

NOTICE OF PENDENCY AND SETTLEMENT OF CLASS ACTION, SETTLEMENT HEARING, AND EXCLUSION AND OBJECTION PROCEDURES

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF RIVERSIDE

The Court has given preliminary approval to a settlement of this lawsuit. This means that the Court has determined that there is sufficient evidence to suggest that the proposed settlement might be fair, adequate and reasonable; however, any final determination of those issues will be made at the final hearing. If you purchased a home sold by K. Hovnanian Companies of California, Inc. ("K. Hovnanian") in Communities Facility District ("CFD") 88-3 in Lake Elsinore, Riverside County, from around 1995 to 2007, you should read this Notice carefully because it will affect your rights.

*The Riverside County Superior Court of California authorized this Notice. This is not a solicitation from a lawyer.*

- Homeowners who purchased homes from K. Hovnanian in CFD 88-3 in Lake Elsinore, Riverside County, from around 1995 to 2007, have sued K. Hovnanian in a class action suit alleging that K. Hovnanian sold the homes based on misrepresentations it made to home purchasers regarding the end date for repayment of a special "Mello Roos" tax that would be levied on homeowners to repay bonds sold to fund public infrastructure for the housing development. K. Hovnanian denies all liability and any wrongdoing. However, in order to avoid protracted litigation, it has agreed to enter into this settlement.
- The settlement will provide one hundred forty-four thousand and fifty dollars (\$144,050) to pay claims to those who qualify to receive a payment.
- Your legal rights are affected by how you act in response to this Notice. Please read this Notice carefully. Set forth in the table below is a summary of the options available to you:

ACTION	INFORMATION
DO NOTHING	Receive a settlement payment. You will release K. Hovnanian from the claims stated in the Complaint and those based solely upon the facts alleged in the Complaint.
EXCLUDE YOURSELF	Submit an exclusion request, receive no money and retain your rights.  If you submit a timely and valid exclusion request (on the form provided) then you will receive no payment and you will retain your right to pursue claims against K. Hovnanian in a separate lawsuit that you may file on your own.
OBJECT	Submit a written objection to the Court.  If you disagree with the proposed settlement, you may submit an objection. If the Court agrees with your objection, the parties can choose whether to withdraw the settlement or change its terms. If the Court rejects your objection, you will still be entitled to participate in the settlement.
GO TO A HEARING	Ask to speak in Court about the fairness of the settlement. In order to speak at the hearing, however, you also need to timely submit a written objection.

- These rights and options—**and the deadlines to exercise them**—are explained in this Notice.
- The Court in charge of this case still needs to decide whether to approve the settlement. Payments will be made if the Court approves the settlement and after appeals are resolved (if any).

**BASIC INFORMATION**

1. Why did I receive this notice?

You received this Notice because K. Hovnanian and public records show that you (1) purchased a home from K. Hovnanian in CFD 88-3 in Lake Elsinore, Riverside County, from around 1995 to 2007; (2) you had not previously signed a release of all claims arising from the construction of the homes; (3) received a notice of special tax with a Mello Roos tax end date of 2015-16 or no specified Mello Roos tax end date; and (4) may be eligible to receive money from this Settlement.

This Notice explains that the Court has granted preliminary approval of a proposed settlement of a class action lawsuit that may affect you. You have legal rights and options that you may exercise before the Court decides whether to grant final approval of the proposed settlement. The Honorable Craig G. Riemer of the Superior Court for the County of Riverside is overseeing this class action.

**2. What is this lawsuit about?**

This lawsuit was filed by Shari Lynn Sack, on behalf of herself and on behalf of all other similarly situated homeowners who purchased homes from K. Hovnanian in CFD 88-3 in Lake Elsinore, Riverside County, from around 1995 to 2007. The lawsuit alleges that K. Hovnanian misrepresented the period over which special taxes would be levied to repay Mello Roos bonds when selling to original purchasers. Plaintiff sought damages resulting from the alleged misrepresentations by K. Hovnanian. The Case is entitled "*Shari Lynn Sack vs. K. Hovnanian Companies of California, Inc.*", Case No. RIC1515306. K. Hovnanian denies all liability and any wrongdoing.

**3. What is a class action and who is involved?**

In a typical class action, one person, in this case, Shari Lynn Sack, (also "Named Plaintiff") files a lawsuit on behalf of people who they believe have similar claims. These people together are called "Plaintiffs," or are sometimes referred to as a "Class". The company the Named Plaintiff sued (in this case K. Hovnanian) is called the Defendant. In this case, the Named Plaintiff and the Defendant have decided to settle the case. However, their proposed settlement must be approved by the Court. This happens in two stages. First, if the Court is satisfied that the proposed settlement appears fair, adequate and reasonable, it grants preliminary approval and orders that a Notice like this is sent to everyone in the Class. Plaintiffs can then request exclusion, or object to the proposed settlement. Once Plaintiffs have had an opportunity to exclude themselves, or object, the Court reviews this information -- and submissions by all interested persons -- and decides whether to grant final approval of the settlement. If the Court grants final approval, all qualifying Plaintiffs are paid out of the settlement monies in exchange for a release of additional claims.

**4. Why are these lawsuits class actions?**

The Parties agreed to treat this case as a class action for purposes of settlement only. The Court then made a preliminary determination that the proposed settlement appears fair, adequate, and reasonable. In making this determination, the Court looked at things like the amounts of money that Defendant would have had to pay the Class if they had won the lawsuit, and the chances that Defendant would have won the case. The Court also considered the costs which both Plaintiff and Defendant would have to pay in attorneys' fees and other expenses if they did not settle the case and the amount of time and resources it would take to proceed with this case through any trial and appeal. The Court also considered that the settlement was reached after serious, arms-length negotiations, including a lengthy mediation before an experienced mediator. Finally, the Court considered the possibility that the case would not have been allowed to proceed as a class action, and Plaintiffs would not have had the opportunity to participate and make claims.

**5. Is there any money available now?**

No money or benefits are available right now because the Court has not yet decided whether to give final approval to the settlement. If the Court gives final approval to the settlement, then you will be sent your portion of the settlement once the Court's order becomes final, if you have not timely requested exclusion.

**WHO IS THE CLASS?**

**6. How do I know if I am a Plaintiff?**

You are a Plaintiff if you: (1) purchased a home from K. Hovnanian Companies of California, Inc. (by and through K. Hovnanian at Northlake, Inc. and/or K. Hovnanian Forecast Homes, Inc.) within Community Facilities District 88-3 in Lake Elsinore California, (2) had not previously signed a release of all claims arising from the construction of the homes; and (3) received a notice of special tax with a Mello Roos tax end date of 2015-16 or no specified Mello Roos tax end date. All Plaintiffs are receiving a Notice. All Plaintiffs who do not timely request to be excluded from the settlement as set forth below will be "Class Members."

The Class Members will fall into one of two groups of homeowners who purchased homes from K. Hovnanian in CFD 88-3 in Lake Elsinore, California. The first group ("Group I") consists of homeowners who (1) received a Notice of Special Tax with a Mello Roos tax end date of 2015-16; and (2) still owned the home as of September 18, 2017. The second group ("Group II") consists of homeowners who (1) received a Notice of Special Tax with a Mello Roos tax end date of 2015-16; and no longer owned the home as of September 18, 2017; or (2) received a Notice of Special Tax with no specified Mello Roos tax end date.

**7. I'm still not sure if I am a Plaintiff.**

If you are still not sure whether you are a Plaintiff or whether you are a member of "Group I" or "Group II" as defined in Paragraph #6 above, you can ask for free help. You can contact the attorneys representing you, listed in paragraph 18 below, or you can call the claims administrator at (888) 369-3780.

## THE SETTLEMENT BENEFITS-WHAT YOU RECEIVE

### 8. What does the Settlement provide?

The proposed settlement requires K. Hovnanian to pay a settlement amount of one hundred forty-six thousand five hundred and fifty dollars (\$146,550). That amount includes all payments to Class Members and an incentive award for the Named Plaintiff. It does not include attorneys' fees and costs for the attorneys representing the Plaintiffs and claims administration costs. Settlement proceeds will be paid to all Plaintiffs who do not submit valid and timely exclusion requests (as explained in Paragraph 15 below).

The attorneys representing the Plaintiffs have litigated this case since December 2015, and have devoted substantial time, effort and expense to prosecuting the case. According to California law, the court may award attorneys' fees to the attorneys representing the Plaintiffs as well as reimbursement for costs they have expended in their work and for settlement administration costs. The attorneys representing the Plaintiffs plan to request that the Court authorize payment to them of attorneys' fees and costs and for settlement administration costs in an amount not to exceed One Hundred Forty-Eight Thousand Four Hundred and Fifty Dollars (\$148,450), which, if approved, will be paid by K. Hovnanian separately and in addition to the settlement amount to be paid to the Class Members described above.

The Named Plaintiff will ask the Court to approve monetary payments to her as compensation for the work she has done (and risk she incurred) in bringing and prosecuting the case on behalf of the Plaintiffs, in an amount not to exceed a total of two thousand five hundred dollars (\$2,500) (the "Incentive Award"). If approved by the Court, the payment will be made from the settlement fund of \$146,550 and will be in addition to any amounts of damages paid to the Named Plaintiff (as a Class Member) under the terms of the Settlement.

### 9. What can I get from the Settlement?

The owner (or, if there is more than one owner, the owners) of each home in Group I should receive \$2,775 per home, and the owner (or owners) of each home in Group II should receive \$100 per home. The claims administrator shall pay the settlement amount to the Class Members on a per home basis (as opposed to a per owner basis). If a home is owned by two or more Class Members, the claims administrator shall issue a single check made payable to all of the owners of that home.

The amounts to be paid per each home was calculated based upon the number of homes purchased by the Class Members from K. Hovnanian, which was determined based on a review of K. Hovnanian sales records and property tax records. Plaintiff believes that this number of homes is accurate, based on the review of available records. However, in the event that any additional eligible Class Members are discovered during the class administration period, resulting in insufficient funds to fully pay as stated above, the claims administrator shall reduce the payments to the Class Members who are part of Group I on a pro rata basis.

Any unpaid cash residue or unclaimed or abandoned funds shall be transmitted as follows:

- a. Twenty-five (25%) percent to the State Treasury for deposit in the Trial Court Improvement and Modernization Fund, established in Section 77209 of the Government Code, and subject to appropriation in the annual Budget Act for the Judicial Council to provide grants to trial courts for new or expanded collaborative courts or grants for Sargent Shriver Civil Counsel.
- b. Seventy-five percent (75%) to the State Treasury for deposit into the Equal Access Fund of the Judicial Branch, to be distributed in accordance with Sections 6216 to 6223, inclusive, of the Business and Professions Code, except that administrative costs shall not be paid to the State Bar or the Judicial Council from this sum.

Any attorneys' fees and costs awarded by the Court will not affect this payout to the Class Members.

If this notice was sent to you at your current address, you do not need to do anything further to receive any further notices concerning this case. If this notice was forwarded by the postal service, or if it was otherwise sent to you at an address that is not current, or if you have changed your address, then you should immediately send a letter to the claims administrator stating your name and past and current addresses.

The claims administrator's address is:

Sack v. K. Hovnanian Companies of California, Inc.,  
P.O. Box 26170  
Santa Ana, CA 92799  
Telephone: (888) 369-3780

### 10. If the Settlement is approved, when will I receive my settlement payment?

The Court has scheduled a Final Approval Hearing on November 5, 2018 at 8:30 a.m. in Department 5 of the Superior Court for the State of California for the County of Riverside, 4050 Main Street, Riverside, CA 92501, at which time the Court will determine: (1) whether the proposed settlement should be approved as fair, reasonable and adequate to Class Members; and (2) whether the applications for the Named Plaintiff's Incentive Award and attorneys' fees and costs should be approved. If the Court approves the settlement, an Order Granting Final Approval will be entered. It is neither required nor necessary that you attend the Final Approval Hearing.

Once the Order Granting Final Approval is signed by the Court and a Final Judgment is entered, and if the Final Judgment is not subject to appeal or if there is no appeal of the Court's order, then checks will be mailed out to the Class Members within approximately 30 days. If an appeal is filed, then distributions will be delayed until after final resolution of any appeals. Please be patient.

11. What happens if I do nothing at all?

If you do nothing, you will receive a payment from the Settlement and you will be bound by the terms of the Judgment. This means that if you do nothing, you will be legally bound by all of the Orders of the Court and judgments the Court makes in this class action, and you will have been deemed to have released K. Hovnanian from the claims stated in the Complaint and those based solely upon the facts alleged in the Complaint. For further information, you can speak with the attorneys in this case listed in Paragraph 18.

**HOW YOU RECEIVE A PAYMENT**

12. How can I receive a payment?

All you have to do to receive a payment is to not exclude yourself from the class. Once the payment arrives, you cash your check.

13. What if I get my payment and don't cash it?

If you receive the payment and do not cash your check, you will still be bound by the terms of the Judgment.

14. What am I giving up if I stay in the Class?

If you do nothing (and thereby become part of the Class), you will not be allowed to sue K. Hovnanian for any claims stated in the Complaint and those based solely upon the facts alleged in the Complaint. Staying in the Class also means that all of the Court's orders will apply to you and legally bind you.

For your reference, the exact Release language from the Settlement Agreement is:

“For and in consideration of the mutual promises contained in this Agreement, Plaintiff and Settlement Class Members fully and finally release the Released Parties as of the Final Settlement Date from the following: the claims stated in the Complaint and those based solely upon the facts alleged in the Complaint.”

**EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you want to keep the right to sue or continue to sue on your own about legal issues alleged in this case and/or you don't want a payment from this settlement, then you must take certain steps. This is called—“excluding yourself”—or is sometimes referred to as “opting out” of the settlement.

15. How do I request to be excluded from the Settlement?

To exclude yourself from the settlement, or "opt out", you must complete and submit a written statement (on the form attached to this Notice, entitled “Exclusion Form”) requesting exclusion from the Class. Your written request for exclusion must contain your name, address, telephone number, and the address of the home you purchased from K. Hovnanian. You must return your request to Simpluris, Inc., postmarked no later than September 15, 2018.

16. If I don't exclude myself, can I sue K. Hovnanian for the same thing later?

No. If you do not submit a valid and/or timely request for exclusion postmarked by September 15, 2018, you will be bound by any Judgment entered in the class action, if the settlement is approved by the Court. If you have a pending lawsuit, speak to your lawyer in that case immediately.

17. If I exclude myself, can I get money from this Settlement?

No. If you exclude yourself, you are asking not to be included in the settlement. But, you can sue, continue to sue, or be part of a different lawsuit against K. Hovnanian.

**THE LAWYERS REPRESENTING YOU**

18. Do I have a lawyer in this case?

Yes. The following attorneys have been representing your interests, as a Class Member:

Arif Virji, Esq.  
Gary M. Ittig, Esq.  
LYNCH, GILARDI & GRUMMER  
170 Columbus Avenue, 5th Floor  
San Francisco, CA 94133  
Telephone: (415) 397-2800  
Fax (415) 397-0937

You do not need to hire your own lawyer because the attorneys listed above are working on your behalf. But, if you want to hire your own lawyer, you may do so at your own expense. For example, you can hire your own legal counsel to appear in Court for you if you want someone other than the attorneys representing the Plaintiffs in this case to speak for you.

## OBJECTING TO THE SETTLEMENT

### 19. Why would I ask to object?

If you think that the proposed settlement is unfair, inadequate or unreasonable, you can object to the proposed settlement. If you object, and if the Court approves the proposed settlement, then you will still receive a share of the settlement money, and you will be bound by the terms of the release as set forth in Paragraph 14.

### 20. How do I object?

If you want to object to the settlement, any part of the settlement, the amount of attorneys' fees, costs and expenses claimed by the attorneys representing the Plaintiffs, or the Incentive Award for the Named Plaintiff, you must do so in writing on the attached "Objection Form" and send it to the class administrator, setting forth the basis for your objection, along with any papers for the Court to consider, and you must mail those papers to the class administrator, no later than September 15, 2018, at:

Sack v. K. Hovnanian Companies of California, Inc.,  
P.O. Box 26170  
Santa Ana, CA 92799  
Telephone: (888) 369-3780

If you object in the manner provided above, then you or your attorney may appear at the Final Approval Hearing, currently set for November 5, 2018 at 8:30 a.m. in Department 5 of the Superior Court for the State of California, County of Riverside, to present any arguments concerning the fairness, reasonableness and adequacy of the settlement, or concerning the Named Plaintiff's application for Incentive Award or the award of attorneys' fees, costs and expenses. However, if you do not object in the manner provided above, your objection may be considered waived and you will not be able to make any other or later objection to the fairness, reasonableness or adequacy of the proposed settlement, or to any award of attorneys' fees, costs and expenses, or to Named Plaintiff's Incentive Award.

### 21. What is the difference between objecting and excluding?

Objecting is simply telling the Court that you don't like something about the settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you don't want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

## THE COURT'S FAIRNESS HEARING

The Court will hold a hearing in front of the Honorable Craig G. Riemer on November 5, 2018 at 8:30 a.m. at the Superior Court of California, County of Riverside, Dept. 5, located at 4050 Main Street, Riverside, California 92501 (the "Court"), to determine whether the proposed settlement is fair, adequate, reasonable and should be approved by the Court. At the hearing, the attorneys representing the Plaintiffs will speak on your behalf and answer any questions Judge Riemer might have.

### 22. May I attend the Hearing and speak?

Anyone may attend this hearing. If you are a Class Member and wish to speak in opposition to the motion for final approval, you must file an objection as described above before you can speak at the hearing.

## GETTING MORE INFORMATION

### 23. Are there more details about the Settlement?

This notice summarizes the proposed settlement. For a more detailed statement of the matters involved in the action and the proposed settlement, you may refer to the pleadings, the Second Amended Stipulation and Settlement Agreement of Class Action Claims (attached as Exhibit 1 to the Amended Declaration Of Arif Virji In Support Of Class Action Settlement Pursuant To Case Management Order No. 2(H), filed on June 8, 2018), and other papers filed in the action, which may be inspected at the Office of the Clerk of the Court, during regular business hours of each Court day. The Court's address is: The Superior Court of California, County of Riverside, 4050 Main Street, Riverside, California 92501. The settlement agreement may also be received on-line at <http://www.riverside.courts.ca.gov>. Or, you may contact the attorneys representing the Plaintiffs (see contact information in Paragraph 18). Or, you may read more about the settlement on the following website set up by the claims administrator: [www.simpluris.com/case-information/](http://www.simpluris.com/case-information/).

### 24. How do I get more information?

All questions regarding this notice and/or the settlement should be directed to the attorneys representing the Plaintiffs listed in Paragraph 18.

PLEASE DO NOT CONTACT THE CLERK OF THE COURT, JUDGE CRAIG G. RIEMER, K. HOVNANIAN, OR K. HOVNANIAN'S ATTORNEYS WITH INQUIRIES.