

STATE OF ARIZONA
DEPARTMENT OF REAL ESTATE

SUBDIVISION PUBLIC REPORT

FOR

AERIE I

The Aerie

Registration No. DM05-050957

SUBDIVIDER

RED ROCK AERIE, L.L.C.
7720 North 16th Street, Suite 310
Phoenix, Arizona 85020

February 9, 2006

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 CONTRACTS OR AGREEMENTS FOR THE PURCHASE OF AN UNIMPROVED LOT (WITHOUT A BUILDING)* MAY BE RESCINDED BY YOU WITHOUT CAUSE BY SENDING OR DELIVERING WRITTEN NOTICE OF RESCISSION BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE SIGNING.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 through 41

The map of this subdivision is recorded in Book 55 of Maps, pages 34-37, records of Yavapai County, Arizona.

The subdivision is approximately 100.66 acres in size. 41 lots ranging from 2.02 to 2.92 acres, Tract A = 27,816 sq. ft., Tract B = 2.15 acres and Tract C = 33,839 sq. ft. The rear lot corners are staked with ½ inch rebar and yellow caps. Front lot corners will be as shown on recorded final plat and will be staked with ½ inch rebar and yellow caps with the completion of roadway infrastructure.

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: Southwest of the intersection of Boynton Canyon Road and Boynton Pass Road in Yavapai County, State of Arizona

SUBDIVISION CHARACTERISTICS

Topography: The subdivision contains rolling terrain with some dense, wooded pinon and juniper tree areas as well as open meadows with low-lying shrubs and wildflowers. Some of the changes in topography include red rock outcroppings on the east side of the property with the remains of a previously used irrigation lake in the south-central portion of the property and a wash that runs west to east from the vicinity of the lake exiting the property at the southeast corner.

NOTE: Views and/or scenes that may be visible from particular portions of the community or any of its lots will change over time and may be wholly or partially obstructed as development activity continues and landscape matures. Neither Subdivider nor its agents or representatives make any representations or warranties regarding the future protection of views that may be a factor in the Purchaser's decision to purchase in this community.

Flooding and Drainage: Jack K. Moody, P.E., CFM and Director of Water Resources with WRG Design, Inc., in his letter dated September 1, 2005, cited:

The Aerie I project is a 41 lot residential subdivision located in unincorporated Yavapai County. The project site is located approximately five miles northwest of downtown Sedona, Arizona. The Improvement Plans and Drainage Report as prepared by WRG Design Inc. dated May 2005 have been designed per Yavapai County standards. Finished floor elevations for each of the 41 lots in The Aerie I project are to be designed by others.

The Federal Emergency Management Agency's Flood Insurance Rate Maps (FIRM) for Yavapai County, Arizona and Incorporated Areas, Map Number 04025C1115F dated June 6, 2001

indicate that the site is within Flood Zone "X" (Not-Shaded). The flood zone is defined by FEMA as:

Areas determined to be outside 500-year flood plain.

Further, the drainage design is documented in the report titled *Phase III Drainage Report, Aerie I, Proposed Residential Development, Yavapai County, Arizona* dated May 12, 2005. And the following conditions were used for the basis of design of the grading and drainage for this custom lot subdivision:

- Residential construction is to be done by individual lot owners.
- It is the responsibility of individual lot engineers to set finished floors a minimum of 1 foot above the expected 100-year storm event water surface elevation.
- All lots and common Areas are subjected to an easement for drainage of storm water runoff from other portions of the Property, including runoff from the project water feature; provided, however, that no Person shall be entitled to alter the drainage patterns on any portion of the Property that are set forth on drainage plans approved by the County to materially increase the drainage of storm water onto adjacent portions of the Property or Project (or materially relocate its locations) without consent of any Owners of the affected property and the Board of Directors of The Aerie Conservancy.

Soils: All lots in the subdivision are subject to subsidence and/or expansive soils.

Soils and geotechnical conditions vary throughout Arizona, and soils are often expansive or composed of large amounts of rock and may react in differing manners to various structural loads. Subdivider makes no representation or warranty as to the adequacy of the soils condition of the lot for improvements other than those constructed by Subdivider. Purchaser agrees that Purchaser will engage the services of a qualified contractor and geotechnical engineer for the installation of any improvements (including, without limitation, swimming pools), to ensure appropriate design and construction methods, including proper slab and foundation design, drainage and stabilization measures. Due to differing geologic conditions, design methods vary from location to location. All lots may be subject to expansive soil conditions. All lot owners are to maintain positive drainage away from all structures.

Delbert A. Rapier, M.S.E., P.E. with Construction Inspection & Testing Co., in his letter dated July 26, 2005, has cited:

Site Soil Conditions Summary (ADRE R4-28-A1203 Requirement):

It is understood that the proposed development will consist of one and/or two level single-family residences of masonry, wood and/or steel frame construction.

The site consists of undulating juniper and pinon pine forest land located in northwestern Sedona.

The subsurface soil profile consists of Clayey sands and sandy clay with plasticity ranging from low to high extending to depths ranging from 2 to 9 feet. Below depths ranging from 2 to 9 feet, competent rock was encountered resulting in termination of the test hole excavation. High

plasticity clay soils encountered will likely require foundation design to account for the expansion potential of the soils. In addition, shallow depth to rock may impact the construction depending on proposed cuts and fills.

Due to shallow rock encountered, subsidence of the soils is not anticipated due to groundwater withdrawal. Settlement of the soils that may occur from the anticipated loads applied by the proposed structure should be addressed in a site specific soils investigation report.

The site is considered suitable for single-family residences provided floor/foundation systems are properly designed for site conditions. Subsurface soils conditions are variable across the site, therefore, it is suggested that site specific soils investigations be performed for each lot. Soils investigation should consider items, such as, but not limited to, allowable foundation bearing of soil/rock, the ability to excavate subsurface soils/rock, probability of radon gasses, etc.

Adjacent Lands and Vicinity: The adjacent land is Coconino National Forest which is available to the public for various recreational uses through permits issued by the Forest Service. Please use the information provided by the USDA Forest Service on their website at www.fs.fed.us/r3/coconino to better understand the uses and potential unusual safety factors and nuisances. The land in the vicinity is a destination for tourist activity with uses that can include, but are not limited to, hiking and biking on trail systems owned by the Coconino National Forest, helicopter and airplane tours and hot air balloons.

Coconino National Forest: Access to the Subdivision is via Aerie Road (to be constructed) which is located within the Coconino National Forest. Use of any other portion of the Coconino National Forest in order to access the Subdivision is strictly prohibited. In addition, use of the Coconino National Forest for recreation and other purposes is regulated by applicable laws, rules, regulations and ordinances. Without limiting the foregoing, access to the Coconino National Forest is restricted to designated roadways and trails. Accordingly, vehicular and pedestrian access to the Coconino National Forest via the lots that abut the Coconino National Forest is prohibited, including during the period that homes are being constructed.

Hazards and Nuisances: For the period of time that the community is under construction, there will be construction traffic and other development-related activities, which may result in additional traffic, noise or dust for the period of development. These areas may also pose as safety hazards to unsupervised children. Purchasers are encouraged to drive within the vicinity of the subdivision to determine whether any additional items of concern may exist. Subdivider advises that homes situated adjacent to or in the vicinity of streets and roadways, trails and open space areas and construction-related operations may experience an additional amount of noise, dust, wildlife, lighting, signage, as well as, pedestrian and vehicular traffic typically associated with these types of facilities.

Water Feature: Subdivider intends to construct a water feature on a portion of the common area designated as Tract B. Purchaser understands and agrees that the water feature may cause inconvenience and disturbance and possible injury to Purchasers, their families and invitees. Each potential Purchaser is encouraged to consider the location of the potential lot being purchased and its proximity to the project water feature.

Hillside Development: The development of land in hilly or mountainous areas involves special consideration and unique situations that result from the slope of the land. These special considerations and unique situations include but are not limited to increased hazards to development from rock falls, storm water runoff, geologic hazards, increased limitations on vehicular travel and increased difficulty in providing public services. In addition, steeply sloped lands introduce design limitations to roadways, cuts and fills and building sites, which poses the greatest potential for hazard and development limitation.

Native Wildlife: Purchasers are advised that animals indigenous to the area, including, without limitation, coyotes, skunks, mule deer, elk, scorpions, snakes, spiders, bobcats, hawks, javelina, bears, mountain lions and antelope, may be found throughout the Coconino National Forest, and the natural areas of the Property, and may enter upon the Property from time to time.

Wildfire: Like all forested areas, Coconino National Forest is susceptible to wildfire events. The Aerie Conservancy may adopt provisions related to fire mitigation as part of The Aerie Conservancy Rules and Architectural Principles. In addition, each lot owner shall be responsible for implementing and maintaining vegetation management standards for creating a defensible space in areas adjacent to structures in compliance with applicable laws, rules, regulations and ordinances and subject to the Declaration of Covenants, Conditions and Restrictions and the Architectural Principles.

Environmental Conditions: According to Mr. Michael Hulpke of Liesch Southwest who conducted all phases of the environmental site assessment for Aerie I: “In summary, we are not aware of any current environmental conditions or concerns in connection with the Aerie I property and no additional investigations and remediation are recommended at this time.”

However, Mr. Hulpke states further that the buyer should be aware of the following:

“Buyer should be aware that the property around Aerie I is located in an area containing near-vertical cliffs, there is potential hazard from rock falls or slope failure immediately adjacent to the cliffs.

In addition, asbestos containing water pipe (transite) was observed in a portion of an irrigation system that had been exposed by erosion within a drainage channel. The amount of transite pipe that was used on the irrigation system during the property’s prior use as a tree farm is unknown. Transite pipe is considered to be a Category 2 non-friable Asbestos Containing Material (ACM), and is not regulated. Since it is not regulated, it can be removed and disposed of as typical construction debris, as long as it is maintained as non-friable. If small pieces (gravel size) are broken off, they should be set aside and bagged for disposal. Although the transite pipe does not require any special handling for disposal, the transite is an ACM, and as such, OSHA rules regarding worker safety apply to the workers that will actually be handling the transite pipe.”

AIRPORTS

Public Airport: Sedona Airport is located at 235 Air Terminal Road in Sedona, approximately 7 miles from The Aerie.

UTILITIES

Electricity: Arizona Public Service, www.aps.com 65 Coffee Pot Drive, Sedona, Arizona, 86336 (928) 282-7128. Currently, the cost to the lot purchaser for trenching and materials for dry utilities (electricity and telephone) is approximately \$30 per lineal foot. NOTE: Unit price is only an estimate and will vary depending on lot location, lot geography, total lineal footage and number of adjacent lots under construction at the same time. The hook up fee is \$25.00 plus tax and the activation fee is \$15.00. A deposit of \$200.00 based upon the customer's credit history may be required. All fees and/or deposits are subject to change; please contact the utility company for further details. Completion date: Utility delivered to lot line by June 30, 2007

Street Lights: There will be no streetlights in this development.

Telephone: Qwest Communications www.qwest.com (800) 244-1111. Currently, the cost to the lot purchaser for trenching and materials for dry utilities (electricity and telephone) is approximately \$30 per lineal foot. NOTE: Unit price is only an estimate and will vary depending on lot location, lot geography, total lineal footage and number of adjacent lots under construction at the same time. Hook up fee of \$27.50 plus tax and a deposit based on customer's credit history may be required. Completion date: Utility delivered to lot line by June 30, 2007

Mail Delivery: Mail service will be provided by the Sedona Post Office. Mail delivery will commence once 50% of the 74 total lots in Aerie I and Aerie II are improved with homes. Mail will be delivered to the mailbox complex that will be located just outside of the entry gate to the community. Individual curbside delivery will not be available. According to Linda Scheerer, Address and Growth Management Clerk for the Sedona Post Office, postal service regulations state that, "At least 50 percent of the building lots in the area to be served are improved with houses or business places. Where a house or building and its yard or ground cover more than one lot, all lots so covered are considered improved." It is suggested that the initial residents in Aerie I obtain a P.O. Box for mail delivery at the West Sedona Post Office located at 190 W Highway 89A, Sedona, 86336 - (928) 282-3511.

Natural Gas: Bottled propane gas is to be used. Any tank for propane gas installed or located on a lot must be placed underground. The location of any such tank and its characteristics and installation shall be subject to requirements designated in the Declaration of Covenants, Conditions and Restrictions and the Architectural Principles. Currently, the cost to install and lease a 500-gallon, underground propane tank is \$72 per year and the cost to purchase and install a 500-gallon, underground propane tanks is approximately \$1,750. Fees and pricing are subject to change. Please contact Graves Propane at (928) 567-2425 for further details.

Water: Water service will be provided by The Aerie Conservancy, an Arizona non profit corporation, (602) 265-1952. A certified and licensed third-party operator will be hired to manage day to day service, operations and maintenance of the water system. Currently, the cost to lot purchasers for trenching and materials to deliver water service to residence from lot line is approximately \$30 per lineal foot. Upon receiving a building permit from Yavapai County that allows connection to the water system, the Purchaser will be required to (1) install a water meter and backflow prevention system at an approximate cost of \$550, (2) begin paying a monthly water privilege fee of \$30 per month and (3) pay a Water Use Assessment. The current Water

Use Assessment rate is \$5 per 1,000 gallons of water used, but is subject to change. It is projected that the average residence within Aerie I will use approximately 10,000 gallons per month, thus the average total water assessment for water service is expected to be approximately \$80 per month or \$240 per quarter. The monthly water privilege fee, water meter, backflow prevention system and Water Use Assessment rate are equal for each lot, but the gallons of water used by any particular lot can vary depending on lot size, home size, months of occupancy, vegetation, and other factors.

In addition, each Purchaser should be aware that lots 10 through 40 will require an individual pressure relief valve on the water line to serve the home at an approximate cost of \$150.

NOTE I: All rates and fees are estimates and subject to change at any time. Completion date: Utility delivered to lot line by June 30, 2007

NOTE II: "Pursuant to A.R.S. § 45-108 and A.A.C. R12-15-715 *et seq.*, the Department has determined that the water supply for the Aerie I and Aerie II subdivision is adequate, *i.e.* that the water supply is physically, continuously and legally available to satisfy the applicant's 100-year projected water demand, and that the water supply is of suitable water quality. However, the legal availability of the water withdrawn from wells in this area may be the subject of court action in the future as part of a determination of surface water rights. Whether future court action will have an effect on the legal availability of the water supply for the proposed subdivision cannot be determined at this time."

Sewage Disposal: An individual onsite wastewater system which is the equivalent to a MicroSepTec™ system per Section 1.3 of the Covenants, Conditions and Restrictions has been approved by the Yavapai County Development Services-Environmental Unit and is required to be installed by each lot owner for sewage disposal.

Each individual lot owner must submit proposed on-site disposal system to Yavapai County Development Services-Environmental Unit for review and approval prior to beginning any construction on the lot. The on-site sewage disposal system shall be designed on an individual basis for each lot by a professional engineer registered in the State of Arizona and the lot owner will be required to test percolation rates for installation of the system and for disposal of treated effluent. Construction plans for the on-site sewage disposal system shall be approved by Yavapai County Development Services-Environmental Unit before a building permit is issued. In addition, all systems shall be equipped with monitoring systems and connected to a maintenance provider through a dial up system.

Estimated costs to install this sewage disposal system for a 6,000 square foot home is approximately \$40,000 which includes the sewer system, percolation test and all permits and approvals required by the Arizona Department of Environmental Quality and Yavapai County. Costs may vary depending on factors such as size of home, number of bathrooms, lot location, increased permit fees, soil conditions, etc. Also, there may be annual reporting requirements and associated costs for using this on-site sewage disposal system.

It should also be noted that when sewer service is available, all individual on-site alternative systems must be abandoned and connected to public sewer service within 90-days of availability. If the public sewer service is available before any lot is sold, the developer must submit an Application for Approval to Construct wastewater system to Yavapai County Development Services-Environmental Unit for review and approval.

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 roads. Completion date: June 30, 2007

Legal access is granted to the subdivision in the name of Yavapai County and The Aerie Conservancy in the form of easements granted by the U. S. Department of Agriculture Forest Service. The property is accessed via the existing Dry Creek Road and Boynton Canyon Road and by Boynton Pass Road, a National Forest Roads and Trails Act (F.R.T.A.) Public Road Easement granted to Yavapai County by the U. S. Department of Agriculture Forest Service and recorded with the final plat for Aerie I. The access road, Aerie Road is a Federal Land Policy and Management Act (F.L.P.M.A.) Forest Road Easement granted to The Aerie Conservancy by the U. S. Department of Agriculture Forest Service and recorded with the final plat for Aerie I. Dry Creek Road and Boynton Canyon Road are complete and maintained to Yavapai County standards. Boynton Pass Road is currently an unpaved road that will be improved to Yavapai County standards and as described in the F.R.T.A. Public Road Easement recorded with the final plat for Aerie I. Aerie Road is not yet constructed but will be built according to Yavapai County standards and as described in the F.L.P.M.A. Forest Road Easement that is recorded with the final plat for Aerie I. Costs for maintenance of Boynton Pass Road will be assumed by Yavapai County. Costs for maintenance of Aerie Road to access the subdivision will be included in the assessments for The Aerie Conservancy. Costs for the portion of Aerie Road that accesses a U. S. Department of Agriculture Forest Service trailhead will be paid by the Forest Service, but payment may be assisted by stewardship or sponsorship funds from The Aerie Conservancy as allowed for in the Covenants, Conditions and Restrictions.

NOTE: The F.L.P.M.A. Forest Road Easement issued to The Aerie Conservancy for Aerie Road must be renewed by The Aerie Conservancy prior to the expiration date which is December 31, 2015 and The Aerie Conservancy must pay an annual use fee to the Forest Service for the easement which is \$60.69 per year adjusted using the Implicit Price Deflator-Gross National Product index or other factor selected by the Forest Service. Please refer to the F.L.P.M.A. Forest Road Easement recorded with the final plat for Aerie I.

Access within the Subdivision: Private roads. Completion date: June 30, 2007. Street maintenance is the responsibility of The Aerie Conservancy and costs for the maintenance will be included in the 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.

AERIE I IS NOT IN PROXIMITY TO ARIZONA STATE TRUST LANDS.

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

Flood and Drainage: All lots and common Areas are hereby subjected to an easement for drainage of storm water runoff from other portions of the Property, including runoff from the project water feature; provided, however, that no Person shall be entitled to alter the drainage patterns on any portion of the Property that are set forth on drainage plans approved by Yavapai County to increase materially the drainage of storm water onto adjacent portions of the Property or Project (or materially relocate its locations) without the consent of any Owners of the affected property and the Board of The Aerie Conservancy. Subdivider will complete typical street drainage by June 30, 2007.

Natural ground conditions may convey water flows through individual lots. Caution should be exercised in selecting a building site and a certified engineer should be used by lot owners to adhere to the flooding and drainage characteristics of their lot to better understand the scope of any water flow conveyance and the associated costs. Property owners may wish to contact the Yavapai County Flood Control District for additional direction.

COMMON, COMMUNITY AND RECREATIONAL FACILITIES

Within the Subdivision: Common area and community facilities include all median landscaping, the entry gate, the project water feature and mailbox facility. Maintenance for the above improvements will provided by the The Aerie Conservancy with costs collected through The Aerie Conservancy assessments. Completion date: June 30, 2007.

Within the Master Planned Community: The Aerie, a custom lot community of 74 unimproved lots, is a master planned community according to A.R.S. 32-2101(33). There may be up to a total of two final plats recorded for the subdivision which consists of Aerie I (41 lots) and Aerie II (33 lots). Both plats shall be subject to the same Declaration of Covenants, Conditions and Restrictions. Additional common areas may be developed with the second phase of The Aerie (Aerie II). Maintenance and expenses are the responsibility of The Aerie Conservancy. Estimated completion date for the above facilities: October 2010

NOTE: The number of lots, types of common areas and the estimated infrastructure completion date for Aerie II is proposed, but not guaranteed.

ASSURANCES FOR COMPLETION

Assurances for Completion of Subdivision Facilities: Subdivider has guaranteed the improvement of Boynton Pass Road and Aerie Road with a performance bond that names Yavapai County as the obligee. Subdivider has guaranteed the on-site improvements for Aerie I that include all roadway improvements, electric and phone utilities, water source and delivery system with a performance bond that names Yavapai County as the obligee. Subdivider has guaranteed the improvement of the entry gate and project water feature with a performance bond that names The Aerie Conservancy as the obligee. All bonding is based on the signed and sealed estimates of the Registered Professional Engineer in accordance with Yavapai County standards, A.R.S. 11-806-01 and is provided by Lexon Insurance Company, 631 Shute Lane, Old Hickery, TN 37138..

Assurances for Maintenance of Subdivision Facilities: The recorded Declaration of Covenants, Conditions and Restrictions provides for The Aerie Conservancy to maintain all common areas. Utility providers are granted easements to maintain and service all utilities located within The Aerie.

LOCAL SERVICES AND FACILITIES

Schools: West Sedona Elementary School (K-8), 570 Posse Ground Road, Sedona, Arizona 86336, (928) 204-6600, approximately 7.5 miles from the subdivision and Red Rock High School, 995 Upper Red Rock Loop Road, Sedona, Arizona 86336, (928) 204-6700, approximately 6 miles from the subdivision.

NOTE: School assignments and school district boundaries are subject to change. Prospective buyers should contact the school district to verify this information and the schedules and routes of school bus transportation.

Shopping Facilities: The nearest community shopping area is in West Sedona, which begins approximately 7 to 9 miles from the subdivision. West Sedona offers diverse shopping including, food, drink and medical supplies.

Public Transportation: Public transportation is not available for this subdivision.

Medical Facilities: Sedona Medical Center is a medical clinic located in West Sedona, approximately 7.5 miles from the subdivision. Marcus Lawrence Hospital is in Cottonwood, Arizona, approximately 20 miles from the subdivision.

Fire Protection: Fire protection is provided by the Sedona Fire District with a station located in West Sedona, approximately 8.5 miles from the subdivision with costs to purchasers included in the property taxes.

Ambulance Service: Available by dialing 9-1-1 and by the Sedona Fire Department.

Police Services: Yavapai County Sheriff's Office

Garbage Services: Service will be provided by Waste Management per an agreement with The Aerie Conservancy and will be billed directly to the lot owner as soon as service is activated at a cost of \$16.75 per month. Service will be provided as soon as a Certificate of Occupancy is issued for the first home within The Aerie.

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 vacant, unimproved lots

Zoning: Single family residential, R1L-2A, Yavapai County

Conditions, Reservations and Restrictions: The oil, gas, metals and mineral rights in this subdivision will not belong to the purchasers of these lots. The exercise of the right to extract these minerals could affect the use, enjoyment and value of your lot. This development is located in an open range area. Cattle guards and fencing will be installed. As stated in: (1) recorded Declaration of Covenants, Conditions and Restrictions for The Aerie; (2) the Articles of Incorporation of The Aerie Conservancy; (3) Bylaws of The Aerie Conservancy; (4) any additional rules or amendments to the Covenants, Conditions and Restrictions by The Aerie Conservancy; (5) The Aerie Architectural Principles; (6) the recorded plat of the subdivision; and (7) zoning stipulations and restrictions. Purchaser is not permitted to improve purchaser's lot or alter existing improvements on the lot without approval of the appropriate architectural review committee(s).

Restrictions and Other Matters of Record: Conditions, reservations and restrictions that may run with the land including Yavapai County zoning restrictions should be investigated by the potential purchaser. Copies of those items which are recorded may be inspected at the Office of the Yavapai County Recorder. Information about zoning may be obtained at the Office of the Yavapai County 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, Trust No. 8594.

Subdivider's interest in this subdivision is evidenced by Dual Beneficiary Trust Agreement.

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 _____ issued by First American Title. **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 will be evidenced by a standard purchase contract. Title will be conveyed by the subdivider delivering a recorded deed to the purchaser and by the purchaser signing a promissory note and mortgage or deed of trust for the unpaid balance. Purchaser's deposits and earnest monies will be deposited into a neutral escrow account and cannot be used by Seller/Subdivider until the close of escrow. In the event of a Purchaser default under the purchase contract, the earnest money deposit will be nonrefundable to Purchaser and released to Seller/Subdivider.

Release of Liens and Encumbrances: Trust provides for lot releases.

Use and Occupancy: Upon close of escrow, recordation of transfer documents and completion of infrastructure of Aerie I.

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 2005 is \$9.3051 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 \$1,000,000, is \$7,909.

NOTE: Average sales price is dependent on market conditions and is subject to change at any time.

Special District Tax or Assessments: Impact Fees: The Aerie is located within the Central Yavapai County Benefit Area, and as such, each lot will be subject to an impact fee payable to Yavapai County at the time a building permit is issued. The fee is currently \$1,100 and is assessed to help pay for roadway capacity improvements in the unincorporated areas of Yavapai County. **PLEASE NOTE: Impact fees are subject to change at any time.** For more information on the impact fee, please contact Yavapai County Development Services at (928) 771-3214.

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

PROPERTY OWNERS ASSOCIATIONS

Name and Assessments: The Aerie Conservancy. Property owners will be required to pay assessments in the amount of \$600 per quarter (\$200 per month). **NOTE:** The assessment amount is only an estimate and is subject to change and is in addition to all assessments related to the water system.

As disclosed in The Aerie Conservancy Documents (i.e., Declaration of Covenants, Conditions and Restrictions, Articles of Incorporation and Bylaws), there may be other special assessments, taxes or fees to be paid by Purchaser. Please refer to The Aerie Conservancy Documents for specific information.

As disclosed in the Covenants, Conditions and Restrictions, in addition to the Annual Assessments, any applicable Special Service Area Assessments as established by Article 5, Special Assessments for capital improvements or other extraordinary expenses or costs established by Article 5 and Maintenance Charges established by Article 9 may be charged.

Upon the sale of a lot to an initial Retail Purchaser, Section 5.7 of the Covenants, Conditions and Restrictions provides:

As an additional funding source for (i) capital improvements, including, but not limited to, construction of a second well and other modifications or improvements to the Water System and Project Water Feature, resurfacing and other improvements to the Private Roads, and improvements or modifications to the Project Entry Feature, (ii) the Reserve for Capital Improvements, (iii) the operation of the Water System and (iv) any other similar expenditures approved by the Board, the initial Retail Purchaser shall pay a one-time fee equal to \$25,000 (the "Working Capital Fee"). The Working Capital Fee may increase at a rate of 5% each anniversary following the recordation date in Yavapai County of the Covenants, Conditions and Restrictions for the subdivision.

In addition, the Covenants, Conditions and Restrictions provide for (1) a Transfer Assessment upon the subsequent resale of lots to be paid in an amount determined by the Board for The Aerie Conservancy, but not greater than 1% of the gross sales price of the lot, (2) the right to levy a Special Assessment at the discretion of The Aerie Conservancy and (3) the right to levy a Reconstruction Assessment.

Special Conditions: The Covenants, Conditions and Restrictions gives the Board for The Aerie Conservancy the option to require each lot purchaser, prior to the commencement of construction of any improvements upon their lot, to obtain and maintain a performance bond ensuring the completion of any improvements on their lot and a payment bond in an amount equal to 20% of the costs of construction. Please refer to Section 10.9 for additional clarification.

Control of Association: Subdivider will maintain control of the The Aerie Conservancy until 90 days following the date on which Subdivider no longer owns fee title or beneficial title to any

portion of the Property, which includes Aerie I and Aerie II, or such earlier date as Subdivider voluntarily declares that control of The Aerie Conservancy will be turned over to lot owners in an instrument recorded in the official records of the Yavapai County and subject to the Covenants, Conditions and Restrictions.

Title to Common Areas: The common areas may be conveyed to The Aerie Conservancy in phases, if Subdivider so elects, provided all of the common areas have been conveyed by the date control of The Aerie Conservancy has been turned over to lot purchasers.

Membership: All lot owners will be members of The Aerie Conservancy.

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 LOTS. 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'

1. Second installment of 2005 taxes, a lien, payable on or before March 1, 2006, and delinquent May 1, 2006.
2. Any charge upon said land by reason of its inclusion in The Aerie Conservancy, an Arizona nonprofit corporation.
3. Any charge upon said land by reason of its inclusion in Sedona-Red Rock Fire District.
4. 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.

5. Water rights, claims or title to water, whether or not shown by the public records.
6. Easements, restrictions, reservations, conditions and set-back lines as set forth on the plat recorded as Book 55 of Maps, Page 34, 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 USC 3604(c).

NOTE: Although the plat cited above was recorded subsequent to the date of this report, it is included herein based upon a copy furnished by the County Recorder's Office and **DOES NOT CHANGE THE SEARCH DATE OF THIS REPORT.**

7. Covenants, conditions and restrictions in the document recorded as Book 4335, Page 608 of Official Records, 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.

NOTE: Although the instrument(s) cited above were recorded subsequent to the date of this report, it is included herein based upon a copy furnished by the County Recorder's Office and **DOES NOT CHANGE THE SEARCH DATE OF THIS REPORT.**

8. Rules and regulations of the U.S. Department of Interior and/or U.S. Forest Service as such rules and regulations relate to access to and from the land over property controlled by the United States of America.

9. Implementation and completion of the terms and conditions of Decision Notice by the United States Department of Agriculture Forest Service dated February 18, 2000 for the approval of the issuance of easements and permits for construction and maintenance of roads, improvements, and utilities for private development.