

STATE OF ARIZONA
DEPARTMENT OF REAL ESTATE

SUBDIVISION PUBLIC REPORT

FOR
STRAWBERRY HOLLOW PHASE 1

Registration No. DM 01-027239

SUBDIVIDER

Strawberry Hollow Development, Inc.
P.O. Box 2141
Pine, AZ 85544

April 10, 2001

Effective Date

SECOND AMENDMENT JANUARY 7, 2002

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 CONTRACTS OR AGREEMENTS FOR THE PURCHASE OF AN UNIMPROVED LOT (WITHOUT A BUILDING)* MAY BE RESCINDED BY YOU WITHOUT CAUSE BY SENDING OR DELIVERING WRITTEN NOTICE OF RESCISSION BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE SIGNING.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 and Tracts A through J of Strawberry Hollow Phase 1.

The map of this subdivision: is recorded in Map No. 732A & B, records of Gila County, State of Arizona.

The subdivision is approximately 37.76 acres in size. It has been divided into 41 lots and Tracts A through J. Lot boundaries will be staked with rebar.

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 Hollow Trail, Pine, Gila County, Arizona.

SUBDIVISION CHARACTERISTICS

Topography: Gently sloping, with rocky washes

Flooding and Drainage: Tetra Tech, Inc., in its letter dated April 4, 2001, states in part: "The topography is such that the site accepts off-site runoff from the north and west, which traverses the property via sheet flow, combines with Strawberry Hollow Wash running from north to south across the property and exits the property in the southeast corner. This wash is within the limits of the 100-year floodplain for which a public drainage easement is being dedicated. Minimum finished floor elevations for lots 2, 5 through 18 and 41 shall be one foot (1 ft) above the water surface elevation as shown on the plat. These lots are partially in the 100-year floodplain."

Adjacent Lands and Vicinity: Tonto National Forest to the west; R-1-12 and R-1-43, which is residential 12,000 square feet and 1 acre respectively, surround the other areas of the subdivision.

AIRPORTS

Airport: Payson Airport – 15 miles

UTILITIES

Electricity: Arizona Public Service (928-474-7645) with present facilities adjacent to subdivision. Developer is responsible for completion of facilities to lot lines with an estimated completion date of May 1, 2002. Estimated costs lot purchaser will have to pay for completion of facilities from lot line to dwelling are approximately \$5 per foot for trenching and line installation. There will also be a \$25 establishment fee.

Telephone: Qwest (928-776-2559) with present facilities adjacent to subdivision. Developer is responsible for completion of facilities to lot lines with an estimated completion date of May 1, 2002. There will be no additional costs for lot purchaser for completion of facilities to his lot line, but there will be a \$5 per foot charge for trenching and line installation from the lot line to the dwelling. There will be a \$25 hook-up fee and a possible deposit of 2 ½ times the estimated monthly bill depending on credit history.

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

Piped Propane Gas: Energy West (928-474-2294) with present facilities adjacent to the subdivision. Energy West is responsible for completion of the facilities to the lot lines with an estimated completion date of May 1, 2002. There will be no additional costs of completion of facilities to lot line or from lot line to dwelling. There may be an \$85 deposit required as well as a \$25 establishment fee and a \$5 service fee monthly.

Water: Domestic water will be supplied to this subdivision by the Strawberry Hollow Domestic Water Improvement District per Order issued by a Resolution and as recorded in the Official Records of Gila County, Arizona. Completion of the facilities to the lot line is estimated to be May 1, 2002. Fire hydrants will be installed by November 30, 2001, with no additional costs to the lot purchasers. Maintenance of the water lines within the subdivision (other than from lot line to dwelling) will be the responsibility of the Improvement District. **See attached Exhibit B.**

Arizona Department of Water Resources, in its Water Adequacy Report #22-400383 dated September 12, 2000, stated:

“Strawberry Hollow Phase 1, is being sold with the domestic water supply to be provided by the Strawberry Hollow Development, Inc. water distribution system as a homeowner’s association or improvement district which has yet to be established. Groundwater is being produced from the Redwall limestone. The limited availability of data associated with this formation as an aquifer does not allow for determination of the amount of the groundwater in storage, nor the dependability of supply. Additionally, this general area has been determined to be drought-sensitive. The depth to groundwater may range from 21 to over 1200 feet below land surface depending on topography. Groundwater quality is unknown. Because a 100-year adequate water supply has not been demonstrated, the Department of Water Resources must find the water supply to be *inadequate*.”

NOTE: Gila County Community Development advises in its letter dated August 24, 2001:

“ On August 20, 2001, Pine Water Company filed an action in the Superior Court of Arizona, Gila County, Contesting the approval of the formation of Strawberry Hollow Domestic Water Improvement District, naming the Board of Supervisors of Gila County and the Strawberry Hollow Domestic Water Improvement District as Defendants. On August 23, 2001, the Strawberry Hollow Domestic Water Improvement District provided Gila County with a “will serve” agreement assuring water service to each lot in the subdivision. According to the Deputy County Attorney, no allegations in the complaint are intended to eliminate this source of water. The “will serve” agreement meets the Gila Community Development Division’s requirement to provide proof of water prior to applying for and obtaining a building permit. Pending the result of the above-noted action, it is unknown who the ultimate supplier of Domestic Water may be to the lots located in Strawberry Hollow, but based on discussions with both Water Companies involved, regardless of the outcome, no interruption in service is anticipated.”

Sewage Disposal: Arizona Department of Environmental Quality requires the Public Report include, but shall not be limited to:

- a. If the construction of sanitary facilities and submittal of “as-built” plans and construction documentation to ADEQ by the subdivider is not completed by April 30, 2003, this Certificate of Approval of Sanitary Facilities for Subdivision is void pursuant to Arizona Administrative Code R 18-4-505.E and/or R 18-9-804.F.
 - b. Lots 9 thru 16 are located partially within the 100-yr floodplain.
4. This Approval to Construct applies only to Strawberry Hollow, Phase 1, Lots 1 thru 41, and not to any subsequent units or phases of the Strawberry Hollow subdivision.
 5. No ‘discharge’ to the ‘waters of the United States’ pursuant to Sections 301, 309, 402, and 502 of the federal Clean Water Act (CWA) are authorized by this approval. If this project results in discharge to these waters, CWA permits are necessary before commencing the discharge, pursuant to the Code of Federal Regulations Titles 33 and/or 40. Any construction in a watercourse shall comply with all terms and conditions of the Section 404 Permit program which is administered by the U.S. Army Corps of Engineers.”

The provider will be Strawberry Hollow Waste Water Improvement District. The estimated costs to connect are: service line hookup charge - \$150; establishment fee - \$25; grinder pumps required on Lots 1, 2, 18, 39, 40, 41 equipment costs - \$2,500-\$3,000; installation - \$1,500-\$2,000. The estimated date of completion to lot lines is November 30, 2001.

The Developer will be responsible for completion of the sewage collection and disposal facilities to the lot lines with an estimated completion date of facilities to the lot lines of November 30, 2001. The Improvement District is responsible for maintenance of the sewage collection and disposal facilities within the subdivision other than from lot line to dwelling. The Improvement District assessment will be included in the real estate taxes.

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: Legal and permanent access to the subdivision, and the lots within, is provided for conventional 2-wheel drive automobiles and emergency vehicles. The exterior streets are public, though not yet complete. Developer is responsible for completion of the street with an estimated completion date of May 1, 2002. Surfacing for the exterior streets will be asphalt. Gila County will be responsible for street maintenance when completed. There will be no additional costs for the lot purchaser with respect to exterior streets.

Access within the Subdivision: Interior streets within the subdivision are public. Developer is responsible for completion of the streets within the subdivision with an estimated completion date of May 1, 2002. Surfacing of interior streets will be asphalt. Upon completion of the interior streets Gila County will be responsible for street maintenance. There will be no additional costs for the lot purchaser with respect to interior streets.

Flood and Drainage: Flood protection and drainage facilities will be installed; protection provided through metering CNT for 100-year and 25-year flood protection. Developer will be responsible for completion of these facilities and the estimated completion date is May 1, 2002. There will be no additional costs for the lot purchasers for completion of facilities. Maintenance of the facilities is the responsibility of the Property Owners' Association and Gila County, as designated, upon completion of the facilities. Costs lot purchasers will be required to pay toward maintenance of facilities will be included in the POA dues and in real estate taxes.

COMMON COMMUNITY FACILITIES

Within the Subdivision: Developer will be responsible for completion of common community facilities on tracts as defined on the recorded plat. Estimated completion date is May 1, 2002. There will be no additional costs to lot purchasers toward completion of the facilities. The POA will be responsible for maintenance of the facilities and the costs to pay for maintenance of the facilities will be included in the POA dues.

Within the Master Planned Community: This subdivision is part of the Strawberry Hollow master planned community. There may be additional phases. Tract A is designated as the effluent disposal site; it will be managed by the Improvement District. Tract B--the detention basin, Tract C--the catchment pond, and Tract D--the water supply site--will be turned over to the Property Owners' Association when 90% of all lots in all phases has been sold. Tract E, the waste water treatment plant, will be the responsibility of the Waste Water Improvement District. Tracts F, G, H, I, and J will be retained by the Developer for its future use. Developer reserves the right to turn these tracts over to the Property Owners' Association in the future if it so deems appropriate.

ASSURANCES FOR COMPLETION

Assurances for Completion of Subdivision Facilities: Financial assurance to Gila County through Stockmen's Bank.

Assurances for Maintenance of Subdivision Facilities: Property Owners' Association.

LOCAL SERVICES AND FACILITIES

Schools: Pine/Strawberry Elementary School (1-8) – 1 mile; Payson High School (9-12) – approximately 15 miles. School bus transportation is provided.

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: Limited shopping facilities - Pine – 2 miles. Complete facilities in Payson – 15 miles.

Public Transportation: There is no public transportation to the subdivision.

Medical Facilities: Pine Medical Clinic is approximately 2 miles away.

Fire Protection: Fire protection is available to the subdivision through the Pine/Strawberry Fire Department.

Ambulance Service: Ambulance service is available by dialing 911.

Police Services: Gila County Sheriff's Department.

Garbage Services: Waste Management (\$17.10 per month) or Roadrunner Rubbish Removal (\$16.50) are the service providers for garbage collection to the subdivision.

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

SUBDIVISION USE AND RESTRICTIONS

Use: This offering is for unimproved lots only.

“Unimproved lot or parcel” means a lot or parcel of a subdivision that is not and improved lot or parcel.

“Improved lot or parcel” means a lot or parcel of a subdivision upon which lot or parcel there is a residential, commercial or industrial building or concerning a contract has been entered into between a subdivider and a purchaser that obligates the subdivider directly or indirectly through a building contractor, to complete construction of a residential, commercial or industrial building on the lot or parcel within two years from the date on which the contract of sale for the lot is entered into.

Zoning: Residential

Conditions, Reservations and Restrictions: Declaration of Covenants, Conditions, and Restrictions as recorded in Docket 92, Page 358, official record of Gila County, Arizona.

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 Gila County Recorder. Information about zoning may be obtained at the Office of the Gila 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, a California corporation as Trustee under Trust No. 8519.

Subdivider’s interest in this subdivision is evidenced by First Beneficiary of the above mentioned Trust.

Title is subject, among other things, to all taxes, assessments, covenants, conditions, restrictions, limitations, reservations, rights, obligations, powers, easements, rights of way, liens, and charges of record. **YOU SHOULD INVESTIGATE THE TITLE AND SATISFY YOURSELF AS TO WHAT EFFECT, IF ANY, THESE MATTERS MAY HAVE ON THE USE OF THE LAND.** Title exceptions affecting the condition of title are listed in the Preliminary Title Report dated August 17, 2001, 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

METHOD OF SALE OR LEASE

Sales: YOUR VESTED INTEREST/OWNERSHIP INTEREST IN THE PROPERTY WILL BE EVIDENCED BY THE SUBDIVIDER DELIVERING A RECORDED DEED TO YOU AND BY YOUR SIGNING A PROMISSORY NOTE AND MORTGAGE OR DEED OF TRUST FOR THE UNPAID BALANCE, IF ANY. YOU SHOULD READ THESE DOCUMENTS BEFORE SIGNING THEM.

Release of Liens and Encumbrances: DEVELOPER HAS ADVISED THAT ARRANGEMENTS HAVE BEEN MADE WITH THE LENDER IN THE AFOREMENTIONED DEED OF TRUSTS FOR THE RELEASE OF INDIVIDUAL LOTS.

Use and Occupancy: Upon close of escrow.

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 2000 is \$12.846 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 \$67,000 is \$1,170.

Special District Tax or Assessments: A special assessment district has been proposed for a sewer improvement district. This assessment is included in the real estate property tax bill.

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

PROPERTY OWNERS ASSOCIATIONS

Name and Assessments: Strawberry Hollow Property Owners Association

Control of Association: Will be turned over to the association when 90% of all lots in all phases have been sold.

Title to Common Areas: Will be turned over to the association when 90% of all lots in all phases have been sold. See page 6 herein, "Common Community Facilities".

Membership: All lot owners will be members of the 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.