

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

In the matter of the application of

**RSI COMMUNITIES-CALIFORNIA LLC,
A DELAWARE LIMITED LIABILITY COMPANY**

**FINAL SUBDIVISION PUBLIC REPORT
PLANNED DEVELOPMENT**

FILE NO.: 158708LA-F00

ISSUED: JANUARY 15, 2019

EXPIRES: JANUARY 14, 2024

for a Final Subdivision Public Report on

TRACT NO. 31822-1

**"WILLOW TREE AT AUDIE MURPHY RANCH"
PHASE 16**

DEPARTMENT OF REAL ESTATE

by

Signature

TINA TRAN

Printed Name

RIVERSIDE COUNTY, CALIFORNIA

CONSUMER INFORMATION

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

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

Section 12920 of the California Government Code provides that the practice of discrimination in housing accommodations on the basis of race, color, religion, sex, marital status, domestic partnership, national origin, physical handicap, ancestry, gender identity, gender expression, sexual orientation, familial status, source of income, disability, or genetic information is against public policy.

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

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

COMMON INTEREST DEVELOPMENT GENERAL INFORMATION

Common Interest Development

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

Governing Instruments

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

Assessments

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

Common Facilities

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

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

Subdivider Control

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

Cooperative Living

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

Informational Brochure

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

Book Orders
Department of Real Estate
P.O. Box 137006
Sacramento, CA 95813-7006

RE 646 (Rev. 12/99)

THIS PUBLIC REPORT COVERS LOTS 1 THROUGH 4, INCLUSIVE AND LOTS 62 THROUGH 64, INCLUSIVE OF TRACT NO. 31822-1, WHICH IS A SUBDIVISION KNOWN AS WILLOW TREE AT AUDIE MURPHY RANCH (ALSO REFERRED TO AS, "SUBDIVISION" OR "NEIGHBORHOOD"), BEING DEVELOPED BY RSI COMMUNITIES-CALIFORNIA LLC, A DELAWARE LIMITED LIABILITY COMPANY ("SUBDIVIDER" OR "PARTICIPATING BUILDER"), AND IS WITHIN THE MASTER PLANNED COMMUNITY KNOWN AS AUDIE MURPHY RANCH ("COMMUNITY"), MORE SPECIFICALLY DESCRIBED IN THIS PUBLIC REPORT UNDER THE SECTION ENTITLED "OVERVIEW OF SUBDIVISION."

SPECIAL INTEREST AREAS IN THIS FINAL PUBLIC REPORT: YOUR ATTENTION IS ESPECIALLY DIRECTED TO THE PARAGRAPHS BELOW ENTITLED: CONDITIONAL SUBDIVISION PUBLIC REPORT, MANAGEMENT AND OPERATION, AND USES/ZONING/HAZARD DISCLOSURES.

NOTE: IN ADDITION TO THESE AREAS, IT IS IMPORTANT TO READ AND THOROUGHLY UNDERSTAND THE REMAINING SECTIONS SET FORTH IN THIS FINAL PUBLIC REPORT PRIOR TO ENTERING INTO A CONTRACT TO PURCHASE.

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

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

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

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

OVERVIEW OF SUBDIVISION

Location: Willow Tree at Audie Murphy Ranch is located at Newport Road and Goetz Road in the City of Menifee. Prospective purchasers should acquaint themselves with the kinds of city services available.

Type of Subdivision: This Subdivision is a common interest development of the type referred to as a planned development. It includes certain Community Common Areas [and/or Community Association Maintenance Areas] and common facilities that are maintained by the Community Association (defined below).

Interests to Be Conveyed: You will receive fee title to a specified lot together with a membership in the Community Association and rights to use the Community Common Area.

About This Phase: This Final Public Report covers the sixteenth phase of Willow Tree at Audie Murphy Ranch, which consists of approximately 0.96 acres divided into 7 residential lots. Common amenities and/or facilities consisting of walls/fences will be constructed by the Subdivider on the Community Common Area in this phase. The Subdivider estimates that the residential structures in this phase will be completed by approximately May 2019. If developed as proposed, this Neighborhood will consist of a total of 21 phases containing 134 lots within the overall Neighborhood. The estimated completion date for this Neighborhood is July 2019. There is no assurance that this phase or the entire Neighborhood will be developed and/or completed as proposed.

About the Audie Murphy Ranch Master-Planned Community. Audie Murphy Ranch is a common-interest subdivision of the type referred to as a master-planned development. Audie Murphy Ranch is being developed by Sutter Mitland 01 LLC, a Delaware limited liability company ("**Master Developer**"). However, homes in the Community will be constructed by multiple builders. All homes in the Community, including those in this Neighborhood, will be subject to the Community Declaration (as defined below) and all owners of homes will be members of the Audie Murphy Ranch Community Association, an incorporated owners association (the "**Community Association**") with rights to use certain amenities that are part of the Community Common Area. The Community Common Area, the Community Association Maintenance Areas and other common facilities located throughout the Community will be maintained by the Community Association as further described in the Community Declaration. If developed as proposed, the Community may include up to 2,355 residential lots, and common amenities and facilities, which will be maintained by the Community Association.

COMMUNITY RECREATIONAL FACILITIES. The Community Common Area includes recreational facilities described below (collectively, the "**Community Recreational Facilities**"). The Community Recreational Facilities are private facilities operated and maintained by the Community Association as part of the Community Common Area for the benefit of its members. The Community Association is responsible for the costs of operation, insurance, reserves and maintenance of the Community Recreational Facilities. These costs will be collected from buyer and from the other owners of lots as a part of the monthly installment of Community Association assessments as described in the Community Declaration. The Owners may use the following Community Recreational Facilities as permitted under the Community Declaration and the Rules and Regulations of the Community Association:

The Ranch House. Major recreational facilities known as the Ranch House ("**Ranch House**") are located on Lot 69 of Tract No. 31822-1. The Ranch House includes two swimming pools, spa, tot lot, amphitheater, game area, turf areas, a recreation building and landscaping. The Ranch House is not open the public. The pool area and recreation building of the Ranch House are access-controlled areas requiring an electronic fob or similar measures.

The Plunge. Private recreational facilities (“*The Plunge*”) located on Parcel A (“*Parcel A*”) of Certificate of Parcel Merger No. Mer 16-002 (formerly Lots 205 and 206 of Tract No. 32025) include a pool, spa, cabana, restrooms, parking and landscaping. The Plunge is owned and operated by the Community Association as part of the Community Common Area usable by all its members. The Plunge is fenced and access is controlled by electronic fob or similar measures. In accordance with City requirements for the development of the Community, landscaped areas lying on Parcel A outside the fenced area of The Plunge are open to the public, and Master Developer, the Community Association and Participating Builders have no power to exclude non-residents from those areas, except as necessary for maintenance operations.

Purchase and Sale of the Ranch House. The Master Developer has sold the Ranch House to the Community Association, as summarized below under “Maintenance and Operational Expenses” and as described in more detail in the Governing Documents.

Construction and Completion of the Community. The Community Recreational Facilities have been completed as evidenced by the recordation of a Notice of Completion recorded on July 7, 2017 as Instrument No. 2017-0277729, as defined in California Civil Code Section 8182.

There is no guarantee or assurance that the Community will be developed as planned.

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

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

Sale of All Residences: The Subdivider has indicated that it intends to sell all of the lots in the Neighborhood; however, any owner, including the Subdivider, has a legal right to rent or lease the lots, subject to the following:

Community Services Organization; Transfer Fees: Audie Murphy Ranch Community Services, a California nonprofit public benefit corporation (“*ACS*”) was formed to sponsor and coordinate various community activities and programs for the Community. ACS will be funded in part by transfer fees paid to ACS in connection with transfers of title to Lots in the Community. Community Enhancement Fee Agreements (each, a “*Fee Agreement*”) have been or will be recorded against all the Lots in the Community. The purpose of the Fee Agreement is to establish a mechanism for the continued funding of ACS. The Fee Agreement requires each initial buyer of a Lot in the Subdivision to pay a “Community Enhancement Fee” of one-eighth (1/8) of one percent of the purchase price at the Close of Escrow for purchase of the Lot. Thereafter, when you re-sell the Lot to another person, the Community Enhancement

Fee payable at close of escrow will be one-fourth (1/4) of one percent of the resale purchase price, and the Community Enhancement Fee will be payable each time the Lot is re-sold. When you sell or transfer your lot to someone else, it is very important that you inform your buyer, your real estate agent, if any, and the escrow agent of the obligation to pay the Community Enhancement Fee and to make sure that the Community Enhancement Fee is paid through escrow. ACS has the right to sue the parties involved in a sale or transfer of a Lot if the Community Enhancement Fee is not paid to ACS in accordance with the Fee Agreement and applicable law.

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

NOTE: WHEN YOU SELL YOUR LOT TO SOMEONE ELSE, YOU MUST GIVE THAT PERSON A COPY OF THE GOVERNING DOCUMENTS AND A TRUE STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS, PENALTIES, ATTORNEYS' FEES OR OTHER CHARGES, PROVIDED BY THE COMMUNITY DECLARATION OR OTHER MANAGEMENT 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).

Completion of Community Common Area by Subdivider.

The Subdivider estimates all common area improvements, amenities, and facilities, if any in this phase, will be completed by approximately May 2019.

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

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

MANAGEMENT AND OPERATION

Community Association Obligations: The Community Association, of which you become a member at time of purchase, is governed by and manages, maintains, and operates the Community in accordance with the Amended and Restated Community Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Audie Murphy Ranch (the "***Community Declaration***"), the Articles of Incorporation of Audie Murphy Ranch Community Association ("***Articles***"), and the Amended and Restated Bylaws of Audie Murphy Ranch Community Association ("***Bylaws***"). In addition, the Community Association has the right to adopt rules and regulations for use of common facilities in the Community and design/architectural guidelines which will set forth the guidelines and procedures for

design/architectural review for the Community. There may also be supplemental declarations or annexation documents ("**Supplemental Declarations**") and other documents that have been recorded against portions of the Community, including the Neighborhood, which may set forth additional restrictions and easements for portions of the Community, including the Supplemental Community Declaration of Covenants, Conditions and Restrictions Regarding Participating Builder Dispute Resolution for Willow Tree at Audie Murphy Ranch ("**Participating Builder Dispute Resolution Declaration**"). The Community Declaration, Bylaws, Articles, Supplemental Declarations, rules and regulations and design/architectural guidelines, and Participating Builder Dispute Resolution Declaration are collectively referred to as the "**Governing Documents.**" You should review each of the Governing Documents carefully.

EXISTING ASSOCIATION: SINCE THE COMMUNITY COMMON PROPERTY IS MAINTAINED BY THE COMMUNITY ASSOCIATION, THE COMMUNITY ASSOCIATION MUST HOLD ELECTIONS OF THE COMMUNITY ASSOCIATION'S GOVERNING BODY IN ACCORDANCE WITH THE GOVERNING DOCUMENTS. THE COMMUNITY ASSOCIATION MUST ALSO PREPARE AND DISTRIBUTE TO ALL HOMEOWNERS A BUDGET, BALANCE SHEET, INCOME STATEMENT AND A SUMMARY OF THE COMMUNITY ASSOCIATION'S RESERVES BASED UPON THE MOST RECENT REVIEW OR STUDY CONDUCTED PURSUANT TO SECTION 5500, ET.SEQ. OF THE CIVIL CODE.

The Community Declaration and other Governing Documents: The Community and the Neighborhood are subject to the Community Declaration recorded February 15, 2012 in the Office of the Riverside County Recorder as Document No. 2012-0070179, as the same may be modified, restated or amended. The Neighborhood is also subject to the Supplemental Community Declaration of Covenants, Conditions and Restrictions for Audie Murphy Ranch recorded September 13, 2016 in the Office of the Riverside County Recorder as Document No. 2016-0395931 (Lots 1-67, inclusive, 69 and 70 of Tract No. 31822-1), as the same may be modified, restated or amended. The Neighborhood will also be subject to the Subdivider's Amended and Restated Notice of Election recorded September 20, 2017 as Instrument No. 2017-0390064, all in the Office of the Riverside County Recorder, as the same may be modified, restated or amended.

FOR INFORMATION AS TO YOUR OBLIGATIONS AND RIGHTS, YOU SHOULD READ THE COMMUNITY DECLARATION AND THE OTHER GOVERNING DOCUMENTS.

Information to be Furnished: THE SUBDIVIDER STATED IT WILL FURNISH THE CURRENT BOARD OF DIRECTORS OF THE COMMUNITY ASSOCIATION AND EACH INDIVIDUAL PURCHASER WITH THE DEPARTMENT OF REAL ESTATE REVIEWED COMMUNITY ASSOCIATION BUDGET.

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

THE SUBDIVIDER MUST PROVIDE YOU WITH A COPY OF THE GOVERNING DOCUMENTS BEFORE EXECUTION OF AN OFFER TO PURCHASE A LOT. A COPY OF EACH GOVERNING DOCUMENT MUST ALSO BE GIVEN TO EACH BUYER AS SOON AS PRACTICABLE BEFORE CLOSE OF ESCROW. THESE DOCUMENTS CONTAIN NUMEROUS MATERIAL PROVISIONS THAT SUBSTANTIALLY AFFECT AND CONTROL YOUR RIGHTS, PRIVILEGES, USE, OBLIGATIONS, AND COSTS OF MAINTENANCE AND OPERATION. YOU SHOULD READ AND UNDERSTAND THESE DOCUMENTS BEFORE YOU OBLIGATE YOURSELF TO PURCHASE A LOT (SECTION 11018.6 BUSINESS AND PROFESSIONS CODE).

MAINTENANCE AND OPERATIONAL EXPENSES

Community Association to Levy Assessments: THE COMMUNITY ASSOCIATION HAS THE RIGHT TO LEVY ASSESSMENTS AGAINST YOU FOR MAINTENANCE OF THE COMMUNITY COMMON AREA, COMMUNITY ASSOCIATION MAINTENANCE AREAS, AMENITIES AND FACILITIES, PAYMENTS DUE UNDER THE COMMUNITY RECREATIONAL FACILITIES PURCHASE AGREEMENT AND PROMISSORY NOTE, AND FOR OTHER PURPOSES. YOUR CONTROL OF OPERATIONS AND EXPENSES IS LIMITED TO THE RIGHT OF YOUR ELECTED REPRESENTATIVES TO VOTE ON CERTAIN PROVISIONS AT COMMUNITY ASSOCIATION MEETINGS.

The Master Developer has prepared an overall budget plan and a built-out budget projection for the Community which are good faith estimates of the costs to maintain the Community Common Property and to operate and administer the Community Association during the period the Community is being built out. The overall budget plan and the built-out budget projection include amounts for long-term reserves which are not to be used to pay for current operating expenses. The Master Developer has also caused to be prepared a "Worst Case" budget projection and a "Best Case" budget projection which are based upon the overall budget plan and the built-out budget projection. The "Worst Case" budget projection and the "Best Case" budget projection represent the high and the low of the approved "range of assessments" (as described below) during the period the Community is being built out, and include amounts for long-term reserves, which are not to be used to pay for current operating expenses. You should obtain a copy of the "Worst Case" budget projection and the "Best Case" budget projection from your Subdivider prior to the close of your escrow. After the first close of escrow for the sale of a Lot in each Phase of the Community, the Master Developer will cause to be prepared an interim budget for the Community through such Phase (the "***Interim Budget***"). Each Interim Budget includes amounts for long-term reserves, which are not to be used to pay for current operating expenses. The Interim Budgets will be reviewed by the DRE approximately every twenty-four (24) months. A copy of the Interim Budget will be on file with the property manager for the Community. The Community Association may or may not elect to use the Interim Budgets as additional Phases are annexed.

The Range of Assessment Procedure: During the construction and sale of Lots in the Community, the Master Developer and/or the Participating Builders (including Subdivider) may annex one or more Phases into the Community in accordance with the provisions of the Community Declaration. Because Annual Assessments typically change in amount each time a Phase is annexed into the Community, and because the annexation of additional Phases might occur in quick succession, in order to facilitate the orderly annexation of Phases, the Master Developer, with the approval of the DRE, has established a "Range of Assessment" procedure.

- (a) **Calculation of the Range of Assessments.** A “range for monthly installment of Annual Assessments has been established by calculating an initial “Minimum Annual Assessment” (the “*Best Case*”) and a “Maximum Annual Assessment” (the “*Worst Case*”) based upon the overall budget plan for the Community prepared by the Master Developer and reviewed by the DRE. Except as otherwise provided below, the Minimum and Maximum Annual Assessments represent the lowest and the highest Annual Assessment that may be levied by the Community Association

for certain Phases of the Community. Utilizing this range procedure, as additional Phases are annexed into the Community, the monthly installment of the Annual Assessments levied by the Community Association can automatically increase or decrease, but will remain within the approved range.

- (b) **Re-Calculation of Maximum Annual Assessments.** The range stated in the initial DRE-reviewed Budget may be recalculated and adjusted, from time to time, with the approval of the Master Developer and the DRE in order to account for various changes in circumstances (including, but not limited to, construction of additional Improvements on the Community Common Property, the delegation to or assumption by the Community Association of additional maintenance responsibilities, and the incurring of unanticipated extraordinary expenses by the Community Association). Except as otherwise provided herein, during any given fiscal year of the Community Association, the Board shall not levy an Annual Assessment that exceeds the approved Maximum Annual Assessment for that fiscal year. Notwithstanding the foregoing, a Maximum Annual Assessment may be increased as provided in the Community Declaration.

- (c) **Installments may vary within the Approved Range.** According to the Master Developer, the monthly installment of Annual Assessments for each phase shown in the Budget (each, an “*Interim Budget*”) should be sufficient for proper maintenance of the Community Common Property and operation of the Community Association as developed through the phase(s). You should be aware that if, and when, any additional phase(s) are annexed into the Community, the monthly installment of Annual Assessments levied against your Lot may increase or decrease depending upon, among other things, the number of Lots being annexed in such phase(s) and whether any additional Community Common Property is also being annexed as part of such phase(s). Prior to the Close of Escrow for the sale of your Lot, the Subdivider will provide you with a copy of the Interim Budget for your phase, reflecting the amount of the initial monthly installment of Annual Assessments you will pay to the Community Association. This amount may change from time to time as described herein.

- (d) **Reviewed Range.** Under the current Budget that was reviewed by the DRE in June 2018, the monthly installments of Annual Assessments that will be levied during the development of the Community will fall in a range between \$109.00 and \$149.78. Of these amounts, the monthly contributions toward long-term reserves (which are not to be used to pay for current management, maintenance or operating expenses) will be between \$17.43 and \$20.42.

In addition, DRE Regulations require a new Operating Budget be prepared and submitted to DRE for review every 24 months during the development and marketing of the Community. These regular updates are required to ensure that the Operating Budget’s assumptions are consistent with DRE guidelines and increases or decreases in the costs of services and products provided to or by the Community Association). As a result of this review, the approved range may shift upward or downward, or it may expand or contract. Except as otherwise provided herein, during any given fiscal year of the development and marketing of the Community, the Board shall not levy an Annual Assessment that exceeds the approved Maximum Annual Assessment for that fiscal year.

IF THE BUDGET FURNISHED TO YOU BY THE SUBDIVIDER SHOWS A MONTHLY ASSESSMENT FIGURE, WHICH IS OUTSIDE OF THE RANGE OF ASSESSMENTS REFLECTED IN THIS PUBLIC REPORT, YOU SHOULD CONTACT THE DEPARTMENT OF REAL ESTATE BEFORE ENTERING INTO A CONTRACT TO PURCHASE.

NOTE: THE BUDGET INFORMATION INCLUDED IN THIS PUBLIC REPORT IS APPLICABLE AS OF THE DATE OF THE 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.

ADVANCED RESERVE SOLUTIONS, INC. PERFORMED A RESERVE STUDY ON BEHALF OF THE ASSOCIATION ON SEPTEMBER 12, 2017 AND CONCLUDED THAT THE PROJECTED RESERVE FUND CASH BALANCE AT THE END OF THE 2017 FISCAL YEAR WILL BE \$336,876.00. BASED ON THE 2017 RESERVE STUDY, THE COMMUNITY ASSOCIATION'S RESERVES WOULD BE 83.93% FUNDED, WITH A PROJECTED BALANCE OF \$401,372.64.

BUDGET INFORMATION PROVIDED BY SUBDIVIDER: DELINQUENCIES IN THE PAYMENT OF COMMUNITY ASSOCIATION ASSESSMENTS AFFECT THE ABILITY OF THE COMMUNITY ASSOCIATION TO PERFORM ANY OR ALL OF ITS RESPONSIBILITIES AND COULD ALSO RESULT IN UNFORESEEN SPECIAL ASSESSMENTS LEVIED AGAINST ALL HOMES OR A SIGNIFICANT REDUCTION IN BUDGETED COMMUNITY ASSOCIATION SERVICES.

THE SUBDIVIDER MUST IMMEDIATELY NOTIFY THE DEPARTMENT OF REAL ESTATE IN WRITING, IF DELINQUENT ASSESSMENTS HAVE CAUSED THE COMMUNITY ASSOCIATION TO RECEIVE TEN PERCENT (10%) LESS INCOME THAN REFLECTED IN THE THEN CURRENT COMMUNITY ASSOCIATION BUDGET (REGULATION 2800K).

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

In addition to other documentation provided to each prospective Buyer, a copy of the current financial information, and related statements, to the extent available, as specified by Section (b) of Civil Code Section 5300 must be made available for examination by a prospective Buyer before the execution of an offer to purchase a Lot. A copy of this financial information must also be given to each Buyer as soon as practicable before close of escrow. YOU SHOULD PAY SPECIAL ATTENTION TO THIS FINANCIAL INFORMATION, AS IT PERTAINS TO CURRENT AND POSSIBLE FUTURE FINANCIAL OBLIGATIONS AFFECTING ALL HOMEOWNERS WITHIN THE COMMUNITY ASSOCIATION. If you do not understand the contents of these financial documents, you may wish to consult with your own professional advisors. Should the amounts collected by the Community Association prove insufficient to properly maintain, operate, repair or replace the common facilities, the Community Association may increase Annual (regular) Assessments or levy one or more Special Assessments in accordance with the Governing Documents in order to provide such funding, which may affect your ability to purchase, or, as an alternative, the Community Association may decide to defer maintenance or eliminate services.

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

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

Commencement of Assessments: Annual Assessments for the Community Association will commence on lots in this phase of the subdivision on the first day of the month immediately following the conveyance of the first subdivision interest in the phase. The Subdivider must pay assessments to the Community Association for all unsold lots in this phase (Regulations 2792.9 and 2792.16).

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

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

Purchase and Sale of the Ranch House. The Community Association and the Master Developer have negotiated and entered into a purchase agreement for the Ranch House ("**Community Recreational Facilities Purchase Agreement**"), pursuant to which the Community Association has purchased the Ranch House from the Master Developer. The purchase price for the Ranch House is \$2,001,964.00, which represents a portion of the actual construction costs of the facility incurred by Master Developer. In accordance with DRE regulations, the purchase price does not include the cost of the land on which the Ranch House was constructed; the land has been conveyed to the Community Association with the Ranch House at no additional cost to the Community Association.

Community Recreational Facilities Promissory Note. The purchase price for the Ranch House as stated above will be the principal amount of an unsecured promissory note described below ("**Community Recreational Facilities Promissory Note**") that was executed by the Community Association and delivered to the Master Developer. The form of the Community Recreational Facilities Promissory Note is attached as an exhibit to the Community Declaration. The Community Association will pay monthly installments of the principal amount of the Promissory Note with interest at five percent (4.5%) per annum over a ten-year period, all in accordance with the requirements of the Community Recreational Facilities Promissory Note and the Community Recreational Facilities Purchase Agreement. Payments commenced on January 1, 2018. The purchase price may be prepaid any time without penalty or premium.

- (a) **Purchase Price Sinking Fund.** The Community Association shall regularly assess each Owner, as part of each Owner's Community Recreational Facilities Charges component of Annual Assessments, amounts sufficient to establish a 5% Purchase Price Sinking Fund ("**Purchase Price Sinking Fund**") to cover defaults in the payment by individual Owners of amounts charged for principal and interest under the Community Recreational Facilities Note, as disclosed in the DRE-reviewed Budget. Assessments to create the Purchase Price Sinking Fund began upon the commencement of payments of principal and interest under the Community Recreational Facilities

Note. The Purchase Price Sinking Fund may be used only to cover defaulting individual Owner payments attributable to principal and interest due under the Community Recreational Facilities Note.

- (b) **Reserves for the Ranch House.** Consistent with Title 10, California Code of Regulations Section 2792.32(j)(11), on the first day of the first month following the date of recordation of a Notice of Completion against the Ranch House under California Civil Code Section 8182, Annual Assessments shall include amounts attributable to reserves for the Ranch House amenities as disclosed in the DRE-reviewed Budget. This obligation shall commence without regard to whether the Ranch House has been conveyed in fee to the Community Association.
- (c) **Community Recreational Facilities Charges.** The Annual Assessments charged to each owner in the Community shall include amounts attributable to the Owner's share of the reserves and operating costs for the Ranch House. Each monthly installment shall also include "Community Recreational Facilities Charges," which consists of the Owner's share of the installments of principal and interest then due under the Community Recreational Facilities Note, together with amounts necessary to establish the Purchase Price Sinking Fund, all in accordance with Title 10 California Code of Regulations Section 2792.32(j)(11). An Owner's non-use of the Ranch House does not excuse the Owner from paying either the reserves and operating costs elements, nor the Community Recreational Facilities Charges element of the Annual Assessments.

USES/ZONING/HAZARD DISCLOSURES

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

Zoning: The zoning of the land surrounding the Community is as follows:

North: Single Family Residential, Vacant Land and Eastern Municipal Water District Sewer Treatment Plant.

South: Holland Road and Future Residential Development.

West: Canyon Lake, Single Family Residential, Commercial Center and Church.

East: Single Family Residential, Vacant Land, Commercial Center and Murrieta Road.

The Neighborhood is within one (1) mile of a property zoned for commercial or industrial use. This Disclosure is made in accordance with California Code of Civil Procedure Section 731(a), which requires disclosure when real property may be affected by industrial uses in accordance with California Civil Code Section 1102.17. Neither the Subdivider nor the Community Association has any control over the use, operation or maintenance of the commercial and industrial uses.

Zoning: The zoning of the land surrounding Neighborhood is as follows:

North: Residential

South: Flood Plain/Creek/Trail

West: Residential

East: Residential

Miscellaneous Community Disclosures:

Salt Creek Riparian Area. Salt Creek is a seasonal creek and floodplain that passes through the Community. The portion of the Salt Creek Riparian Area that has drainage features will be owned and maintained by the Riverside County Flood Control District. The environmentally sensitive portion of the Salt Creek Riparian Area will be owned and maintained by the Master Developer during a mitigation period pursuant to recorded restrictive covenants entered into with the City.

At the end of the mitigation period, the environmentally sensitive portion of the Salt Creek Riparian Area will be conveyed to the City, which will assume responsibility for its maintenance that will likely be funded through a special maintenance district. Because the area and trails will be publicly owned, members of the public will have the right to pass through the Community on the trails. Owners and other residents are advised that this area contains endangered species and sensitive habitats and that certain areas within the riparian area will be closed to use. Signage will be posted to inform the public of the sensitive nature of portions of the riparian area.

Public Trails. Public trails are constructed in the vicinity of the Community. Additional public trails may be developed in the vicinity of the Community as proposed in the Audie Murphy Ranch Specific Plan. Certain public trails that cut across the Salt Creek Riparian Area are or will be maintained by the County Parks District. The remaining public trails are or will be maintained by CFD 2012-1 (discussed below) or another City Maintenance District. The City has required that members of the public be allowed free access to the trails. Ownership of a Lot in the Community does not give you any exclusive right to use the trails. Occupants of the Community may notice noise from use of the trails at various times of the day. Neither Master Developer, the Community Association, nor any Participating Builder has any control over the construction of the trails as proposed in the Audie Murphy Ranch Specific Plan.

Public Parks. Public parks are constructed in the vicinity of the Community, including Spirit Park at the corner of Newport Road and Berea Road, and Audie Murphy Ranch Sports Park at the corner of Newport Road and Lone Pine Drive. Additional public parks may be developed in the vicinity of the Community as proposed in the Audie Murphy Ranch Specific Plan. These parks may offer sports fields with night lighting, tot lots, picnic areas and passive recreational amenities, and public parking lots. Some public parks may be directly accessible from public streets in the Community. The public parks are or will be owned and maintained by the City of Menifee, and they are open to the public. The City of Menifee controls the operation and programming of events in the public parks. Therefore, neither Master Developer, the Participating Builders, nor the Community Association have the power to restrict or control public access to or use of the public parks, and they have no control over operation, events programming

or maintenance of the public parks. If your Lot is in the vicinity of any of the parks, you will notice noise and traffic from normal use of the parks and maintenance activities, and such noise and traffic may extend into evening hours, especially at Audie Murphy Ranch Sports Park and at any other facilities that offer night-lighted activities. Master Developer, the Community Association, and Participating Builders have no control over the construction of the parks as proposed in the Audie Murphy Ranch Specific Plan.

Water Quality Basins. Water quality basins are constructed in the vicinity of Community and are owned and maintained by the Riverside Flood Control District. It is expected that these basins will contain water during seasonal rains and may contain water at all times of the year. Children and animals must be closely watched to prevent accidental drowning and other such injuries around the water hazards. Neither Master Developer, the Community Association, nor any Participating Builder are responsible for maintenance of the water quality basins, or for the safety of an Owner or an Owner's family, guests, invitees, tenants, agents or employees.

Sewer Lift Stations. Sewer lift stations may be constructed near the Community. Owners of Lots near the lift stations may experience an increase in noise and dust levels in the area of the lift stations during construction periods and less significant noise levels after completion. Owners may encounter some odors in the areas near the lift stations. The lift stations will be operated and controlled by Eastern Municipal Water District. Neither Master Developer, the Community Association, nor any Participating Builder have any control over the use, maintenance or care of the lift stations.

Fuel Modification Zones and Combustible Restricted Zones. The Community Association is responsible for maintaining, in accordance with applicable County requirements, those portions of the Community Common Property identified as Fuel Modification Zones in the Fire Control Plan. Construction or maintenance of any combustible structural Improvements on or adjacent to Fuel Modification Zones (or in Combustible Restricted Zones), and installation, maintenance or modification in Fuel Modification Zones (or in Combustible Restricted Zones) of any landscaping Improvements which are inconsistent with any landscape palette required by the County, are prohibited. All persons must comply with Fuel Modification Zone and Combustible Restricted Zone setback requirements.

Owners of Lots must comply with any applicable fire protection policies and requirements, designed to reduce fire danger to structures adjacent to natural areas, adopted by the County ("***Fuel Modification Guidelines***"). Landscaping and irrigation Improvements shall be installed and maintained in conformance with applicable Fuel Modification Guidelines.

Impact of Community Recreational Facilities and Public Parks on Surrounding Area. Owners and other residents living in the area of the Community Recreational Facilities will most likely notice noise from activities in the Community Recreational Facilities, noise from landscaping and other maintenance activities, night-time glare from outdoor lighting, and will be subject to or otherwise inconvenienced by pedestrian and vehicular traffic in the areas surrounding the Community Recreational Facilities. Additionally, from time to time, balls and other objects may be hit out of the Community Recreational Facilities and into Lots and adjacent areas. The Board may, from time to time, promulgate rules for use and operation of the Community Recreational Facilities, including reasonable hours of operation.

EMWD EASEMENT AND TANK SITE. Eastern Municipal Water District ("**EMWD**") holds easements for use of an access road and gate and for the operation and maintenance of a water storage tank located in the Community Common Area on Lot 209 of Tract No. 32025. The Community Association shall be responsible for maintaining the portion of the access road from Paradise Meadows Drive up to the gate. EMWD, rather than the Community Association, will be responsible for maintenance of the portions of the access road beyond the gate, the gate itself and the water tank. The access road, gate and tank site are not open for use by residents or visitors. The gate will remain locked and under the control of EMWD, whose personnel and contractors may visit the tank site from time to time for inspection or maintenance purposes. During inspection or maintenance activities, residents in the vicinity of the tank site may encounter service vehicles on the streets in the Community and notice noise related to inspection and maintenance activities and attendant temporary impacts on quiet and privacy, all of which are normal, foreseeable impacts related to lawful exercise of the easements by EMWD and its contractors.

Statutory Natural Hazard Areas.

California Civil Code Sections 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. The statutorily defined natural hazards that impact this Neighborhood are listed below. In addition, the Subdivider will provide each purchaser with a "**Natural Hazard Disclosure Statement**" as prescribed by Civil Code Section 1103.2. This Statement may be titled differently, such as "Property Disclosure Report."

The Subdivider has advised that all or portions of the subdivision subject to this Public Report are located within an *Area of Potential Flooding* as shown on an inundation map. Additionally, the Subdivider has advised that prospective purchasers within this Area will be provided a separate disclosure required under Government Code Section 8589.4.

If any disclosure, or any material amendment to any disclosure, required to be made by the Subdivider regarding this natural hazard is delivered after the execution of an offer to purchase, the purchaser shall have three days after delivery in person or five days after delivery by deposit in the mail to terminate the offer by delivery of a written notice of termination to the Subdivider or the Subdivider's agent.

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

If your lot located within one or more "Statutory Natural Hazard Areas," your ability to further develop the lot, 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 lot. Additionally, since purchasers are not required to receive a separate disclosure for property owned by the Community Association, you should also contact the Community Association regarding any assessment increases due to additional insurance costs associated with the Statutory Natural Hazard Areas, which may affect the Community Association-maintained areas.

Seismic Hazard Zone Maps Not Available: The State of California has not yet produced any Seismic Hazard Zone maps for the Subdivision as of the date hereof. If your lot is located within one or more Statutory Natural Hazard Areas, 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 the Community Association, you should also contact the Community Association regarding any assessment increases due to additional insurance costs associated with the Statutory Natural Hazard Areas which may affect the Community Association maintained areas, if any.

Notice of Right to Farm: This property 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.

RADON. Radon is a colorless, odorless radioactive gas that is produced by the natural decay of uranium, which is found in nearly all soils. Because radon is a gas, it can seep from the ground into the air in a house through openings in the ground, and its presence increases the risk of lung cancer. The U.S. Environmental Protection Agency (the "**EPA**") and U.S. Geological Survey have produced a map that assigns one to three zone designations based on radon potential to each county. According to the EPA, each zone designation reflects the average short-term radon measurement that can be expected to be measured in a building without the implementation of radon control measures. This map is not meant to be used to determine whether a particular home should be tested for radon, but is used to assist various government agencies and organizations in focusing their radon program resources. Subdivider is informed that the County is currently in Zone 2, which has a radon potential of moderate (from 2 to 4 pCi/L). Master Developer, Subdivider and the Community Association make no representations, warranties or guarantees as to the degree of radon risk within the Community. Owners are advised to consult with the County or other public agencies and appropriate experts to evaluate the potential risk. Additional information may be found at <http://eetd.lbl.gov/IEP/high-radon/USqm.htm>.

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

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 liens, monetary encumbrances, trust deeds, utilities, rights of way and CC&Rs. In most instances, copies of documents can be provided to you upon request.

Easements: Easements for utilities, drainage, sewer and other purposes are shown on the Title Report and Subdivision Map, Tract No. 31822-1, recorded in the Office of the Riverside County Recorder in Book 452 of Maps, Pages 32 through 38.

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

Environmental Constraint Note: An Environmental Constraint Sheet was filed with the City of Menifee in ECS Book 100, Page 18.

Mineral Rights: You will not own the mineral, oil, and gas rights under your land below a depth of 500 feet. These have been reserved as per your grant deed. The right to surface entry has been waived.

TAXES

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

For the purchaser of a lot in The Neighborhood, 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 on the lot if that occurs after the date of purchase.

Notice of Your 'Supplemental' Property Tax Bill

California property tax law requires the Assessor to revalue real property at the time the ownership of the property changes. Because of this law, you may receive one or two supplemental tax bills, depending on when your loan closes. The supplemental tax bills are not mailed to your lender. If you have arranged for your property tax payments to be paid through an impound account, the supplemental tax bills will not be paid by your lender. It is your responsibility to pay these supplemental bills directly to the Tax Collector. If you have any questions concerning this matter, please call your local Tax Collector's Office.

Special Taxes & Assessments:

The Neighborhood lies within the Perris Union High School District Community Facilities District No. 92-1 and Menifee Union School District Community Facilities District No. 2011-1 (Improvement Area No. 3 - Zone B) and is subject to any taxes, assessments and obligations thereof. The Neighborhood also lies within the boundaries of City of Menifee Community Facilities District No. 2012-1 (Audie Murphy Ranch) ("**CFD 2012-1**") which has the responsibility to maintain "Maintenance Areas" including, without limitation, Improvements such as water quality and drainage facilities, street lighting, entry monumentation, landscaping and irrigation and slopes, parkways, paseos, parks, trails and open space in and around the Community and is subject to any taxes, assessments and obligations thereof. The Maintenance Areas will be owned and maintained by CFD 2012-1 until it is unwilling or unable to maintain all or a portion of the Maintenance Areas. CFD 2012-1 has the power to assess a service charge against the Lots in the Community. CFD 2012-1 also has the right to transfer responsibility for maintaining the Maintenance Areas to the Community Association, and the Community Association is obligated to accept the Maintenance Areas as Community Common Property and collect Annual Assessments in the amount needed to maintain such Maintenance Areas in the event of such transfer.

The Subdivider must provide purchasers with disclosures entitled "Notice of Special Tax" ("**Notices**") prior to a purchaser entering into a contract to purchase. These Notices contain important information about district functions, purchaser's obligations, right of the districts, and information on how to contact the districts for additional materials. Purchasers should thoroughly understand the information contained in the Notices prior to entering into a contract to purchase. These special taxes appear on the yearly property tax bill, and are in addition to the tax rate affecting the property described above in the section entitled "TAXES."

The buyer has five days after delivery of these Notices by deposit in the mail, or three days after delivery of any notice in person, to terminate the purchase agreement by giving written notice of that termination to the Subdivider, or agent selling the property.

A special district ("**Special District**") may be formed to eventually assume responsibility for maintenance of the Salt Creek Riparian Area. If formed, the Special District will have the power to assess a service charge against the Lots in the Community that are within its boundaries. Such service charges will constitute a continuing lien on your Lot and will appear as a charge on your County real property tax bills. If you fail to pay the service charges when due, the City or applicable authority may exercise its legal remedy to foreclose on your Lot.

This Subdivision lies within the boundaries of the Eastern Municipal Water District – Water and Sewer Standby and is subject to any taxes, assessment and obligations thereof.

This Subdivision lies within the boundaries of the Metropolitan Water District – Water Standby East and is subject to any taxes, assessment and obligations thereof.

This Subdivision lies within the boundaries of the Metropolitan Water District – Water Standby West and is subject to any taxes, assessment and obligations thereof.

This Subdivision lies within the boundaries of the Riverside County Flood Control District – Flood Control (NPDES) and is subject to any taxes, assessment and obligations thereof.

FINANCING

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

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

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

Balloon Payment: This means that your monthly payments are not large enough to pay off the loan, with interest, during the period for which the loan is written and that at the end period, you must pay the entire remaining balance in one payment. If you are unable to pay the balance and the remaining balance is a sizable one, you should be concerned with the possible difficulty in refinancing the balance. If you cannot refinance or sell your property, or pay off the balloon payment, you will lose your property.

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

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

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

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

PURCHASE MONEY HANDLING

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

If the escrow has not closed on your Lot within one (1) year of the date of your purchase agreement and you are not in default thereunder, you may request the return of your purchase money deposit.

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

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

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

SOILS AND GEOLOGIC CONDITIONS

All lots will contain filled ground. Information concerning filled ground, soil conditions and geologic conditions is available at: City of Menifee, 29714 Haun Road, Menifee, California 92586.

1. **Soils Report:** For in-depth information regarding the geotechnical aspects of the Community, Owners should review the geotechnical report entitled "Geologic and Geotechnical Report for use with Special Land Use Plan/EIR, Audie Murphy Ranch Property, Canyon Lake Area, Riverside County, California dated August 24, 2001 ("**Soils Report**"). A copy of the Soils Report is available for viewing at the Riverside County Department of Public Works.
2. **Expansive Soil.** According to the Soils Report, soil in the Community is expansive in nature. Expansive soil expands when it becomes wet and it contracts when it dries out. Expansion and contraction of soils may cause movement, lifting, cracking and distress in slabs, patios, sidewalks and other flatwork improvements. Some cracking is normal in all flatwork improvements, with or without expansive soils. However, some expansion damage may be reduced by use of appropriate design and construction techniques. When designing flatwork and other Improvements, Owners should advise their consultants that designs must accommodate soils with expansion potential.
3. **Geogrid Slope Reinforcement.** According to the Soils Report, it may be necessary to install Geogrid in some Lots that are adjacent to slopes. Geogrid is a buried fiberglass reinforcing structure that is intended to stabilize certain slopes in the Community. By accepting a deed to one of the foregoing Lots, the Owner agrees to consult a soils engineer prior to performing any excavation in the backyard or in any other areas that are adjacent to a slope. Owner further agrees not to construct any Improvements that will interfere with or disturb the buried reinforcement structures.
4. **Rocky Soils.** According to the Soils Report, soils within portions of the Community may contain subterranean rock. Consequently, installation of spas, landscaping and other Improvements which require digging, trenching or other excavation may be more expensive due to the possibility of encountering buried rocks and the necessity of removing them.
5. **Corrosive Soil.** Soils in the Community may be corrosive. Corrosive soil may corrode buried metal Improvements. Owners should advise their consultants that below-ground Improvements must be constructed of materials that are compatible with corrosive soils.

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 NEIGHBORHOOD IS LOCATED IN AN AREA WHERE SOME OF THESE HAZARDS MAY EXIST. SOME CALIFORNIA COUNTIES AND CITIES HAVE ADOPTED ORDINANCES THAT MAY OR MAY NOT BE AS EFFECTIVE IN THE CONTROL OF GRADING AND SITE PREPARATION.

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

Schools: This Neighborhood lies within the Menifee Union School District (951) 672-1851 and the Perris Union High School District (951) 943-6369.

The Menifee Union School District advises that the Neighborhood is within the attendance boundaries for the following schools:

Herk Bouris Elementary School (K-5)
34257 Kalanchoe Road
Lake Elsinore, California 92532
(951) 244-7657

Taawila Elementary School (K-5)
30344 Stage Coach Road
Menifee, CA 92586
(951) 672-1851

Estimated to Open in August 2018

(<http://www.menifeeUSD.org/district/21795-Find-Your-School.html>)

Menifee Valley Middle School (6-8)
26255 Garbani Road
Menifee, California 92584
(951) 672-6400

As of July 2016 the Menifee Union School District advises the following: "Although the information above is accurate as of this date, there is no guarantee that the information will remain unchanged in the future. Herk Bouris Elementary and Menifee Valley Middle School operate on a traditional school year schedule, as do all schools within Menifee Union School District (K-8).

Further information regarding Taawila Elementary School may be found on the district's website, www.menifeeUSD.org. This school is currently under construction and is located across the street and east of Tract 36485-11 and northeast of Tract 36485-3.

The Perris Union High School District advises that Neighborhood is within the attendance boundaries for the following school:

Paloma Valley High School (9-12)
31375 Bradley Road
Menifee, California 92584
(951) 672-6030

The District provides transportation from home to school at no charge to the students. Also, conditions imposed upon new housing development within Riverside County require mitigation of school impacts.

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

CLOSING STATEMENT

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

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

RECEIPT FOR PUBLIC REPORT

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

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

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

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

I read the Commissioner's Public Report on 158708LA-F00
[FILE NUMBER]

TRACT NO. 31822-1 "WILLOW TREE AT AUDIE MURPHY RANCH"

[TRACT NUMBER OR NAME]

PHASE 16

[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:

JANUARY 15, 2019

[DATE ISSUED]

[DATE AMENDED]

[NAME]

[SIGNATURE]

[ADDRESS]

[DATE]