

STATE OF ARIZONA
DEPARTMENT OF REAL ESTATE
SUBDIVISION PUBLIC REPORT

FOR
Stone Canyon IV
The Stone Canyon Club

Registration No. DM 06-053004

SUBDIVIDER

Stone Canyon, L.L.C.
1121 West Warner Road, Suite 109
Tempe, AZ 85284

December 5, 2006

Effective Date

First Amendment: April 29, 2008

PROPERTY REPORT DISCLAIMER

This report is NOT A RECOMMENDATION NOR 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.

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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 CONTRACTS OR AGREEMENTS FOR THE PURCHASE OF AN UNIMPROVED LOT (WITHOUT A BUILDING)* MAY BE RESCINDED BY YOU WITHOUT CAUSE BY SENDING OR DELIVERING WRITTEN NOTICE OF RESCISSION BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE SIGNING.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 276 through 340 inclusive.

The map of this subdivision: is recorded in Book 61 of Maps, Pages 19-1 thru 19-10, records of Pima County, State of Arizona.

The subdivision is approximately 127.41 acres in size. The subdivision has been divided into 65 lots. Lot boundaries will be staked with steel pins at each lot corner. .

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: Tortolita Mountain Circle, Oro Valley, Arizona. From Tucson, take Oracle Road North to Tangerine Road, West to Rancho Vistoso Blvd., North on Vistoso Highland Drive, West on Tortolita Mountain Circle.

SUBDIVISION CHARACTERISTICS

Topography: Gentle rolling desert with rock outcroppings.

Flooding and Drainage: The developer advises the subdivision is not subject to any known flooding or drainage problems. Michael R. Smith, P.E., The WLB Group, in a letter dated June 27, 2006, cites the following, in part:

A hydrology report was reviewed and approved by the Town of Oro Valley, which determined the floodprone 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 February 8, 1999 lies within "unshaded" Zone X, areas determined to be outside the 500-year floodplain.

Soils: Developer states the subdivision lots are not subject to subsidence or expansive soils.

Adjacent Lands and Vicinity: 1 acre residential and medium density residential, up to 4 units per acre, 1 house per 5 acre suburban ranch. Catalina State Park is east of Oracle Road, approximately 5 miles from the subdivision. The subdivision is adjacent to residential horse property that includes a small airfield, LaCholla Airpark and a golf course on its East and North boundaries. The Tortolita Mountains and undeveloped land is

adjacent to the northwest boundaries of the subdivision. There are commercial offices located approximately 2 miles from the subdivision. Information on schools may be found on Page 6 of this Report under the heading LOCAL SERVICES AND FACILITIES

AIRPORTS

Military Airport: The subdivision is not in the vicinity of a military airport.

Public Airport: The subdivision is not in the vicinity of a public airport.

Airport: The subdivision is located approximately 1 mile t of the La Cholla Airport, a private facility.

UTILITIES

Electricity: Supplier is Tucson Electric Power Company, (520) 623-7711, www.tep.com. Facilities have been completed to the lot lines. Purchasers' Costs: First 500 feet of direct burial line at no charge. Estimated costs to excavate and backfill is \$5.00 per foot, service establishment fee of approximately \$13.50.

Street Lights:Not available.

Telephone: Supplier is Qwest Communications, 1 (800) 244-1111, www.qwest.com. Facilities have been completed to the lot lines. Purchasers' Costs: No charge for cable if there is an open trench for lines. Ordering placement of cable must be 1 month prior to the need of installation. Construction fee of \$53.30 per line. Minimum installation fee \$46.50. \$100.00 deposit required depending on customer's credit rating from prior service.

Natural Gas: Supplier is Southwest Gas Corporation, (520) 889-1888, www.swgas.com. Facilities have been completed to the lot lines. Purchasers' Costs: Hook-up fee \$30.00, meter set up fee \$60.00.

Water: Supplier is the Town of Oro Valley, (520) 575-1456, www.ci.oro-valley.az.us/WaterUtility. Facilities have been completed to the lot lines. Purchasers Costs based on 1" meter: Impact fee (hook up)\$4,435.00, Establishment fee \$20.00, security deposit \$40.00, meter installation fee \$212.20, monthly Base Rate \$33.00.

Sewage Disposal: Collection and disposal provided by Pima County Wastewater Management, (520) 740-6609, www.pima.gov/wwn/custserv. All such facilities have been completed to the lot lines. Purchaser Costs: Building permit fee \$101.72 for each fixture unit in the dwelling, i.e. washing machine, sink, toilet, and tub/shower. Activation fee \$15.00, monthly sewage utility fee \$13.11, based on 7,480 gallons of water usage.

Note: Developer advises the above utilities are completed to all lots except for Lots 282-293 which will be completed by May 10, 2009.

THE ABOVE COSTS ARE SUBJECT TO CHANGE BY SERVICE PROVIDERS. YOU SHOULD CONTACT THE ABOVE PROVIDERS REGARDING EXTENSION RULES AND REGULATIONS, SERVICE CONNECTIONS AND COSTS INVOLVED.

STREETS, ROADS AND DRAINAGE

Access to the Subdivision: Public streets are surfaced with asphalt and are maintained by the Town of Oro Valley.

Access within the Subdivision: Interior streets are private and have been surfaced with asphalt and will be maintained by the Stone Canyon Homeowner's Association.

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.

Flood and Drainage: Rock rip rap has been installed along washes directing water into box culverts under roadways. Such facilities for Lots 276-281 and 294-340 will be completed by March 31, 2008, and maintained by the Homeowner's Association and Pima County Flood Control

Note: Developer advises the above completion date applies to all lots except for Lots 282-293 which will be completed by May 10, 2009.

COMMON, COMMUNITY AND RECREATIONAL FACILITIES

Within the Subdivision: None available.

Within the Master Planned Community: Parks, common areas, landscaping in street right of ways and street lighting on Rancho Vistoso Blvd. are maintained by the Vistoso Community Association.

ASSURANCES FOR COMPLETION

Assurances for Completion of Subdivision Facilities: Evidenced by an Assurance Agreement with the Town of Oro Valley.

Assurances for Maintenance of Subdivision Facilities: The Master and Sub Associations, utility companies and the Town of Oro Valley are responsible for their respective facilities.

LOCAL SERVICES AND FACILITIES

Schools: Painted Sky Elementary School is approximately 2 miles, Coronado Middle/Jr High School is approximately 5 miles and Ironwood Ridge High School is approximately 7 miles. School bus service is available.

SCHOOL FACILITIES AND BUS SERVICE MAY CHANGE. YOU SHOULD CONTACT THE LOCAL SCHOOL BOARD REGARDING THE CURRENT LOCATION OF SCHOOLS AND BUS SERVICE.

Shopping Facilities: Available approximately 3 miles Southeast.

Public Transportation: Sun Tran Bus System at Oracle Road and Hanley Street is approximately 6 ½ miles South

Medical Facilities: Northwest Hospital at Tangerine and Innovation Drive is approximately 5 miles. General practice services and facilities are available at Rancho Vistoso Urgent Care and Medical Center at 15631 N. Oracle Road is approximately 6 miles and at Rancho Vistoso Blvd & Oracle Road approximately 4 miles.

Fire Protection: Provided by Golden Ranch Fire Department approximately 2 ½ miles from the subdivision. Costs included in real property taxes.

Ambulance Service: Available through 911 service.

Police Services: Provided by the Town of Oro Valley.

Garbage Services: Provided by Waste Management of Tucson with costs of approximately \$10.95 per month.

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

SUBDIVISION USE AND RESTRICTIONS

Use: This offering is for unimproved vacant lots.

Zoning: All lots in the subdivision are zoned PAD, planned area development.

Conditions, Reservations and Restrictions: Buyers are advised to read the Declaration of Reservations and other such restrictive documents, which may have an effect on their use and enjoyment of their property.

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 Town of Oro Valley Planning and Zoning Department. Restrictions are recorded as cited in the following title exceptions and per the subdivision plat.

TITLE

Title to this subdivision is vested in First American Title Insurance Company as Trustee under Trust No. 9055.

Subdivider's interest in this subdivision is evidenced by a recorded Special Warranty Deed from the Trustee.

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 April 2, 2008, issued by First American Title Insurance Company. **SEE ATTACHED EXHIBIT "A"**

METHOD OF SALE OR LEASE

Sales: All purchasers will enter into a sales agreement and receipt for deposit. Purchasers vested interest/ownership will be evidenced by delivery of a recorded deed.

Release of Liens and Encumbrances: At the close of escrow and recordation of purchaser's Deed.

Use and Occupancy: Available to the purchasers at the close of escrow and recordation of their Deed.

Leasehold Offering: None available.

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 2007 is \$13.7823 per \$100.00 assessed valuation. The estimated property tax for an unimproved lot (lot without a dwelling), based on the above tax rate and average sales price of \$950,000.00, is approximately \$17,810.00.

Special District Tax or Assessments: None

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

PROPERTY OWNERS ASSOCIATIONS

Name and Assessments: Stone Canyon Homeowners' Association fees are \$324.00 per quarter with a one time fee of \$1,000.00 (\$600.00 transfer fee and \$400.00 reserve). Vistoso Community Association, the master association, fees are \$280.00 per year, payable \$70.00 quarterly.

Control of Association: Turned over to the purchasers when 3 to 1 voting ratio by Declarant is extinguished in approximately 10 to 15 years.

Title to Common Areas: Transferred to the Association at the recordation of the plat.

Membership: All lot owners become members of the Associations

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

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"

1. Taxes for the full year of 2008. (The first half is due October 1, 2008 and delinquent November 1, 2008. The second half is due March 1, 2009 and delinquent May 1, 2009.)
2. 2007 taxes, now payable, the first half delinquent and interest must be added.

NOTE: Taxes are assessed in the total amount of \$2,578.29 for each lot for the year 2007, under various Assessor Parcel Numbers within the following Parcel Number 219-05-0150 thru 219-05-0770.
3. 2007 Tax Rate: 13.7823.
4. Water rights, claims or title to water, whether or not shown by the public records.
5. Reservations contained in the Patent from the United States of America, reading as follows: Subject to any vested and accrued water rights for mining, agricultural, manufacturing, or other purposes, and rights to ditches and reservoirs used in connection with such water rights as may be recognized and acknowledged by the local customs, laws and decisions of courts; and there is reserved from the lands hereby granted, a right of way thereon for ditches or canals constructed by the authority of the United States of America.
6. Reservations contained in the Patent from the United States of America, reading as follows: Excepting and Reserving also to the United States, pursuant to the provisions of the Act of August 1, 1946 (60 Stat.755), all uranium, thorium, or any other materials which is or may be determined to be peculiarly essential to the production of fissionable materials whether or not of commercial value, together with the right of the United States through its authorized agents or representatives at any time to enter upon the land and prospect for, mine and remove the same.
7. Covenants, conditions and restrictions in the document recorded as Docket 8021, Page 925, Docket 8327, Page 2058, Docket 8629, Page 576, Docket 10037, Page 1540 and Docket 11565, Page 1377, Supplemental Docket 12819., Page 4453 but deleting and covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes.
8. Any charge upon said land by reason of its inclusion in Vistoso Community Association, an Arizona nonprofit corporation
9. Covenants, conditions and restrictions in the documents recorded as Docket 11020, Page 1754, Amended Docket 11869, Page 1479, Supplemental Docket 12819, Page 4448 but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status,

or national origin, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes.

10. Any charge upon said land by reason of its inclusion in Stone Canyon Community Association, Inc., an Arizona nonprofit corporation.
11. Covenants, conditions and restrictions in the documents recorded as Docket 12171, Page 1439 but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes
12. Covenants, conditions and restrictions in the documents recorded as Docket 10894, Page 2917 but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes
13. Easements, restrictions, reservations, conditions and set-back lines as set forth on the plat recorded as Book 61 of Maps, Pages 19, but deleting any covenants, conditions, or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).
14. Assurance Agreement for completion of Subdivision improvements in favor of the Town of Oro Valley, Arizona, a municipal corporation, recorded May 10, 2006, as Docket 12801, Page 169.
15. Covenants, conditions and restrictions in the documents recorded as Docket 112819, Page 4492 (Affectslots278,281,283,286,289,294,299,304,309,317,322,326,330,332,335 and 340) but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes
16. A Deed of Trust to secure an indebtedness of \$19,400,000.00, and any other amounts or obligations secured thereby, recorded June 27, 2007 as Docket 13085, Page 6398 (With other property)

Dated: June 26, 2007

Trustor: Stone Canyon, L.L.C., an Arizona Limited Liability Company

Trustee: First American Title Insurance Company

Beneficiary: MidFirst Bank, a federally charter savings association

17. Access: Rancho Vistoso Boulevard