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DEPARTMENT OF REAL ESTATE

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“Promoting Mutual Respect”

SUBDIVISION DISCLOSURE REPORT (PUBLIC REPORT)

FOR

PINNACLE HILL

Registration No. DM08-054762

SUBDIVIDER

LENNAR ARIZONA, INC.
1150 W. Grove Parkway, Suite 108
Tempe, Arizona 85283

October 23, 2008

Effective Date

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.

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 CONTRACTS OR AGREEMENTS FOR THE PURCHASE OF AN UNIMPROVED LOT (WITHOUT A BUILDING)* MAY BE RESCINDED BY YOU WITHOUT CAUSE BY SENDING OR DELIVERING WRITTEN NOTICE OF RESCISSION BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE SIGNING.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 3, 13, 17, 21 through 26, 29, 32, 34, 38, 41, 46, 49, 65, 68 & 104

The map of this subdivision is recorded in Book 356 of Maps, page 50, records of Maricopa County, State of Arizona.

The subdivision is approximately 56.69 acres in size. It has been divided into 255 Lots and Tracts A through G and Tracts L through O. Lot boundaries will be corner staked & radii.

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: 55th Avenue and Pinnacle Peak Road, City of Phoenix, Maricopa County, State of Arizona.

SUBDIVISION CHARACTERISTICS

Topography: Level terrain, except for lots 134 and 141 through 148, which are along a hillside.

Flooding and Drainage: Robert S. Mitchell, P.E., R.L.S., Vice President with Sage Engineering Corporation, in his letter dated March 19, 1993, has cited:

“This firm is the engineer-of-record for the subject subdivision, and produced the construction plans, and its Final Plat. It has been designed to comply with the standards and criteria of all controlling governmental agencies. The improvement plans for the subject subdivision have been formally approved by those agencies, and its Final Plat has been recorded. With respect to storm drainage considerations, we wish to provide you with the following data:

- 1.) The subject property is not located within any governmentally mapped floodway or floodplain that would require the provision of federal flood insurance.
- 2.) Finished floor elevations are designed to be at least fourteen inches (14”) above the grade of the “outfall point” of their respective lots, and are above the elevation of the sheet-flow water surface generated by a 100-year frequency storm.
- 3.) Building pad elevations are designed to be at least six inches (6”) above the grade of the “outfall point” of their respective lots, and are above the elevation of the sheet flow water surface generated by a 50-year frequency storm.

- 4.) Public streets have been designed to contain, within their rights-of-way, flow generated by a 10-year frequency storm.

We hereby certify that the subject project has been designed to be free from flood hazards, as that term is commonly and currently defined by the regulators or residential subdivision procedures.”

Soils: This subdivision is subject to subsidence or expansive soils. Subdivider has advised that a copy of the Soils Report is available upon request.

Beginning in 1998, homeowners in the Pinnacle Hill community asserted claims against Lennar arising out of construction-related conditions in their homes. Many homeowners sought relief for these conditions by joining in litigation in Arizona Superior Court, Maricopa County, Cause No. CV 98-16326 (consolidated) and related actions. Other homeowners chose not to participate in the litigation and addressed their concerns with Lennar informally.

Lennar ultimately settled all homeowner claims and facilitated substantial repair and improvement work at virtually every homesite in the community. As part of its effort to resolve Pinnacle Hill claims, Lennar repurchased a number of homes in the community. Lennar has completed its repair and improvement work to these homes and now intends to offer them for sale to the general public.

The construction-related issues in the community included, among others, soil movement and a variety of resultant effects, such as cracking (in concrete, stucco, and drywall), door and window racking, and slab deflection. Framing conditions and/or drywall installation techniques discovered upon inspection also produced or contributed to some of these effects.

The repair and improvement work that Lennar facilitated was customized for each home and included a number of components. For example, in connection with the homes that Lennar repurchased, Lennar has: (1) repaired drywall and stucco; (2) installed drainage systems; (3) made grading modifications; (4) provided gutter systems; (5) repaired flatwork; and (6) repainted.

Prospective buyers may obtain on line case history information regarding the Pinnacle Hill litigation, as well as contact information for court personnel and facilities, at www.superiorcourt.maricopa.gov/docket/CivilCourtCases/caseSearch.asp. Lennar encourages prospective buyers to utilize the services of a construction professional to aid you in inspecting the properties.

Adjacent Lands and Vicinity: City of Phoenix: NORTH – R1-10 & R1-18 (Single Family Residential); WEST – R1-6, R1-10 & RE-35 (Single Family Residential); SOUTH – RE-35 (Single Family Residential) and S-1 (Ranch or Farm); EAST – RE-35 (Single Family Residential); City of Glendale: SOUTH – A-1 (Agricultural)

EAST:

- Skunk Creek approximately 3 miles
- Adobe Mountain Juvenile Institute, approximately 3 ½ miles
- Black Canyon Highway (Interstate 17) approximately 4 miles
- Victory Lane Sports Complex approximately 2 ¼ miles
- Water World Safari (water park), approximately 2 miles
- Adobe Dam Golf Club approximately 2 ½ miles
- 500 Club Golf Course approximately 1 ½ miles
- McGill Ultralight Field approximately 1 ½ miles
- Paseo Highlands Park approximately 3 ½
- Skunk Creek Landfill (operation closed) approximately 3 ½ miles
- Residential community located east of Pinnacle Hill are equestrian properties

SOUTH:

- Thunderbird Conservation District approximately ½ mile
- Agua Fria Freeway (Loop 101), approximately 2 ½ miles
- Legend at Arrowhead Lakes Golf Club approximately 1 ½ miles

SOUTHEAST:

- Adobe Dam approximately 2 miles
- Skunk Creek Scatter Wash approximately 3 miles
- Adobe Dam Recreation Area approximately 2 miles
- Phoenix Kart Racing Association Track approximately 1 ½ miles
- Phoenix Karting Association Track approximately 1 ½ miles
- Arizona Model Railroading Association facility approximately 1 ½ miles
- Arizona Model Pilots Society facility approximately 1 ½ miles
- APS Adobe Substation approx 1 ½ miles

WEST:

- New River approximately 2 miles
- Christ Church of Valley Campus approximately 2 miles
- APS Power Station approximately 1 mile

NORTH:

- Hayden Rhodes Aqueduct approximately 2 ½ miles
- Deems Hill Recreation Area approximately 3 miles
- Proposed Loop 303 approximately 4 ½ miles
- Jomax Pit/Gold Mountain Granite approximately 2 ½ miles
- CAP Canal approximately 2 miles
- Gold Mountain Preserve with Reservoir and modifications, operated by the City of Glendale approximately 2 miles north

NORTH (con't):

- High powered electrical transmission lines approximately 1/4mile
- Pyramid Peak approximately 3 miles

NORTHEAST:

- Middle Mountain approximately 5 miles
- Ludden Mountain approximately 2 miles
- Glendale Community College approximately 1 mile
- Water Booster Station approximately 2 miles

NORTHWEST:

- City of Glendale Water Treatment Facility approximately 3 miles
- City of Glendale Police Shooting Range approximately 3 miles
- New River Dam approximately 3 miles
- East Wing Mountain approximately 2 miles

HIGH VOLTAGE POWER LINES:

230kV transmission lines run approximately ¼ mile north of the community running east to west parallel to Whispering Wind Drive. SRP lines – www.srpnet.com or 602-236-2872.

AIRPORTS

Airport: Deer Valley Airport, located at 19th Avenue & Deer Valley Road, approximately 6 miles.

UTILITIES

Electricity: Arizona Public Service, 602-371-7171, website: www.aps.com. Subdivider has advised that the facilities have been completed to the lot lines. Costs to purchasers to receive this service are a \$25.00 activation fee; depending in purchaser's credit, a deposit may also be required, equal to two (2) months of the average bill.

Street Lights: Subdivider has advised that street lights have been installed. Costs to purchasers for electricity and maintenance are included in the property taxes.

Telephone: QWEST Communications 1-800-244-1111, website: www.qwest.com. Subdivider has advised that the facilities have been completed to the lot lines. Costs to purchasers to receive this service are \$27.50 for basic line charge, \$85.00 for long distance charge; a deposit may also be required, depending on purchaser's credit.

NOTE: IT IS POSSIBLE THAT YOU MAY NOT HAVE TELEPHONE SERVICE AT THE TIME OF CLOSING. YOU ARE ADVISED TO CONTACT YOUR SERVICE PROVIDER TO DETERMINE THE STATUS OF TELEPHONE SERVICE. YOU MAY ALSO WANT TO CONSIDER TEMPORARY ALTERNATIVES, IE: A CELLULAR TELEPHONE.

Cable: Cox Communications, 623-594-1000, website: www.cox.com. Subdivider has advised that the facilities have been completed to the lot lines. Costs to purchasers to receive this service are an installation fee of \$34.95, if required.

Natural Gas: Southwest Gas Corporation 602-861-1999, website: www.swgas.com. Subdivider has advised that the facilities have been completed to the lot lines. Costs to purchasers to receive this service are a deposit of \$80.00, depending on purchaser's credit, if no deposit is required only a \$30.00 set fee is required.

Water: City of Phoenix, 602-262-6251, website: www.phoenix.gov. Subdivider has advised that the facilities have been completed to the lot lines. Costs to purchasers to receive this service are a \$25.00 service charge.

Sewage Disposal: City of Phoenix, 602-262-6251, website: www.phoenix.gov. Subdivider has advised that the facilities have been completed to the lot lines. Costs to purchasers to receive this service are included in the water service charge.

NOTE: Utilities are the Purchaser's responsibility after the Close of Escrow. The Subdivider cannot guarantee that the residential mail delivery, telephone service, or cable service will be available to your Home as of Close of Escrow or at time of occupancy. Delays in service or delivery caused by such providers are not within the control of the Developer or builder. Monthly services charges, deposits, installation charges and service fees are subject to change by the utility companies and are not within the control of the developer or builder.

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: Subdivider has advised that the asphalt paved public streets have been completed to the minimum standards of the City of Phoenix and have been accepted by the City for maintenance. Costs to purchasers for maintenance are included in the property taxes.

Access within the Subdivision: Subdivider has advised that the asphalt paved public streets have been completed to the minimum standards of the City of Phoenix and have been accepted by the City for maintenance. Costs to purchasers for maintenance are included in the property taxes.

Flood and Drainage: Subdivider has advised that the typical street drainage and drainage tracts have been completed. Street drainage is maintained by the City of Phoenix and the Homeowners Association maintains the drainage tracts. Costs to purchasers for maintenance are included in both the property taxes and Homeowners Association fees.

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 openspace 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.

COMMON, COMMUNITY AND RECREATIONAL FACILITIES

Within the Subdivision: Subdivider has advised that the open space areas have been completed and are maintained by the Homeowners Association. Costs to purchasers for maintenance are included in the Homeowners Association fees.

Within the Master Planned Community: Subdivider has advised that the open space areas have been completed and are maintained by the Homeowners Association. Costs to purchasers for maintenance are included in the Homeowners Association fees.

ASSURANCES FOR COMPLETION

Assurances for Completion of Subdivision Facilities: All Subdivision facilities and amenities are completed; therefore, no assurances are required.

Assurances for Maintenance of Subdivision Facilities: Utility companies will maintain their individual utility facilities; City of Phoenix will maintain public streets; Homeowners Association to maintain common area amenities.

LOCAL SERVICES AND FACILITIES

Schools: Las Brisas Elementary School, 5805 W. Alameda Road, within ½ mile; Hillcrest Middle School, 22833 N. 71st Avenue, approximately 2 miles; Sandra Day O'Connor High School, 25250 N. 35th Avenue, approximately 3 ½ miles.

NOTE: School assignments are subject to change. Prospective Purchasers should contact the Deer Valley Unified School District #97 at 623-445-5000 or website: www.dvusd.org for verification of schools and transportation.

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: Happy Valley Town Center located at Black Canyon Highway (Interstate 17) and Happy Valley Road, approximately 4 miles.

Public Transportation: Valley Metro bus stop located at 29th Avenue and Happy Valley Road, approximately 3 ½ miles.

Medical Facilities: John C. Lincoln Deer Valley, located at Black Canyon Highway (Interstate 17) and Agua Fria Freeway (Loop 101), approximately 6 ½ miles; Arrowhead Community Hospital, located at 67th Avenue and Union Hills Drive, approximately 4 ½ miles

Fire Protection: City of Phoenix Fire Department with costs to purchasers included in the property taxes.

Ambulance Service: Ambulance Service is available by dialing 911.

Police Services: City of Phoenix Police Department.

Garbage Services: City of Phoenix with costs to purchasers currently 23.95 per month and included in the monthly water/sewer bill.

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: Single family residential. Offer is for lot with dwelling.

Conditions, Reservations and Restrictions: As stated in the recorded Declaration of Covenants, Conditions and Restrictions and as stated in the Articles of Incorporation and By-Laws of the Homeowners Association.

YOU ARE ADVISED THAT THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THIS SUBDIVISION PROVIDES FOR AN ARCHITECTURAL CONTROL COMMITTEE.

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 Maricopa County Recorder. Information about zoning may be obtained at the Office of the City of Phoenix 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 Lennar Arizona, Inc., an Arizona corporation.

Subdivider's interest in this subdivision is evidenced by fee title.

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 August 26, 2008 issued by **North American Title Company**. **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: Your vested interest/ownership interest in the property will be evidenced by the subdivider delivering a recorded deed to you and by your signing a promissory note and mortgage or deed of trust for the unpaid balance, if any. **YOU SHOULD READ THESE DOCUMENTS BEFORE SIGNING THEM.**

Cash sales are accepted. For VA Sales only, Purchasers are advised that deposits and earnest monies will be deposited into a neutral escrow account and cannot be used by Seller until the close of escrow.

PURCHASERS ARE ADVISED THAT THE EARNEST MONEY DEPOSITS, DOWN PAYMENTS AND OTHER ADVANCED MONEY WILL NOT BE PLACED IN A NEUTRAL ESCROW, EXCEPT FOR VA FINANCED PURCHASES, WHICH ARE DEPOSITED IN A SEPARATE ESCROW ACCOUNT. SUCH MONEY WILL BE PAID DIRECTLY TO THE SELLER AND MAY BE USED BY THE SELLER. THIS MEANS THE PURCHASER ASSUMES A RISK OF LOSING SUCH MONEY IF THE SELLER IS UNABLE OR UNWILLING TO PERFORM UNDER THE TERMS OF THE PURCHASE CONTRACT.

Use and Occupancy: Lot Purchaser will be permitted to use and occupy his Lot upon close of escrow, recordation of deed and completion of construction.

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

Real Property Taxes: The estimated property tax for an improved lot (lot with dwelling), based on the above tax rate and average sales price of \$280,000.00, is \$2,297.96.

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

PROPERTY OWNERS ASSOCIATIONS

Name and Assessments: Pinnacle Hill Owners Association, with current assessments of \$231.00 per year.

In addition to the annual assessments, at the time of purchase there is a \$50.00 HOA transfer fee paid by either Purchaser or Subdivider; \$450.00 Cornerstone Properties disclosure transfer fee paid by either Purchaser or Subdivider.

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

Control of Association: Control of the Association has been transferred to the Homeowners.

Title to Common Areas: Title to the Common Areas has been transferred to the Association.

Membership: All Lot Purchasers will be members of the Association.

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, a lien now due and payable. First half due and payable October 1, 2008 and delinquent on November 1 of that year. Second half payable on or before March 1 of the following year, and delinquent May 1 of that same year.
2. Reservations, rights, easements or other matters as may be set forth in the Patent to said land recorded in the office of the County Recorder, or in acts authorizing the issuance thereof.
3. Water rights, claims or title to water, whether or not the matters excepted are shown by the public records.
4. Liabilities and Obligations imposed upon said land by reason of its inclusion within the following district(s) and/or association(s): Pinnacle Hill Owners Association.
5. Easements, restrictions, reservations, conditions, set-back lines and all other matters as set forth on the plat recorded in Book 356 of Maps, page 50, 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 42 U.S.C. 3604(c).
6. All matters are set forth in covenants, conditions, restrictions and easements in instrument recorded in Instrument No. 93-141997, 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 42 U.S.C. 3604(c).

Thereafter amended in Instrument No. 02-040786.

Thereafter Notice of Contact Information recorded in Instrument No. 04-997604.