

STATE OF ARIZONA
DEPARTMENT OF REAL ESTATE
SUBDIVISION PUBLIC REPORT

FOR
WESTWOOD RANCHES PHASE VII

Registration No. DM99-020377

SUBDIVIDER

DIAMOND 7 RANCH, L.L.C., an Arizona Limited Liability Company
3140 West Ironwood Circle
Chandler, Arizona 85226

July 12, 1999

Effective Date

First Amendment: October 20, 1999

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 CONTRACTS OR AGREEMENTS FOR THE PURCHASE OF AN UNIMPROVED LOT (WITHOUT A BUILDING)* MAY BE RESCINDED BY YOU WITHOUT CAUSE BY SENDING OR DELIVERING WRITTEN NOTICE OF RESCISSION BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE SIGNING.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: **ONLY**. Parcels 733-800, 805-847 and 850 inclusive: EXCEPT an undivided 1/3 interest in and to all oil, gas and other minerals, as set forth in Deeds recorded in Docket 155, Page 93, in Docket 155, Page 96, in Docket 155, Page 99, in Docket 155, Page 102, in Docket 155, Page 105, in Docket 155, Page 108 and in Docket 155, Page 111.

Further excepting a 3/16 of all oil, gas and all other minerals and hydrocarbon substances lying at, under or that may be produced from 500 feet or more beneath the surface of the aforesaid real property as reserved in instrument recorded February 9, 1993 in Docket 1541, Page 518.

EXCEPTING therefrom that parcel known as Oliver Tank lying within Parcel 849, H Ranch Tank lying within part of Parcel 758 and Flagstone Tanks lying within Parcel 850.

The map of this development: is recorded in Book 15, of Land Surveys, Pages 21-21H, records of Coconino County, State of Arizona.

You are advised to obtain a copy of said maps and note all easements, restrictions and statements contained thereon. These include in part, “all section lines shall have a 30-foot access and utility easement located adjacent to the section line and entirely within this section (except as shown and noted hereon). All other parcel lines shall have a 60-foot access and utility easement centered on the parcel line.

NOTE “A”: The following notes are typical to all sections except Section 10, T 24 N, R 3 W NOTE “A”: A 60.00 foot ingress and public utility easement (i.e & pue) adjacent to all section lines within the sections as shown herein being granted by the recording of this plat. (See Detail “A”)

NOTE “B”: A 60.00 foot (30.00 feet each side of the parcel line) (i.e & pue) granted by the recording of this plat. (See Detail “B”).

The development is approximately 30,240 acres in size. This Phase VII has been divided into 106 parcels. Developer advises parcels are staked at all four corners. Surveyor , Thomas R. Christopher, RLS 24514, advises as follows on the Survey Map:

“All parcel corners have been monumented with a survey monument as described below (set 5/8” rebar with 1 1/2” Aluminum cap attached, RLS 24514) and a 3/4” x 8’ PVC pipe along side”.

Surveyor Christopher further advises on May 25, 1999:

“I was made aware that during your inspection of Westwood Ranches Phase VII, it was discovered that some of the 1 ½ inch aluminum caps in Section 13, T. 24 N, R.3 W. did not have the parcel numbers stamped on them. This was an inadvertent omission. It is the intent of Mohave Engineering Associates, Inc., to prepare the 1 ½ inch aluminum washers stamped with the appropriate corners and wire them to the appropriate corner monuments. We will have this completed by June 10, 1999”.

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.

SPECIAL NOTES:

EACH PROSPECTIVE PURCHASER IS CAUTIONED TO ASSURE HIMSELF, BY PERSONAL OBSERVATION OR OTHER METHODS OUTSIDE THIS REPORT, OF THE USABILITY FOR HIS NEEDS OF THE PARCEL IN WHICH HE MAY BE INTERESTED.

PROSPECTIVE PURCHASERS ARE ADVISED TO READ THE WATER NOTE.

DEVELOPER ADVISES THAT THIS DEVELOPMENT IS LOCATED IN AN OPEN RANGE OR AREA IN WHICH LIVESTOCK MAY ROAM AT LARGE UNDER THE LAWS OF THIS STATE AND THAT NO PROVISIONS HAVE BEEN MADE FOR THE FENCING OF THE DEVELOPMENT TO PRECLUDE LIVESTOCK FROM ROAMING WITHIN THE UNSUBDIVIDED LANDS. DEVELOPER FURTHER ADVISES PURCHASERS THAT IF THEY WANT TO KEEP THE RANCHER/LESSOR’S LIVESTOCK OFF THEIR LAND THE PROPERTY MUST BE FENCED ALONG THE INSIDE OF ROADWAY/PUBLIC UTILITY EASEMENTS ON THEIR PARCELS AT THEIR OWN EXPENSE WITH A “GOOD AND SUBSTANTIAL FENCE”. THE LAND IS CURRENTLY UNDER A GRAZING LEASE AND LIVESTOCK ARE GRAZING ON PORTIONS THEREOF.

PERCENTAGES IN AND TO ALL OIL, GAS, OTHER MINERALS AND HYDROCARBON SUBSTANCES TO PARCELS IN THIS DEVELOPMENT WILL NOT BELONG TO THE PURCHASER OF THESE PARCELS. THE EXERCISE OF THE RIGHT TO EXTRACT THESE MINERALS COULD AFFECT THE USE, ENJOYMENT AND VALUE OF YOUR PARCEL.

RESTRICTIONS PROVIDE, **IN PART:** “EACH PARCEL MAY BE IMPROVED WITH NO MORE THAN FOUR (4) RESIDENTIAL BUILDINGS PER PARCEL. FROM AND AFTER JULY 1, 2004 THIS RESTRICTION SHALL TERMINATE, BE VOID, AND HAVE NO FURTHER FORCE OR EFFECT ON THE REAL PROPERTY.”

PROSPECTIVE PURCHASERS ARE ADVISED THAT SPLITTING, DIVISION, ETC. OF ANY PARCEL MAY COME UNDER THE **JURISDICTION** OF COCONINO COUNTY AND/OR THE STATE OF ARIZONA. YOU ARE ADVISED TO CONTACT THE ABOVE AND ANY OTHER APPLICABLE AGENCIES **PRIOR** TO ANY SUCH ACTIVITY TO DETERMINE ANY APPLICABLE JURISDICTION.

PIPELINE EASEMENTS GENERALLY INCLUDE THE RIGHT OF VEHICULAR ACCESS ALONG THE EASEMENT FOR MAINTENANCE AND EMERGENCY RESPONSE. FENCES CROSSING THE EASEMENT MUST HAVE GATES TO PERMIT VEHICULAR ACCESS. FOR YOUR SAFETY, IT IS IMPERATIVE THAT YOU CONTACT THE EASEMENT HOLD PRIOR TO ANY CONSTRUCTION ACTIVITY WITHIN THE EASEMENT INCLUDING ROADS AND FENCES. THE OWNER OF THE FACILITY WITHIN THE EASEMENT MAY LOCATE AND MARK HIS FACILITY UPON YOUR REQUEST.

PROSPECTIVE PURCHASERS ARE ADVISED THAT AN ON-SITE INSPECTION BY A REPRESENTATIVE OF THIS DEVELOPMENT INDICATES THAT ROADS TO A CORNER OF OR ALONG SOME PARCELS HAVE BEEN BLADED IN. HOWEVER, AS INDICATED HEREIN, THE DEVELOPER MAKES NO REPRESENTATION THAT ANY ROADWORK WILL BE PROVIDED AND HAS THEREFORE NOT PROVIDED ANY FINANCIAL ASSURANCES FOR ANY FUTURE ROADWORK.

PROSPECTIVE PURCHASERS ARE ADVISED TO READ THE RECORDED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, ARTICLES OF CORPORATION, BYLAWS, ROAD EASEMENT MAINTENANCE OBLIGATION (SEE HEREIN), ETC. FOR THIS DEVELOPMENT TO DETERMINE THE RIGHTS OF PARCEL OWNERS TO PARTICIPATE IN THE CONTROL OF THE MAINTENANCE OBLIGATION ASSOCIATION AND TO DETERMINE THE RIGHTS, DUTIES AND LIMITATIONS OF OWNERS IN AND TO USE OF THEIR PARCEL. FURTHER, YOU SHOULD DETERMINE FOR YOURSELF IF DEVELOPER'S ARRANGEMENTS AND PLANS FOR THE PAYMENT OF ASSESSMENTS ON UNSOLD PARCELS WILL BE SUFFICIENT TO FULFILL THE NEEDS, DEMANDS AND FINANCIAL OBLIGATIONS OF THE ASSOCIATION AS SET FORTH IN THE DECLARATION AND ALL OTHER APPLICABLE DOCUMENTS.

DEVELOPMENT LOCATION

Location: This development is located 22 miles northeast of Seligman. Proceed 8 miles east from Seligman on Old Route 66 to entrance of Westwood Ranches then approximately 14 miles north on right-of-way to subject property.

DEVELOPMENT CHARACTERISTICS

Topography: Thomas R. Christopher, Registered Land Surveyor 24514 reports on December 9, 1998:

“All parcel corners are monumented with a 5/8 inch rebar and a 1 ½ inch aluminum cap, RLS 24514, attached, excepting the corners previously monumented with USGLO Brass Cap Monuments.

The land consists of some flat and gently rolling hills to some steeper and mountainous terrain. The elevations range from 5400 to 6100 feet above sea level. The soil is silty loam and clay with some flagstone, limestone, and malapai rock outcropping. The predominate vegetation consists of rangeland grasses with some cacti and wild flowers. Juniper tree coverage ranges from sparse to dense.

Soil conditions allowed for adequate roadway surfaces. On-site material was used for road construction and was workable with normal equipment. Low water crossing were constructed through drainage channels. The land appears to be well drained with well defined arroyos.

Constructed roads within granted roadway easements are provided to access all parcels. Roads are constructed with widths, drainage flow and gradients to allow two-way traffic and are traversable with conventional passenger vehicles.

Flooding and Drainage: Developer advises facilities will not be installed.

Civil Engineer John A. Proffit reports on March 3, 1999:

“To the best of my knowledge, there are no known geological conditions that would adversely affect the development in this area.

There are no published FEMA-Flood Insurance Rate Maps for a majority of the area within Westwood Ranches -Phase VII. The Flood Insurance Rate Map Community Panel Number 040019 3250 B indicates that a portion of Parcel 842 through 845 are within Zone “A”, areas of 100 year flood, base flood elevations and flood hazard factors not determined. This area appears to be located within the Partridge Creek drainage and is the only portion of this project shown on this map. The remainder of Westwood Ranches, Phase VII is designated as Zone “D”, areas of undetermined, but possible, flood hazards by Community Index Panel No. 3000 B. Inquiries for additional determination of flood zone boundaries should be directed to the Coconino County Community Development Department”.

UTILITIES

UTILITIES: Developer advises that these services are available as follows:

Electricity: SUPPLIER: Arizona Public Service. Developer advises: “No installation is planned by developer. Purchasers’ costs: All costs “At great expense” not borne by supplier.

Developer further advises: “Existing facilities are located approximately FIVE (5) MILES from this development. Estimated costs to extend these facilities to a Parcel would be \$4.00 - \$9.00 PER FOOT”.

Danny L. Ray, Area Supervisor, Arizona Public Service (520) 635-2667, states in his letter dated July 1, 1998:

“This letter is to inform you that the above referenced subdivision is in Arizona Public Service Electric Service area. The Company extends its facilities in accordance with the “conditions Governing Extensions of Distribution Lines and Services”, and the “Terms and Conditions for the Sale of Electric Service”, on file with the Arizona Corporation Commission.

APS construction costs can range from approximately \$4.00 to \$9.00 +/- a foot. To extend electric facilities to this project may require an advance payment prior to design and contraction of the electric facilities. The amount of construction advance cannot be determined until an economic analysis has been made based on part on certain information you will be required to furnish. This payment may be refundable in accordance with the “Schedule 3” provisions of the above mentioned policy.

In addition, you could also incur additional costs which are non-refundable. These costs will depend upon the extent of the construction you will require of APS. An annual facilities charge or annual minimum may also be required in addition to the Standard Rates for Electric Service. These non-refundable costs and annual charges will also be set forth in the extension Agreement.

It is to be understood that this letter is intended only for your general information and does not constitute any type of agreement between us.

If you have any questions, please call me at the Williams Office at 635-2667.”

Telephone: Not Available

Developer advises: “No installation is planned by Developer. The property is located in an uncertified are and no telephone company is franchised to serve the area. The nearest telephone company is Table Top Telephone company, 600 N. Second Avenue, Ajo, Arizona 85321, but they do not plan to serve the property.”

Bottle Gas: SUPPLIER: Ferrellgas. Purchasers’ costs: Supplier advises: Ferrellgas of Prescott, Arizona will supply propane tanks and propane to Westwood Ranches - Phase

VII. We have a one time charge of \$45.00 for tank installation per tank. Tank rent is \$48.00 per year. Propane as of this date is \$1.099 per gallon, with a 125 gallon minimum delivery.

DEVELOPER HAS MADE NO PROVISIONS FOR THE INSTALLATION OR EXTENSION OF UTILITIES. BUYER WILL BE REQUIRED TO BEAR ALL COSTS FOR INSTALLATION AND EXTENSION OF UTILITIES NOT BORNE BY SUPPLIER.

NOTE: CONTRACT THE ABOVE UTILITIES REGARDING EXTENSION RULES AND REGULATIONS, SERVICE CONNECTIONS AND COSTS INVOLVED.

Water: SUPPLIER: Standpipe - Hauled Water

Water is not available to this development from a municipal or private water company. The Arizona Department of Water Resources in its report of February 9, 1999 states:

“Westwood Ranches, Phase VII, consists of eight contiguous sections of unsubdivided land located approximately 15 miles northeast of the town of Seligman. The property consists mostly of steep sloped semi-flat mesas of metamorphic and sedimentary rocks with isolated areas of volcanic and alluvium deposits. The Coconino aquifer is the principal water bearing unit for the area in which the depth-to-water may exceed 2,500 feet. The volcanic rocks and recent sedimentary deposits are generally non-water bearing, however, water may accumulate in fractures and fissures but may be drought sensitive. Water quality, well yields and decline rates are unknown. Depth-to-water greater than 400 feet exceeds normal practice for domestic wells in Arizona. By law, all well construction in Arizona must be performed by a licensed well driller and no well may be legally drilled without first filing a *Notice of Intention to Drill*. Persons wishing further information are urged to contact the ADWR.

If you have further questions, please contact Brett Shaner at 417-2448”.

Williams Engineers & Contractors, Inc., (520) 462-3140 of Young, Arizona reports:

“This letter is to confirm that water is available for sale to the public in Seligman at the “standpipes” located 1 block East of the Seligman train station. This water supply can be limited if use in the town is extremely high, or if there are periods of outage or shortage due to equipment breakdowns or pipeline breaks. The cost for water at the bulk water stand pipes is \$5.00 per 1000 gallons. The cost at the coin operated stand pipes is \$.25 per 50 gallons of water.

Developer further advises: “Water availability at the standpipe in Seligman can be limited if use in town is extremely high or due to equipment breakdown or pipe break.

Water to be hauled by Parcel owner from the standpipe in Seligman. Cost of bulk water at standpipe is \$5.00 per 1,000 gallons. Costs of coin-operated standpipe is \$0.25 per 50 gallons. Prospective purchasers should get more information if building a house”.

Sewage Disposal: Developer advises that Individual Sewage Disposal Systems are to be used for sewage disposal. There is no assurance that an individual system can be installed. Prior to purchase, you should contact the state and local Health Department for specifications and requirements. You should satisfy yourself as to the cost of installing the system.

G. M. Builders, Inc. (Lic. #127687 - Class B) in Ash Fork, Arizona states:

“Regarding the proposal of the installation of 1000 gallons septic systems.

PERK TEST: If requested by Coconino County after an on site inspection is complete.
(Perk is limited to two hours digging and back fill).

\$1,150.00

ON SITE: Dig four test holes for an on site inspection (this includes permit)

(On site time is limited to four hours digging and back fill)

\$ 600.00

SEPTIC SYSTEMS: 1000 gallon septic tank, leach rock, perforated drain pipe.
Also includes up to 60 feet of leach field that is 10’ deep, digging, labor and permit
(Septic system time is limited to six hours of digging for septic and leach field)

\$2,470.00

Total price of perk test & septic (tax included)

\$4220.00

Prices subject to change depending on the system.

NOTE: No blasting or jack hammering figured.

Back hoe digging for perk is limited to 3 hours, on site 4 hours. Septic, digging and back fill will be limited to 6 hours”.

NOTE: IF AN INDIVIDUAL SEWAGE DISPOSAL SYSTEM CANNOT BE INSTALLED, **NO REFUND** OF THE PURCHASE PRICE OF THE PARCEL WILL BE MADE.

SOLID WASTE DISPOSAL: Developer advises that no provisions have been made for solid waste disposal; the responsibility is the purchasers.

PUBLIC ROADWAY EASEMENTS: The developer has advised that the roadway easements have been dedicated for public use. Developer also advised that additional roadways will not be built.

The developer advises that any improvements will be the responsibility of the adjacent property owners and/or the Westwood Ranches VI Owners Road Maintenance Association. Unmaintained roads deteriorate and may become impassable requiring alternate routes.

Prospective purchasers are advised that access may be interrupted during periods of heavy moisture.

Developer further advises: "Roads and utilities are not installed and will not be installed by the developer.

The entrance is the road off of Old Route 66, which per the access statements (Exhibit 7 of the Application) is a state land right-of-way, so the entrance does not abut Old Route 66, but is not private land. The road and access submitted in previous phases and set forth in the Statement of Access are the roads to Phase VII of the development.

Except for the roads to be maintained by the Westwood Ranches Phase VI Owner's Road Maintenance Association ("POA") for Phase VI and Phase VII roads, there is no obligation under which the roads in Phases I through V are maintained. The Developer has the obligation to install and the Association has the obligation to maintain the roads in Phases VI and VII. Attached as Exhibit "4" is a map of Phases VI and VII showing the roads the POA will maintain.

The "HOA" referred to is the Westwood Ranches Phase VI Owner's Road Maintenance Association and is the "POA".

There is no plan/criteria/mechanism for maintenance of the roads from the entrance through Phases I through V. The only plan for any of the roads within the entire development are those roads that are under the jurisdiction of the POA for Phases VI and VII.

Developer as no obligation to maintain any roads within the entire development; but Developer is presently maintaining the main road from Route 66 to the phases for sale for purposes of bringing potential buyers to the parcels being sold. There is no obligation or intent on behalf of the Developer to continue this practice.

The "designated roadway system" for which the POA is responsible for Phases VI and VII is set out in the map attached and referred to in Answer (b) above as Exhibit "4".

James R. Wise, Yavapai County Public Works Director advises: "You have requested the status of Old Highway 66 in the area of Crookton Road overpass near Seligman.

Arizona Department of Transportation (ADOT) has abandoned to Yavapai County the section of Old Highway 66 from Kingman to Ashfork by Resolution of Abandonment, No. 72-10, dated January 31, 1972, recorded in book 726, Pages 79-82 of Official Records, in the office of the Yavapai County Recorder.

You have inquired what jurisdiction and control the County has regarding access to our roadways.

We do not have limited access in the same respect as ADOT.

However, if a developer builds a new road, relocates or improves an existing road that would intersect and actually connect with a County roadway, the developer would have to obtain a permit from the County to work within the county's rights of way.

I have received a request from Mr. Steve Manes to clarify the County's acceptance of the ADOT Recommendation of Abandonment #72-10, Kingman-Ashfork Highway/US Highway 66.

The Board of Supervisors makes no formal acceptance of right of way received from ADOT through the abandonment procedure, A.R.S. §28-1902A 5.

I HAVE RECEIVED AN ADDITIONAL REQUEST FROM Mr. Steve Manes to further clarify the status of Old Highway 66.

Beginning at the time it was abandoned to the County from the Arizona Highway Department in 1972, Old Highway 66 has been considered a part of the Yavapai County roadway system. It is a public road under the control and management of the Board of Supervisors.

It is maintained as similar roadways are maintained in the County.”

PROSPECTIVE PURCHASERS ARE ADVISED THAT HIGHWAY 66, AS IT APPLIES TO THIS LAND DEVELOPMENT, IS UNDER YAVAPAI COUNTY'S JURISDICTION. YOU SHOULD CONTACT YAVAPAI COUNTY CONCERNING ITS MAINTENANCE POLICY AND STANDARDS FOR HIGHWAY 66.

PROSPECTIVE PURCHASERS ARE ADVISED THAT THIS LAND DEVELOPMENT IS LOCATED IN COCONINO COUNTY AND ANY ROADWAY IMPROVEMENTS WILL BE UNDER COCONINO COUNTY JURISDICTION.

LOCAL SERVICES AND FACILITIES

Schools: The developer advises it is approximately 15 miles to the Seligman Elementary School; 15 miles to the Seligman Junior High School; 15 mile to the Seligman High School; and that school bus service is not available to the 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: Developer advises that the nearest community shopping center is approximately 15 miles from the development in Seligman.

Public Transportation: Developer advises that public transportation is not available.

Fire Protection: The developer advises that fire protection is not available to this development.

DEVELOPMENT USE AND RESTRICTIONS

Use: Developer advises that the property will be offered for recreational use and that you will be permitted to occupy you parcel upon purchase. Provisions in the unrecorded grazing lease include, in part:

“This Lease shall be for a term of five (5) years commencing on May 15, 1998, and ending at Midnight, May 14, 2003.

In an effort to prevent erosion, Lessees agree to conform to the best practices of the area in which the leased premises are located. Lessees shall not commit or permit or suffer the commission of any waste upon, or do or permit or suffer any damage to be done to the leased premises or any improvements thereon, nor to allow the range to be overgrazed, nor cut or remove, nor allow to be cut or removed, any timber or standing trees that may be upon said leased range area, excepting, nevertheless, such trees or timber as may be necessary for the maintenance of existing fences and improvements. In the event that Lessees desire to harvest, cut or extract trees or timber from the leased range for the maintenance of existing fences and improvements or for construction of such, Lessees agree to obtain the prior written approval of Lessor as to the location or area which such trees or timber are to be harvested, cut or extracted.”

ARTICLE XI HORSES/MULES

Without the payment of additional rentals, Lessees shall be entitled to keep and maintain upon the range embraced by this Lease sufficient number of saddle horses, mules and/or pack burros as are necessary and required in the judgment of Lessees for the livestock operation; provided, however, that such number of saddle horses, mules and/or pack burros kept and maintained on the leased range, when counted with the other livestock on

the range, shall not exceed the then current annual carrying capacity appraisal per section of land as promulgated by the Arizona State Land Department on those certain State lands included within said leased range area unless the Arizona State Land Commissioner shall, in writing, waive the carrying capacity limitation”.

Developer advises: “The land has been used for cattle grazing. The lease will provide that a Parcel owner can fence off their parcel to remove their land from the Grazing Lease”.

A LEASE ADDENDUM includes:

“THIS LEASE ADDENDUM is made effective as of May 15, 1999, and is an Addendum to a grazing lease dated effective May 15, 1998, between Diamond 7 Ranch, L.L.C. as “Lessor”, and Shawn and Mindy Goemmer, husband and wife, as “Leasees” (the “Lease”).

In consideration of the mutual promises of the parties hereto, the parties hereto agree to clarify the Lease as follow:

1. Notwithstanding any other provisions set forth in the Lease, Leasees understand and agree that Lessor has committed to convey title to the leased premises into a Subdivision Trust for development and sale of all or a portion of the lease premises owned in fee by Lessor into approximate forty (40) acre tracts and that some or all of such tracts which may be sold to third party purchasers may be fenced and thereby removed from the benefits and privileges to which Lessees are otherwise entitled under the Lease.”

TITLE

Title to this development is vested in FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation as Trustee under Trust No. 7950

Developer’s interest in this development is evidenced by developers beneficial interest in above cited Trust No. 7950.

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 September 10, 1999 issued by First American Title Insurance Company. **You should obtain a title report and determine the effect of the listed exceptions.**

EXCEPTIONS: SEE EXHIBIT “ A” ATTACHED

NOTE: DEVELOPER IS REQUIRED TO NOTIFY THE DEPARTMENT OF REAL ESTATE OF ANY FUTURE PLACEMENTS OF LIENS OR ENCUMBRANCES TO ENSURE COMPLIANCE WITH A.R.S. 32-3195 ET SEQ.

METHOD OF SALE OR LEASE

Sales: AGREEMENT FOR DEED: Your ownership interest in the property will be evidenced by a Agreement for Deed from First American Title Insurance Company as the Trustee for Diamond 7 Ranch L.L.C., an Arizona limited liability company. The installment contract will be recorded and deposited into escrow together with other documents within 60 days from the date of sale. You will not receive a deed to your parcel until you have paid the balance owed on the contract.

This document is a binding agreement: Said document contains, in part, “.....and shall forfeit to the Seller as liquidated damages, any and all payments made hereunder, together with any and all improvements placed on or in the Property. None of the provisions of this paragraph shall affect any other lawful rights or remedies which the Seller may have against the Buyer.”

Developer advises: “The developer has added the following language to the Agreement for Deed and to the Understanding and Acknowledgement to clarify that the reserved mineral rights includes all minerals including stone and gravel and that mining of such minerals in prohibited, the additional language is as follows:

No excavation or removal of stone, gravel or other commercially valuable minerals or materials shall be made on or from the above-described property conveyed by this deed, except for walls, basements, or cellars of dwellings on the above-described property, and except of such excavation necessary to construct, or for access to, such dwellings. No manufacturing or commercial enterprise of any kind for profit shall be conducted on, in front of, or in connection with the above-described property conveyed by this deed, nor shall such property in any way be used for other than strictly recreational purposes. This covenant shall run with the land.”

THE AGREEMENT FOR DEED 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 tax rate for this development for the year 1999 is \$5.962 Primary and \$2.5195 Secondary per \$100.00 assessed valuation. Approximate yearly tax is \$125.00 per Parcel.

NOTE: AMOUNT LOF TAXES AND ASSESSMENTS SET FORTH ABOVE ARE APPROXIMATE ONLY AND SUBJECT TO CHANGE.

ROAD MAINTENANCE:

Name and Assessments: Westwood Ranches Phase VI Owners Road Maintenance Association (an Arizona non-profit corporation, incorporated for the purpose constructing, operating and maintaining roadways to provide the State of Arizona, its grantees and lessees and the general public the right of ingress and egress across State Trust Land).

NOTE: PROSPECTIVE PURCHASERS are ADVISED - You and any “advisor” you may select, if any should thoroughly, specifically and in absolute DETAIL, PERUSE ALL DOCUMENTS involved with and/or pertinent to this Association and development..

Said DOCUMENTS include, IN PART:

A. Docket 2041, Page 001 (In Part):

“With the addition of roadway over additional state and private land to be maintained by the Association pursuant to the REMO, and with the change of the roadway system to be maintained by the Association as reflected on the New Exhibit C, as a clarification, it is hereby agreed that the Association will maintain the roadway system set forth in the New Exhibit C which shall include all of the real property described as Exhibit “A”: property and Exhibit “B” Property in the REMO, the land described in State Land Right-of-Ways No. 16-101068 and No. 16-101069, the easements granted over the private land described in the Declaration of Easement dated August 28, 1997, recorded September 22, 1997, in Docket 2024, Page 041, in the Coconino County Recorder’s records, the easement for road purposes over the private lands known as Section 1, and the North One-Half (N1/2) of Section 12 in Township 23 North, Range 4 West, as shown on New Exhibit C, and when and if granted, the easement for road purposes granted by the State Land Department over Section 36, Township 24 North, Range 4 West. The road maintenance obligation to run with the land and remain an obligation of the Owners of the Westwood Ranches Phase VI property (subject to expansion through annexation) through the Association until the roadways are assigned, dedicated and accepted for maintenance by

the appropriate governmental agency having jurisdiction thereof upon request of said governmental agency.

B. ADDITIONAL CONDITIONS FOR PUBLIC ROADS GRANTED TO A CORPORATION WESTWOOD RANCHES VI.

1. Grantee shall be incorporated pursuant to the laws of the State of Arizona as a corporation and/or owner's association formed for the purpose of constructing, operating, and maintaining roadway(s) to provide the State of Arizona, its Grantees and Lessees, and the general public the right of ingress and egress, across State Trust lands. Grantee shall be a perpetual legal entity providing all necessary repairs, reconstruction, and maintenance of the roadway(s) until said roadway(s) are assigned and dedicated to the appropriate governmental jurisdiction. Grantee shall be sufficiently funded to effectuate its purposes enumerated in this paragraph.
2. Grantee agrees that at the request of the appropriate government jurisdiction this Right of Way will be assigned and dedicated to said government jurisdiction.
3. Grantee shall adhere to all rules, regulations, ordinances, building codes, and permitting processes as promulgated by the local jurisdiction, including city, County, State and Federal agencies, the Arizona Department of Transportation and/or the County Highway Department.
4. Roadway(s) shall be built to appropriate governmental agency specifications prior to the assignment and dedication to the appropriate governmental jurisdiction.
5. Grantee shall install cattle guards in the appropriate areas at the request of the Grantor prior to the assignment and dedication to the appropriate governmental jurisdiction.
6. Grantee, and its successors and assigns, shall conduct all construction and maintenance activities in a manner that will minimize disturbance to surface features affecting adjacent land values. Grantee shall not alter, cause ponding, or any damage upstream or downstream of any drainage crossing.
7. Grantee agrees to contact the State Land Department District Forester at (520)774-1425 prior to removing any commercial size Pinyon-Juniper that need to be removed as a result of road work.
8. Grantee agrees any rubbish or debris from road works shall be removed and properly disposed of at Grantee's expense.
9. Grantee agrees to record with Coconino county, the road easement maintenance obligation agreement attached hereto, and forward a copy to the State Land Department for the file.

Annual Assessments. It is hereby agreed to delete paragraph 6 of the REMO in its entirety and in its place insert the following language:

Annual Assessment. The initial annual assessment to each parcel for the Association expenses shall be \$120.00 to be paid in full at closing and before April 30 of each subsequent year. The annual assessment may be increased without membership approval, but such increase shall not exceed ten per cent (10%) per year. (See EXHIBIT "C")

Cost Sharing and Management. The cost of the maintenance and repair of the right-of-ways shall be shared pro rata by all Owners of the Exhibit "A" Property based upon the number of parcels owned by each Owner to the total number of parcels in the Association. In the event an owner sells all or a part of his land to another, the Association shall be immediately notified of the new Owner and the acreage sold. The Association documents will provide that until eighty per cent (80%) of the Exhibit "A" Property is sold by the Declarant to others, no action by the Association shall be taken without the express written consent of the Declarant.

See: ATTACHED PROJECTED ANNUAL BUDGET

6. Annexation. The parties hereto intend that other roadways over State of Arizona land or private land will from time to time be made subject to the REMO and that the parcel owners of subsequent phases will be members of the Association. Additional roadways and parcel owners of additional phases may be annexed to the Association and be bound by the terms of the REMO upon affirmative vote of sixty percent (60%) of the Association members and sixty percent (60%) of the parcel owners in the phase who would become members of the Association and subject to the provisions of the REMO.

A document recorded on September 20, 1999 in 3022910 of Coconino County Records includes:

"CERTIFICATION OF DEANNEXATION

The undersigned, being the Secretary of the Chino Valley Land & Cattle Co., Inc., the Manager of Diamond 7 Ranch, L.L.C., the developer of Westwood Ranches Phase VII and the Westwood Ranches Phase VI Owner's Road Maintenance Association, Inc. (the "Association"), do hereby certify that on September 15, 1999, at a meeting of the parcel owners of Phases VI and VII of Westwood Ranches, (the Members of the Association), that the Association voted by more than the requisite vote to deannex from the Association parcel numbers 801, 802, 803, 804, 848 and 849; of Westwood Ranches Phase VII per survey recorded in Book 15 of Surveys, Pages 21-21H, Coconino County Recorder's Office, and these parcels shall no longer be part of the Association nor subject to the rules and regulations of the Association, and the Declaration of Annexation to Road Easement Maintenance Obligation recorded March 16, 1999 in Docket No. 2216, Page 365, is so amended to delete parcels 801, 802, 803, 804, 848 and 849 therefrom.

Executed this 15 day of September, 1999."

MEMBERSHIP: All owners are required to be members of cited Owners Road Maintenance Association.

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

PROSPECTIVE PURCHASERS ARE ADVISED TO READ THE RECORDED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, ARTICLES OF INCORPORATION, BYLAWS AND APPLICABLE GOVERNMENTAL DOCUMENTS FOR THIS DEVELOPMENT TO DETERMINE THE RIGHTS OF LOT OWNERS TO PARTICIPATE IN THE CONTROL OF THE ASSOCIATION INCLUDING, BUT NOT LIMITED TO, FUNCTIONS SUCH AS MAINTENANCE, CONSTRUCTION AND OPERATIONS. ALSO TO DETERMINE THE RIGHTS, DUTIES AND LIMITATIONS OF OWNERS IN AND TO USE OF THEIR LOT. FURTHER, YOU SHOULD DETERMINE FOR YOURSELF IF DEVELOPER'S ARRANGEMENTS AND PLANS FOR THE PAYMENT OF ASSESSMENTS ON UNSOLD LOTS WILL BE SUFFICIENT TO FULFILL THE LEGAL DEMANDS AND FINANCIAL OBLIGATIONS, EXISTING AND FUTURE, OF THE ASSOCIATION AS SET FORTH IN THE DECLARATION, BYLAWS, ROAD EASEMENT MAINTENANCE OBLIGATION AND AMENDMENTS, POSSIBLE FUTURE REQUIREMENTS OF COCONINO AND/OR YAVAPAI COUNTY AND/OR STATE OF ARIZONA, ETC.

SPECIAL NOTE: THIS DEPARTMENT RECOMMENDS THAT YOU SEE BEFORE BUYING.

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

PLW/sed