

**"If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates state and federal fair housing laws and is void. Any person holding an interest in this property may request that the county recorder remove the restrictive covenant language pursuant to subdivision (c) of Section 12956.1 of the Government Code."**

1992081



SECRETARY OF STATE

Postmark: Date: 030698 # of pages:  
Fax Note:  
To: Teresa  
Fax:  
From: Debby Brigh  
Phone:

CORPORATION DIVISION

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

*IN WITNESS WHEREOF*, I execute this certificate and affix the Great Seal of the State of California this

OCT 2 2 1996



*Bill Jones*

Secretary of State

1992081

FILED

In the office of the Secretary of State  
of the State of California

OCT 22 1996

ARTICLES OF INCORPORATION

OF

HERITAGE GREENS OF MORGAN HILL OWNERS' ASSOCIATION

*Bill Jones*  
BILL JONES, Secretary of State

ARTICLE I

The name of this corporation is Heritage Greens of Morgan Hill Owners' Association.

ARTICLE II

A. This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under such law.

B. The specific purpose of this corporation is to provide for the enforcement of the Declaration of Covenants, Conditions and Restrictions and the By-laws relating to the maintenance and preservation of the Project located on that certain property described as:

Lots 1-20, inclusive, and Common Area Parcels A & B (and any additional property annexed thereto), as shown in that certain Subdivision Map entitled "Tract No. 8809" filed in Book 676 of Maps at page 48, Official Records of Santa Clara County, State of California, on May 14, 1996.

C. Notwithstanding any of the above statements and purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this corporation.

ARTICLE III

This corporation is an association formed to manage a common interest development under the Davis-Stirling Common Interest Development Act.

ARTICLE IV

The name and address in the State of California of this corporation's initial agent for service of process is:

Larry J. Willard  
LJW Enterprises, Inc.  
16275 Monterey Road, Suite K  
Morgan Hill, CA 95037

ARTICLE V

The business or corporate office of the association is not on site. The nine-digit zip code of this development is 95037 -0000. The nearest frontage street is East Dunne Avenue and the nearest cross street is Saddleback Road.

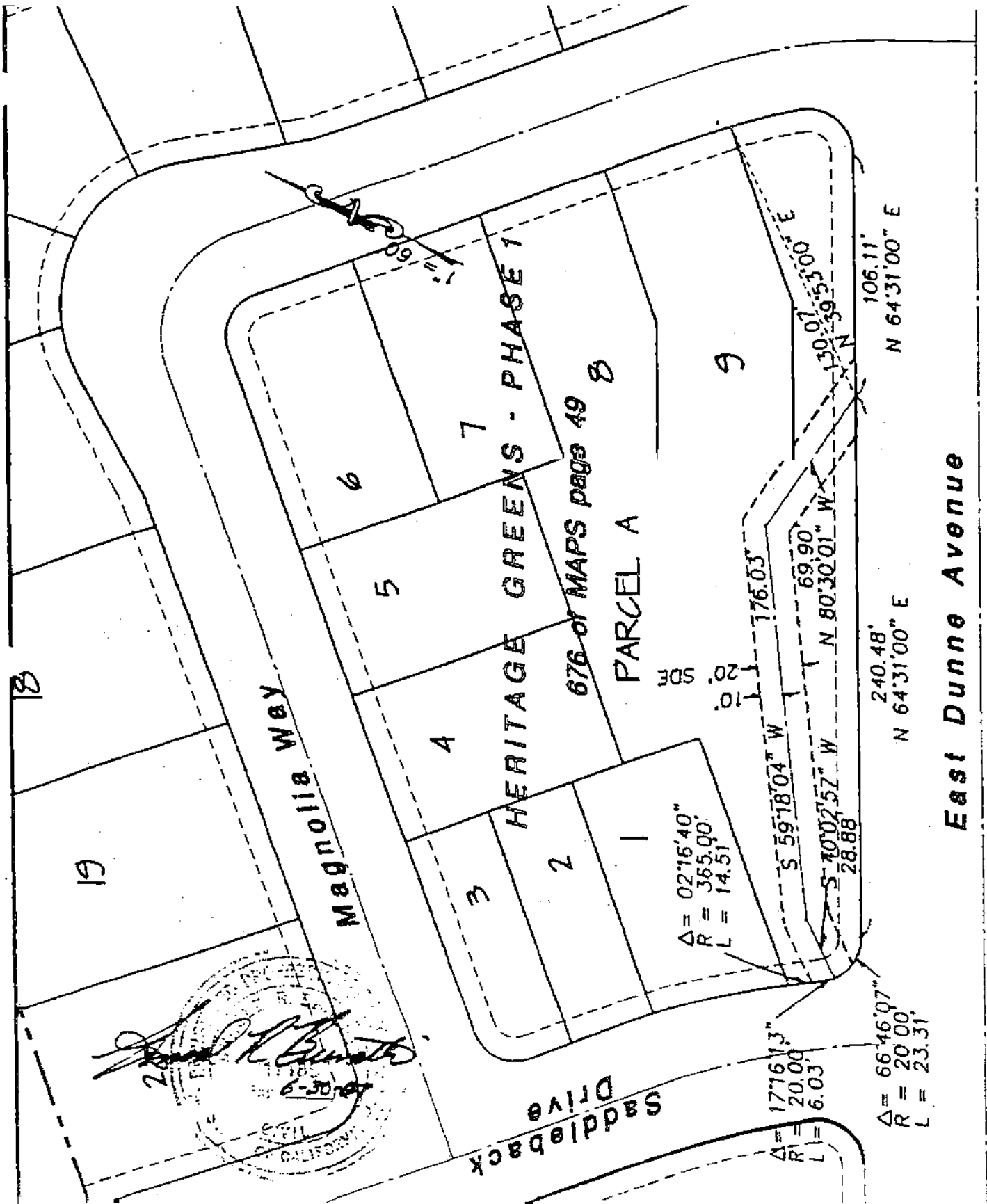
The Association has no managing agent.

ARTICLE VI

These Articles of Incorporation may be amended only by the affirmative vote of a majority of the Board of Directors and by the affirmative vote (in person or by proxy) of members representing three-fourths (75%) of the voting power of the Association and a three-fourths (75%) of the votes of members other than the Declarant, or where the two (2) class voting structure is still in effect (as provided in the Declaration), three-fourths (75%) of each class of membership. However, the percentage of voting power necessary to amend a specific clause or provisions shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

IN WITNESS WHEREOF, for the purposes of forming this corporation under the laws of the State of California, the undersigned has executed these Articles of Incorporation this day of 3 OCTOBER 1996.

*LJW Enterprises, Inc*  
*Larry J. Willard, Inc*  
Incorporator



*Hanna & Brunetti*  
 2  
 6-30-98  
 CIVIL ENGINEERS & LAND SURVEYORS  
 GILROY, CALIFORNIA

DATE: AUGUST 22, 1996

SCALE: 1" = 60'

JOB NO. 93037

SHEET NO. 1 OF 1

**HANNA & BRUNETTI**  
 CIVIL ENGINEERS & LAND SURVEYORS  
 7851 EIGLEBERRY STREET  
 GILROY, CALIFORNIA, 95020  
 (408) 842-2173

**EXHIBIT B**  
 STORM DRAIN EASEMENT  
 ACROSS PARCEL A  
 676 MAPS 49

**CONFIRMED COPY:** This document has not been compared with the original.  
**SANTA CLARA COUNTY RECORDER**

Post-it Fax Note 7671

Date	2/23/98	# of pages	3
To	MIRCH CABRIL		
From	SCOTT GRIMM		
Co./Dept	Handwritten; BURWITT	Co	CITY OF M.H.
Phone #		Phone #	
Fax #	842-3662	Fax #	779-6282

RECORDING REQUESTED BY

WHEN RECORDED MAIL TO:

CITY CLERK  
CITY OF MORGAN HILL  
17555 PEAK AVENUE  
MORGAN HILL, CALIFORNIA 95037

**GRANT OF STORM DRAINAGE EASEMENT**

The undersigned, being the legal owners of the real property hereinafter described, do hereby grant to the City of Morgan Hill, a municipal corporation of the state of California, an easement for the purpose of storm drainage, with the right to enter upon the easement at any time for the installation, construction, repair and maintenance of storm drainage pipes, ditches, structures and any appurtenance thereto, in, under, over, upon and across the real property described as follows:

See "Exhibit A" attached herto and made a part of.

BY: *Mark B. Schellerup*  
Owner: Mark B. Schellerup

BY: *Ning-Gau Wu*  
Owner: Ning-Gau Wu

BY: *Connie B. Schellerup*  
Owner: Connie B. Schellerup

BY: *Shu-Wie H. Wu*  
Owner: Shu-Wie H. Wu

(SIGNATURES MUST BE NOTARIZED)

Department of Real Estate  
of the  
State of California

FINAL SUBDIVISION PUBLIC REPORT  
PLANNED DEVELOPMENT

In the matter of the application of

L J W ENTERPRISES, INC., SUCCESSOR BY  
MERGER TO OVERLAND ENTERPRISES, INC.,  
A California Corporation

FILE NO.: 036553SA-F00

ISSUED: APRIL 14, 1999

EXPIRES: APRIL 13, 2004

for a Final Subdivision Public Report on

TRACT NO. 9068  
HERITAGE GREENS, PHASE TWO

SANTA CLARA COUNTY, CALIFORNIA

  
Deputy Commissioner

CONSUMER INFORMATION

- ❖ THIS REPORT IS NOT A RECOMMENDATION OR ENDORSEMENT OF THE SUBDIVISION; IT IS INFORMATIVE ONLY.
- ❖ BUYER OR LESSEE MUST SIGN THAT (S)HE HAS RECEIVED AND READ THIS REPORT.
- ❖ A copy of this subdivision public report along with a statement advising that a copy of the public report may be obtained from the owner, subdivider, or agent at any time, upon oral or written request, *must* be posted in a conspicuous place at any office where sales or leases or offers to sell or lease interests in this subdivision are regularly made. [Reference Business and Professions (B&P) Code Section 11018.1(b)]

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

Section 12920 of the California Government Code provides that the practice of discrimination in housing accommodations on the basis of race, color, religion, sex, marital status, national origin, physical handicap or ancestry, is against public policy.

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

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

# 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. 1/97)



SPECIAL NOTES

1. THIS PUBLIC REPORT COVERS LOTS 21 THROUGH 34 OF TRACT 9068.
2. 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 REPORT.
3. THIS PROJECT IS A COMMON-INTEREST SUBDIVISION OF THE TYPE REFERRED TO AS A PLANNED DEVELOPMENT. IT INCLUDES COMMON AREAS WHICH WILL BE MAINTAINED BY AN INCORPORATED OWNERS ASSOCIATION.
4. THE ASSOCIATION HAS THE RIGHT TO LEVY ASSESSMENTS AGAINST YOU FOR MAINTENANCE OF THE COMMON AREAS 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.
5. SINCE THE COMMON PROPERTY AND FACILITIES WILL BE MAINTAINED BY AN ASSOCIATION OF HOMEOWNERS, IT IS ESSENTIAL THAT THIS ASSOCIATION BE FORMED EARLY AND PROPERLY. THE HOMEOWNER ASSOCIATION MUST HOLD THE FIRST 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. HOWEVER, IN NO EVENT SHALL THE MEETING BE HELD LATER THAN SIX MONTHS AFTER THE CLOSING OF THE SALE OF THE FIRST SUBDIVISION INTEREST. (REGULATIONS 2792.17 AND 2792.19). THE HOMEOWNER ASSOCIATION MUST ALSO PREPARE AND DISTRIBUTE TO ALL HOMEOWNERS A BALANCE SHEET AND INCOME STATEMENT AND A SUMMARY OF THE ASSOCIATION'S RESERVES BASED UPON THE MOST RECENT REVIEW OR STUDY CONDUCTED PURSUANT TO SECTION 1365.5 OF THE CIVIL CODE (REGULATION 2792.22).
6. THE SUBDIVIDER MUST PAY ASSESSMENTS TO THE HOMEOWNERS ASSOCIATION FOR ALL UNSOLD LOTS. THE PAYMENTS MUST COMMENCE ON THE FIRST DAY OF THE MONTH AFTER SUBDIVIDER CONVEYS THE FIRST SUBDIVISION INTEREST IN THIS PROJECT. (REGULATIONS 2792.9 AND 2792.16).
7. 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.)

8. THE SUBDIVIDER MUST PROVIDE YOU WITH A COPY OF THE ARTICLES OF INCORPORATION, RESTRICTIONS AND BYLAWS 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.)
9. 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.
10. THE SUBDIVIDER ESTIMATES ALL COMMON FACILITIES EXCLUDING RESIDENTIAL STRUCTURES IN THIS PHASE WILL BE COMPLETED BY APPROXIMATELY NOVEMBER 1999.
11. NO ESCROWS WILL CLOSE IN THIS PHASE UNTIL COMPLETION OF ALL COMMON AREAS AND FACILITIES, OR AS AN ALTERNATIVE, THE SUBDIVIDER HAS SUBMITTED A BOND OR OTHER SECURITY ACCEPTABLE TO THE DEPARTMENT OF REAL ESTATE UNDER THE PROVISIONS OF SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE TO ASSURE LIEN FREE COMPLETION OF ALL COMMON AREAS AND FACILITIES IN THIS PHASE OF THIS PROJECT.
12. 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.
13. IF YOU PURCHASE FIVE OR MORE SUBDIVISION INTERESTS (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.
14. WARNING: WHEN YOU SELL YOUR LOT TO SOMEONE 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 Heritage Greens of Morgan Hill Association and rights to use the common area.

LOCATION AND SIZE: This subdivision is located at Dunne Avenue and Saddleback Drive, within the city limits of Morgan Hill, California. Prospective purchasers should acquaint themselves with the kinds of city services available.

This is the second phase which consists of approximately 4.68+ acres divided into 14 lots, in addition to the common area which consists of Parcels D and E.

Common facilities consisting of landscaping will be constructed on the common area.

Additional common facilities consisting of lighting, barbecues, play equipment and a storm water detention pond have been constructed in Phase One.

This phase is part of a total project which consists of a total of 2 phases containing 34 lots within the overall projected development.

MANAGEMENT AND OPERATION: The Heritage Greens of Morgan Hill Association, of which you become a member at time of purchase, manages and operates the common area(s) in accordance with the Restrictions, Articles of Incorporation, and the Bylaws.

MAINTENANCE AND OPERATIONAL EXPENSES: The subdivider has submitted a budget for the maintenance and operation of the common areas and for long-term reserves. This budget was reviewed by the Department of Real Estate in September 1996. You should obtain a copy of this budget from the subdivider. Under this budget, the monthly assessment against each subdivision interest will be \$44.00 of which \$2.21 is a monthly contribution to long-term reserves and is not to pay for current operating expenses.

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

The association may increase or decrease assessments at any time in accordance with the procedure prescribed in the Restrictions 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.

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 ACCURATELY 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 all lots in this phase on the first day of the month following the conveyance of the first subdivision interest in this 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 has posted a bond as partial security for the obligation to pay these assessments. The governing body of the association should assure itself that the subdivider has satisfied these obligations to the association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

TITLE: Title is vested in LJW ENTERPRISES, INC., successor by Merger to Overland Enterprises, Inc., a California corporation.

A title report shows title, among other things, to be subject to:

1. Terms and provisions as contained in an instrument  
Entitled : Subdivision Improvement Agreement  
Executed by : City of Morgan Hill  
Recorded : June 5, 1996 in Official Records under  
Recorder's Serial Number 13318826
2. Terms and provisions as contained in an instrument  
Entitled : Residential Development Agreement  
Executed by : LJW Enterprises and City of Morgan Hill, a  
Municipal Corporation  
Recorded : June 14, 1996 in Book P375 of Official  
Records, Page 1591

EASEMENTS: Easements for utilities, drainage, and other purposes are shown on the Title Report and Subdivision Map recorded in the Office of the Santa Clara County Recorder, Book 711 of Maps, Pages 7 through 8.

RESTRICTIONS: This subdivision is subject to Restrictions recorded in the Office of the Santa Clara County Recorder, on October 16, 1996, as Instrument Number 13485235 and Declaration of Annexation recorded March 31, 1999 as Serial No. 14730698.

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

ZONING: The subdivider reports land to the north is zoned "grazing land/nursery".

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 this subdivision, 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.

ASSESSMENTS: This subdivision lies within the boundaries of the Morgan Hill Unified School District Community Facilities District No. 2 and is subject to any taxes, assessments, and obligations thereof. The Subdivider must provide purchasers with a disclosure entitled, "Notice of Special Tax, Community Facilities District No. 2 County of Santa Clara, California" prior to a purchaser entering into a contract to purchase. This Notice contains important information about district functions, purchaser's obligations, right of the district, and information on how to contact the district for additional materials. Purchasers should thoroughly understand the information contained in the Notice prior to entering into a contract to purchase. This special tax appears on the yearly property tax bill, and is in addition to the tax rate affecting the property described above in the section entitled "TAXES".

The buyer has five days after delivery of this notice by deposit in the mail, or three days after delivery of this notice in person, to terminate the sales agreement 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 on 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 the repaying of 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 sizeable one, you should be concerned with the possible difficulty in refinancing the balance. If you cannot refinance or sell your property, or pay off the balloon payment, you will lose your property.

**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.

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. [Refer to Business and Professions Code Sections 11013, 11013.1 and 11013.2(a).]

If the escrow has not closed on your lot within one (1) year from the date of seller's acceptance of your offer, you may request the return of your deposit.

**NOTE:** Section 2995 of the Civil Code provides that no real estate developer 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 developer owns or control 5% or more of the escrow entity.

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

SOIL CONDITIONS: Some lots will contain filled ground. Soils and geologic information is available at the City of Morgan Hill, Department of Public Works, 100 Edes Court, Morgan Hill, California.

GEOLOGIC CONDITIONS: THE UNIFORM BUILDING CODE, CHAPTER 70 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 DEVELOPER, THE DEVELOPER'S ENGINEER, THE ENGINEERING GEOLOGIST AND THE LOCAL BUILDING OFFICIALS TO DETERMINE IF THE ABOVE-MENTIONED HAZARDS HAVE BEEN CONSIDERED AND IF THERE HAS BEEN ADEQUATE COMPLIANCE WITH CHAPTER 70 OR AN EQUIVALENT OR MORE STRINGENT GRADING ORDINANCE DURING THE CONSTRUCTION OF THIS SUBDIVISION.

STREETS AND ROADS: As of the date of this report, streets have not been completed. The subdivider has made financial arrangements with the City to ensure completion to City standards within 1-2 years.

SCHOOLS: This project lies within the Morgan Hill Unified School District. This District advises students will attend:

Nordstrom Elementary (K-6)  
1425 East Dunne Avenue  
Morgan Hill, CA

Murphy Middle School (7-9)  
141 Aveneda Espana  
San Jose, CA

Live Oak High School (10-12)  
1505 East Main Street  
Morgan Hill, CA

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 above 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 call (916) 227-0813.