

STATE OF ARIZONA
DEPARTMENT OF REAL ESTATE
SUBDIVISION PUBLIC REPORT

FOR
Rio Homes

Registration No. DM04-048243

SUBDIVIDER

AZNORTH Development
2460 E. Route 66
Flagstaff, AZ 86004

June 18, 2004
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.

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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 CONTRACTS OR AGREEMENTS FOR THE PURCHASE OF AN UNIMPROVED LOT (WITHOUT A BUILDING)* MAY BE RESCINDED BY YOU WITHOUT CAUSE BY SENDING OR DELIVERING WRITTEN NOTICE OF RESCISSION BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE SIGNING.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 1-174.

The map of this subdivision: Case 9, Maps 44-44K, Coconino County, Arizona.

The subdivision is approximately 5.5 acres in size. It has been divided into 9 lots. Lot boundaries will be staked with 18 1/2" rebar with plastic or aluminum caps.

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: Pine Knoll and Lonetree Road, Flagstaff, Coconino County, Arizona

SUBDIVISION CHARACTERISTICS

Topography: The subdivision is composed of hillside and rocky conditions.

Flooding and Drainage: Though the subdivision is subject to areas of minimal flooding, drainage conveyances and detention facilities will be constructed

Guy Zeigler, PE dated 3/9/2004 in SWI Job #: 03033 cites the following:

Re: Flood Zone designation
Rio Homes

The subdivision is located on Panel 12 of 21, City of Flagstaff, Flood Insurance Rate Map (FIRM 040020 0012 B) by the Federal Emergency Management Agency (FEMA). The property is entirely within Zone C. Area C is defined as "areas of minimal flooding" and is outside of the defined 100 year flood plain.

Soils: Lots within said subdivision are not subject to subsidence or expansive soils.

Adjacent Lands and Vicinity: Zoning codes for adjacent lands are as follows: The North – PL – public lands; South – PL – Public Lands; E – PL – Public Lands and W – MR – Residential.

AIRPORTS

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

Public Airport: The subdivision is located approximately 5 miles Southwest of the City of Flagstaff's Pulliam Airport.

SUBDIVISION IS LOCATED WITHIN TERRITORY IN THE VICINITY OF PULLIAM AIRPORT. AIRCRAFT MAY PRODUCE NOISE AS A RESULT OF NORMAL FLIGHT OPERATIONS.

UTILITIES

Electricity: Arizona Public Service Company; (928) 773-6430. Subdivider to complete facilities to the lot lines by June 1, 2004. Buyer's costs to complete facilities from lot line to dwelling: none. Costs for purchasers to receive this service include a \$25.00 service establishment fee and \$150.00 security deposit may be required depending on prior service or credit information.

Street Lights: Street lights will be installed by the developer by June 1, 2004 and the cost will be included in the annual property taxes.

Telephone: Qwest Communications Company; 928-779-6911. Subdivider to complete facilities to the lot lines by June 1, 2004. Purchaser's cost to complete facilities from lot line to dwelling is included in the service charge. Buyer's costs to receive this service: \$33.25 per line connection approx or \$75.25 total approx, and a security deposit may be required upon credit check.

Natural Gas: Citizens Arizona Gas (928) 774-4592. Subdivider to complete facilities to the lot lines by April 30, 2004. Buyer's costs to complete facilities from lot line to dwelling: First 60 feet for trenching from lot line to dwelling is at no cost to purchaser, \$8.00 per linear foot thereafter. Costs to purchasers to receive this service include a \$15.00 service fee and \$85.00 deposit depending on prior service or credit information.

Water: City of Flagstaff (928) 779-7632. Subdivider to complete facilities to the lot line by June 1, 2004. Buyer's costs to complete facilities from lot line to dwelling included in the cost of plumbing of dwelling. Costs to purchasers to receive this service are a \$44.15 service hook-up fee. Fire Hydrants will be installed by the developer. It is estimated that such facilities will be completed by June 1, 2004.

Sewage Disposal: City of Flagstaff (928) 779-3285. Subdivider to complete facilities to the lot lines by June 1, 2004. Buyer's costs to extend facilities from lot line to dwelling: None, fees are included in monthly water bill.

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: Paved public access to the subdivision has been completed with the City of Flagstaff responsible for maintenance.

Access within the Subdivision: Subdivider to complete the asphalt private streets by June 1, 2004. Streets within the subdivision will be maintained by the Rio Home Homeowners Association with costs to purchasers for maintenance included in the association assessments.

Flood and Drainage: Onsite drainage and detention facilities will be completed by the developer by June 1, 2004 and maintained by the Rio Homes Homeowners Association with costs to purchasers included in the association assessments.

COMMON, COMMUNITY AND RECREATIONAL FACILITIES

Within the Subdivision: Common Areas include: walking paths, picnic areas, exercise stations, horseshoe pits and volley ball courts which are to be maintained by the Homeowners Association with costs for maintenance to purchasers included in the Association fees.

Within the Master Planned Community: This subdivision is not included in a Master Planned Community.

ASSURANCES FOR COMPLETION

Assurances for Completion of Subdivision Facilities: The developer has a loan with The Mortgage Group for the construction of the subdivision facilities.

Assurances for Maintenance of Subdivision Facilities: The City of Flagstaff, the Rio Homes Homeowners Association and the various utility providers are responsible for maintenance of the facilities reflected herein.

LOCAL SERVICES AND FACILITIES

Schools: Kinsey Elementary School is approximately 1/2 mile; Flagstaff Middle School is approximately 2 3/4 miles; Flagstaff High School is approximately 2 3/4 miles. All are within the Flagstaff Unified School District #1.

School buses are available to students of the above schools.

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: West View Towne Center is located approximately 1 ¼ miles from the subdivision on McConnell Drive and Beulah Blvd.

Public Transportation: Mountain line bus service is available approximately ½ mile North at the intersection of Forest and Turquoise Avenues.

Medical Facilities: Several physicians and dentists practice in the City of Flagstaff. Flagstaff Medical Center is located approximately 1 mile Northwest of the subdivision.

Fire Protection: The City of Flagstaff provides fire protection to the subdivision. Costs for this service is included in the ad valorem taxes.

Ambulance Service: Ambulance service is available by dialing 911.

Police Services: The City of Flagstaff provides police protection to the subdivision.

Garbage Services: The City of Flagstaff provides refuse collection to the subdivision. Cost for this service is included in the ad valorem taxes.

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 improved and unimproved lots. Zoned: Single family residential.

Conditions, Reservations and Restrictions: As set forth in the recorded Covenants, Conditions and Restrictions, Articles of Incorporation, and Bylaws of the homeowners association and recorded subdivision plats. You are advised to read the Declaration of Restrictions and other such restrictive documents, which may have an affect on your use and enjoyment of your 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 Coconino County Recorder. Information about zoning may be obtained at the Office of the City of Flagstaff Planning and Zoning Department. Restrictions are recorded as cited in the following title exceptions and per the subdivision plats.

TITLE

Title to this subdivision is vested in AZNORTH Development, 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 March 30, 2004 issued by Fidelity National Title Insurance Company of Coconino County. **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 ownership interest in the subdivision will be evidenced by the developer's delivery of a Warranty Deed to you and by your signing a Promissory Note and Deed of Trust for any unpaid balance of the purchase price.

Release of Liens and Encumbrances: The subdivision is subject to a construction loan, which contains lot release provisions, enabling you to receive title to your lot free and clear of such lien or encumbrance.

Use and Occupancy: Occupancy of your lot will be granted upon the close of escrow and recordation of your Deed. Use and occupancy of your lot is subject to the Declaration of Restrictions and Rules and Regulations of the Cliffside Estates Homeowners Association.

Leasehold Offering: Leasing of lots within the subdivision is not contemplated by the developer.

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 2003 is \$10.86 per \$100.00 assessed valuation. The estimated property tax for an improved lot (lot with dwelling), based on the above tax rate and average sales price of \$225,000 is \$1,800. The estimated property tax for an unimproved lot (vacant), will not be offered by the developer.

Special District Tax or Assessments: There are no special taxes or assessments.

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

PROPERTY OWNERS ASSOCIATIONS

Name and Assessments: The Rio Homes Homeowners Association has been formed and is operational. The Association has set its regular assessment at \$65.00 per month.

Control of Association: Control of the Association will be turned over to the property owners upon sale of all lots within the subdivision.

Title to Common Areas: Title to any common areas has been transferred to the Association.

Membership: All lot owners will be members of the Rio Homes Homeowners Association.

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, AND BYLAWS FOR THIS SUBDIVISION TO DETERMINE THE RIGHTS OF LOT 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. FURTHER, YOU SHOULD DETERMINE FOR YOURSELF IF SUBDIVIDER'S ARRANGEMENTS AND PLANS FOR THE PAYMENT OF ASSESSMENTS ON UNSOLD LOTS WILL BE SUFFICIENT TO FULFILL THE NEEDS, DEMANDS AND FINANCIAL OBLIGATIONS OF THE ASSOCIATION, AS SET FORTH IN THE DECLARATION AND BYLAWS.

EXHIBIT "A"
TITLE EXCEPTIONS

1. "Restrictions, conditions and regulations governing the use of groundwater, pursuant to Title 45, Arizona Revised Statutes, 101, et seq."
2. Any action by Coconino County Assessors and/or Treasurer altering the current or prior tax assessment subsequent to the date of this report.
3. Property taxes, which are a lien not yet due and payable, including any personal property taxes and any assessments collected with taxes to be levied for the year 2004.
4. Any obligations imposed upon said land by its inclusion within the following names association:
Association: RIO HOMES ASSOCIATION
5. Easement for right of way as disclosed by Docket 24, page 432.
6. Easement for electric lines as disclosed by Docket 26, page 294.
7. Easement for electric lines as disclosed by Docket 130, page 425.
8. All matters as disclosed by Survey recorded in Book 18 of Land Surveys, Page 3.
9. Easement for sewer as disclosed by Docket 1179, pages 1 and 4.
10. Any rules and regulations prescribed by the Secretary of Agriculture concerning the use of National Forest Service Roadway System road which provides access to the within described property as provided for in 16 U.S.C. 478.
11. Terms and Conditions as set forth in Development Agreement as recorded in Docket 1559, page 572.
12. Easement for drainage as set forth in Docket 1777, page 852.
13. The effect of Ordinance as recorded in Instrument No. 3135929 and 3236029.
14. Terms and Conditions as set forth in Development Agreement as recorded in Instrument No. 3236027 and 3255060.
15. Easement for electric lines as disclosed by Instrument No. 3241762.
16. Covenants, conditions as restrictions as set forth in Instrument No. 3236800.
17. Covenants, conditions as restrictions as set forth in Instrument No. 3255059.
18. Any facts, rights, interests or claims which may exist or arise by reason of the following matters disclosed by an inspection or survey: a) right of way for dirt road over the Westerly portion of said property b) right of way for electric lines over the Westerly and Easterly portions of said property.

19. Water rights, claims or title to water, whether or not disclosed by the public records.
20. Any rights of the parties in possession of a portion of, or all of, said land, which rights are not disclosed by the public record.
21. A deed of trust to secure an indebtedness in the amount of \$1,800,000.00, dated 9/8/2004 recorded in Instrument No. 3236801.
22. A deed of trust to secure an indebtedness in the amount of \$250,000.00, dated 3/15/2004 recorded in Instrument No. 3255347.
23. A deed of trust to secure an indebtedness in the amount of \$500,000.00, dated 3/15/2004 recorded in Instrument No. 3255348.
24. A deed of trust to secure an indebtedness in the amount of \$100,000.00, dated 3/15/2004 recorded in Instrument No. 3255351.
25. A deed of trust to secure an indebtedness in the amount of \$50,000.00, dated 3/15/2004 recorded in Instrument No. 3255349.



**STATE OF ARIZONA
DEPARTMENT OF REAL ESTATE**

JANET NAPOLITANO
GOVERNOR

ELAINE RICHARDSON
COMMISSIONER

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June 18, 2004

AZ NORTH DEVELOPMENT, INC
2460 E ROUTE 66
FLAGSTAFF AZ 86004

Registration No.: DM04-048243
Development: RIO HOMES

Gentlemen:

This is to acknowledge issuance of the public report for the above referenced development. This property may now be offered for sale.

A copy of the public report must be given to the prospective purchaser, allowing ample time for review, prior to signing the purchase contract and receipt for public report. The developer shall obtain the purchaser's signature on the receipt form approved by this Department. Signed receipts shall be maintained at the office of the developer for a period of not less than five (5) years. Receipts shall be subject to inspection at any reasonable time by the Department. The receipt form enclosed with this letter is approved by this Department and must be used when the prospective purchaser receives a copy of the public report.

Sincerely,

Elaine Richardson

Elaine Richardson
Commissioner

enclosure

PUBLIC REPORT RECEIPT

The owner, agent or developer of this development shall furnish you, as a prospective customer, with a copy of the Public Report. 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, PLEASE 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 that 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)