUBDIVIDER INCLUDES A PROVISION WHERE THE SELLER (SUBDIVIDER) MAY IN ITS SOLE AND ABSOLUTE DISCRETION GRANT THE BUYER AN EXTENSION OF THE CLOSING DATE. UNDER THIS PROVISION THE BUYER SHALL PAY A SPECIFIED DOLLAR AMOUNT PER DAY (EXTENSION FEE) FOR EACH DAY THE ESCROW IS EXTENDED.

NOTE: Section 2995 of the California 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 a 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 GEOLOGIC CONDITIONS

Soils and geologic information is available at City of Cupertino, 10300 Torre Avenue, Cupertino, CA 95014.

Some lots contain filled ground. Information concerning filled ground is available at City of Cupertino, 10300 Torre Avenue, Cupertino, CA 95014.

CALIFORNIA IS SUBJECT TO GEOLOGIC 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 PREVENTIVE MEASURES DURING GRADING TO ELIMINATE OR MINIMIZE DAMAGE FROM SUCH GEOLOGIC 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.

UTILITIES AND OTHER SERVICES

Gas: There are no gas utilities in the Project.

Streets and Roads: The private streets within this subdivision will be maintained by the Association. The costs of repair and maintenance of these private streets are included in the budget and are a part of your regular assessment

Schools: This subdivision lies within the Cupertino Union School District and the Fremont Union High School District. These districts advise that the schools initially available to this subdivision are the following:

Elementary: Garden Gate
 10500 Ann Arbor Avenue
 Cupertino, CA 95014

Middle: Lawson
 10401 Vista Drive
 Cupertino, CA 95014

High School: Monta Vista
 21840 McClellan Road
 Cupertino, CA 95014

The above 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 districts.

SOLAR ENERGY PROGRAM

THE CALIFORNIA DEPARTMENT OF REAL ESTATE IS NOT RESPONSIBLE FOR APPROVING THE TERMS OR LANGUAGE IN THE DOCUMENTS RELATING TO THE SOLAR ENERGY PROGRAM DISCUSSED HEREIN.

PURCHASERS ARE ADVISED TO REVIEW AND THOROUGHLY INVESTIGATE ALL OF THE TERMS AND POSSIBLE OUTCOMES OF PURCHASING A HOME SERVED BY A SOLAR ENERGY SYSTEM, INCLUDING WITHOUT LIMITATION THE SOLAR ENERGY SYSTEM ADDENDUM AND THE SOLAR SYSTEM AGREEMENT, IF ANY, PRIOR TO ENTERING INTO A PURCHASE AGREEMENT.

DESCRIPTION OF SOLAR ENERGY PROGRAM

THIS PHASE CONSISTS OF MULTIPLE CONDOMINIUM UNITS (EACH A "RESIDENCE") LOCATED WITHIN ONE OR MORE CONDOMINIUM BUILDINGS (EACH A "BUILDING"). EACH RESIDENCE IS SERVED BY A SEPARATE SOLAR PHOTO-VOLTAIC SYSTEM AND OTHER EQUIPMENT (EACH, A "SYSTEM") THAT CONVERTS SOLAR ENERGY TO ELECTRICITY, INSTALLED ON THE ROOF OF EACH BUILDING. PURCHASER WILL BE REQUIRED TO ENTER INTO AN AGREEMENT FOR THE PURCHASE OF THE POWER GENERATED BY THE SYSTEM WITH A THIRD PARTY SOLAR ENERGY SYSTEM PROVIDER ("SOLAR COMPANY"), NOT SUBDIVIDER. SUBDIVIDER IS NOT RELATED TO SOLAR COMPANY. YOU MUST ENTER INTO A LONG-TERM AGREEMENT FOR THE PURCHASE OF THE ELECTRICITY PRODUCED BY THE SYSTEM ("PPA"), AS DESCRIBED IN THE SOLAR ENERGY SYSTEM ADDENDUM THAT YOU WILL RECEIVE AS PART OF THE PURCHASE

AGREEMENT FOR THE RESIDENCE ("**SOLAR ENERGY ADDENDUM**"). THE PPA IS ALSO REFERRED TO AS A "**SOLAR SYSTEM AGREEMENT**".

SOLAR SYSTEM AGREEMENT

IN CONNECTION WITH THE PURCHASE OF THE RESIDENCE YOU WILL BE REQUIRED TO ENTER INTO A SOLAR SYSTEM AGREEMENT WITH THE SOLAR COMPANY. PRIOR TO THE CLOSE OF ESCROW, YOU WILL BE ASKED TO READ AND SIGN A SEPARATE SOLAR SYSTEM AGREEMENT BETWEEN YOU, AS THE BUYER AND HOMEOWNER, AND SOLAR COMPANY.

THE SOLAR SYSTEM AGREEMENT FOR EACH RESIDENCE IS FOR AN INITIAL TERM OF APPROXIMATELY 25 YEARS. UNLESS OTHERWISE TERMINATED UNDER THE TERMS OF THE SOLAR SYSTEM AGREEMENT, THE SOLAR SYSTEM AGREEMENT WILL AUTOMATICALLY RENEW FOR ADDITIONAL ONE-YEAR TERMS. DURING THE TERM OF THE SOLAR SYSTEM AGREEMENT, SOLAR COMPANY WILL OWN, MAINTAIN AND MONITOR THE SYSTEM. IF SOLAR COMPANY FAILS TO PERFORM ITS OBLIGATIONS UNDER THE SOLAR SYSTEM AGREEMENT YOU MAY TERMINATE THE SOLAR SYSTEM AGREEMENT, AFTER GIVING SOLAR COMPANY NOTICE AND AN OPPORTUNITY TO CURE ITS FAILURE. SOLAR COMPANY HAS THE RIGHT TO TERMINATE THE SOLAR SYSTEM AGREEMENT AND SEEK OTHER REMEDIES IT MAY HAVE, INCLUDING THE PAYMENT OF AMOUNTS OWED AND FUTURE AMOUNTS THAT WOULD OTHERWISE BE PAID UNDER THE SOLAR SYSTEM AGREEMENT. **EXCEPT AS PROVIDED ABOVE, DURING THE 25-YEAR TERM OF THE SOLAR SYSTEM AGREEMENT, THE SOLAR SYSTEM AGREEMENT CANNOT BE TERMINATED BY YOU.**

DURING THE TERM OF THE SOLAR SYSTEM AGREEMENT, YOU CANNOT ASSIGN, SELL, PLEDGE OR IN ANY OTHER WAY TRANSFER YOUR INTEREST IN THE SOLAR SYSTEM AGREEMENT WITHOUT SOLAR COMPANY'S PRIOR WRITTEN CONSENT, EXCEPT IN CONNECTION WITH A RE-SALE OF THE RESIDENCE AND SUBJECT TO THE REQUIREMENTS SET FORTH IN THE SOLAR SYSTEM AGREEMENT.

IF YOU RE-SELL THE RESIDENCE, YOU MAY TRANSFER THE RIGHTS AND OBLIGATIONS OF THE SOLAR SYSTEM AGREEMENT TO A PURCHASER WHO AGREES IN WRITING TO BE BOUND BY THE TERMS OF THE SOLAR SYSTEM AGREEMENT AND WHO MEETS SOLAR COMPANY'S CREDIT OR FINANCING REQUIREMENTS.

IF YOU DO NOT ELECT TO PURCHASE THE SYSTEM, YOU SHOULD READ THE SOLAR SYSTEM AGREEMENT CAREFULLY AND UNDERSTAND IT, BEFORE SIGNING IT. PURCHASERS SHOULD CONSULT WITH THEIR LEGAL ADVISOR FOR A BETTER UNDERSTANDING OF THE SOLAR SYSTEM AGREEMENT COMMITMENT.

SYSTEM PERFORMANCE. THE PERFORMANCE OF SYSTEMS WILL VARY DEPENDING ON A NUMBER OF FACTORS WHICH ARE UNIQUE TO EACH BUILDING AND EACH SYSTEM. SUBDIVIDER ASSUMES NO LIABILITY FOR THE PERFORMANCE OF THE SYSTEM, INCLUDING BUT NOT LIMITED TO THE SOLAR SYSTEM AGREEMENT, ANY ENERGY SAVINGS, TAX BENEFITS, CASH GRANTS, REBATES, MAINTENANCE OR SERVICE.

OTHER DOCUMENTS

THE SOLAR COMPANY MAY RECORD CERTAIN DOCUMENTS AGAINST YOUR RESIDENCE IN CONNECTION WITH THE SOLAR SYSTEM AGREEMENT AND SYSTEM, INCLUDING WITHOUT LIMITATION A UCC-1 FINANCING STATEMENT PROVIDING NOTICE OF SOLAR COMPANY'S OWNERSHIP OF THE SYSTEM'S COMPONENT PARTS LOCATED ON YOUR BUILDING. ADDITIONALLY, THE ROOF OF THE BUILDING, WHICH IS OWNED BY THE ASSOCIATION, MAY BE SUBJECT TO AN EASEMENT AGREEMENT AND GRANT OF EASEMENT ("**SOLAR EASEMENT**") IN FAVOR OF SOLAR COMPANY, FOR THE INSTALLATION, OPERATION, MAINTENANCE AND REMOVAL OF EACH SYSTEM.

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 North
1651 Exposition Blvd.
Sacramento, CA 95815
(916) 576-3374