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WHEN RECORDED, RETURN TO:

JEFFREY G. WAGNER
Law Office of Jeffrey G. Wagner
1777 N. California Blvd., Suite 200
Walnut Creek, CA 94596-4150

REGINA ALCOMENDRAS
SANTA CLARA COUNTY RECORDER
Recorded at the request of
First American Title Company

RDE # 101
2/06/2008
8:00 AM

DECLARATION OF ANNEXATION

VILLAGE SQUARE

PHASE 8

THIS DECLARATION OF ANNEXATION is made this 1st day of March, 2007, by SUMMERHILL VILLAGE SQUARE, LLC, a California limited liability company (the "Declarant") with reference to the following facts:

- A. Declarant is the owner of the real property located in San Jose, California, more particularly described as Lots 5, 6 and 7 on the map entitled "Tract 9884 Village Square", which map was filed for record on April 11, 2007, in Book 812 of Maps, at pages 49 through 51 in the records of Santa Clara County, California, and includes Condominium Units 20 through 33 shown on the Condominium Plans recorded on August 30, 2007, as Document No. 19570233 in the records of Santa Clara County, California (the "Annexed Property").
- B. The "Village Square Declaration of Restrictions (CC&Rs)" was recorded on August 9, 2007, as Document No. 19544153 in the records of Santa Clara County, California, as amended by a First Amendment recorded on August 31, 2007, as Document No. 19573101 in the records of Santa Clara County, California (the "Declaration"). Section 14.1 of the Declaration provides that Declarant may annex additional property as described in Exhibit A to the Declaration and thereby make the additional property subject to the Declaration.
- C. Declarant now desires to annex the Annexed Property. This Declaration of Annexation is being executed pursuant to the terms of the Declaration for purposes of annexing the Annexed Property and to subject the Annexed Property to the terms of the Declaration.

DECLARANT DECLARES AS FOLLOWS:

- 1. Unless otherwise provided herein, the defined terms as indicated by the capitalization of the first letter of the word shall have the same meaning as defined in the Declaration.
- 2. Pursuant to the terms of the Declaration, Declarant, as the Owner of the Annexed Property, declares that the Annexed Property is annexed to and made a part of the Development as described in the Declaration and that the Annexed Property is subject to the Declaration and the jurisdiction of the Village Square of San Jose Owners Association, a California nonprofit mutual benefit corporation (the "Association"). Voting rights and assessments shall commence as set forth in the Declaration. From and after the effective date of this Declaration of Annexation, the rights, duties, covenants and restrictions contained in the

Declaration shall constitute covenants running with the land and equitable servitudes that benefit and bind the Annexed Property and each Owner and successive Owner thereto.

3. The Owner of a Condominium in the Annexed Property will receive title to his or her Condominium and a membership in the Association, which membership shall be appurtenant to the Member's Condominium.

4. If the Condominiums in the Annexed Property have been used and occupied under a rental program conducted by the Declarant which has been in effect for a period of at least one year as of the date of closing of the escrow for the first sale of a Condominium in the Annexed Property, Declarant, concurrently with this closing, shall pay to the Association appropriate amounts for reserves for replacement or deferred maintenance of Common Area Improvements in the Annexed Property.

THIS DECLARATION OF ANNEXATION shall be effective as of the date it is recorded in the records of Santa Clara County, California.

SUMMERHILL VILLAGE SQUARE, LLC
a California limited liability company

By: **SUMMERHILL HOMES LLC**
a California limited liability company,
Manager

By:


Its Daniel L. McDonald, CFO

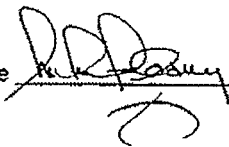
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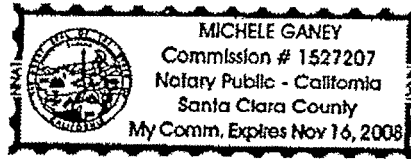

Its Sergio Alvarez, Sr. V.P.

STATE OF CALIFORNIA)
)ss.
COUNTY OF Santa Clara)

On Nov. 1, 2007 before me, Michele Ganey, a notary public, personally appeared Douglas L. McDonald & Santos Alvarez, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature 



(Seal)

Department of Real Estate
of the
State of California

FINAL SUBDIVISION PUBLIC REPORT
CONDOMINIUM

In the matter of the application of

SummerHill Village Square LLC,
a California limited liability company

FILE NO. 132030SA-F00
ISSUED: FEBRUARY 26, 2008
EXPIRES: FEBRUARY 25, 2013

for a Final Subdivision Public Report on

Tract 9884 Village Square
"Village Square - Phase 8"

JEFF DAVI
Real Estate Commissioner

By: *Georgia E. Bisby*
Deputy Commissioner

SANTA CLARA COUNTY, CALIFORNIA

CONSUMER INFORMATION

- ❖ THIS REPORT IS NOT A RECOMMENDATION OR ENDORSEMENT OF THE SUBDIVISION; IT IS INFORMATIVE ONLY.
- ❖ BUYER OR LESSEE MUST SIGN THAT SHE OR 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 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, she or 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 are 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 does 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

SPECIAL NOTES

1. This report covers Units 20-23 located in one building on Lot 5; Units 24-28 located in one building on Lot 6; and Units 29-33 located in one building on Lot 7 of Tract 9884.
2. This project is a common-interest subdivision of the type referred to as a condominium. It includes common area and amenities that will be maintained by an incorporated homeowners association.
3. The association has the right to levy assessments against you for maintenance of the common areas, buildings 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.
4. Since the common area and building improvements, amenities, and common facilities 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.
5. The subdivider must pay assessments to the homeowners association for all unsold units in this phase. The payments must commence on the first day of the month coinciding with or immediately following subdivider's conveyance of the first subdivision interest in this phase. (Regulations 2792.9 and 2792.16)
6. The subdivider must maintain and deliver to the homeowners association the specific records and materials listed in 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. (Business & Professions Code Sec. 11018.5 and Civil Code Section 1363)
7. The subdivider must provide you with a copy of the Articles of Incorporation, Declaration of Covenants, Conditions and Restrictions (CC&Rs), Bylaws and Declaration of Annexation prior to close of escrow. These documents contain numerous material provisions that substantially affect and control of 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 unit. (Section 11018.6 of the Business and Professions Code)
8. The subdivider has made financial arrangements in the amount of \$80,587.00 to assure completion of common area improvements located outside the residential buildings as described in the Planned Construction Statement attached to the security instrument.
9. The subdivider estimates all common area improvements and amenities and the residential structure and units in this phase will be completed by December 2009. (Bldg. 5 - Units 20-23; Bldg. 6 - Units 24-28; and Bldg. 7 - Units 29-33).

10. No escrows will close until all common area improvements, common facilities and amenities, and the residential structures and condominium units in this phase have been completed and a Notice of Completion has been filed and all claim of liens has expired, or a title policy is issued to each purchaser and to the association containing an endorsement against all claim of liens. [Refer to Section 11018.5 of the Business and Professions Code]
11. The subdivider intends to sell all of the units in this project; however, any owner, including the subdivider, has a legal right to rent or lease his or her unit(s).
12. If you purchase five or more subdivision interests (condominium units) from the subdivider, the subdivider is required to notify the Real Estate Commissioner of the sale. If you intend to sell your interests or lease them for terms longer than one year, you are required to obtain an Amended Subdivision Public Report before you can offer the condominium units for sale or lease.
13. 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 both the prospective buyer and the seller.
14. Warning: When you sell your condominium unit to someone else, you must give that person a copy of the Declaration of Covenants, Conditions and Restrictions (CC&Rs), Articles of Incorporation, the Bylaws and a true statement concerning any delinquent assessments, penalties, attorney's fees, or other charges, provided by the CC&Rs or other management documents on the unit as of the date the statement was issued. 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. (Business & Professions Code Sec. 11018.6)

15. The Subdivider advises that each purchaser and The Village Square at San Jose Owners Association will receive a special title endorsement insuring him/her against future mechanics liens which may be incurred in the construction of the buildings and units in the additional phases of this project. The title endorsement provides that the total liability of the title company is limited to the face amount of the title policy only. The insurance will contain the following endorsement: ***"The company hereby insures the insured against loss which said insured shall sustain by reason of any statutory lien for labor or materials attaching to said interest or estate, arising out of any work or improvement on the land under construction or completed at the date hereof or arising from any future construction provided the construction is to complete the improvements as shown in the condominium plan recorded on the property as of the date of this policy, whether the construction is performed by the present subdivider or any successor in interest."***

Should the owner of a condominium unit in this project sell his or her unit to another purchaser prior to completion of the final phase, he or she should inform the new purchaser that a special future mechanic lien endorsement should be obtained from their title insurance company.

LOCATION AND SIZE: This subdivision is located at West San Carlos and Meridian Avenue within the city limits of San Jose, California. Prospective purchasers should acquaint themselves with the current and proposed (or potential) surrounding area uses and zoning and hazards, special districts and available city services.

This is the eighth phase which consists of three lots (three buildings) containing 14 condominium units. Common area improvements and amenities to be constructed include landscaping, streets and drives, fire system (annunciator panel, control panel and fire extinguishers), lighting and metal mailbox structure. This phase is part of a total project which, if developed as proposed, will consist of 9 phases (18 lots/18 buildings) containing 95 condominium units. The estimated completion date of the overall project is June 2010.

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

INTERESTS TO BE CONVEYED: You will receive fee title to a specified unit together with a membership in the Village Square of San Jose Owners Association and rights to the use and benefit of the common area.

MANAGEMENT AND OPERATION: The Village Square of San Jose Owners Association, of which you become a member at time of purchase, manages and operates the common area(s) in accordance with the CC&Rs, Articles, and the Bylaws.

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

As the overall project is developed and additional phases of the 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 Association CC&Rs or Bylaws.

Under the built-out budget (9 phases with 95 units) the monthly assessment against each condominium unit will be \$286.81. Under the Interim (Phase 8) budget, the monthly assessment against each condominium unit will be \$278.11. Of these amounts, the monthly contributions towards long-term reserves, which are not to be used to pay for current management, maintenance and operational expenses will be \$102.69 and \$99.60 respectively.

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 affect these increases may have on their association assessments.

If the budget provided 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 CC&Rs provide that the subdivider or other owner of a subdivision interest will be allowed to defer from payment that portion of any assessment which is directly attributable to any structural improvement and/or common facility that is not complete at the time assessments commence. The amount of the deferment may be a fixed amount or may vary based upon the dates of completion or use. Once the established criterion is met and authority allowing the deferment is eliminated, all owners must pay the full amount of the monthly assessment as outlined herein. The limitations of this allowance are set forth in Article 6 of the CC&Rs. [Regulation 2792.16c].

The association may increase or decrease assessments at any time in accordance with the procedure prescribed in the CC&Rs or Bylaws. In considering the advisability of a decrease, or a smaller increase, in assessments, care should be taken not to eliminate amounts attributable to reserves for replacement or major maintenance.

Expenses of operation and maintenance 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, services and utilities.

Monthly assessments will commence on units covered by this Public Report on the first day of the month immediately following the conveyance of the first unit. The remedies available to the homeowners association against unit owners who are delinquent in the payment of assessments are set forth in the Declaration of Covenants, Conditions and 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 its assessments. The governing body of the association should assure itself that the subdivider has satisfied these obligations to the homeowners association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

COVENANTS AND RESTRICTIONS: This subdivision is subject to Declaration of Covenants, Conditions and Restrictions (CC&Rs) recorded August 9, 2007 as Document No. 19544153 (and any documents declaring modifications thereof), and Declaration of Annexation (Phase 8) recorded February 6, 2008 as Document No. 19734869 in the Office of the Santa Clara County Recorder.

For information as to your obligations and rights you should read the CC&Rs (and modifications thereof). The subdivider must make these documents available to you.

TITLE: A preliminary (title) report shows title, among other things, to be subject to:

- The terms and provisions contained in the document entitled "*Affordability Restrictions (Moderate Income Units)*" recorded February 7, 2007 as Document No. 19296892, Official Records.
- Terms and provisions contained in the document entitled "*Parkland Agreement*" recorded May 17, 2007 as Document No. 19435553, Official Records.

EASEMENTS: Easements for storm sewer pipelines, public service, emergency access, private storm drainage, covenant of easement, private street and incidental purposes as shown on the Title Report and Map entitled "**Tract No. 9884 Village Square**" recorded on April 11, 2007 in Book 812 of Maps, at Pages 49 through 51, Official Records of Santa Clara County.

The Condominium Plan recorded on August 30, 2007 as Document No. 19570233.

SURROUNDING AREA USES AND ZONING: The following uses and zoning exist within or near this development: single family residential, duplexes, traffic noise, car dealership, street and commercial lighting, traffic, general commercial/retail uses including high volume grocery stores, automotive sales, public storage, and strip mall.

NATURAL HAZARD AREAS AND ZONES: The subdivision subject to this Public Report is located within a *Seismic Hazard Zone*; and, prospective purchasers will be provided a separate disclosure required under Public Resources Code Section 2694.

If any disclosure, or any material amendment to any disclosure, required to be made by the subdivider regarding any 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 representing the project.

Since the subdivision subject to this Public Report is located within one or more natural hazard areas, your homeowner's insurance coverage may be affected. You should contact your lender and insurance carrier for more information regarding types of insurance and costs to cover your property.

PROPERTY 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, the full cash value of the unit will be the valuation (as reflected on the tax roll) determined by the county assessor as of the date of purchase of the unit or as of the date of completion of an improvement on the unit if that occurs after the date of purchase.

NOTICE OF SUPPLEMENTAL PROPERTY TAX BILL: California property tax law requires the Assessor to revalue (reassess) real property at the time ownership of the property changes. Because of this law, you may receive one or two supplemental property 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 your impound account, the supplemental 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, call your local Tax Collector's office.

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:

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 balance in one payment. If you are unable to pay the balance and the remaining balance is sizable, you should be concerned with the possible difficulty in refinancing the loan. If you cannot refinance the loan or sell your property, or make the balloon payment, you will lose your property.

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 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.

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.

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.

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.

Additional Information: 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 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 non-refundable fee.

Before signing, carefully read and thoroughly understand all financing/loan documents.

SCHOOLS: San Jose Unified School District. The schools initially available to this subdivision are Trace Elementary School (K-5), Hoover Middle School (6-8) and Lincoln High School. For current information regarding attendance boundaries, school calendar, programs and services, contact the district at (408) 535-6232.

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

If escrow has not closed on your condominium unit within twelve (12) months from the date of acceptance of the deposit receipt by both Buyer and Seller, and you are not in default under the terms of the contract, you may request the return of your purchase money deposit.

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 project.

SOIL CONDITIONS AND FILLED GROUND: This condominium project contains filled ground. Information concerning filled ground and soil conditions is available for review at the City of San Jose, Department of Public Works.

STREETS AND DRIVES: The Village Square of San Jose Owners Association will maintain the private streets and drives within this project. The costs of repair and maintenance are included in the budget and are a part of your regular assessment.

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 call DRE at (916) 227-0813.

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 _____ 132030SA-F00 _____
(FILE NUMBER)

**Tract 9884 Village Square
"Village Square - Phase 8"**

(TRACT NUMBER OR NAME)

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: February 26, 2008
Expires: February 25, 2013

(SIGNATURE)

(DATE)

(ADDRESS)

Department of Real Estate
of the
State of California

FINAL SUBDIVISION PUBLIC REPORT
CONDOMINIUM

In the matter of the application of

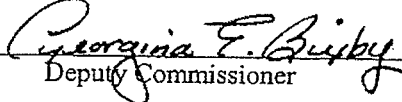
SummerHill Village Square LLC,
a California limited liability company

FILE NO. 132030SA-F00
ISSUED: FEBRUARY 26, 2008
EXPIRES: FEBRUARY 25, 2013

for a Final Subdivision Public Report on

Tract 9884 Village Square
"Village Square - Phase 8"

JEFF DAVI
Real Estate Commissioner

By: 
Deputy Commissioner

SANTA CLARA COUNTY, CALIFORNIA

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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, she or 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 are 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 does 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

SPECIAL NOTES

1. This report covers Units 20-23 located in one building on Lot 5; Units 24-28 located in one building on Lot 6; and Units 29-33 located in one building on Lot 7 of Tract 9884.
2. This project is a common-interest subdivision of the type referred to as a condominium. It includes common area and amenities that will be maintained by an incorporated homeowners association.
3. The association has the right to levy assessments against you for maintenance of the common areas, buildings 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
4. Since the common area and building improvements, amenities, and common facilities 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.
5. The subdivider must pay assessments to the homeowners association for all unsold units in this phase. The payments must commence on the first day of the month coinciding with or immediately following subdivider's conveyance of the first subdivision interest in this phase. (Regulations 2792.9 and 2792.16)
6. The subdivider must maintain and deliver to the homeowners association the specific records and materials listed in 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. (Business & Professions Code Sec. 11018.5 and Civil Code Section 1363)
7. The subdivider must provide you with a copy of the Articles of Incorporation, Declaration of Covenants, Conditions and Restrictions (CC&Rs), Bylaws and Declaration of Annexation prior to close of escrow. These documents contain numerous material provisions that substantially affect and control of 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 unit. (Section 11018.6 of the Business and Professions Code)
8. The subdivider has made financial arrangements in the amount of \$80,587.00 to assure completion of common area improvements located outside the residential buildings as described in the Planned Construction Statement attached to the security instrument.
9. The subdivider estimates all common area improvements and amenities and the residential structure and units in this phase will be completed by December 2009. (Bldg. 5 - Units 20-23; Bldg. 6 - Units 24-28; and Bldg. 7 - Units 29-33).

10. No escrows will close until all common area improvements, common facilities and amenities, and the residential structures and condominium units in this phase have been completed and a Notice of Completion has been filed and all claim of liens has expired, or a title policy is issued to each purchaser and to the association containing an endorsement against all claim of liens. [Refer to Section 11018.5 of the Business and Professions Code]
11. The subdivider intends to sell all of the units in this project; however, any owner, including the subdivider, has a legal right to rent or lease his or her unit(s).
12. If you purchase five or more subdivision interests (condominium units) from the subdivider, the subdivider is required to notify the Real Estate Commissioner of the sale. If you intend to sell your interests or lease them for terms longer than one year, you are required to obtain an Amended Subdivision Public Report before you can offer the condominium units for sale or lease.
13. 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 both the prospective buyer and the seller.
14. Warning: When you sell your condominium unit to someone else, you must give that person a copy of the Declaration of Covenants, Conditions and Restrictions (CC&Rs), Articles of Incorporation, the Bylaws and a true statement concerning any delinquent assessments, penalties, attorney's fees, or other charges, provided by the CC&Rs or other management documents on the unit as of the date the statement was issued. 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. (Business & Professions Code Sec. 11018.6)

15. The Subdivider advises that each purchaser and The Village Square at San Jose Owners Association will receive a special title endorsement insuring him/her against future mechanics liens which may be incurred in the construction of the buildings and units in the additional phases of this project. The title endorsement provides that the total liability of the title company is limited to the face amount of the title policy only. The insurance will contain the following endorsement: ***"The company hereby insures the insured against loss which said insured shall sustain by reason of any statutory lien for labor or materials attaching to said interest or estate, arising out of any work or improvement on the land under construction or completed at the date hereof or arising from any future construction provided the construction is to complete the improvements as shown in the condominium plan recorded on the property as of the date of this policy, whether the construction is performed by the present subdivider or any successor in interest."***

Should the owner of a condominium unit in this project sell his or her unit to another purchaser prior to completion of the final phase, he or she should inform the new purchaser that a special future mechanic lien endorsement should be obtained from their title insurance company.

LOCATION AND SIZE: This subdivision is located at West San Carlos and Meridian Avenue within the city limits of San Jose, California. Prospective purchasers should acquaint themselves with the current and proposed (or potential) surrounding area uses and zoning and hazards, special districts and available city services.

This is the eighth phase which consists of three lots (three buildings) containing 14 condominium units. Common area improvements and amenities to be constructed include landscaping, streets and drives, fire system (annunciator panel, control panel and fire extinguishers), lighting and metal mailbox structure. This phase is part of a total project which, if developed as proposed, will consist of 9 phases (18 lots/18 buildings) containing 95 condominium units. The estimated completion date of the overall project is June 2010.

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

INTERESTS TO BE CONVEYED: You will receive fee title to a specified unit together with a membership in the Village Square of San Jose Owners Association and rights to the use and benefit of the common area.

MANAGEMENT AND OPERATION: The Village Square of San Jose Owners Association, of which you become a member at time of purchase, manages and operates the common area(s) in accordance with the CC&Rs, Articles, and the Bylaws.

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

As the overall project is developed and additional phases of the 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 Association CC&Rs or Bylaws.

Under the built-out budget (9 phases with 95 units) the monthly assessment against each condominium unit will be \$286.81. Under the Interim (Phase 8) budget, the monthly assessment against each condominium unit will be \$278.11. Of these amounts, the monthly contributions towards long-term reserves, which are not to be used to pay for current management, maintenance and operational expenses will be \$102.69 and \$99.60 respectively.

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 affect these increases may have on their association assessments.

If the budget provided 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 CC&Rs provide that the subdivider or other owner of a subdivision interest will be allowed to defer from payment that portion of any assessment which is directly attributable to any structural improvement and/or common facility that is not complete at the time assessments commence. The amount of the deferment may be a fixed amount or may vary based upon the dates of completion or use. Once the established criterion is met and authority allowing the deferment is eliminated, all owners must pay the full amount of the monthly assessment as outlined herein. The limitations of this allowance are set forth in Article 6 of the CC&Rs. [Regulation 2792.16c].

The association may increase or decrease assessments at any time in accordance with the procedure prescribed in the CC&Rs or Bylaws. In considering the advisability of a decrease, or a smaller increase, in assessments, care should be taken not to eliminate amounts attributable to reserves for replacement or major maintenance.

Expenses of operation and maintenance 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, services and utilities.

Monthly assessments will commence on units covered by this Public Report on the first day of the month immediately following the conveyance of the first unit. The remedies available to the homeowners association against unit owners who are delinquent in the payment of assessments are set forth in the Declaration of Covenants, Conditions and 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 its assessments. The governing body of the association should assure itself that the subdivider has satisfied these obligations to the homeowners association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

COVENANTS AND RESTRICTIONS: This subdivision is subject to Declaration of Covenants, Conditions and Restrictions (CC&Rs) recorded August 9, 2007 as Document No. 19544153 (and any documents declaring modifications thereof), and Declaration of Annexation (Phase 8) recorded February 6, 2008 as Document No. 19734869 in the Office of the Santa Clara County Recorder.

For information as to your obligations and rights you should read the CC&Rs (and modifications thereof). The subdivider must make these documents available to you.

TITLE: A preliminary (title) report shows title, among other things, to be subject to:

- The terms and provisions contained in the document entitled "Affordability Restrictions (Moderate Income Units)" recorded February 7, 2007 as Document No. 19296892, Official Records.
- Terms and provisions contained in the document entitled "Parkland Agreement" recorded May 17, 2007 as Document No. 19435553, Official Records.

EASEMENTS: Easements for storm sewer pipelines, public service, emergency access, private storm drainage, covenant of easement, private street and incidental purposes as shown on the Title Report and Map entitled "**Tract No. 9884 Village Square**" recorded on April 11, 2007 in Book 812 of Maps, at Pages 49 through 51, Official Records of Santa Clara County.

The Condominium Plan recorded on August 30, 2007 as Document No. 19570233.

SURROUNDING AREA USES AND ZONING: The following uses and zoning exist within or near this development: single family residential, duplexes, traffic noise, car dealership, street and commercial lighting, traffic, general commercial/retail uses including high volume grocery stores, automotive sales, public storage, and strip mall.

NATURAL HAZARD AREAS AND ZONES: The subdivision subject to this Public Report is located within a *Seismic Hazard Zone*; and, prospective purchasers will be provided a separate disclosure required under Public Resources Code Section 2694.

If any disclosure, or any material amendment to any disclosure, required to be made by the subdivider regarding any 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 representing the project.

Since the subdivision subject to this Public Report is located within one or more natural hazard areas, your homeowner's insurance coverage may be affected. You should contact your lender and insurance carrier for more information regarding types of insurance and costs to cover your property.

PROPERTY 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, the full cash value of the unit will be the valuation (as reflected on the tax roll) determined by the county assessor as of the date of purchase of the unit or as of the date of completion of an improvement on the unit if that occurs after the date of purchase.

NOTICE OF SUPPLEMENTAL PROPERTY TAX BILL: California property tax law requires the Assessor to revalue (reassess) real property at the time ownership of the property changes. Because of this law, you may receive one or two supplemental property 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 your impound account, the supplemental 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, call your local Tax Collector's office.

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:

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 balance in one payment. If you are unable to pay the balance and the remaining balance is sizable, you should be concerned with the possible difficulty in refinancing the loan. If you cannot refinance the loan or sell your property, or make the balloon payment, you will lose your property.

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 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.

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.

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.

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.

Additional Information: 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 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 non-refundable fee.

Before signing, carefully read and thoroughly understand all financing/loan documents.

SCHOOLS: San Jose Unified School District. The schools initially available to this subdivision are Trace Elementary School (K-5), Hoover Middle School (6-8) and Lincoln High School. For current information regarding attendance boundaries, school calendar, programs and services, contact the district at (408) 535-6232.

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

If escrow has not closed on your condominium unit within twelve (12) months from the date of acceptance of the deposit receipt by both Buyer and Seller, and you are not in default under the terms of the contract, you may request the return of your purchase money deposit.

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 project.

SOIL CONDITIONS AND FILLED GROUND: This condominium project contains filled ground. Information concerning filled ground and soil conditions is available for review at the City of San Jose, Department of Public Works.

STREETS AND DRIVES: The Village Square of San Jose Owners Association will maintain the private streets and drives within this project. The costs of repair and maintenance are included in the budget and are a part of your regular assessment.

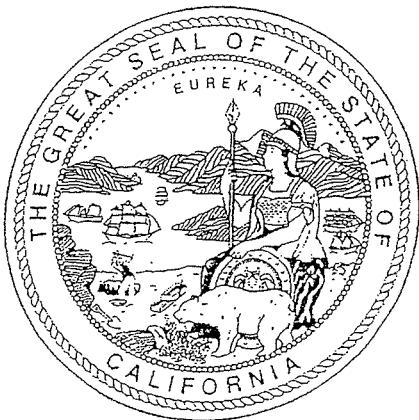
CLOSING STATEMENT: If you need clarification as to the statements in this Public Report, or if you desire to make arrangements to review the documents submitted by the subdivider which the Department of Real Estate used in preparing this Public Report, you may call DRE at (916) 227-0813.

State of California
Secretary of State



I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

That the attached transcript of 2 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



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

APR 24 2007

A handwritten signature in cursive script that reads "Debra Bowen".

DEBRA BOWEN
Secretary of State

APR 19 2007

ARTICLES OF INCORPORATION
OF
VILLAGE SQUARE OF SAN JOSE OWNERS ASSOCIATION

ARTICLE 1

The name of this corporation is Village Square of San Jose Owners Association.

ARTICLE 2

- 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, other than credit union business, for which a corporation may be organized under such law.
- B. The specific and primary purpose of this corporation is to be a condominium management association organized and operated to provide for the acquisition, construction, management, maintenance and care of property owned by this corporation, property commonly owned by the members of this corporation, and property privately owned by the members of this corporation (collectively, the "Association Property").
- C. No part of the net earnings of this corporation shall inure to the benefit of any private member other than by acquiring, constructing, or providing management, maintenance and care of Association Property and other than by a rebate of excess membership dues, fees or assessments.
- D. This corporation is an association formed to manage a common interest development under the Davis-Stirling Common Interest Development Act.
- E. The business office of the Association is located at 777 California Avenue, Palo Alto, California 94304. The office is not on the site of the common interest development. The front street and the nearest cross street of the physical location of the development are West San Carlos Street and North Willard Avenue, respectively; and the zip code for the development is 95126-0000.
- F. This corporation does not have a managing agent.

ARTICLE 3

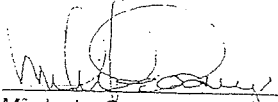
The name and address in the State of California of this corporation's initial agent for service of process is:

Michele Ganey
777 California Avenue
Palo Alto, CA 94304

ARTICLE 4

Notwithstanding any of the above statements of 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

Dated: April 18, 2007



Michele Ganey,
Sole Incorporator



April 16, 2007