

Department of Real Estate
of the
State of California

PLANNED DEVELOPMENT
FINAL SUBDIVISION PUBLIC REPORT

In the matter of the application of

K. HOVNIANIAN FORECAST
HOMES NORTHERN INC.,
A CALIFORNIA CORPORATION

FILE NO.: 128424SA-FOO

ISSUED: OCTOBER 5, 2007

EXPIRES: OCTOBER 4, 2012

for a Final Subdivision Public Report on
SUBDIVISION NO. P04-173.3

NATOMAS CENTRAL-VILLAGE C & L
"ALPINE, WILDFLOWER & BUNGALOWS
AT FOUR SEASONS" PHASE 1

JEFF DAVI
Real Estate Commissioner

By: 
Deputy Commissioner

SACRAMENTO COUNTY, CALIFORNIA

CONSUMER INFORMATION

- v **THIS REPORT IS NOT A RECOMMENDATION OR ENDORSEMENT OF THE SUBDIVISION; IT IS INFORMATIVE ONLY.**
- v **BUYER OR LESSEE MUST SIGN THAT (S)HE HAS RECEIVED AND READ THIS REPORT.**
- v 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 or ancestry, is against public policy.

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

READ THE ENTIRE REPORT ON THE FOLLOWING PAGES BEFORE CONTRACTING TO BUY OR LEASE AN INTEREST IN THIS SUBDIVISION.

**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 187006
Sacramento, CA 95818-7006

RE 646 (Rev. 12/99)

NATOMAS CENTRAL MASTER PLAN COMMUNITIES

THE NATOMAS CENTRAL PROJECT IS A 398 +/- ACRE PLANNED UNIT DEVELOPMENT LOCATED IN THE NORTH NATOMAS AREA WITHIN THE CITY OF SACRAMENTO. THERE ARE TWO MASTER PLAN COMMUNITY PROJECTS CONSISTING OF APPROXIMATELY 2,351 UNITS THROUGHOUT THE NATOMAS CENTRAL PROJECT. THE "WESTSHORE" MASTER PLAN COMMUNITY CONSISTS OF APPROXIMATELY 1,700 UNITS AND THE OTHER MASTER PLAN COMMUNITY PROJECT CALLED "THE FOUR SEASONS AT WESTSHORE" HAS APPROXIMATELY 650 UNITS WHICH WILL BE AN AGE-RESTRICTED OR ACTIVE ADULT COMMUNITY. THIS IS ACHIEVED LARGELY THROUGH EFFICIENT AND CREATIVE LAND PLANNING AND ARCHITECTURE. IT IS ALSO DESIGNED TO INCLUDE MANY INTERCONNECTED NEIGHBORHOODS, EMPLOYMENT / COMMERCIAL CENTERS, NUMEROUS PARKS / PEDESTRIAN TRAILS, A SPECTACULAR LAKE, AFFORDABLE HOUSING, FUTURE FIRE STATION AND POSSIBLE CONDOMINIUMS AND SCHOOL SITE.

SPECIAL NOTES

1. THIS REPORT COVERS ONLY LOTS 1-5, 42-44, 52-58, 69-75, 78-90, 110 AND COMMON AREA LOTS A, G, H, J, M, N OF VILLAGE "C", LOTS 36-38 AND COMMON AREA LOT D OF VILLAGE "L" IN THIS PHASE.
2. DEVELOPER INTENDS TO ESTABLISH THIS AS A SENIOR HOUSING DEVELOPMENT THAT IS INTENDED TO QUALIFY FOR THE "HOUSING FOR OLDER PERSONS" EXEMPTION FROM THE PROHIBITIONS ON DISCRIMINATIONS BASED ON FAMILIAL STATUS CONTAINED IN THE FEDERAL FAIR HOUSING ACT, INCLUDING THOSE PROVISIONS ADOPTED PURSUANT TO THE FAIR HOUSING AMENDMENTS ACT OF 1988 AND THE HOUSING FOR OLDER PERSONS ACT OF 1995. DEVELOPER ALSO INTENDS THE DEVELOPMENT QUALIFY AS A "SENIOR CITIZEN HOUSING DEVELOPMENT" AS THAT TERM IS DEFINED IN CALIFORNIA CIVIL CODE SECTION 51.3.
3. BEFORE SIGNING, YOU SHOULD READ AND THOROUGHLY UNDERSTAND ALL SALES AGREEMENT AND LOAN DOCUMENTS. IF YOU DO NOT UNDERSTAND THE TERMS OF YOUR CONTRACTS, YOU MAY WISH TO CONSIDER CONSULTING WITH YOUR OWN ATTORNEY BEFORE ENTERING INTO AN AGREEMENT TO PURCHASE THE PROPERTY.

4. IF YOU HAVE RECEIVED A PRELIMINARY 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.
5. YOUR ATTENTION IS ESPECIALLY DIRECTED TO THE PARAGRAPH BELOW ENTITLED: AGE RESTRICTIONS, MAINTENANCE AND OPERATIONAL EXPENSES, TITLE, HAZARDS, FLOOD AND DRAINAGE, MINERAL RIGHTS, TAXES AND ASSESSMENTS.
6. THIS PROJECT IS A COMMON INTEREST SUBDIVISION OF THE TYPE REFERRED TO AS A PLANNED DEVELOPMENT. IT INCLUDES COMMON AREAS WHICH WILL BE OWNED AND/OR MAINTAINED BY AN INCORPORATED OWNERS ASSOCIATION.
7. THE ASSOCIATION HAS THE RIGHT TO LEVY ASSESSMENTS AGAINST YOU FOR MAINTENANCE OF THE COMMON AREAS, AMENITIES AND FACILITIES, AND OTHER PURPOSES. YOUR CONTROL OF OPERATIONS AND EXPENSES IS LIMITED TO THE RIGHT OF YOUR ELECTED REPRESENTATIVES TO VOTE ON CERTAIN PROVISIONS AT MEETINGS.
8. SINCE THE COMMON AREA IMPROVEMENTS WILL BE MAINTAINED BY AN ASSOCIATION OF HOMEOWNERS, IT IS ESSENTIAL THAT THIS ASSOCIATION BE FORMED EARLY AND PROPERLY. THE ASSOCIATION MUST HOLD THE FIRST MEMBERSHIP MEETING AND ELECTION OF THE ASSOCIATION'S GOVERNING BODY WITHIN SIX MONTHS AFTER THE CLOSING OF THE SALE OF THE FIRST SUBDIVISION INTEREST UNDER THE FIRST PUBLIC REPORT FOR THE SUBDIVISION (REGULATIONS 2792.17 AND 2792.19). THE ASSOCIATION MUST ALSO PREPARE AND DISTRIBUTE TO ALL HOMEOWNERS A BALANCE SHEET AND INCOME STATEMENT.
9. THE SUBDIVIDER MUST PAY ASSESSMENTS TO THE HOMEOWNERS ASSOCIATION FOR ALL UNSOLD LOTS IN THIS PHASE. THE PAYMENTS MUST COMMENCE ON THE FIRST DAY OF THE MONTH AFTER SUBDIVIDER CONVEYS THE FIRST SUBDIVISION INTEREST IN THIS PHASE. (REGULATIONS 2792.9 AND 2792.16.)
10. THE SUBDIVIDER MUST MAINTAIN AND DELIVER TO THE HOMEOWNERS 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 HOMEOWNERS ASSOCIATION TO PERFORM ITS DUTIES AND RESPONSIBILITIES. (REFER TO SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE AND SECTION 1363 OF THE CIVIL CODE.)
11. THE SUBDIVIDER MUST PROVIDE YOU WITH A COPY OF THE ARTICLES OF INCORPORATION, BYLAWS, AND COVENANTS, CONDITIONS, AND RESTRICTIONS PRIOR TO 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.)

12. THE SUBDIVIDER STATED HE WILL FURNISH THE CURRENT BOARD OF OFFICERS OF THE HOMEOWNERS ASSOCIATION AND EACH INDIVIDUAL PURCHASER WITH THE DEPARTMENT OF REAL ESTATE REVIEWED ASSOCIATION BUDGET.
13. THE SUBDIVIDER STATES THAT ALL IMPROVEMENTS FOR VILLAGE "C" COMMON AREAS LOTS A, G, H, J, M, & N HAS BEEN COMPLETED AS EVIDENCED BY A NOTICE OF COMPLETION RECORDED ON OCTOBER 4, 2007 IN BOOK 20071004, PAGE 0959, OF OFFICIAL RECORDS. THE SUBDIVIDER WILL MAKE FINANCIAL ARRANGEMENTS IN THE AMOUNT OF \$9,523,849 TO ASSURE COMPLETION OF COMMON AREA IMPROVEMENTS IN VILLAGE C - LOT "F" COVERING THE RECREATIONAL FACILITIES & SPORTS COURTS . THE ESTIMATED COMPLETION DATE IS JANAURY / 2008.
14. THE SUBDIVIDER HAS INDICATED THAT HE INTENDS TO SELL ALL OF THE LOTS IN THIS PROJECT; HOWEVER, ANY OWNER, INCLUDING THE SUBDIVIDER, HAS A LEGAL RIGHT TO RENT OR LEASE THE LOTS.
15. IF YOU PURCHASE FIVE OR MORE SUBDIVISION LOTS FROM THE SUBDIVIDER, THE SUBDIVIDER IS REQUIRED TO NOTIFY THE REAL ESTATE COMMISSIONER OF THE SALE. IF YOU INTEND TO SELL YOUR INTERESTS OR LEASE THEM FOR TERMS LONGER THAN ONE YEAR, YOU ARE REQUIRED TO OBTAIN AN AMENDED SUBDIVISION PUBLIC REPORT BEFORE YOU CAN OFFER THE INTERESTS FOR SALE OR LEASE.
16. NOTWITHSTANDING ANY PROVISION IN THE PURCHASE CONTRACT TO THE CONTRARY, A PROSPECTIVE BUYER HAS THE RIGHT TO NEGOTIATE WITH THE SELLER TO ALLOW AN INSPECTION OF THE PROPERTY BY THE BUYER OR THE BUYER'S DESIGNEE UNDER TERMS MUTUALLY AGREEABLE TO THE PROSPECTIVE BUYER AND SELLER.
17. THE FOUR SEASONS AT WESTSHORE COMMUNITY OWNERS ASSOCIATION DECLARATION OF RESTRICTIONS PROVIDES THE FOLLOWING:

ARTICLE 18 - AGE RESTRICTIONS

18.1 Qualification as Senior Citizen Housing Development. The Development is a senior housing development that is intended to (i) qualify for the "housing for older persons" exemption from the prohibitions on discrimination based on familial status contained in the federal Fair housing Act, including those provision adopted pursuant to the Fair housing Amendments Act of 1988 and the Housing for Older persons Act of 1995 (the "Federal Act"), (ii) qualify as a "senior citizen housing development" as that term is defined in California Civil Code Section 51.3 (the "State Act"), and (iii) otherwise comply with the requirements of the Federal Act and the State Act. In accordance with this intention, the provisions, requirements, and restrictions of this Article 18 shall apply.

18.2 Occupancy by Qualifying Resident.

Except as specifically otherwise provided in Section 18.3(a) through 18.3(c), each Lot, if occupied, must be occupied by at least one (1) Qualifying Resident and all other persons occupying a Lot must be Qualified Permanent Residents.

18.3 Exceptions to Requirements for Occupancy by Qualifying Resident. As an exception to the provisions of Section 18.3(b) above, the persons described in this Section 18.3 may occupy a Residence subject to the specific restrictions contained in this section:

(a) Permitted Health Care Resident. A Permitted Health Care Resident may occupy a Lot during any period that the Permitted Health Care Resident is actually providing live-in, long-term, or hospice health care to a Qualifying Resident for compensation.

(b) Guest of Qualifying Resident. A person under forty-five (45) years of age may occupy a Lot providing that he or she is a guest of the Qualifying Resident or a Qualified Permanent Resident and further provided the occupancy of any one such guest may not exceed a maximum of sixty (60) days in any year.

(c) Occupancy by Qualifying Permanent Resident. Upon the death or dissolution of marriage, or upon hospitalization, or other prolonged absence of the Qualifying Resident, any Qualified Permanent Resident shall be entitled to continue his or her occupancy of the Lot provided that Board determines that such continued occupancy shall not result in less than eighty percent (80%) of the Lot being occupied by at least one Qualifying Resident as required by the Federal Act.

18.4 Adoption of Verification Policies and Procedures. In compliance with the Federal Act, the Association shall publish and adhere to policies and procedures which demonstrate that the Development is intended and operated for occupancy by Qualifying Residents. The Association shall also comply with the federal rules and regulation for verification of occupancy adopted pursuant to the Federal Act.

18.5 Amendments to Conform to Housing Statutes. In accordance with the provisions of Section 16.2(d), if the Federal Act or the State Act, or any rules or regulations adopted thereunder, are amended or repealed, the Board shall have the power to modify this Article 18 as necessary, and without the necessity of obtaining the approval of the Members, to bring it into conformity with any such amendment in order to preserve the Development's status as a senior citizen housing development.

18. COMMUNITY COMMON AREA. AS PRESENTLY STRUCTURED, THIS COMMUNITY WILL HAVE NUMEROUS COMMON AREAS ("MASTER COMMON AREA") THAT WILL BE OWNED BY THE MASTER ASSOCIATION. MASTER COMMON AREAS CONTEMPLATED FOR THE COMMUNITY INCLUDE THE COMMUNITY RECREATIONAL FACILITY KNOWN AS "THE CLUB" AND CERTAIN LANDSCAPED CORRIDORS, PRIVATE STREETS, SIDEWALKS, THE LAKE AND PROMENADE.

19. THE CLUB. THE COMMUNITY WILL INCLUDE A COMMUNITY RECREATIONAL FACILITY CALLED "THE CLUB AT FOUR SEASONS" (REFERRED TO HEREIN AS "THE CLUB"). THE CLUB IS INTENDED TO SERVE ALL MEMBERS OF THE MASTER ASSOCIATION AND AS CURRENTLY PROPOSED, IS EXPECTED TO CONSIST OF A SWIMMING POOL, SPA, AND SPORT COURTS; ALL SUBJECT TO CHANGE AT THE DISCRETION OF THE DEVELOPER.
20. FISHERMAN'S LAKE. THIS LAKE IS LOCATED ALONG THE WESTERN AND SOUTHERN EDGE OF THE FOUR SEASONS COMMUNITY AND SEPARATED FROM THE COMMUNITY ONLY BY THE MEANDERING PUBLIC PARK AND BIKE PATH. THERE IS NO FENCE BETWEEN THE DEVELOPMENT AND FISHERMAN'S LAKE BUT PUBLIC ACCESS TO FISHERMAN'S LAKE IS PROHIBITED.
21. COMMUNITY LAKE. THE FOUR SEASONS OWNERS ASSOCIATION AND THE WESTSHORE COMMUNITY ASSOCIATION WILL SHARE IN THE RESPONSIBILITY FOR THE MAINTENANCE OF THE WATER QUALITY OF THE CITY-OWNED LAKE WHICH ABUTS A PORTION OF THE OVERALL DEVELOPMENT. THE WESTSHORE MASTER PLANNED COMMUNITY IS LOCATED ADJACENT TO THE FOUR SEASONS AT WESTSHORE DEVELOPMENT AND ALSO ABUTS THE CITY-OWNED LAKE. THE WESTSHORE COMMUNITY ASSOCIATION AND ITS MEMBERS IS NOT A PART OF THE OVERALL DEVELOPMENT AND HOMEOWNERS WITHIN THE WESTSHORE COMMUNITY WILL NOT BE MEMBERS OF THE FOUR SEASONS AT WESTSHORE COMMUNITY ASSOCIATION.
- THE FOUR SEASONS AT WESTSHORE COMMUNITY ASSOCIATION WILL BE SUBJECT TO A WATER QUALITY CONTRIBUTION AGREEMENT WITH THE WESTSHORE COMMUNITY ASSOCIATION FOR THE SHARING OF THE EXPENSES ASSOCIATED WITH MAINTAINING THE WATER QUALITY OF THE LAKE.
22. CLASSES OF MEMBERSHIP AND VOTING RIGHTS: COMMENCEMENT OF VOTING RIGHTS ATTRIBUTABLE TO THE OWNERSHIP OF LOTS SHALL NOT VEST UNTIL REGULAR ASSESSMENTS AGAINST THOSE LOTS HAVE BEEN LEVIED BY THE ASSOCIATION. THE ASSOCIATION SHALL HAVE THE FOLLOWING THREE CLASSES OF VOTING MEMBERSHIP:

CLASS A. CLASS A MEMBERS SHALL INITIALLY BE ALL OWNERS EXCEPT DECLARANT.

CLASS B. DEVELOPER SHALL BE THE ONLY CLASS B MEMBER. THE CLASS B MEMBERSHIP SHALL CONVERT TO CLASS A MEMBERSHIP AS PROVIDED IN THE BYLAWS.

CLASS C. DEVELOPER SHALL BE THE ONLY CLASS C MEMBER. THE CLASS C MEMBER SHALL HAVE THE RIGHT TO APPOINT A MAJORITY OF THE BOARD, AS MORE PARTICULARLY DESCRIBED IN THE BYLAWS. CLASS C MEMBERSHIP SHALL TERMINATE AS PROVIDED IN THE BYLAWS.

WARNING: WHEN YOU SELL YOUR LOT TO SOME ONE ELSE, YOU MUST GIVE THAT PERSON A COPY OF THE DECLARATION OF RESTRICTIONS, ARTICLES OF INCORPORATION, THE BYLAWS AND A TRUE STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS, PENALTIES, ATTORNEYS' FEES OR OTHER CHARGES, PROVIDED BY THE RESTRICTIONS OR OTHER MANAGEMENT DOCUMENTS ON THE LOT AS OF THE DATE THE STATEMENT WAS ISSUED.

NOTE: IF YOU FORGET TO DO THIS, IT MAY COST YOU A PENALTY OF \$500.00 PLUS ATTORNEY'S FEES AND DAMAGES (SEE CIVIL CODE SECTION 1368).

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

INTERESTS TO BE CONVEYED:

You will receive fee title to a specified lot, together with a membership in the Four Seasons at Westshore Community Association and rights to use the common area.

LOCATION AND SIZE: This subdivision is located at Del Paso Blvd and El Centro Rd. within the city limits of Sacramento. Prospective purchasers should acquaint themselves with the kinds of city services available.

This is the first phase which consists of approximately 5 +/- acres divided into 39 lots in addition to the common area lots A, G, H, J, M & N of Village C and common area lot D of Village L.

Common areas consisting of streets & landscaping will be constructed on Lots A, G, H, J, M, N (Village C) and Lot D (Village L). This phase is part of a total project which, if developed as proposed, will consist of approximately 13+ phases containing approximately 650 lots within the overall projected development. The estimated completion date is December 2010.

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

MANAGEMENT AND OPERATION: The Four Seasons at Westshore Community Association, of which you become a member at time of purchase, manages, maintains, and operates the common area(s) in accordance with the Covenants, Conditions and Restrictions, Articles of Incorporation and the Bylaws.

MAINTENANCE AND OPERATIONAL EXPENSES: The subdivider has submitted budgets for the management, maintenance and operation of the common areas and for long-term reserves when the subdivision is substantially completed (built-out budget) and interim budgets applicable to this phase. These budgets were reviewed by the Department of Real Estate in April 2007. You should obtain copies of these budgets from the subdivider.

Under the built-out budget, the monthly assessment against each subdivision interest will be \$210.86. The association may or may not elect to use this budget when additional phases are annexed.

Under the interim budget, the monthly assessment per interest will be \$485.00. Of these amounts, the monthly contributions towards long-term reserves, which are not to be used to pay for current management, maintenance and operating expenses are \$31.62 and \$82.95 respectively.

The utility rates used for the calculations within this budget are based on information available at the time of the budget review date. Increases in regular assessments or special assessments may be required as a measure to provide adequate funds to compensate for potential utility rate increases. Purchasers should be aware of the possible affects these increases may have on their homeowners assessments.

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

Due to uncertainty in the sequence in which other developers in this project will close escrows in individual housing projects located in the overall development, it is difficult to predict at this time the amount of the monthly assessment which will be assessed against each lot in the project.

As the overall project is developed and additional phases of development become subject to assessment, the level of monthly assessments in existing phases of development may increase or decrease, subject to the limitations in the CC&R's or Bylaws. Under the interim budget on file with the Department of Real Estate, the range of monthly assessments during the development period will be \$320.48 (worst case) and \$210.86 (best case). Of these amounts, the monthly contributions toward long-term reserves, which are not to be used to pay for current management, maintenance and operating expenses are \$67.33 and \$31.62 respectively. (Note: The Range of Assessments will commence at Phase 2.)

According to the subdivider, assessments under the interim budget should be sufficient for proper maintenance and operation of the common areas until the development is substantially completed at which time it may be anticipated that assessments will be adjusted. Prior to the close of escrow for the sale of your lot, the subdivider will provide you with a copy of the budget for your phase, reflecting the amount of the initial assessment you will actually pay to the association.

THE BUDGET INFORMATION INCLUDED IN THIS PUBLIC REPORT IS APPLICABLE AS OF THE DATE OF BUDGET REVIEW AS SHOWN ABOVE. EXPENSES OF OPERATION ARE DIFFICULT TO PREDICT AND EVEN IF ACCURATELY ESTIMATED INITIALLY, MOST EXPENSES INCREASE WITH THE AGE OF FACILITIES AND WITH INCREASES IN THE COST OF LIVING.

Monthly assessments will commence on lots in this phase on the first day of the month following the conveyance of the first subdivision interest in the phase. The remedies available to the association against owners who are delinquent in the payment of assessments are set forth in the Restrictions. These remedies are available against the subdivider as well as against other owners.

The subdivider will make financial arrangements as partial security for the obligation to pay these assessments. The governing body of the association should assure itself that the subdivider has satisfied these obligations to the association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

SUBSIDY: The subdivider has entered into an agreement with the homeowners association to subsidize assessments.

The purpose of this agreement is to provide for the declarant's payment of a subsidy, on a monthly basis during the term for each assessable lot in this phase. The agreement provides that the assessment in this phase will be subsidized down to the amount of the built-out budget. Unless this agreement is earlier cancelled, the term of this Subsidy shall commence on the 1st day of the month immediately following the first close of escrow of a lot in this phase and shall continue until the earlier of:

- (a) one year after the date of the first close of escrow of a lot in this phase; or
- (b) the first day of the month following the first close of escrow for a lot in a subsequent phase; unless extended, in which case the term shall continue until the last day of the most recent Extension period.

The subdivider has posted a bond as partial security for the obligation to pay the subsidized assessments. The governing body of the Association should assure itself that the subdivider has satisfied his obligations to the Association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

TITLE: The Terms, Conditions and Provisions as Contained in the Agreement Entitled "Lake Maintenance Agreement", by and between Natomas Investors, LLC, A Delaware Limited Liability Company and Hovnanian Forecast Homes, Inc., a California Corporation, and City of Sacramento dated April 17, 2006, in Book 20060418 Page 231, Official Records.

EASEMENTS: Easements for public utilities, emergency personnel and vehicles, avigation and noise, planting and maintaining trees, centralized mail delivery, private roads, sanitary sewers, electrical and communication facilities and other purposes are shown on the Title Report and Subdivision Map recorded on January 23, 2007 in Book 363 of Maps Page 5, Sacramento County, official records.

RESTRICTIONS: This subdivision is subject to Restrictions recorded on October 4, 2007 in Book 20071004, Page 0962 in the Office of the Sacramento County Recorder and Notice of Alternative Non-Adversarial Procedure recorded on October 4, 2007 in Book 20071004, Page 0961, Official Records.

MINERAL RIGHTS: YOU WILL NOT OWN THE MINERAL, OIL AND GAS RIGHTS UNDER YOUR LAND. THE RIGHT TO SURFACE ENTRY TO EXTRACT MINERALS HAS NOT BEEN WAIVED BY THE OWNER OF THESE RIGHTS. UNLESS OTHERWISE RESTRICTED, THE OWNER OF THE MINERAL, OIL AND GAS RIGHTS IS ENTITLED TO ENTER YOUR LAND TO PENETRATE THE SURFACE TO EXTRACT SUBSURFACE MINERALS. BECAUSE OF THE LOCATION OF THE SUBDIVISION, LOCAL ZONING OR OTHER LAWS OR REGULATIONS MAY PROHIBIT THE OWNER FROM DOING THIS. FOR FURTHER PARTICULARS, YOU SHOULD CONTACT THE BUILDING DEPARTMENT OF THE CITY OR COUNTY IN WHICH YOUR PROPERTY IS LOCATED. WHEN YOU PURCHASE, YOU CAN REQUEST A "HOMEOWNERS ENDORSEMENT" TO YOUR POLICY OF TITLE INSURANCE WHICH WILL INSURE AGAINST LOSS UP TO THE AMOUNT OF THE POLICY, FOR DAMAGE TO ANY OWNER-OCCUPIED RESIDENTIAL STRUCTURE THEN ON THE LAND, WHICH DAMAGE RESULTS FROM THE EXERCISE OF SURFACE ENTRY RIGHTS.

USES AND ZONING: The developer advises the property adjacent to the West is zoned for Single Family and Multi Family Residential. Adjacent to the North, South and East are all zoned for Single Family Residential.

HAZARDS: The following hazard(s) exist within or near this development: Sacramento International Airport is approximately 4 miles from the project. Fisherman's Lake is located amount the Western & Southern Edge of the project. There is a Community Lake located within the project. There may be agricultural operations conducted within their respective boundaries nearby.

The subdivider advises that as of the date of this report, all or portions of the subdivision subject to this Public Report are not located within a *Special Flood Hazard Area* as designated by the Federal Emergency Management Agency. Additionally, the subdivider has advised that prospective purchasers within this Area will be provided a separate disclosure required under Government Code Section 8589.3.

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.

Since all or portions of the subdivision subject to this Public Report are located within one or more natural hazard areas, your homeowner's insurance and/or insurance coverage for any association or commonly owned areas may be affected. You should contact your lender and insurance carrier for more information regarding types of insurance and costs to cover your property, as well as the owner's association or subdivider regarding any assessment increases due to additional insurance costs.

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.

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."

ASSESSMENTS: This subdivision lies within the boundaries of Sacramento Area Flood Control Agency-North Area Local Project Capital Assessment District No.2; City of Sacramento-Citywide Lighting & Landscaping District No. 2; City of Sacramento-Citywide Library Services Assessment District No. 96-02; Sacramento Area Flood Control Agency-Operation & Maintenance District and Reclamation District No. 1000 and are subject to any taxes, assessments and obligations thereof.

This subdivision lies within the boundaries of the North Natomas Drainage CFD 97-1; North Natomas CFD No. 99-01; North Natomas Neighborhood Landscape CFD No. 99-02 (Zone K); North Natomas Landscaping CFD No.3; Neighborhood Parks CFD No. 2002-02 and "Proposed" Natomas Central CFD 2006-02 and are subject to any taxes, assessments and obligations thereof. The Subdivider must provide purchasers with disclosures entitled "Notice of Special Tax" 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 these Notices prior to entering into a contract to purchase. These special taxes appears 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/contract by giving written notice of that termination to the owner, subdivider, or agent selling the property.

CONDITIONS OF SALE: 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 provision(s):

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 this subdivision includes a due-on-sale clause, the clause will be automatically enforceable by the lender when you sell the property. This means that the loan will not be assumable by a purchaser without the approval of the lender. If the lender does not declare the loan to be all due and payable on transfer of the property by you, the lender is nevertheless likely to insist upon modification of the terms of the instrument as a condition to permitting assumption by the 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 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.

A 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 .

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.

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 SIGNING, YOU SHOULD READ AND THOROUGHLY UNDERSTAND ALL LOAN DOCUMENTS.

PURCHASE MONEY HANDLING: The subdivider must impound all funds received from you in an escrow depository until legal title is delivered to you, except for such amount as the subdivider has covered by furnishing a bond to the State of California. [Refer to Business and Professions Code Sections 11013, 11013.1 and 11013.2(c)].

If the escrow has not closed on your lot within 12 months of the date of Sellers acceptance of your Purchase Agreement/Contract, you may request the return of your deposit.

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 CONDITIONS: Soils, filled ground and geologic information is available at the City of Sacramento, Department of Public Works, 915 "I" St, Sacramento, CA. 95814. Some lots will contain filled ground.

GEOLOGIC CONDITIONS: THE UNIFORM BUILDING CODE, APPENDIX CHAPTER 33, PROVIDES FOR LOCAL BUILDING OFFICIALS TO EXERCISE PREVENTIVE MEASURES DURING GRADING TO ELIMINATE OR MINIMIZE DAMAGE FROM GEOLOGIC HAZARDS SUCH AS LANDSLIDES, FAULT MOVEMENTS, EARTHQUAKE SHAKING, RAPID EROSION OR SUBSIDENCE. THIS SUBDIVISION IS LOCATED IN AN AREA WHERE SOME OF THESE HAZARDS MAY EXIST. SOME CALIFORNIA COUNTIES AND CITIES HAVE ADOPTED ORDINANCES THAT MAY OR MAY NOT BE AS EFFECTIVE IN THE CONTROL OF GRADING AND SITE PREPARATION.

PURCHASERS MAY CONTACT THE SUBDIVIDER, THE SUBDIVIDER'S ENGINEER, THE ENGINEERING GEOLOGIST AND THE LOCAL BUILDING OFFICIALS TO DETERMINE IF THE ABOVE-MENTIONED HAZARDS HAVE BEEN CONSIDERED AND

IF THERE HAS BEEN ADEQUATE COMPLIANCE WITH APPENDIX CHAPTER 33 OR AN EQUIVALENT OR MORE STRINGENT GRADING ORDINANCE DURING THE CONSTRUCTION OF THIS SUBDIVISION.

SCHOOLS:

This project lies within the Natomas Unified School District. This District advises the schools initially available to this subdivision are:

Elementary: Witter Ranch Elementary School
3790 Poppy Hill Way
Sacramento, CA. 95834

Middle School: Natomas Middle School
3700 Del Paso Rd.
Sacramento, CA. 95834

High School: Inderkum High School
2500 New Market Dr
Sacramento, CA. 95835

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 district.

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

Department of Real Estate
Subdivisions North
2201 Broadway
Sacramento, CA. 95818
916-227-0813