

SUBDIVISION DISCLOSURE REPORT

(PUBLIC REPORT)

FOR

Stone Canyon II Rancho Vistoso Neighborhood 11

aka Stone Canyon II

Registration No. DM09-055004

SUBDIVIDER

PHSG Servicing, Inc.
2999 N. 44th Street, Suite 100
Phoenix, AZ 85018

Effective Date

July 30, 2009

PROPERTY REPORT DISCLAIMER

This report is NOT A RECOMMENDATION OR AN ENDORSEMENT by the State of Arizona of this land but is provided for informational purposes ONLY. The report reflects information provided by the subdivider and obtained by the Department in its review process in accordance with the provisions of Title 32, Chapter 20, Article 4, of the Arizona Revised Statutes, as amended. **NOTE** that not all of the information in this report has been verified by the Department; certain information has been accepted by the Department as true and accurate based on attestation of the subdivider and/or the subdivider's agents. You should verify all facts before signing any documents. The Department has not passed upon the quality or quantity of any improvement or structure and does not assume responsibility in either event.

TUCSON OFFICE:
400 West Congress
Suite 523
Tucson, Arizona 85701
(520) 628-6940

PHOENIX OFFICE:
2910 N. 44th Street
Suite 130
Phoenix, Arizona 85018
(602) 771-7750

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THE ARIZONA DEPARTMENT OF REAL ESTATE

REQUIRES THAT:

1. You BE GIVEN this public report;
2. YOU SIGN A RECEIPT indicating that you received this report;

RECOMMENDS:

1. You DO NOT SIGN ANY AGREEMENT before you have read this report;
2. You see the EXACT PROPERTY you are interested in BEFORE SIGNING any document for lease or purchase.

ARIZONA LAW STATES:

1. THE SALE OR LEASE OF SUBDIVIDED LANDS PRIOR TO ISSUANCE OF THIS REPORT OR FAILURE TO DELIVER THIS REPORT TO YOU SHALL RENDER THE SALE OR LEASE RESCINDABLE BY YOU. ACTION TO RESCIND MUST BE BROUGHT WITHIN 3 YEARS FROM DATE OF EXECUTION OF PURCHASE AGREEMENT.
2. CONTRACTS OR AGREEMENTS FOR THE PURCHASE OF AN UNIMPROVED LOT (WITHOUT A BUILDING)* MAY BE RESCINDED BY YOU WITHOUT CAUSE BY SENDING OR DELIVERING WRITTEN NOTICE OF RESCISSION BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE SIGNING.
3. IF YOU HAVE SIGNED A PURCHASE AGREEMENT FOR THE PURCHASE OF AN UNIMPROVED LOT (WITHOUT A BUILDING)* PRIOR TO INSPECTING THE LOT, YOU HAVE SIX MONTHS TO INSPECT AND UPON INSPECTION MAY RESCIND THE PURCHASE AGREEMENT.

*A contract or agreement for purchase of a lot which includes a building or obligates the seller to complete construction of a building within two years from the contract date does not constitute the purchase of an unimproved lot. Therefore, if your purchase includes a lot and a building or a building to be built, you are not entitled to the rescission rights described in paragraphs 2 and 3.

GENERAL

This report includes: Lots 167, 168, 196, 210, 223, 226, 230 and 231

The map of this subdivision is recorded in Book/Cabinet 53 page/slide 48, records of Pima County, Arizona.

The subdivision is approximately 192.12 acres in size. It has been divided into Lots 135 thru 234. Lot boundaries will be staked.

YOU ARE ADVISED TO OBTAIN A COPY OF THE RECORDED MAP AND CORRECTION DOCUMENTS, IF ANY, AND NOTE ALL EASEMENTS, RESTRICTIONS AND STATEMENTS CONTAINED THEREIN.

SUBDIVISION LOCATION

Location: Vistoso Highlands Drive and Tortolita Mountain Circle within the Town of Oro Valley. Take Oracle Road north from Tucson to Tangerine Road, west to Rancho Vistoso Blvd, then north to Tortolita Mountain Circle.

UTILITIES

Electricity: Tucson Electric Power Company, 520-623-7711, www.tep.com . A \$71 connection fee refundable deposit may be required. There is a \$640 electric service line establishment fee

Telephone: Qwest Communications, 800-244-1111, www.qwest.com \$46.40 connection fee, deposit may be required.

Cable: Comcast Cable, 520-744-1900, www.comcast.com . There is a \$45 installation fee, additional outlets \$21 each.

Internet or Fiber Optic: Qwest Communications or Comcast Cable. Installation fee of \$29.95.

Natural Gas: Southwest Gas Corporation, 520-889-1888, www.swgas.com A \$35.00 connection fee, refundable deposit may be required. \$800 flat fee plus \$10 per linear foot. Minimum meter set fee will range from \$80 to \$130.

Water: Oro Valley Water, 520-229-5000. \$15 establishment fee, installation costs based on 1” meter \$19,214.84 impact fee.

Sewage Disposal: Pima County Wastewater Management, 520-740-6609, www.co.pima.az.us/wwm, \$25 establishment fee, \$233 building permit fee per fixture. Average home would have 35 fixtures or approximately \$8,200 in permit fees.

Garbage Services: Waste Management of Tucson, \$10 set up fee \$15 per month billed four months in advance.

Subdivider has completed the extension of the utilities to the lot lines.

PURCHASERS ARE ADVISED TO CONTACT THE ABOVE LISTED PROVIDERS REGARDING EXTENSION RULES, REGULATIONS, SERVICE CONNECTIONS, INSTALLATION CHARGES, ACCOUNT SET-UP FEES AND THE COSTS INVOLVED. COSTS ARE SUBJECT TO CHANGE BY THE SERVICE PROVIDERS.

STREETS, ROADS AND DRAINAGE

Access to the Subdivision: Is complete. Maintenance provided by the Town of Oro Valley. Purchasers cost is included in their property taxes.

Access within the Subdivision: Is complete. Maintenance provided by Home Owners Association. Purchasers cost is included in HOA assessments.

Street Lights: None

Flood and Drainage: Rock rip rap constructed along two washes directing water into box culverts under roadway maintained by Stone Canyon Community Association. Purchasers cost is included in HOA assessments.

Arizona State Trust Land: The Arizona State Land Department administers over 9.3 million acres of State Trust Land. This is not public land. Trust land may be subject to future development and may not be preserved or saved for open space without compensation.

A person must have prior approval to use State Trust Land. Temporary recreational use is allowed with certain restrictions and conditions through purchase of a recreational permit. Use of State Trust Land without proper approval is a trespass.

MANY ROADS ON RURAL TRUST LANDS ARE NOT LEGAL TRAVEL ROUTES, EXCEPT FOR STATE LESSEES AND HUNTERS, AND DO NOT PROVIDE LEGAL ACCESS TO PRIVATE LAND. STATE TRUST LAND MAY BE SOLD OR LEASED FOR USES WHICH MAY EXCLUDE RECREATION. RECREATION IS A TEMPORARY USE THAT MAY BE TERMINATED AT ANY TIME.

For additional information, visit the State Land Department web page at www.land.state.az.us, or call (602) 542-4631.

LOCAL SERVICES AND FACILITIES

Schools: Amphitheater Unified School District

- Copper Creek Elementary School, 696-3800
- Wilson K-8, 696-5800
- Ironweed Ridge High School, 696-3802

Transportation is provided for the students.

Example: SCHOOL BUS TRANSPORTATION WILL ONLY BE PROVIDED TO STUDENTS RESIDING OUTSIDE THE SCHOOLS DESIGNATED WALKING DISTANCE. PURCHASERS SHOULD CONTACT THE SCHOOLS TO DETERMINE THE AVAILABILITY OF SCHOOL BUS TRANSPORTATION.

PURCHASERS ARE ADVISED THAT SCHOOL BOUNDARIES AND SCHOOL BUS TRANSPORTATION MAY CHANGE. YOU SHOULD CONTACT THE AMPHITHEATER UNIFIED SCHOOL DISTRICT REGARDING THE CURRENT LOCATION OF SCHOOLS AND BUS SERVICE.

Shopping Facilities: approximately 3 miles southeast

Public Transportation: Sun Tran Bus system on Rancho Vistoso Blvd just west of North Oracle approximately 4 miles northeast.

Medical Facilities: Northwest Hospital Oro Valley at Tangerine and Innovation Drive approximately 4 miles away. Northwest Medical Center Rancho Vistoso located at Oracle and Rancho Vistoso Blvd approximately 5 miles away.

Fire Protection: Golder Ranch Fire Department is located approximately 2 ½ miles away. Costs included in real estate taxes.

Ambulance Service: 911 Service available

Police Services: Town of Oro Valley Police Department.

LOCATIONS AND COSTS OF THE ABOVE SERVICES AND FACILITIES MAY CHANGE. YOU SHOULD VERIFY THEIR CURRENT LOCATIONS AND COSTS PRIOR TO PURCHASE.

COMMON, COMMUNITY AND RECREATIONAL FACILITIES

Within the Subdivision: Common Area "A" (Open Space), Common Area "B" (Private Streets) maintained by the Stone Canyon Community Association.

Within the Master Planned Community: Hiking and bicycle trails maintained by Vistoso Community Association.

ASSURANCES FOR COMPLETION OF IMPROVEMENTS

Assurances for Completion of Subdivision Facilities: Subdivision improvements are complete.

Assurances for Maintenance of Subdivision Facilities: Recorded CC&R's, Articles of Incorporation and Bylaws for the Homeowners' Associations, Agreements with the utility providers and the Town of Oro Valley.

PROPERTY OWNERS ASSOCIATIONS

Name and Assessments: Stone Canyon Community Association, \$324 per quarter; Vistoso Community Association (Master Association) \$70 per quarter.

Control of Association: To the lot purchasers when 3 to 1 voting ratio by Declarant is extinguished or neither Developer nor any Related Party owns fee title or beneficial title to any portion of the Property.

Title to Common Areas: upon release of the assurance agreement and recordation of deed.

Membership: All Lot Owners

PAYMENTS TO PROPERTY OWNERS ASSOCIATIONS ARE SUBJECT TO CHANGE IN ACCORDANCE WITH RECORDED RESTRICTIONS. SAID ASSOCIATION MAY ALSO IMPOSE SPECIAL ASSESSMENTS.

SUBDIVISION CHARACTERISTICS

Topography: gently rolling desert with rock outcroppings

Flooding and Drainage: Subdivision is not subject to any known flooding or drainage problems or downstream from any existing flood structure/dam.

In a letter dated May 26, 2009, by The WLB Group, it states: "A hydrology report was reviewed and approved by the Town of Oro Valley, which determined the flood prone limits of the 100-year storm. The subdivision was designed in accordance with applicable Town of Oro Valley standards. As a result of the design, the improvements were constructed in accordance with approved plans and specifications, and each lot was provided a building site in which there were no drainage hazards from the 100-year storm. The entire subdivision, as indicated by Flood Insurance Rate Map (FIRM) Community Panel No. 04019C1030K dated Feb 8, 1999 lies within "unshaded" Zone X, areas determined to be outside the 500-year floodplain."

Soils: In a Geotechnical Evaluation of Stone Canyon II, Lots 134 to 236 conducted by Western Technologies Inc., its states: 4.4 Testing “Laboratory test results indicate that native subsoils near shallow foundation level exhibit low to medium compressibility at existing water contents. Medium to moderately high additional compression occurs when the water content is increased. When water is added to compacted near-surface soils, low levels of expansion occur.

Adjacent Lands and Vicinity: Zoned SR-2 (single family residences) to the south Zoned GR-1 (rural residential); 1 acre residential and medium density residential, up to 4 units per acre, 1 house per 5 acre suburban ranch. The subdivision is adjacent to residential horse property that includes a private air park that is 1 mile south and a golf course on the east and south boundaries of the subdivision.

There are no natural gas pipelines within 500 feet of the subdivision boundaries.

There are no existing or proposed high voltage power lines or any existing or proposed substations within the boundary of the subdivision or within ½ miles of the subdivision or boundary.

SUBDIVISION USE AND RESTRICTIONS

Use: This offering is for Vacant Lot
Zoning: Single family residence

Conditions, Reservations and Restrictions: None other than stated in recorded CC&R’s as listed in Exhibit “A”

Restrictions and Other Matters of Record: Conditions, reservations and restrictions that may run with the land including City or County zoning restrictions should be investigated by you. Copies of those items which are recorded may be inspected at the Office of the Pima County Recorder. Information about zoning may be obtained at the Office of the Pima Planning and Zoning Department. Restrictions are recorded as cited in the following title exceptions and per the subdivision plat.

AIRPORTS

Military Airport: None

Public Airport: None

La Cholla Air Park (private air park) is located approximately 1 mile south of the subdivision

Airport: Tucson International Airport, approximately 25 miles away

TITLE

Title to this subdivision is vested in PHSG Servicing, Inc., an Arizona Corporation

Subdivider's interest in this subdivision is evidenced by a recorded deed

Title is subject, among other things, to all taxes, assessments, covenants, conditions, restrictions, limitations, reservations, rights, obligations, powers, easements, rights of way, liens, and charges of record. **YOU SHOULD INVESTIGATE THE TITLE AND SATISFY YOURSELF AS TO WHAT EFFECT, IF ANY, THESE MATTERS MAY HAVE ON THE USE OF THE LAND.** Title exceptions affecting the condition of title are listed in the Preliminary Title Report dated July 2, 2009, issued by Fidelity National Title Agency, Inc. **You should obtain a title report and determine the effect of the listed exceptions.**

EXCEPTIONS: SEE EXHIBIT "A" ATTACHED

METHOD OF SALE OR LEASE

Sales: Sales by licensed broker/agent, conveyance to purchaser by special warranty deed.

Release of Liens and Encumbrances: Purchasers will receive title free and clear of all liens, except those shown by the public records such as real estate taxes not yet due and payable.

Use and Occupancy: Purchaser will be able to use and occupy their lot upon close of escrow and recordation of deed.

Leasehold Offering: None

THE PURCHASE CONTRACT IS A BINDING AGREEMENT. CONTRARY TO THE TERMS AND PROVISIONS OF THE CONTRACT, YOU MAY HAVE ADDITIONAL RIGHTS, REMEDIES AND WARRANTIES PROVIDED BY LAW. READ THOROUGHLY BEFORE SIGNING. IF NOT UNDERSTOOD, SEEK COMPETENT ADVICE PRIOR TO COMMITMENT TO PURCHASE.

TAXES AND ASSESSMENTS

Real Property Taxes: The combined primary and secondary property tax rate for this subdivision for the year 2008 is 12.5746 per \$100.00 assessed valuation. The estimated property tax for an unimproved lot (vacant), based on the above tax rate and average sales price of \$400,000 is \$4,023.87.

Special District Tax or Assessments: None

AMOUNT OF TAXES AND ASSESSMENTS SET FORTH ABOVE ARE APPROXIMATE ONLY AND SUBJECT TO CHANGE.

YOU ARE ADVISED TO READ THE RECORDED DECLARATION OF (COVENANTS, CONDITIONS AND RESTRICTIONS), ARTICLES OF INCORPORATION, DECLARATION OF CONDOMINIUM, BYLAWS FOR THIS SUBDIVISION TO DETERMINE THE RIGHTS OF LOT/UNIT OWNERS TO PARTICIPATE IN THE CONTROL OF THE PROPERTY OWNERS' ASSOCIATION AND TO DETERMINE THE RIGHTS, DUTIES AND LIMITATIONS OF OWNERS IN AND TO USE OF THEIR LOT/UNITS. FURTHER, YOU SHOULD DETERMINE FOR YOURSELF IF SUBDIVIDER'S ARRANGEMENTS AND PLANS FOR THE PAYMENT OF ASSESSMENTS ON UNSOLD LOTS/UNITS WILL BE SUFFICIENT TO FULFILL THE NEEDS, DEMANDS AND FINANCIAL OBLIGATIONS OF THE ASSOCIATION, AS SET FORTH IN THE DECLARATION AND BYLAWS.

Exhibit "A"

The following defects, liens and encumbrances (which are not necessarily shown in their order of priority) against the Interest:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the Public Records.
6. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the year 2009.
7. Liens and charges as set forth in the above mentioned declaration,

Payable to: Stone Canyon Community Association, an
Arizona non-profit organization

8. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording No.: Docket 8021, page 925; Docket 8327, page 2058; Docket 8629, page 576; Docket 10037, page 1540; and Docket 11565, page 1377; Tract Declaration recorded in Docket 11020, page 1750; Docket 11043, page 1731; Docket 11267, page 1892; Docket 12819, page 4453; and Docket 12975, page 5300.

9. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording No.: Docket 11020, page 1754; amended in Docket 11869, page 1479; Supplemental Declaration recorded in Docket 11037, page 17; Tract Declaration recorded in Docket 11267, page 1895; and in Docket 12819, page 4448 and Docket 12975, page 5296.

10. Covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording No.: Docket 10894, page 2917.
11. Easements, covenants, conditions and restrictions as set forth on the recorded plat of said subdivision and amended by Docket 11275, page 716 and Docket 12647, page 3659.
12. Easement Agreement between JASON D. WOLFSWINKEL and STONE CANYON, L.L.C., an Arizona limited liability company, recorded May 28, 1999 in Docket 11057, page 1273.
13. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Electric and communication lines and facilities

Recording No: Docket 11418, page 387.
(Affects Lot 210)
14. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Electric and communication lines and facilities

Recording No: Docket 11571, page 2648.
(Affects Lot 167)
15. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Electric and communication lines and facilities

Recording No: Docket 11636, page 1105.
(Affects Lots 226 and 231)
16. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Utilities
Recording No: Docket 11656, page 1524.
(Affects Lot 210)
17. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Vehicular access
Recording No: Docket 13459, page 110.
(Affects Lots 210 and 211)

18. Assignment of Leases, Plans, Specifications, Agreements, Permits and Contracts from STONE CANYON, L.L.C., an Arizona limited liability company, to CERBERUS FINANCIAL, INC., an Arizona corporation, recorded in Docket 13506, page 2792.

The following matters are disclosed by name only and the Company, without additional information, is unable to determine whether any or all of these matters are defects, liens or encumbrances against the Interest:

NONE

NOTE: There are no further matters concerning this subdivision through the date of this report.

PUBLIC REPORT RECEIPT

The developer shall furnish you, as a prospective customer, with a copy of the Public Report required by the Arizona Department of Real Estate. It is recommended that you read the report before you make any written offer to purchase or lease an interest in the development and before you pay any money or other consideration toward the purchase or lease of an interest in the development.

FOR YOUR PROTECTION, DO NOT SIGN THIS RECEIPT UNTIL YOU HAVE RECEIVED A COPY OF THE REPORT AND HAVE HAD THE OPPORTUNITY TO READ IT. BY SIGNING THIS RECEIPT, THE BUYER HAS ACCEPTED THE PUBLIC REPORT AND ACKNOWLEDGES THE INFORMATION IT CONTAINS.

(Public Report Registration No.)

(Development Name and Lot No.)

I understand the report is not a recommendation or endorsement of the development by the Arizona Department of Real Estate, but is for information only.

(Buyer's Name)

(Current Address)

(Date)