

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

In the matter of the application of

**WILLIAM LYON HOMES, INC.,
A CALIFORNIA CORPORATION**

**FINAL SUBDIVISION PUBLIC REPORT
PLANNED DEVELOPMENT**

FILE NO.: 158227LA-F00

ISSUED: OCTOBER 10, 2019

EXPIRES: OCTOBER 9, 2024

for a Final Subdivision Public Report on

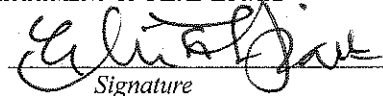
TRACT NO. 17601

"REVERIE AT ESENCIA"

(PHASE 18)

DEPARTMENT OF REAL ESTATE

by


Signature

CHRISTINA PARK

Printed Name

ORANGE 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 owner-ship 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 Common Interest Development Brochure. The information contained in this brochure provides a brief overview of the rights, duties and responsibilities of both associations and individual owners in common interest developments. To obtain a free copy of this brochure, please send your request to:

BookOrders
Department of Real Estate
P.O. Box 187006
Sacramento, CA 95818-7006

INTRODUCTION

NEIGHBORHOOD BUILDER AND PROPERTIES SUBJECT TO THIS FINAL SUBDIVISION PUBLIC REPORT: This Final Subdivision Public Report covers only Lots 51 through 56 and common property Lots A, J and P ("**Rancho MMC Property**") of Tract No. 17601 located within the eighteenth phase ("**Phase**") of "**Reverie at Esencia**" ("**Neighborhood**") being developed by William Lyon Homes, Inc., a California corporation ("**Neighborhood Builder**") within the master planned community known as "**Rancho Mission Viejo**" and referred to in this Public Report as the "**Community**".

The term "**Public Report**" means this Final Subdivision Public Report.

SPECIAL INTEREST AREAS IN THIS FINAL SUBDIVISION PUBLIC REPORT:

THE MASTER DEVELOPER OF THIS COMMUNITY HAS RECORDED DOCUMENTS WITH PROVISIONS SUBJECTING YOUR PURCHASE TO THE IMPOSITION OF FEES WHICH MUST BE PAID IN CONNECTION WITH THE CONVEYANCE OF YOUR HOME. THESE FEES WILL ALSO APPLY TO ANY SUBSEQUENT SALE OF THE PROPERTY. THE DEPARTMENT OF REAL ESTATE STRONGLY CAUTIONS YOU TO CONSULT WITH YOUR LEGAL ADVISOR AS TO THE ENFORCEABILITY OR UNENFORCEABILITY OF THE ABILITY OF RANCHLIFE OR THE RESERVE CONNECTION TO COLLECT SUCH FEES UNDER CALIFORNIA LAW. ADDITIONAL DETAILS REGARDING SUCH FEES ARE SET FORTH IN THE FOLLOWING PARAGRAPHS.

Community Services Fee Agreement: An Agreement Imposing Community Services Fee on Conveyance ("**CSF Agreement**") that encumbers the Neighborhood was recorded on August 25, 2017, as Instrument No. 2017000362109, in Official Records of Orange County, California. Each lot encumbered by the CSF Agreement is bound by the terms of the CSF Agreement. Pursuant to the CSF Agreement, a Community Services Fee equal to a specified percentage of the total sales price is paid on "Conveyance" (as such term is defined in the CSF Agreement) of lots encumbered by the CSF Agreement. The Community Services Fee is payable to Rancho Mission Viejo Community Services Organization, a California nonprofit public benefit corporation ("**RanchLife**"), to be used for purposes described in the CSF Agreement. This fee must be paid by either buyer or seller for each Conveyance of ownership for an indefinite period of time. The Community Services Fee is imposed on the sale of the lot from the Neighborhood Builder to the initial Buyer and will be imposed on each subsequent sale. **THE CSF AGREEMENT SUBJECTS ALL FUTURE SALES TO A FEE THAT MUST BE PAID IN CONNECTION WITH THE CONVEYANCE OF YOUR HOME. THIS FEE TYPICALLY IS PAID OUT OF THE PROCEEDS FROM THE SALE. ALTERNATIVELY, THE BUYER CAN ARRANGE TO PAY THE FEE OVER TIME. THIS FEE ON CONVEYANCE WILL APPLY TO ANYONE WHO SELLS THE HOME IN THE FUTURE. THE DEPARTMENT OF REAL ESTATE STRONGLY ADVISES YOU TO READ THE CSF AGREEMENT AND CONSULT WITH YOUR LEGAL ADVISOR IF YOU HAVE QUESTIONS REGARDING THE ENFORCEABILITY OR UNENFORCEABILITY OF THIS CSF AGREEMENT AND OF RANCLIFE'S ABILITY TO COLLECT THIS FEE UNDER CALIFORNIA LAW. THE NEIGHBORHOOD BUILDER HAS STATED THAT IT WILL PROVIDE YOU WITH A SEPARATE DISCLOSURE THAT EXPLAINS WHAT RANCLIFE INTENDS TO DO WITH THE FUNDS IT COLLECTS.**

Transfer Fee for The Reserve Connection: “*The Reserve Connection*” is a California nonprofit public benefit corporation whose purpose is to provide cultural, educational, charitable, recreational and environmental programs, events and activities related to the Protected Habitat as further described below in the Section entitled “LAND USES AND HAZARDS”. In order to fund these educational programs, events and activities related to the Protected Habitat concurrent with each subsequent sale of your lot in the Neighborhood payment of a “Transfer Fee” as defined in Civil Code Section 1098 will be required in accordance to the terms and provisions set forth in those certain documents entitled “AGREEMENT IMPOSING RESERVE CONNECTION FEE ON CONVEYANCE” recorded on August 25, 2017, as Instrument No. 2017000362110 (“*Reserve Connection Fee Agreement*”) and “PAYMENT OF TRANSFER FEE REQUIRED NOTICE PURSUANT TO SECTION 1098.5 OF THE CALIFORNIA CIVIL CODE (PROTECTED HABITAT)” recorded on August 25, 2017, as Instrument No. 2017000362111, both in Official Records of Orange County, California. **THE RESERVE CONNECTION FEE AGREEMENT SUBJECTS ALL FUTURE SALES TO A FEE THAT MUST BE PAID IN CONNECTION WITH THE TRANSFER OF YOUR HOME. THIS FEE TYPICALLY IS PAID OUT OF THE PROCEEDS FROM THE SALE. THIS FEE ON TRANSFER WILL APPLY TO ANYONE WHO SELLS THE HOME IN THE FUTURE. THE DEPARTMENT OF REAL ESTATE STRONGLY ADVISES YOU TO READ THE RESERVE CONNECTION FEE AGREEMENT AND CONSULT WITH YOUR LEGAL ADVISOR IF YOU HAVE QUESTIONS REGARDING THE ENFORCEABILITY OR UNENFORCEABILITY OF COLLECTION OF THIS FEE UNDER CALIFORNIA LAW. THE NEIGHBORHOOD BUILDER HAS STATED THAT IT WILL PROVIDE YOU WITH A SEPARATE DISCLOSURE THAT EXPLAINS HOW THE FUNDS COLLECTED WILL BE USED.**

YOUR ATTENTION IS ALSO DIRECTED TO THE PARAGRAPH(S) BELOW ENTITLED: “MANAGEMENT AND OPERATION”, “MAINTENANCE AND OPERATIONAL EXPENSES”, “LAND USES AND HAZARDS”, “TITLE”, “REAL PROPERTY TAX BILL”, “FINANCING”, “SOILS AND GEOLOGIC CONDITIONS”, AND “SERVICES”.

NOTE: IN ADDITION TO THE PARAGRAPHS NOTED ABOVE, IT IS IMPORTANT TO READ AND THOROUGHLY UNDERSTAND THIS ENTIRE FINAL SUBDIVISION PUBLIC REPORT PRIOR TO ENTERING INTO A CONTRACT PURSUANT TO A JOINT PURCHASE AGREEMENT AND ESCROW INSTRUCTIONS (“*PURCHASE CONTRACT*”). ALSO, BEFORE SIGNING A PURCHASE CONTRACT, YOU SHOULD READ AND THOROUGHLY UNDERSTAND ALL PURCHASE DOCUMENTS AND, IF APPLICABLE, ALL LOAN DOCUMENTS. IF YOU DO NOT UNDERSTAND THE TERMS OF ANY OF THESE DOCUMENTS, YOU MAY WISH TO CONSIDER CONSULTING WITH YOUR OWN PROFESSIONAL ADVISOR FOR A FULL UNDERSTANDING OF ALL OF THE TERMS OF YOUR PURCHASE CONTRACT AND OTHER PURCHASE DOCUMENTS.

PRELIMINARY SUBDIVISION PUBLIC REPORT

If you have received a Preliminary Subdivision Public Report, you are advised to carefully read this Public Report since it contains additional information and is more current than that included in the Preliminary Subdivision Public Report.

OVERVIEW OF RANCHO MISSION VIEJO, THE COMMUNITY, THE VILLAGE OF ESENCIA AND "REVERIE AT ESENCIA"

About Rancho Mission Viejo:

The Community is a common-interest development of the type referred to as a "planned development". What remains of the original historical land grant which became known as Rancho Mission Viejo, "***The Ranch***", is approximately 23,000 acres of land located in Southeast Orange County. The Ranch is bordered by Camp Pendleton to the south and southeast, the Cleveland National Forest and Caspers Wilderness Area to the east and northeast, and the communities of Coto de Caza, Ladera Ranch, Las Flores, Mission Viejo, Rancho Santa Margarita, and the City of San Juan Capistrano to the north and west. The City of San Juan Capistrano is approximately .25 miles to the west of the Community. The portion of the Community, known as the "***Village of Esencia***", is currently being developed by RMV PA2 Development, LLC, a Delaware limited liability company ("***Master Developer***") and various Neighborhood Builders in a series of phases over a period of several years. The Community currently is composed of two Villages: the Village of Sendero and the Village of Esencia. Remaining portions of The Ranch include additional planned residential areas, undeveloped farm land annually planted with crops, over 500 acres of permanent crops (including citrus groves and avocado trees), land used for ranching and growing feed crops, horse corals and riding areas, and land leased to various businesses such as mining operations that produce industrial sand; wholesale nurseries; and waste management facilities including a wastewater treatment facility. The Ranch is currently approved for the development and construction of up to (i) 14,000 dwelling units, (ii) 3,465,000 square feet of non-residential and urban activity center uses, (iii) 500,000 square feet of neighborhood center uses and (iv) 1,110,000 square feet of business park uses. As currently planned, approximately forty percent (40%) of the approved dwellings are to be dwellings restricted to occupancy by at least one person who is 55 years of age or older. It should also be noted that over time, farming and ranching activities in the area could intensify or diminish. The agricultural and ranch areas may be returned to a natural state or used for other purposes. Rancho MMC and the Owners will have no control over the use of these areas or the agricultural or ranching operations that are located on land that is not owned by Rancho MMC. The approved development areas of The Ranch are currently proposed to occur on approximately 5,723 acres; the approximate remaining 16,960 plus acres have been identified for preservation and protection as permanent open space habitat area.

The first Village of the Community, the Village of Sendero, located adjacent to Antonio Parkway north of Ortega Highway consists of 1,227 residences: 655 are all-age attached and detached single family homes; 286 are "age qualified" homes in a gated enclave; and 286 are apartment homes. In the Village of Sendero, the Rancho Mission Viejo Master Maintenance Corporation Property ("***Rancho MMC Property***") includes recreational and social amenities; pocket, neighborhood, and Community parks; tot lots, and meandering pathways. The "age qualified" homes in Sendero are the first of several all-adult neighborhoods in the Community known as the "Gavilán" neighborhoods which include various Rancho MMC Property facilities available only to those occupants of the Gavilán neighborhoods and their guests. The Rancho MMC Property also includes open space areas, some of which are designated as fuel modification zones.

The Phase subject to this Public Report is in the second Village of the Community, the Village of Esencia. The Village of Esencia is just over 1 mile from the Village of Sendero and is described in more detail below.

The Community is anticipated to be developed over a period of 15-20 years, depending upon market forces and other factors. Because development of the Community is not complete, no representations, warranties or guarantees are made that the Community as described will be carried out, or that proposed, or existing uses will not change in the future.

As part of the Community, the Neighborhood will be subject to the jurisdiction of the Rancho Mission Viejo Master Maintenance Corporation, a California nonprofit public benefit corporation ("**Rancho MMC**"). Rancho MMC owns, operates, manages and/or maintains parks, slopes, landscaping, fencing, lighting, trails, clubhouses and other recreational facilities on the Rancho MMC Property. Rancho MMC may provide services authorized in the Master Declaration of Covenants, Conditions, Restrictions, and Reservation of Easements for Rancho Mission Viejo ("**Master Declaration**"). Portions of Rancho MMC Property (i.e., some slopes, yards, private streets, alleys, driveways, gate facilities and recreational areas) are maintained by Rancho MMC for the benefit of those residences which derive primary benefit from these areas. These lots or condominiums are a part of a "**Special Benefit Area**" and are subject to the levy of "**Special Benefit Assessments**" as provided in the Master Declaration and as further described below. Some amenities which include, but may not be limited to, playfields and tennis courts, parks, open space and trails within the Community that are to be maintained by Rancho MMC are not restricted from public access by fencing or other means and are therefore available for use by the general public. Rancho MMC is authorized to allow RanchLife, the Reserve Connection, Rancho TMA and other groups from the public to use the Rancho MMC Property on terms established by the Rancho MMC Board.

Also, as a part of the development plan, the Master Developer has established Rancho TMA, a nonprofit public benefit corporation, which is a transportation management association that is dedicated to implementing and coordinating cost-effective transportation demand management programs to ease potential traffic congestion and enhance access to, from and within the Community and surrounding areas. Rancho TMA seeks funding from a variety of sources, including user fees and grants, but Rancho TMA's primary source of funding is Rancho MMC. Owners will fund Rancho TMA each month as part of their regular monthly Rancho MMC Assessment. The total overall amount to be funded will increase with future development as user demand, services and programs offered by Rancho TMA expand.

There are portions of the Community that will be governed by a second association of homeowners, subject to the provisions of a "**Neighborhood Declaration**", as defined in the Master Declaration. If the Phase covered by this Public Report is subject to a Neighborhood Declaration, it will be discussed below.

About the Village of Esencia:

The Village of Esencia is comprised of approximately 1,680 acres of land located along the northeast corner of Cow Camp Road and Chiquita Canyon Drive. Plans for this Village contemplate development of approximately 2,516 residences, approximately 461 apartments, Rancho MMC recreation facilities and parks, a day care facility, a school site and up to 510,000 square feet of non-residential and commercial uses. The non-residential and commercial uses will not be a part of the Community governed by Rancho MMC. Approximately 824 acres around the Village of Esencia will be devoted to permanent open space. Sales of homes in this Village began in December 2015. Completion of the entire Village of Esencia is expected to take between 5 and 6 more years until around 2020 to 2021.

The Village of Esencia is divided into four development areas. The first development area is referred to in this Public Report as "**Esencia 2.1**" and includes 1,209 residences: 522 are "all age" attached and detached single family homes; and 318 are "age qualified" duplex and detached single family homes marketed as a part of the Gavilán neighborhoods; and 369 are apartment homes. Occupancy of homes in the Gavilán neighborhoods is restricted to certain age qualified and other individuals as described in

the Master Declaration. Esencia 2.1 also includes Rancho MMC Property consisting of, among other amenities, Canyon House, Sendero Farm, Sendero Field, the South Plunge, Gavilán's Outlook, pocket parks, a dog park and trails. Sales of new homes in Esencia 2.1 began in December 2015 and are expected to continue for the next year or more, at the same time as new homes are being sold in Esencia 2.2 and 2.3.

The second development area is referred to in this Public Report as "**Esencia 2.2**". It includes approximately 233 acres developed with approximately 878 residences: 590 are "all age" attached and detached single family homes, and 288 are "age qualified" duplex and detached single family homes marketed as a part of the "Gavilán" neighborhoods. Esencia 2.2 also includes Rancho MMC Property consisting of, among other amenities, the Hilltop Club, The Campout, Gavilán's Getaway, Esencia Green, pocket parks and trails. Sales in Esencia 2.2 began in November 2016 and are expected to continue for the next two to three years.

The third and final residential development area, which includes this Phase, is referred to in this Public Report as "**Esencia 2.3**". This development area, if completed as proposed, will be approximately 178 acres to be developed with approximately 798 residences: 674 will be "all age" attached and detached single family homes, and 124 will be "age qualified" single family homes within the "Gavilán" neighborhoods. Esencia 2.3 is expected to include Rancho MMC Property consisting of, among other amenities, Esencia Sports Park which includes sports fields, tennis courts, and a recreational pool; The Garage; The Hangout; The Backyard; The Pavilion adjacent the school; pocket parks and trails. Sales began December 2017.

The fourth development area within the Village of Esencia ("**Esencia 2.4**") is adjacent to Esencia 2.3 and will include approximately 92 apartment homes. These apartment homes will also be included as part of Rancho MMC. Also, in Esencia 2.4 are retail, medical and commercial areas which will not be included within Rancho MMC.

Additional villages are planned for Rancho Mission Viejo, but will not be contiguous to the Village of Esencia.

About "Reverie at Esencia":

Located in Esencia 2.3, the Neighborhood is a common-interest development of the type referred to as a planned development. It includes common property and common improvements which will be maintained by Rancho MMC.

Interests to be Conveyed:

You will receive fee title to a specified lot, together with a membership in Rancho MMC, and rights to use the Rancho MMC Property.

About This Phase of "Reverie at Esencia":

This Public Report is for the eighteenth and final phase of the Neighborhood which consists of approximately 2.07 acres divided into 6 lots, in addition to Rancho MMC Property which consists of Lots A, J and P of Tract No. 17601.

Common amenities and/or facilities consisting of an alley, a private street, sidewalks and landscaping will be constructed on the Rancho MMC Property in this Phase.

This Phase is part of the Neighborhood which, if developed as proposed, will consist of a total of 18 phases containing 118 lots.

Special Benefit Areas: As previously noted certain lots or condominiums in the Community receive the primary or disproportionate benefit of maintenance, use of amenities or other services provided by Rancho MMC so they are grouped into a Special Benefit Area and will be subject to the levy of a Special Benefit Assessment by Rancho MMC. The purpose of a Special Benefit Assessment is to allocate the cost of the particular maintenance, amenity or service provided only or disproportionately to the lots or condominiums receiving such maintenance, use or service. At the present time, the Special Benefit Areas within the Village of Esencia consist of the following: (1) Age Qualified Special Benefit Area developed as all-adult neighborhoods, for "age qualified" residents only consisting of all Gavilán neighborhoods; (2) Slopes Special Benefit Area 1; (3) Private Street Special Benefit Area 1; and (4) Front Yard & Alley Special Benefit Area 1. Not all lots or condominiums in the Village of Esencia will be a part of one or more Special Benefit Areas. The lots within the Neighborhood are included in the following Special Benefit Area:

"Front Yard and Alley Special Benefit Area 1". The Rancho MMC Property which primarily benefits the Front Yard and Alley Special Benefit Area 1 includes, but is not limited to, the following amenities: streets, alleys, shared private sewer lines, walkways, lighting, specified fences and walls, landscaping, trellises with vines, slopes, park areas, park furnishings and mailboxes.

As the Community is developed, additional lots and/or condominiums which derive the same primary or disproportionate benefits noted above may be added to the aforementioned Special Benefit Area(s) deriving the same benefit, or, alternatively, a new Special Benefit Area may be formed, depending on various circumstances.

For additional information on the Special Benefit Area(s) and the associated Special Benefit Area Assessment(s), please refer below to the sections of this Public Report entitled "MANAGEMENT AND OPERATION" and "MAINTENANCE AND OPERATIONAL EXPENSES".

Completion of Rancho MMC Property: No escrows will close in this Phase until completion of all Rancho MMC Property and facilities in this Phase or, as an alternative, the Neighborhood Builder or the Master Developer has provided a bond or other security acceptable to the Department of Real Estate under the provisions of Section 11018.5 of the Business & Professions Code to assure lien free completion of all Rancho MMC Property and facilities in this Phase.

The Neighborhood Builder estimates all Rancho MMC Property improvements in this Phase will be completed by approximately February, 2021.

The Master Developer has indicated that the Rancho MMC Property in Esencia 2.3 currently known as the Esencia Sports Park has not been completed. Therefore, the Master Developer has posted a bond in an amount acceptable to the Department of Real Estate under the provisions of Section 11018.5 Business & Professions Code to assure lien free completion of the improvements in this park. The estimated completion date for the Esencia Sports Park is late 2019. If upon conveyance to Rancho MMC the period for all claims of lien has not expired, a title policy (paid by the Master Developer) will be issued to Rancho MMC containing an endorsement against all claims of lien.

Any suit or action on these bonds must be filed within two (2) years after the respective completion dates set forth in the bonds or any extension dates agreed to in writing by Rancho MMC and the Master Developer, and assented to in writing by the surety.

Rancho MMC Property includes water features such as pools, spas, water play areas and community swim centers, as well as parks and other landscaped areas. These areas are subject to closure and/or restrictions

on use for a variety of reasons which include, but may not be limited to, restrictions on water use and supply.

Master Developer Shared Use of The Garage: The Master Developer has entered into a Shared Use and Easement Agreement ("Agreement") with Rancho MMC to use a portion of The Garage as a sales information center and to share use of the surrounding Rancho MMC Property for sales purposes as long as homes in the Community are offered for sale. During the term of the Agreement, the Master Developer is obligated to pay thirty-three percent of the costs of maintaining The Garage.

Right of Inspection: Notwithstanding any provision in the Purchase Contract to the contrary, you, as a prospective purchaser, have the right to negotiate with the Neighborhood Builder to allow an inspection of the property by you or your designee under terms mutually agreeable to you and the Neighborhood Builder.

Sale of All Residences: The Neighborhood Builder has indicated its intent is to sell all of the residential units in the Neighborhood; however, any owner, including the Neighborhood Builder, has a legal right to rent or lease the residential units.

Neighborhood Builder and Purchaser Obligations: IF YOU PURCHASE FIVE OR MORE LOTS FROM THE NEIGHBORHOOD BUILDER, THE NEIGHBORHOOD BUILDER 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.

Continuing Development: THERE IS NO ASSURANCE THAT THE NEIGHBORHOOD, THE VILLAGE OF ESENCIA OR THE COMMUNITY WILL BE COMPLETED AS PROPOSED. ANY FUTURE DEVELOPMENT OF THE NEIGHBORHOOD, THE VILLAGE OF ESENCIA OR THE COMMUNITY CANNOT BE PREDICTED WITH ACCURACY. THE MASTER DEVELOPER OR NEIGHBORHOOD BUILDERS HAVE THE RIGHT TO BUILD MORE OR FEWER THAN THE NUMBER OF RESIDENCES CURRENTLY PLANNED, CHANGE PRODUCT LINES, ENLARGE OR DECREASE THE SIZE OF RESIDENCES AND HOMESITES, 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 NEIGHBORHOOD, OTHER NEIGHBORHOODS WITHIN THE VILLAGE OF ESENCIA OR THE COMMUNITY WILL BE BUILT AS CURRENTLY PLANNED, OR PURSUANT TO ANY PARTICULAR DEVELOPMENT SCHEDULE. TOPOGRAPHICAL MAPS IN THE SALES OFFICE, PLOTTING MAPS, MAPS OFFERED BY MASTER DEVELOPER OR NEIGHBORHOOD BUILDERS AND OTHER FORMS SHOWING "COMPLETE" PROJECTIONS DO NOT NECESSARILY COMMIT THE MASTER DEVELOPER OR ANY NEIGHBORHOOD BUILDER TO COMPLETE THE NEIGHBORHOOD, OTHER NEIGHBORHOODS WITHIN THE VILLAGE OF ESENCIA OR THE COMMUNITY, OR, IF COMPLETED, TO COMPLETE AS SHOWN. THE MASTER DEVELOPER MAY SELL ALL OR ANY PORTION OF THE COMMUNITY AT ANY TIME, TO ANY THIRD PARTY, INCLUDING OTHER NEIGHBORHOOD BUILDERS.

MANAGEMENT AND OPERATION

Rancho MMC Governing Documents: Rancho MMC, of which you become a member at the time of purchase, governs, manages, maintains and operates the Community in accordance with the Master Declaration, the Articles of Incorporation ("***Articles***"), and the Bylaws, other "***Rancho MMC Governing Documents***" (as defined and described in the Master Declaration) and applicable law. You should review each of these documents carefully.

The Master and Supplemental Master Declaration: This Phase is subject to the Master Declaration recorded in the Office of the Orange County Recorder, February 7, 2013, as Instrument No. 2013000081623, and as supplemented by a Supplemental Master Declaration recorded on October 8, 2019, as Instrument No. 2019000391975, of Official Records of Orange County, California, all as may be amended or further supplemented.

Rancho MMC Governance: Rancho MMC has been formed and its governing body has been elected pursuant to the terms and provisions of the Rancho MMC Governing Documents which include, but are not limited to, provisions for the governance, management, maintenance and operation of the Rancho MMC Property improvements. Additionally, Rancho MMC must prepare and distribute to all homeowners current financial information and related statements as specified in Civil Code Sections 5300 and 5565, which includes a summary of Rancho MMC's reserves based upon the most recent review or study conducted pursuant to Civil Code Section 5500 et seq.

Enforcement of Rancho MMC Governing Documents: Pursuant to the terms of the Master Declaration, Rancho MMC or any Owner shall have a right of action against any Owner, and any Owner shall have a right of action against Rancho MMC, to enforce the provisions of the Rancho MMC Governing Documents. Rancho MMC may bring actions against Owners for the collection of its assessments, including fines imposed against Owners for violations of the Rancho MMC Governing Documents. Public agencies also have the right to enforce the various provisions of the Governing Documents. Rancho MMC also has the right to enforce the Rancho MMC Governing Documents against the Neighborhood Corporations.

Documentation To Be Furnished: The Neighborhood Builder is required to make a copy of certain Rancho MMC Governing Documents available to you for examination before execution of an offer to purchase a lot. A copy of the Rancho MMC Governing Documents must also be given to you as soon as practicable before close of escrow (Business & Professions Code Section 11018.6). These documents contain numerous material provisions that substantially affect and control your rights, privileges, use, obligations, and costs of maintenance and operation of the Community. **YOU SHOULD READ AND UNDERSTAND THESE DOCUMENTS BEFORE YOU OBLIGATE YOURSELF TO PURCHASE A LOT.**

NOTE: WHEN YOU SELL YOUR LOT TO SOMEONE ELSE, YOU MUST GIVE THAT PERSON A COPY OF THE MASTER DECLARATION, THE SUPPLEMENTAL MASTER DECLARATION(S), THE ARTICLES, AND THE BYLAWS FOR RANCHO MMC, AND A TRUE STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS, PENALTIES, ATTORNEYS FEES OR OTHER CHARGES, PROVIDED BY THE MASTER DECLARATION OR OTHER GOVERNING DOCUMENTS ON THE LOT AS OF THE DATE THE STATEMENT WAS ISSUED.

WARNING: IF YOU FORGET TO DO THIS, IT MAY COST YOU A PENALTY OF \$500.00 – PLUS ATTORNEY’S FEES AND DAMAGES (CIVIL CODE SECTION 4540).

The Neighborhood Builder stated each individual purchaser will be furnished with the Department of Real Estate reviewed Rancho MMC budget, as further described below under the section entitled “MAINTENANCE AND OPERATIONAL EXPENSES”.

Additionally, the Master Developer and the Neighborhood Builder, as applicable, must maintain and deliver to Rancho MMC, 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 Rancho MMC to perform its duties and responsibilities (Section 11018.5 of the Business and Professions Code and Section 4800 of the Civil Code).

MAINTENANCE AND OPERATIONAL EXPENSES

Rancho MMC to Levy Assessments: Rancho MMC has the right to levy assessments against you for management, operation and maintenance of the Rancho MMC Property and other purposes. Your control of operations and expenses is limited to the right of your elected representatives to vote on certain provisions at Rancho MMC meetings.

Rancho MMC Increment 4 Budget:

The Master Developer will grant common property and facilities within Esencia 2.3 to Rancho MMC after completion of the facilities within the specific property. Due to uncertainty in the sequence in which the Rancho MMC Property will be conveyed and when the multiple neighborhood builders' phases will have escrow closings, it is difficult to predict the amount of the Regular Assessment and Special Benefit Area Assessment(s) which will be assessed against each subdivision interest.

The Master Developer has submitted to the Department of Real Estate a proposed budget (the “***Increment 4 Budget***”) for the general management, maintenance and operation of Rancho MMC obligations and for long-term reserves for all facilities and all lots and condominiums within the Community which currently includes the Village of Sendero (Increment 1 of development) and the Village of Esencia (Esencia 2.1, 2.2 and 2.3 respectively referred to as Increments 2, 3 or 4 of development) as well as a budget for the Special Benefit Area. These budgets were reviewed by the Department of Real Estate in June 2017 and updated versions were reviewed in September 2019. You should obtain a copy of these budgets applicable to your lot from the Neighborhood Builder.

Rancho MMC Increment 4 Budget - Regular Assessment and Subsidy: Under the Increment 4 Budgets, the Regular Assessment and subsidized assessment will be as follows:

<u>Budget</u>	<u>Effective Date</u>	<u>Regular Assessment</u>	<u>Reserve Contribution</u>	<u>Subsidized Assessment</u>
Original Budget	until Dec 31, 2019	\$189.00	\$33.13	\$169.00
Updated Budget	Jan. 1, 2020	\$205.00	\$32.69	\$189.00

Those portions of the Regular assessment that are a contribution to long-term reserves are not to be used to pay for current management, maintenance and operating expenses.

Until a sufficient number of separate interests are paying assessments, funds collected will initially be inadequate to meet all of Rancho MMC's financial obligations. To address this deficit, the Master Developer has entered into a Subsidy Agreement with Rancho MMC to (1) subsidize the costs of

maintenance and operation of the Rancho MMC Property and other expenses of Rancho MMC when the costs exceed the amount of the monthly assessments collected and (2) reduce the monthly assessment per interest per month as noted above. This Subsidy Agreement originally commenced December 28, 2017 and has been extended so that it terminates on the earlier to occur of the following: (a) the first date assessments have commenced on all phases included within the Increment 4 Budget; (b) December 31, 2020; or (c) the date on which assessments commence for the next increment of the Community. This Subsidy Agreement may be further extended, at Master Developer's election, for an additional year so that it terminates on December 31, 2021. If implemented, during the second extension the subsidized monthly assessment will be stabilized at \$205 per interest per month. This Subsidy Agreement may be extended yet again in accordance with the terms and provisions contained therein. The Master Developer has posted a bond to cover its obligations under this Subsidy Agreement.

Prospective Purchasers are advised that in the event the Subsidy Agreement is not extended for the Increment 4 Budget, based on a Increment 4 Budget Range of Assessment spreadsheet dated September 3, 2019 on file with and as reviewed by the Department of Real Estate, the regular assessments per separate interest per month may range from a low of \$185.83 to a high of \$207.58.

Special Benefit Area(s) Assessments: The Master Developer has also submitted a budget ("***Special Benefit Area Budget***") for Rancho MMC obligations for the general management, maintenance and operation of the Special Benefit Area(s) and for long-term reserves for the Special Benefit Area to include all facilities and all lots and condominiums currently within the Special Benefit Area that are already a part of the Community, all as further described below.

Front Yard & Alley Special Benefit Assessment and Subsidy. The lots within this Phase are also subject to a Front Yard & Alley Special Benefit Assessment and a subsidy agreement as follows:

<u>Budget</u>	<u>Effective Date</u>	<u>Regular Assessment</u>	<u>Reserve Contribution</u>	<u>Subsidized Assessment</u>
Original Budget	until Dec 31, 2019	\$58.75	\$16.31	\$58.75
Updated Budget	Jan. 1, 2020	\$88.50	\$16.31	\$74.00

Those portions of the Regular assessment that are a monthly contribution to long-term reserves are not to be used to pay for current operating expenses.

These Front Yard & Alley Special Benefit Assessments are levied by Rancho MMC to pay the Common Expenses incurred to maintain, repair and manage Improvements designated as a part of the Front Yard & Alley Special Benefit Area 1. Until such time all 1,793 separate interests designated to be within the Front Yard & Alley Specific Benefit Area 1 are paying the Front Yard & Alley Special Benefit Assessment, it is anticipated at times that the amount collected from the separate interests will be insufficient to meet all of Rancho MMC's financial obligations for the Front Yard & Alley Special Benefit Area 1. The Master Developer has therefore entered into a Subsidy Agreement with Rancho MMC to subsidize the costs of maintenance and operation of the Front Yard & Alley Special Benefit Rancho MMC Property when the costs exceed the amount of the monthly Front Yard Special Benefit Assessments collected from the separate interests. This Subsidy Agreement originally commenced December 28, 2017 and has been amended/extended so that it reduces the monthly assessment per interest per month as noted above and it terminates on the earlier to occur of the following: (a) the first date assessments have commenced on all phases within the Front Yard & Alley Special Benefit Area 1; (b) December 31, 2020; or (c) the date on which assessments commence for a Lot or Condominium within the next increment of the Front Yard & Alley Special Benefit Area 1. This Subsidy Agreement may be further extended, at Master Developer's election, for an additional year so that it terminates on December 31, 2021. If implemented, during the second extension the subsidized monthly assessment will be stabilized at \$88.50 per interest

per month. This Subsidy Agreement may be extended yet again in accordance with the terms and provisions contained therein. The Master Developer has posted a bond to cover its obligations under this Subsidy Agreement.

Prospective Purchasers are advised that in the event this Subsidy Agreement is not extended for the Front Yard & Alley Special Benefit Area 1 and assessments have not commenced for all lots and condominiums within the Front Yard & Alley Special Benefit Area 1, based on a Front Yard & Alley Special Benefit Area 1 Budget Range of Assessment spreadsheet dated September 3, 2019 on file with and as reviewed by the Department of Real Estate, the Regular Assessment per separate interest per month may range from a high of \$93.99 down to a low of \$88.50.

Rancho MMC Financial Future: In the future, as new development areas are added to the Community, the Master Developer will have new budgets (including those affecting the Special Benefit Areas) prepared and submitted to the Department of Real Estate for review. These future budgets may reflect assessments lower, equal to or higher than current assessments. Additionally, each year, Rancho MMC is required to adopt a budget and distribute it to Owners. If it is necessary to adjust the annual budget to meet increases in expenses, Rancho MMC's Board of Directors has the authority to increase Regular Assessments (including those for the Special Benefit Areas) up to 20% higher than the previous annual assessment. Any increase of 20% or more would require approval of a vote of the membership (Civil Code Section 5605(b)) and, if homes are still being sold by Neighborhood Builders, review of the budget by the Department of Real Estate.

IF THE BUDGETS FURNISHED TO YOU BY THE NEIGHBORHOOD BUILDER SHOW REGULAR ASSESSMENT FIGURES WHICH ARE DIFFERENT FROM THE ASSESSMENTS REFLECTED IN THIS FINAL PUBLIC REPORT, YOU SHOULD CONTACT THE DEPARTMENT OF REAL ESTATE BEFORE PROCEEDING WITH A PURCHASE.

NOTE: THE BUDGET INFORMATION INCLUDED IN THIS PUBLIC REPORT IS APPLICABLE AS OF THE DATE(S) 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, INCLUDING, BUT NOT LIMITED TO, COSTS ASSOCIATED WITH UTILITIES AND LABOR. YOU SHOULD BE AWARE OF THE POSSIBLE AFFECT THESE INCREASES MAY HAVE ON YOUR ABILITY TO PAY THESE ASSESSMENTS.

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.

Rancho MMC Financial Information to be Provided Purchaser: In addition to other documentation provided to each prospective purchaser, pursuant to Business & Professions Code Section 11018.6, a copy of the current financial information and related statements, to the extent available, which includes an assessment and reserve funding disclosure pursuant to Civil Code Section 5300(b) and as specified in Civil Code Section 5565, as well as a statement concerning any delinquent assessments and related charges as provided by the Governing Documents must be made available for examination by you before the execution of an offer to purchase a lot. A copy of this financial information must also be given to you as soon as practicable before close of escrow.

If the delinquency and funding disclosure provided to you indicates that delinquencies in the payment of regular assessments by Members of Rancho MMC are more than 10% less than scheduled income for the respective regular assessments you should contact the Department of Real Estate before proceeding with your purchase.

THE ABILITY OF RANCHO MMC TO PERFORM ANY OR ALL OF ITS RESPONSIBILITIES IS AFFECTED IF THE REGULAR ASSESSMENTS LEVIED BY RANCHO MMC PROVE INSUFFICIENT TO PROPERLY MAINTAIN, OPERATE, REPAIR OR REPLACE THE RANCHO MMC PROPERTY, AND/OR THERE IS A SIGNIFICANT AMOUNT OF DELINQUENCIES IN THE PAYMENT OF REGULAR ASSESSMENTS TO RANCHO MMC. THE RESULT MAY BE THAT RANCHO MMC MAY NEED TO INCREASE REGULAR ASSESSMENTS OR LEVY ONE OR MORE SPECIAL ASSESSMENTS IN ACCORDANCE WITH THE GOVERNING DOCUMENTS IN ORDER TO PROVIDE SUFFICIENT FUNDING OR, AS AN ALTERNATIVE, RANCHO MMC MAY DECIDE TO DEFER MAINTENANCE OR REDUCE ASSOCIATION SERVICES. SHOULD THIS OCCUR, IT MAY AFFECT YOUR DESIRE TO PURCHASE OR YOUR ABILITY TO FINANCE.

YOU SHOULD PAY SPECIAL ATTENTION TO THIS FINANCIAL INFORMATION AS IT PERTAINS TO CURRENT AND POSSIBLE FUTURE FINANCIAL OBLIGATIONS AFFECTING ALL MEMBERS OF RANCHO MMC. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THESE FINANCIAL DOCUMENTS, YOU MAY WISH TO CONSULT WITH YOUR OWN PROFESSIONAL ADVISORS.

Commencement and Collection of Assessments: Regular assessments for Rancho MMC will commence on all lots in this Phase following the conveyance of the first lot in the Phase. The Neighborhood Builder must pay assessments to Rancho MMC for all unsold lots in a phase subject to regular assessments (Regulations 2792.9 and 2792.16).

Assessments Increases/Decreases: Rancho MMC may increase or decrease assessments at any time in accordance with the procedure prescribed in the Master Declaration or the Bylaws for Rancho MMC. 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.

Failure to Pay: The remedies available to Rancho MMC against Owners who are delinquent in the payment of assessments are set forth in the Master Declaration. These remedies are available against the Neighborhood Builder as well as against other Owners.

Neighborhood Builder's Assessment Security: The Neighborhood Builder has posted a bond as partial security for the obligation to pay these assessments. The governing body of Rancho MMC should assure itself that the Neighborhood Builder has satisfied these obligations to Rancho MMC with respect to the payment of assessments before agreeing to a release or exoneration of the security.

LAND USES AND HAZARDS

The Neighborhood Builder has provided references to various uses, 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 Neighborhood and all existing, proposed or possible future uses adjacent to or in the vicinity of the Neighborhood or the Community. At the time this Public Report was issued, some of the land uses that are in the vicinity of the Community and the Neighborhood include, but are not limited to, the following:

Adjacent Land Uses:

North: Los Patrones Parkway/241 Extension/Open Space/Residential

South: Residential

East: Los Patrones Parkway/241 Extension/Open Space/Residential/Commercial

West: SMWD Reservoirs/Open Space/Slope/Residential/Park

Additional Land Uses: The following uses or hazards exist within or near the Community:

- A retail, office and commercial center is planned for Esencia 2.4 which is immediately east of Esencia 2.3. Currently under design, this center encompasses approximately 50 acres and is intended to include a medical office with hospital related services located at the corner of Chiquita Canyon Drive and Airoso. Construction and completion is dependent on market conditions. There is no guarantee that current designs or proposed uses will be developed. Construction in the commercial center will generate noise and construction traffic. Once complete, this site will generate increased pedestrian and vehicular traffic, noise and light as expected from such a commercial center. This site is located at the corner of Chiquita Canyon Drive and Airoso.
- Another retail and commercial center, Sendero Marketplace, is located at the intersection of Antonio Parkway and Ortega Highway.
- Overhead electric transmission and distribution lines and poles are located west of the Village of Esencia and south of Cow Camp Road. An electrical substation is located south of Cow Camp Road at the Esencia Drive intersection.
- Fire Station 56 is located at the intersection of Antonio Parkway and Sendero Way.
- The Rancho Mission Viejo Riding Park located at the corner of Ortega Highway and Antonio Parkway/La Pata Avenue, hosts equestrian events and the annual Rancho Mission Viejo rodeo.
- The headquarters for The Ranch is located on approximately 15 acres at the intersection of Reata Road and Ortega Highway.
- Reata Glen, a continued care retirement community (“**CCRC**”), is being developed on the western side of Reata Road north of Ortega Highway. The approximate sixty-acre site is expected to include residential housing, recreation facilities and a health center. The CCRC will not include membership in Rancho MMC.
- Sendero Gateway Apartments are located at the southeast corner of La Pata Avenue and Ortega Highway. The 286 apartment homes include membership in Rancho MMC.
- Another 3-acre apartment site, known as Sendero Bluffs Apartments, is located on the northeast corner of Antonio Parkway and Ortega Highway immediately east of the Sendero Marketplace retail site. The site is planned for approximately 107 units. These apartment homes will also include membership in Rancho MMC.
- Two other apartment sites will be located at the northeast corner of Cow Camp Road and Esencia Drive. The lower site, Esencia Sur, is expected to include approximately 150 apartment homes on approximately 5.5 acres of land while the upper site, Esencia Norte, is expected to include approximately 112 apartment homes on approximately 4.5 acres of land. These apartment homes will include membership in Rancho MMC.

- Also, within the Esencia 2.4 commercial area, is the previously mentioned apartment site expected to include 92 apartment homes.
- All of the Community site has historically been used for agricultural purposes and portions of the site designated to remain undeveloped will continue to maintain farm and ranch operations;
- Nurseries, orchards, planted fields, pasture fields, horse corrals and riding areas, and cattle ranching facilities “**Agricultural Areas**” surround the Community. These Agricultural Areas are not owned by Rancho MMC, are not a part of the Community, and residents should not trespass into these restricted areas. Activities in Agricultural Areas generate noise, visual impacts, noxious odors and dust, often involve chemical spraying, and can produce potentially detrimental effects that will impact the Community. Crews generally work in the Agricultural Areas six days a week from early in the morning to late in the evening but may work up to seven days a week depending on crop requirements. While maintenance crews are usually smaller, harvesting crews can be composed of large groups of people. Chemicals will be sprayed in the Agricultural Areas and inadvertent drift can carry the chemicals into the Community. Irrigation pumps and other equipment, as well as harvesting, pruning and maintenance activities, all generate noise. Wind machines can be located in the orchards and are sometimes operated at night during cold weather. Irrigation runoff from the Agricultural Areas into adjacent residential areas may also occur. Various animals and insects will be attracted to the Agricultural Area and may travel into the Community. Owners, residents and visitors assume the risk from the impact of the use of the Agricultural Areas on the Community. Many Agricultural Areas are privately owned and, unless invited by the owners of the Agricultural Areas, access is prohibited.
- Properties in the Village of Esencia and within other areas of the Community include gardens and farm areas which are owned and maintained by Rancho MMC. Orchards exist along the slopes facing Chiquita Canyon Drive and orchard areas may also be included within the landscape plans elsewhere within the Community. Any landscaped area or slope, even neighboring property, may be planted with orchards or other trees that may grow to heights and sizes that affect views from Residences. Rancho MMC also has the right to limit access to areas that it owns.
- There are riding and hiking trails throughout and adjacent to the Community.
- Mission Hospital Regional Medical Center is located approximately 4 miles (via aerial transit path) from the Village of Esencia. Residents may experience noise and vibration caused by the overflight of helicopters carrying patients to the hospital's trauma center.
- Former TRW Capistrano Test Site closed in 2011 is located approximately 6 miles (via aerial transit path) from the Village of Esencia.
- The San Onofre Nuclear Generating Station is located approximately 12 miles (via aerial transit path) from the Village of Esencia. It is currently in the process of being decommissioned.

1. The Reserve at Rancho Mission Viejo. An open space conservation area (“**Protected Habitat**”) is located adjacent to portions of The Ranch and surrounds each of the villages in the Community. The Protected Habitat is not a part of Rancho MMC. A conservation easement covering portions of the Protected Habitat has been executed and recorded. The conservation easement identifies the activities and uses that are permitted and prohibited within the Protected Habitat. The Reserve at Rancho Mission Viejo, a California non-profit organization (“**The Reserve**”), holds the conservation easement. The Reserve is not controlled by the Master Developer, Rancho MMC or any organization affiliated or associated with Rancho MMC or the Community.

The Reserve includes approximately 1,200 acres of the Richard and Donna O'Neill Conservancy, the lands of the Ladera Ranch Open Space and its hiking, biking and riding trails, and certain open space adjacent to the Community. As the Community evolves, phased assemblages of ranchlands, agricultural fields and habitat are anticipated to be added to The Reserve to bring it to over 20,000 acres.

The Reserve lands together with approximately 11,950 acres owned and managed by the County of Orange make up the Southern Subregion Habitat Reserve which at approximately 32,818 acres, will be one of California's largest and most diverse habitat reserves, offering a rich mosaic of wetlands, woodlands, native grasslands, coastal sage scrub and chaparral as well as working ranchlands and agricultural fields. The landscaping in the Protected Habitat is natural, which means that, at times, the plants will be dry and brown.

It is The Reserve's goal to preserve the Protected Habitat for ecological, recreational, scientific, open space, conservation, education and even charitable use. As a result, The Reserve hosts a wide range of field studies as well as nature walks and other events for residents, school children and the general public. To learn about the various activities and events conducted at The Reserve, go to www.rmmreserve.org.

In general, use of the Protected Habitat by the public is strictly limited to utilization of the regional and community hiking/riding trails located within the bounds of the Protected Habitat. Specific trails are maintained by Rancho MMC; the locations of the trails are subject to change and/or closure without notice to residents. Residents must be aware that the trails are located in wildlife areas; thus, wildlife and other animals living in the area of the trail may be present at any given time. Residents must take special care to protect children and pets from encounters with wildlife. Furthermore, residents must avoid engaging in any activities upon the trail or in proximity to the Protected Habitat that could harm or otherwise adversely affect the protected resources.

2. Esencia Sports Park. A sports park is planned to be built on a site containing approximately 28 acres at the northwest corner of Chiquita Canyon Drive and Esencia Drive adjacent to and directly across the street from some of the Neighborhoods in Increment 4. This park is expected to include sports fields and tennis courts with lights to accommodate night time play and evening events, a recreational pool, concession stands, as well as event parking. Other recreational amenities may also be constructed on this site. This sports park (except for the recreational pool) is open for use by the public; residents of the Community do not receive priority for reserving or using sports park facilities. The recreational pool is not open to the public and will be fenced with gates to restrict access. The sports park is maintained and operated by Rancho MMC but everything outside of the fences that surround the recreational pool is subject to an offer of dedication to the County of Orange.

It is anticipated that the lights within the sports park will be utilized nightly. Lights from this sports park will be visible from neighborhoods within Esencia and the Community. As a result of activities held at the sports park, the surrounding area will experience increased noise, pedestrian and vehicle traffic, and other inconveniences. If you travel in the area of the sports park during its operations, you may experience noise, traffic, light spillage, glare and other impacts from the operation of the park and the events that take place there and may be inconvenienced by these impacts. Current construction schedules estimate the completion date for the sports park to be late 2019. Locations and types of improvements in the sports park can be changed without advance notice to Buyers or Owners. Individuals purchasing homes in the Neighborhoods surrounding the sports park must be willing to accept these conditions.

3. Oak Canyon. Oak Canyon is the natural area and canyon below Canyon House and Esencia Farm. There are paved and unpaved trails in Oak Canyon. Motorized vehicles and bicycles are permitted to use

only the paved trails. Any use of unpaved trails during inclement weather is prohibited. Trails may be closed at any time for safety or maintenance reasons with no advanced notice. As a natural area, Oak Canyon contains poison oak and other potentially dangerous plants, insects, snakes and animals. Use caution while in this park and stay on the provided trails. Unleashed pets are not allowed. This is a wilderness area and conditions and wildlife similar to that found in the Protected Habitat may be found in Oak Canyon. Trail users must not climb fences or venture off trails. Unsupervised children should not be allowed in this area. Adherence to park and trail rules is required at all times.

4. Reata Park and Events Center. The San Juan Capistrano Open Space Foundation has built trails, outdoor event areas with picnic facilities, interpretive gardens, equestrian staging areas, parking, and a restored historic home that serves as a welcome center at Ortega Highway and Reata Road. This park comprised of approximately 12 acres is not controlled by the Master Developer, Rancho MMC or any organization affiliated or associated with Rancho MMC or the Community. Additional information can be found at: <http://www.sjopenspacefoundation.org/index.html>

5. Kinder Morgan Energy Partners. Kinder Morgan Energy Partners fuel pipelines are located along the western boundary of the Village of Sendero of the Community. Over 1,000 feet south of Ortega Highway, these lines cross under La Pata Avenue and extend to a private roadway/SMWD access road and continue south to the City of San Clemente/Camp Pendleton. Currently, there is an active sixteen (16) inch diameter fuel pipeline and portions of an abandoned 10 inch diameter fuel pipeline that runs in the aforementioned area. Master Developer, Neighborhood Builder and Rancho MMC have no control over the content, use, maintenance or care of these pipelines. Information about Kinder Morgan and its facilities is available on the internet at: www.kindermorgan.com.

6. Roadways Adjacent to Esencia. Several significant roads (some already constructed, and others in the planning and development stage) are adjacent to and run through the Village of Esencia. Some of these roads will be widened and lengthened to carry heavier traffic in the future, as additional Villages of the Community are developed. These roads are:

a. Cow Camp Road. Cow Camp Road starts at Antonio Parkway, in Sendero, and runs easterly along the southern boundary of Esencia. Currently, Cow Camp Road extends a distance of approximately 1.3 miles (beginning at Antonio Parkway and ending at a point just easterly of the intersection with Los Patrones Parkway (see below)). The existing right-of-way is comprised of a four-lane road, with two lanes in each direction and a turn lane at signalized intersections. However, as Residences and facilities are added to the Community, Cow Camp Road will be widened and extended so that it can carry more traffic. Cow Camp Road is planned to run roughly parallel to Ortega Highway and then connect to Ortega Highway at a point approximately 2.5 miles east of its current endpoint. As a result, Cow Camp Road will eventually become a major east-west arterial roadway. To accomplish this, Cow Camp Road is planned to be extended and widened to three lanes in each direction through Esencia. When Cow Camp Road eventually connects to Ortega Highway, it will be with narrower sections of roadway ranging from two to four lanes. Cow Camp Road will be designed to carry more traffic than its current condition, per the OCTA Master Plan of Arterial Highways and subsequent amendments and traffic analyses. The increased traffic is expected to flow onto Antonio Parkway, Ortega Highway, La Pata Avenue, and other regional roadways in the area. Although traffic on Cow Camp Road may currently seem light, residents should expect traffic to increase significantly over the course of the next several years. All of the Lots and Condominiums in Esencia - and particularly those close to Cow Camp Road - will experience increased noise, traffic and air pollution impacts in the future due to right-of-way construction activities and the expanded use of Cow Camp Road.

b. Chiquita Canyon Drive, Esencia Drive and Grandeza Drive. Chiquita Canyon Drive starts at Cow Camp Road and runs north along the west side of the Village of Esencia, transitioning into Grandeza Drive. Esencia Drive also starts at Cow Camp Road and runs north through the center of the Village of Esencia. Both streets will be major access roads into the Village. Grandeza Drive will start at the terminus of Chiquita Canyon Drive, extend east over Gobernadora Canyon, pass over the alignment of Los Patrones Parkway (see below), and end at a future Village. Although Grandeza Drive is currently planned as a two-lane roadway, it could eventually be as wide as four lanes. Construction of Grandeza Drive will begin when it is determined that a connection to the east is warranted by future development plans.

c. Los Patrones Parkway. Master Developer is underway with construction of a public roadway to facilitate north-south travel by residents of the Community as well as the general public. Named "Los Patrones Parkway" (or, "**LPP**"), this 4-lane arterial will be located along the eastern edge of the Village of Esencia, extending north approximately 4.5 miles from Cow Camp Road to Oso Parkway. The first segment of construction of Los Patrones Parkway - from Oso Parkway to Chiquita Canyon Drive - is complete. The second segment, from Chiquita Canyon Drive to Cow Camp Road, is expected to be completed by 2019/2020. As currently planned, Los Patrones Parkway is anticipated to connect to the southerly terminus of State Route 241 at Oso Parkway. The Foothill-Eastern Transportation Corridor Agency and the County of Orange are working on plans for this direct connection.

d. Ortega Highway. The City of San Juan Capistrano is planning on widening the portion of Ortega Highway within the City. The City is on hold with the design phase of this process. The new interchange with the I-5 freeway has been completed. Also, Caltrans has completed minor widening for shoulder improvements for Ortega Highway, east of Antonio Parkway.

e. Antonio Parkway. Antonio Parkway runs from north to south and through a portion of the Village of Sendero. Antonio Parkway transitions to La Pata Avenue at Ortega Highway.

f. Crown Valley Parkway. East of Antonio Parkway, Crown Valley Parkway is shown on the Master Plan of Arterial Highways as extending across the future extension of the Foothill Transportation Corridor to the current terminus of Oso Parkway. However, at this time, there are no plans implementing this proposal and no funding is allocated to construction. At this time, there is no way of knowing whether or when this proposal will be implemented.

g. La Pata Avenue. The extension of La Pata Avenue from Ortega Highway to the City of San Clemente has been completed.

Construction and use of the foregoing roadways (along with their associated bridges and related improvements/facilities) will generate noise, traffic, air pollution, and other effects. The effects will increase over time as additional portions of the Community are developed. Changes in levels of traffic, at times, may not be gradual. They may be significant and unexpected. Buyer is encouraged to investigate these roadways and consider the impact before agreeing to purchase a Lot or Condominium. Buyer should review any disclosures regarding these roadways provided by Buyer's Neighborhood Builder.

7. Foothill Transportation Corridor / TCA. The Community is located in the vicinity of the Foothill Transportation Corridor / State Route 241 ("**SR-241**"), a highway which, at the north, is joined by the Eastern Transportation Corridor (which then leads to State Route 91 [the Riverside Freeway]); and at the south, currently ends at Oso Parkway. SR-241 is a toll road operated by the Foothill-Eastern Transportation Corridor Agency (the "**TCA**"), a joint power authority empowered to plan, finance, construct and operate Orange County's public toll road system.

For more than 30 years, the TCA has been evaluating a variety of plans and proposals to extend SR-241 south from its current terminus (Oso Parkway) to a point of intersection with the I-5 freeway (generally in an area proximate to the Orange County/San Diego County line). However, the TCA has been unable to obtain all requisite governmental approvals for any of the proposals advanced to date. Accordingly, the SR-241 has yet to be extended, and the TCA is continuing its work to identify possible alternative / acceptable routes for continuation of the SR-241.

As of June 6, 2017, the TCA announced that it is considering 18 different transportation proposals in relation to improving north-south mobility within southern Orange County. Certain of the proposals contemplate programs and improvements that, if implemented, could have both direct and indirect impacts upon the Community and Esencia. For example, "Idea 18" (as ascribed by the TCA) involves a possible extension of the SR-241 that runs through a portion of the Community located westerly of Esencia, northerly of Sendero (between Sendero and Ladera Ranch) and connecting to another toll road maintained by the TCA (i.e., SR-73). Additionally, "Idea 9" envisions a possible connection westerly of Sendero extending from Ortega Highway and connecting to the SR-73. Moreover, the TCA has stated that, in connection with its possible extension of the SR-241, it is considering the possibility of taking ownership of Los Patrones Parkway and then converting LPP into a toll road. The TCA has yet to declare whether these – or any other – proposals will be formally evaluated. It is possible that some of the TCA's current proposals will be rejected; similarly, it is possible that the TCA may develop more proposals for consideration. However, any proposal(s) the TCA ultimately selects is/are expected to be subject to formal review processes required by State and Federal laws and regulations.

- *Significance to Esencia.* Any proposal by the TCA to extend the SR-241 could have direct impacts upon Buyer, the Home and the Community. For example, if the TCA were to take ownership and control of Los Patrones Parkway and convert same into a toll road, Esencia residents and others may be compelled to pay a fee (i.e., toll) in exchange for using the LPP. Indeed, if the TCA were to adopt any new mobility program (whether in connection with an extension of the SR-241 or otherwise), implementation of said program could impact Buyer, the Home and/or the Community depending upon the nature of the program, the type and location of necessary improvements, etc. As such, Master Developer is asking each Buyer in Esencia to carefully consider the potential effects on Buyer, his/her Home and the Community in the event of possible future actions by the TCA in relation to the SR-241 (including conversion of Los Patrones Parkway into a toll road) and other possible mobility strategies advanced by the TCA.
- *Caveat.* This disclosure provides an overview of some issues concerning continuation of the SR-241 and the activities of the TCA. Because the status of SR-241 (specifically) and the TCA's planning efforts (generally) change frequently, you agree to research these issues to your satisfaction and not rely on the information in this Public Report. Master Developer and Neighborhood Builder cannot predict if or when a final decision will be made regarding possible extension of the SR-241, or whether the TCA may pursue and adopt any other mobility strategy. Further, neither Master Developer nor the Neighborhood Builders make any warranty or representation as to (i) the future extension of the SR-241, (ii) the TCA's identification, evaluation and pursuit of any particular mobility program and (iii) the impact(s) of said extension / program(s) upon Buyer, the Home or the Community. Master Developer, the Neighborhood Builders and Rancho MMC have no control over the TCA and its actions in connection with the SR-241 or otherwise – including any actions the TCA may take that could result in Los Patrones Parkway becoming a toll road. Master Developer, the Neighborhood Builders and Rancho MMC are not obligated to notify you concerning any activities or updates relative to the SR-241 or the TCA. For more detailed information regarding the SR-241 and the TCA's plans and activities,

please contact the TCA at (949) 754-3400 or visit <http://www.thetollroads.com> or <http://getmovingoc.com/18-ideas>.

8. Prima Deshecha Landfill. The Prima Deshecha Landfill ("**Prima Landfill**") is located at 32250 La Pata Avenue, approximately one mile south of the Community. Prima Landfill is approximately 1,530 acres with 699 acres permitted for refuse disposal. The landfill was opened in 1976 and is scheduled to close in approximately 2067. A General Development Plan is being prepared for Prima Deshecha Landfill which indicates end use as a regional park.

Prima Landfill is permitted to accept up to 4,000 tons of waste per day and is required to comply with numerous landfill regulations from federal, state and local regulatory agencies. The landfill is subject to regular inspections from various regulatory agencies to assure compliance their various requirements.

For additional details regarding hours of operation, acceptable waste and other information concerning the Prima Landfill operations please consult www.oclandfills.com/.

9. Water Quality and Detention Basins. There is a large water quality retention area that includes three basins immediately west of Esencia 2.3 just north of the SMWD Chiquita Water Reclamation Plant and there are also several more water quality basins that are and will be located within and around the perimeter of the Community. The primary purpose of these basins is to collect surface water runoff from neighboring property, including the Community, and to facilitate and regulate the flow and quality of water. These basins will be maintained by Rancho MMC. None of the basins are for recreational use.

10. SMWD Facilities. The facilities listed below are owned and maintained by the Santa Margarita Water District ("**SMWD**") and located within or adjacent to the Village of Esencia. Additional SMWD facilities may be added in and around future development areas as well as future villages of the Community. Existing and future facilities may change over time. Brief descriptions of the facilities have been provided.

a. SMWD Chiquita Water Reclamation Plant. SMWD owns and operates the Chiquita Water Reclamation Plant, located in Chiquita Canyon. The plant has operated in this location for approximately 30 years. It typically operates 24 hours a day, seven days a week. A portion of Esencia is directly adjacent to the plant. Sewage is treated at the plant. Odors, noise, vibrations, and light are emitted by the plant as part of its normal operation, repair, and maintenance. Increased development in this portion of SMWD's service area might require expansion or improvements to plant facilities or more intensive plant operations, any or all of which might affect levels of odors, noise, vibrations and light. Solar panels at the plant will be visible from some of the Residences in Esencia. Motor vehicles, including trucks handling biosolid or chemical deliveries or removals, make frequent trips to and from the plant. Buyer is responsible for visiting the location of Buyer's Home and evaluating the impact of this plant's operations on Buyer's intended use of the Home. Master Developer, Neighborhood Builders and Rancho MMC have no control over the timing, length or intensity of odors or other emissions from this facility.

b. Water Pump Station. A water pumping station ("**Pump Station**") is located in Esencia 2.2. The Pump Station boosts water pressure and helps distribute recycled water in the Community and to other nearby locations. The Pump Station is located near the curve of Chiquita Canyon Drive as it turns east. This Pump Station provides increased pressure for the SMWD recycled water system that serves a portion of the Village of Esencia.

c. Turnout Facility. SMWD operates a domestic water turnout facility ("**Turnout**") located in the Village of Esencia. The Turnout provides for a connection to regional water supply to help supply

water for the Community. The Turnout is located on the south side of Cow Camp Road, west of the SDG&E substation site.

d. Domestic and Recycled Water Reservoir/Tank Facilities. The Middle Chiquita Reservoirs facility located north of the Village of Esencia includes two domestic water reservoir/tank facilities and one recycled water reservoir/tank. The Tesoro Reservoirs facility is located further north in the open space that is halfway between Oso Parkway and the Village of Esencia also includes two domestic water tanks and one recycled water tank. These tanks provide the operational water supply for domestic and irrigation use in the Community. The tanks are accessed from the open space and through public streets in the Community.

e. Lift Stations and Other Sewer Improvements. There is one lift station in the Village of Esencia and two lift stations to the west of the Village of Esencia.

There is a lift station and an emergency overflow basin in the Village of Esencia located south of Cow Camp Road, west of the SDG&E substation. The lift station pumps raw sewage from a portion of the Community and commercial areas through underground pipelines to the north to the SMWD Chiquita Water Reclamation Plant. There is the potential of odors emanating from the force mains in the Village of Esencia.

There are two lift stations west of the Village of Esencia. The first is near the intersection of Antonio Parkway and Ortega Highway. It pumps raw sewage from portions of the Village of Sendero and the northwest, northeast and southeast corners of the intersection of Ortega Highway and Antonio Parkway through underground pipes to the north. The second lift station is the San Juan Creek lift station, located north of San Juan Creek, east of Antonio Parkway. This lift station pumps raw sewage through underground pipes to the north for treatment at the SMWD Chiquita Water Reclamation Plant.

In addition to these lift stations, the Talega force main runs from the community of Talega in San Clemente north, then generally follows Cow Camp Road west, continuing north again along the western edge of the Village of Esencia to the SMWD Chiquita Water Reclamation Plant.

SMWD has the right to emit odors up to five hundred (500) feet from the lift stations; however, sewer odors may also be emitted outside the odor license area at such locations as force mains, summit manholes, venting on Antonio Parkway just north of San Juan Creek, and gravity sewer lines. The permanent lift stations include permanent odor control facilities such as odor scrubbers, scrubber towers, blowers, chemical storage tanks and chemical solution pumps. Some of the chemicals that may be used to control odor include: ferrous chloride, hydrogen peroxide, sodium hypochlorite, bioxide, magnesium hydroxide, and PRI-SC FeCl₂. These chemicals are stored on site and also include Oxygen / Ozone generation systems. The San Juan Creek lift station facility and other lift station facilities are visible from the Community. SMWD may use the public streets in the Community and access easements within Sendero Field or along the San Juan Creek trail system to enter the San Juan Creek lift station and other lift station facilities to conduct construction and maintenance activities. SMWD vehicles such as vendor chemical delivery trucks, vactor trucks, rodger trucks, utility vehicles, cranes and other equipment used to maintain SMWD facilities will travel the roads in and around the Community as necessary to service SMWD facilities. Failure of SMWD facilities due to incidents such as flooding or by water or recycled water pressure relief systems installed for such purposes can cause an uncontrolled release of liquids traveling through the pressure reducing stations or by accidental spills from the lift stations.

Diesel engine noise and exhaust will be produced frequently from weekly exercise of the emergency generator system for the lift stations. Additionally, SMWD may perform maintenance or repair

of its lift stations and the underground pipes at any time and generally has the right to use the public and private streets in the Community and enter the Rancho MMC Property to gain access to these facilities.

f. Gobernadora Multipurpose Basin. SMWD's and the County's Gobernadora Multipurpose Basin is located within the Gobernadora Canyon northeast of the Village of Esencia and just south of Coto de Caza. This 26-acre basin provides for water quality treatment of low storm frequency events and storm water detention for higher storm frequency events. As a result, the facility captures and naturally treats urban runoff and storm flows, reduces stream erosion and sedimentation, protects downstream utilities for SMWD and SDG&E, recharges ground water, enables reuse of treated water for non-potable/irrigation use by SMWD, and improves water quality in Gobernadora Creek. This basin enhances local water supplies by capturing, treating and delivering millions of gallons per year of recycled water for outdoor irrigation purposes. There is no swimming, fishing, or other recreational activities in any portion of the basin. The facility is partially fenced, primarily along the northern perimeter. Regional riding and hiking trail connections may be added in the future to utilize the maintenance trail along the northern perimeter of the basin.

g. Inconveniences. The above facilities will generate noise, vibrations, smells and possible light intrusion when operating, as well as traffic associated with the operation, maintenance and repair of the facilities. SMWD generally has the right to use the public and private streets in the Community and enter the Rancho MMC Property to gain access to these facilities. When performing maintenance on the underground pipelines, portions of the public streets may be removed, blocked and replaced. Buyer should consider these possible inconveniences prior to entering into a contract to purchase.

h. Additional questions. Buyer should contact SMWD with any additional questions. Master Developer, Neighborhood Builders and Rancho MMC have no control over the use, maintenance or care of the SMWD facilities or any future use of SMWD property.

11. Telecommunication Facilities. Master Developer has reserved easements over all Rancho MMC Property and the Neighborhood Property for the purpose of installing, operating and maintaining telecommunication base stations and other facilities in the Community or lands in the vicinity of the Community. These facilities may consist of antennas, electronic components and other structures and equipment. Because the antennae need to be high in the air, they most likely will be located on towers, poles or rooftops. The height, sizes and locations of the facilities have not been finally determined; however, the Master Developer has the right to place telecommunication facilities on much of the Rancho MMC Property, without the consent of Rancho MMC. Additionally, the Master Developer has the right to remove, replace and add telecommunication facilities at any time.

Telecommunication base stations exist and are planned in multiple locations in and around the Village of Esencia and the Community. Because telecommunication equipment emits electromagnetic radiofrequency ("**RF**") energy, some people have raised questions about the possible health effects of emissions. You should evaluate the potential impact of these telecommunication facilities before purchasing a lot or condominium in the Community. You can obtain more information about RF emissions from the following website at the Federal Communications Commission: <http://www.fcc.gov/general/radio-frequency-safety>.

12. SDG&E Substation. San Diego Gas & Electric Company ("**SDG&E**") owns and operates an electrical substation that distributes power to the Ranch and the surrounding communities. The site is located south of Cow Camp Road at the Esencia Drive intersection. High-voltage electrical power is transmitted to the substation through an overhead 138kV line; the voltages are stepped-down at the

substation and the resulting power is then distributed from the substation via underground and overhead 12kV lines to residential and commercial consumers.

13. Electric Power Lines and Electromagnetic Fields. Electric transmission and distribution lines are located under streets in and adjacent to the Community. Overhead electric transmission and distribution lines and poles are located west of the Village of Esencia and south of Cow Camp Road and are visible from the Community. The lines are located on top of some hills in an area subject to an easement in favor of SDG&E. The electric lines and related transmission and distribution equipment are owned, operated and maintained by SDG&E. Power lines and transformers produce noise. Many people consider them to be unattractive. Power lines and transformers produce extremely low-frequency electromagnetic fields ("ELF-EMF") when operating. For some time, there has been speculation in the scientific community about health risks associated with living near ELF-EMF sources. As of the date of this Public Report, further information on this subject is available from many sources including the following: (i) the EMF-RAPID Program's website at <http://www.niehs.nih.gov/>; and (ii) San Diego Gas & Electric's, website at <http://www.sdge.com/>.

14. Aircraft Use and Intrusions. You acknowledge, understand and accept that the Community may be impacted by aircraft using one or more airports or air bases, including without limitation, Camp Pendleton.

(a) Camp Pendleton. To the southeast of the Community is United States Marine Corps, Camp Pendleton ("**Camp Pendleton**"), an active year-round federal training facility for the United States Marine Corps and Navy. The Community may be subject to noise and visual impacts resulting from training activities at Camp Pendleton at any time and to significantly increased noise and visual impacts when the United States is preparing for or in the midst of a war. Helicopter practice landing fields are located at Camp Pendleton. They are located approximately fifteen (15) to twenty (20) miles from the Community. The military also performs offshore training at Camp Pendleton.

Persons in the Community may expect to see aircraft and hear noise associated with overflight, especially low flying helicopters, explosive ordnance and other military training activities. Weather conditions, such as low clouds and Santa Ana winds, may amplify live firing range noise impacts. These weather conditions may also amplify naval gunfire off San Clemente Island such that the sounds seem to originate from Camp Pendleton. The training activities conducted at Camp Pendleton are vital to the defense of the United States. Training at night is essential to the ability of the Marine Corps to successfully carry out this mission. In order to limit the effects of night operations, night firing of large caliber weapons and use of aviation ordnance normally has a self-imposed curfew of 10:00 p.m. However, there will be exceptions when Camp Pendleton must operate after 10:00 p.m. in order to meet operational commitments, such as increased training schedules during periods when the United States is preparing for or in the midst of a war.

(b) Stunt Planes. Stunt planes have been seen using the airspace over and around the open space of the Community. You agree that (i) Master Developer, the Neighborhood Builders, Rancho MMC and any Neighborhood Corporation have no control over the stunt planes, their pilots or their effects on the Community and its residents; (ii) these planes create noise and pollution within the Community; and (iii) there is the possibility that these planes could crash or perform emergency landings within the Community. You are advised to contact the County of Orange or the Federal Aviation Administration if you require further information concerning these overflights.

15. Fuel Modification Zones. Portions of the Community, including portions of the Village of Esencia, include areas subject to a substantial risk of damage from wild land fires. In order to address such risks,

portions of the Community have been designated – and will be maintained – as “fuel modification zones”. Be advised that the fuel modification zones reduce, but do not eliminate, the risk of fire from wild land fires. The fuel modification zones will not reduce the risk of damage from other types of fires. Where practical, the fuel modification zones have been incorporated into the landscaped areas within the Community. These “all purpose” areas include lightly landscaped areas and parks where they are adjacent to natural open space. Fuel modification zones will be visible from certain residences in the Community.

Rancho MMC is responsible for maintaining, in accordance with any County requirements, those portions of the Community identified as fuel modification zones in exhibits to Supplemental Master Declarations. In connection with maintaining the purpose, function and safety of the fuel modification zones, the following activities are expressly prohibited: Construction or maintenance of structural Improvements in fuel modification zones; construction or maintenance of any combustible structural Improvements on or adjacent to fuel modification zones; and installation, maintenance or modification of any landscaping Improvements in fuel modification zones which is inconsistent with any landscape palette required by the County.

In some cases, special fire protection areas may be established affecting lots or condominiums. Owners with special fire protection areas affecting their lot or condominium must comply with County structural, material and/or setback requirements appropriate to the applicable zone. You should review the Supplemental Master Declaration for your home to determine if it is subject to any special fire restrictions.

16. Natural and Landscaped Areas/Impact of Drought. Many landscaped areas installed in and around the Community may include drought tolerant plants. As long as California is in a drought and mandatory conservation efforts are in effect, landscaped areas in the Community will be watered less than in non-drought conditions, which means that the plants may not always appear as vibrant and green, but may, at times, be dry and brown, and allowed to go dormant. In some places, artificial turf may be installed. Rancho MMC has the right to limit or prohibit access to Rancho MMC Property or change the landscape composition as Rancho MMC determines is appropriate.

17. Construction Inconveniences. If developed as presently planned, there will be a number of Neighborhood Builders constructing homes in various locations within the Village of Esencia and the remainder of the Community over many years. Because of the time involved in constructing and selling all of the homes, the construction noise, dust, traffic interruptions, vector control and other inconveniences may continue for significantly longer than for a typical smaller residential project. There may also be substantial construction noise, dust, traffic interruptions and other inconveniences associated with completion of the streets, landscaped areas and other Rancho MMC Property within the Community. In addition to the governing documents of Rancho MMC and Master Developer's rules, County ordinances may further regulate permitted construction hours.

18. No View Warranty: Neither Master Developer, Neighborhood Builder, Rancho MMC nor any Neighborhood Corporation has made and will not make any representations, warranties or promises concerning any current or future view that may be enjoyed from all or any portion of your lot or from the residence constructed thereon. The view from your property may change, be affected or obscured by the construction or installation of residences, structures, landscaping, orchards, crops, fences and other improvements by Master Developer, Neighborhood Builder, Rancho MMC, any Neighborhood Corporation or other owners or operators within or outside of the Community.

Disclosure Statement: In addition to this Public Report, Purchasers will also receive more detailed disclosure statements prepared by the Master Developer and the Neighborhood Builder. The disclosure

statements disclose various matters that might affect an Owner's decision to purchase a lot or condominium in the Community, which may include, among other matters, soil conditions, sound attenuation, mold, reclaimed water, and additional detailed information on adjacent land uses. Purchasers should read and review the information in the disclosure statements carefully before making a decision to purchase a lot or condominium in the Community.

YOU SHOULD FAMILIARIZE YOURSELF WITH THE SURROUNDING AREAS OF THE NEIGHBORHOOD AND THE COMMUNITY BEFORE SIGNING A PURCHASE CONTRACT.

CIVIL CODE SECTION 1103 STATUTORY DISCLOSURES

California Civil Code Section 1103 et seq. contains various disclosures addressing certain Natural and Environmental Hazards, Right-To-Farm, and other disclosures that must be made to purchasers upon transfer of residential property. If any disclosure, or any material amendment to any disclosure below, required pursuant to Civil Code Section 1103 et seq., is delivered after the execution of an offer to purchase, the purchaser will have three days after delivery in person or five days after delivery by deposit in the mail to terminate the offer to purchase by delivery of a written notice of termination to the Neighborhood Builder or the Neighborhood Builder's agent.

The Neighborhood Builder has provided the following information:

Natural Hazards: The Neighborhood Builder will provide to each purchaser of a lot a "***Natural Hazard Disclosure Statement***" as prescribed by Civil Code Section 1103.2. The Neighborhood Builder has advised that all or portions of the Neighborhood are located within the following "***Natural Hazard Area***":

1. A *State Responsibility Area* (wildland area that may contain substantial forest fire risks and hazards) as determined by the California State Board of Forestry.

Since all or portions of the Neighborhood are located within the Natural Hazard Area as described above, your ability to further develop the real property, to obtain insurance, or to receive assistance after a disaster may be affected. You should therefore contact your lender and insurance carrier for more information regarding types of insurance and costs to cover your property. Additionally, since purchasers are not required to receive a separate disclosure for property owned by Rancho MMC, you should also contact Rancho MMC regarding any potential assessment increases due to additional insurance costs associated with any Natural Hazard Areas that may affect the Rancho MMC Property.

Notice of Right to Farm: The Neighborhood is located within one mile of a farm or ranch land designated on the current county-level GIS "*Important Farmland Map*," issued by the California Department of Conservation, Division of Land Resource Protection. Accordingly, the property may be subject to inconveniences or discomforts resulting from agricultural operations that are a normal and necessary aspect of living in a community with a strong rural character and a healthy agricultural sector. Customary agricultural practices in farm operations may include, but are not limited to, noise, odors, dust, light, insects, the operation of pumps and machinery, the storage and disposal of manure, bee pollination, and the ground or aerial application of fertilizers, pesticides, and herbicides. These agricultural practices may occur at any time during the 24-hour day. Individual sensitivities to those practices can vary from person to person. You may wish to consider the impacts of such agricultural practices before you complete your purchase. Please be advised that you may be barred from obtaining legal remedies against agricultural practices conducted in a manner consistent with proper and accepted customs and standards pursuant to Section 3482.5 of the Civil Code or any pertinent local ordinance.

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 lot you are purchasing. Those items typically shown on a report include, but are not limited to, general and special taxes, easements, mechanic's liens, monetary encumbrances, trust deeds, utilities, rights of way and some of the Rancho MMC Governing Documents. In most instances, copies of documents can be provided to you upon request.

Easements: Easements for utilities and other purposes are shown on the title report and subdivision map recorded as Tract No. 17601, in Book 967, Pages 44 through 50, in Miscellaneous Maps, of Orange County, California.

Adjustments to the original recorded subdivision map may be by lot line adjustments or other recorded instruments. You may ask the Neighborhood Builder about any such adjustments. If your purchase is subject to a lot that has been adjusted, this information will be included in your title policy.

Mineral Rights: You will not own the water, mineral, oil, and gas rights under your land. These have been reserved as per your grant deed. The right to surface entry has been waived.

REAL PROPERTY TAX BILL

Regular Taxes:

As reported by the County of Orange, the 2018-2019 tax rate for the property consists of two levies: (1) 1.01136% levy on the value of land and improvements, and (2) a 0.09380% levy on the value of land only (See SMWD ID 4 below for more details). The rate does not necessarily include any of the special taxes or assessments relating to community facilities districts, assessment districts or lighting districts described below which are billed and collected by the County Tax Collector.

For the purchaser of a lot the full cash value of the lot will be the valuation, as reflected on the tax roll, determined by the County Assessor as of the date of purchase of the lot or as of the date of completion of an improvement affecting the property if that occurs after the date of purchase. The Neighborhood Builder will provide you with a sample estimated property tax analysis for the current tax year.

Your Policy of Title Insurance will be issued subject to the exception of any supplemental taxes assessed pursuant to Chapter 4989, Statutes of 1983 of the State of California. The new valuation of the property purchased by you will be placed on the assessment roll and added taxes will be due and should be collected on or after the close of escrow and as set forth below.

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:

Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) Improvement Area No. 1. Esencia 2.3 lies within the boundaries of the Community Facilities District No. 2017-1 of

the County of Orange (Village of Esencia) Improvement Area No. 1 created by the County of Orange pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended, and will be subject to any taxes, assessments and obligations thereof. The Neighborhood Builder must provide purchasers with a disclosure entitled "Notice of Special Tax, Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) Improvement Area No. 1" prior to a purchaser entering into a contract to purchase. This notice contains important information about the district's 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 rate described in the section of this Public Report 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 Purchase Contract by giving written notice of that termination to the owner, Neighborhood Builder, or agent selling the property.

Santa Margarita Water District. The Village of Esencia also lies within the boundaries of the Santa Margarita Water District, Improvement District Nos. 4 and 4C and is subject to any taxes, assessments, bonded indebtedness and obligations thereof. The Master Developer has been advised that the District uses a benefit analysis to determine which Improvement District or builder benefits from the facilities constructed with the ID 4 and 4A bond issues. Therefore, all debt is spread from Improvement District No. 4 to each area in 4A, 4B, 4C, 4D and 4E. It is then reallocated from 4A to 4B, 4C, 4D and 4E. This produces a different debt service rate in each Improvement District depending on the benefit spread. For fiscal year 2018-2019, the actual rate levied in Improvement District No. 4 was 0.0718% of assessed land value, and the actual rate levied in Improvement District No. 4C was 0.0220% of assessed land value for a total rate of 0.0938%.

If you have any questions or require additional information, you should contact the Santa Margarita Water District, 26111 Antonio Parkway, Rancho Santa Margarita, California 92688 (949) 459-6420.

Other Direct Assessments: In addition to the items listed in the previous sections there may be additional direct assessments that do not impose special accelerated foreclosure liens on your property. Instead of billing the property owner directly for monthly or quarterly fees, the service charge or user fees for service are frequently collected annually on the property tax bill. These may include, among other items, sewer service charge, water standby charge, vector control, enhanced school programs, fire protection or flood control.

Standby Charges: A public water and/or sewer agency may levy a standby charge against the properties within its district to provide funding as authorized by the California Water Code §71616 and §71630-§71633. The public agency may use these funds to construct, expand or improve facilities that make water or sewer service more readily or more reliably available to the properties within its district.

Assessments for Services or Civil Penalties: Local agencies have the ability to place delinquent account charges for property related services or civil penalties directly on the tax bill. These may include delinquent utility bills, fees for parcel cleanup and weed abatement and fees for civil penalties.

Fluctuation and Delinquent Taxes: Since the amounts collected through a real property tax bill are most likely different for each of the lots in this Phase and many amounts collected also fluctuate over time for a variety of reasons, you should pay special attention to the information contained in the tax disclosure report provided by the Neighborhood Builder or contact the local Tax Collector's office for the most current information pertaining to the property to be assured of your ability to pay these taxes. Failure to pay real property taxes can result in a foreclosure on the property.

FINANCING

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

Financing Instruments: 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.

Acceleration Clause. This is a clause in a mortgage or deed of trust which provides 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 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 buyer. 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.

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

A Prepayment Penalty. This means that if you wish to pay off your loan in whole or in part before it is due, you may be required to pay an additional amount as a penalty in accordance with the terms of your loan.

A 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 Neighborhood Builder 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, IF NECESSARY, CONSULT WITH YOUR OWN PROFESSIONAL ADVISORS IN ORDER TO THOROUGHLY UNDERSTAND ALL THE PROVISIONS CONTAINED IN THE LOAN DOCUMENTS AND ANY ACCOMPANYING LOAN DISCLOSURES.

PURCHASE MONEY HANDLING

Escrow Deposits: The Neighborhood Builder must impound all funds received from you ("***Purchase Money***") in an escrow depository until legal title is delivered to you [Refer to Business and Professions Code Sections 11013 and 11013.2(a)]

Escrow Closing Requirements: If the escrow has not closed on your lot within one (1) year of the date of Neighborhood Builder's acceptance of your Purchase Contract, you may request the return of your Purchase Money deposit.

Escrow Affiliation: THE NEIGHBORHOOD BUILDER HAS NO FINANCIAL INTEREST IN THE ESCROW COMPANY WHICH IS TO BE USED IN CONNECTION WITH THE SALE OR LEASE OF LOTS SUBJECT TO THIS PUBLIC REPORT.

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

Extension of Escrow Closing Date: If you fail to close your escrow on the date agreed upon with the Neighborhood Builder, the Purchase Contract intended for use by the Neighborhood Builder includes a provision whereby the Neighborhood Builder may in its sole and absolute discretion grant you an extension of the closing date and, in consideration for the extension, you shall pay a specified dollar amount per day (extension fee) for each day the escrow is extended. This extension fee is in addition to the purchase price of the lot and not considered Purchase Money.

SOILS AND GEOLOGIC CONDITIONS

All of the Village of Esencia contains filled ground. Information concerning filled ground soil conditions and geologic conditions is available at Orange County Community Development, 300 N. Flower Street, Santa Ana, California 92702.

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. THE COMMUNITY 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 EITHER THE NEIGHBORHOOD BUILDER OR MASTER DEVELOPER'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 THE COMMUNITY.

SERVICES

In addition to the ordinary services provided to a residential community in the vicinity of the Neighborhood, the Neighborhood Builder advises as follows:

Reclaimed Water: In its efforts to conserve water, the Santa Margarita Water District requires the use of reclaimed water (i.e. treated wastewater) to irrigate parks, school yards, golf courses, greenbelt areas and association maintained areas, which may include street parkways in front of homes and front yards and alley landscape of the Lots and Condominiums located within the Front Yard Special Benefit Area 1.

Reclaimed water is not potable and, therefore, not suitable for human consumption. As with any water overspray, the repeated spray of reclaimed water may stain or discolor personal property, fencing and structural improvements over time.

The water used in the residences and outside in the private yards and patios through hose bibs will be domestic potable water.

Streets and Roads:

The streets and alleys within the Neighborhood will be owned and will be maintained by Rancho MMC. The costs of repair and maintenance of these streets/alleys are included in the Front Yard and Alley Special Benefit Area Assessment.

Schools: The Village of Esencia lies within the Capistrano Unified School District, 33122 Valle Road, San Juan Capistrano, California 92675 [(949) 234-9200 Phone | (949) 493-8729 Fax]. For the most current information regarding school assignments, facilities and bus service, you are encouraged to contact the school district or visit their website at: <http://capousd.ca.schoolloop.com/>.

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 Neighborhood Builder which the Department of Real Estate used in preparing this Public Report you may contact:

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

For additional information you may also wish to visit the Department of Real Estate website at:
<http://www.dre.ca.gov>.

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 158227LA-F00
[FILE NUMBER]

TRACT NO. 17601 "REVERIE AT ESENCIA"
[TRACT NUMBER OR NAME]

PHASE 18 LOTS 51-56
[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:

OCTOBER 10, 2019
[DATE ISSUED] [DATE AMENDED]

[NAME]

[SIGNATURE]

[ADDRESS]

[DATE]