

**THE STATE OF COLORADO HAS NOT PREPARED OR ISSUED
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THE SUBDIVISION DESCRIBED HEREIN**

PINON HILLS, LLC.

DEVELOPER'S DISCLOSURES

The Developer, Pinon Hills, LLC., a Colorado limited liability company ("Developer"), makes the following disclosures which are incorporated into and made a part of the Contract to Buy and Sale Real Estate to which these disclosures are attached.

1. DEVELOPER.

The development, Pinon Hills Ranch, located at 13790 County Road 500 (Trujillo Road), Pagosa Springs, Colorado 81147, is being developed by Pinon Hills, LLC., a Colorado limited liability company, (Colorado registered trade name Pinon Hills Ranch) whose mailing address is PO Box 3987, Pagosa Springs, Colorado 81147.

2. WATER.

a. Well drilling responsibilities of the Buyer. The Developer is not providing private wells for any parcels. The Buyer of each parcel is solely responsible for incurring the costs of obtaining a water well permit from the Colorado Division of Water Resources (970-264-4241), and contracting with a Colorado licensed well driller to drill a well pursuant to the permit and to install all necessary equipment to remove the water. The cost will range based on a per foot charge by local companies to drill the well shaft and install pumps and piping depending on the depth of the well. The Developer does not warrant the quantity or quality of water or the probability of successfully finding water or the associated costs.

b. Supplemental Water System. Developer intends to install, at Developer's expense, a shared potable water well complete with treatment system and hauling station on-site at Pinon Hills Ranch. The system will be monitored and managed by the Property Owners Association (POA) and operating costs will be included in the POA budget. Funds have been set aside by the Developer in escrow with an independent escrow agent to complete this system. The POA may charge a use-fee directly to each user for their respective loads drawn from the potable water well system. Rules and regulations pertaining to the use and operation of this system will be established and implemented by the POA when the system is complete. The system will be completed within eighteen months from the date of recording of the Declaration of Covenants, Conditions and Restrictions for Pinon Hills Ranch with the Archuleta County Clerk and Recorder.

Buyers wishing to utilize the potable water well system are advised to install a cistern on their parcel to supplement their well and to receive water hauled from the potable water well system, if needed. The Buyer is solely responsible for the costs of a cistern and for hauling water from the potable water well system site to the Buyer's cistern and all associated costs thereof.

Amendment dated 10/25/2004 to (b) above:

Prior to the installation of the hauling station described in (b) above several residents and real estate sales professionals indicated that a Central Water System may be a better choice for the ranch. Based on this feedback, the Developer has not installed the hauling station and effective 10/25/2004, adopted an 18 month exploratory period to allow the Developer time to investigate the feasibility of installing a central water system on the ranch in lieu of installing a hauling station. During these 18 months, the Developer is designing and obtaining bids for a central system and deciding which route is best for the ranch. At the end of these 18 months, the developer will recommend one of the two systems to property owners and put to a vote the appropriate plan which will include but not be limited to, construction timeline, system description, and costs to property owners for tie in & ongoing operations. During both the 18 month exploratory and subsequent construction periods, Developer will maintain a separate escrow account with appropriate funds to cover costs of, at minimum, the installation of a hauling station. Those funds are currently held in escrow and will remain there. Should the central system plan be adopted, additional funds will be added to the escrow account until the full system is installed and functioning.

c. San Juan River Water Rights. Developer is currently preparing a plan to apply for water rights in the San Juan River. The San Juan River is currently an under-appropriated watershed and access to this non-potable water would provide a variety of beneficial uses to the Pinon Hills Ranch community. Developer will use its best efforts to secure these water rights, but makes no guarantee that the State of Colorado will grant the requested water rights.

3. TELEPHONE SERVICE.

Telephone lines are installed in an easement adjacent to each parcel within the project and functioning at this time. Developer is awaiting final compliance testing from Century Tel at which time control of the system is given to Century Tel. The telephone service and distribution from the lot line to any residence or other habitable structure constructed on the parcel is the Buyer's expense. Any and all additional fees incurred to bring the telephone service to the home site are the sole responsibility of the Buyer. Please contact Century Telephone immediately upon plans to build your home.

4. ELECTRICITY.

Electrical service lines have been installed in an easement adjacent to each parcel within the project and are functioning. La Plata Electric Association, Inc. has accepted the system and now controls the system. The electrical service and distribution from the lot line to any residence or other habitable structure you build on your parcel is the Buyer's expense. To obtain service you will be required to fill out an application with La Plata Electric and bring in your building permit.

5. TYPE OF OWNERSHIP.

You (the Buyer) will get legal title to the property you are purchasing at closing according to the terms of the contract and your title will be subject to those items listed on the title commitment as "Exceptions". The Developer will deliver to you at closing a general warranty deed giving you legal title (fee simple absolute) to the property. The Developer will arrange to have your deed delivered to the County Clerk for recording immediately after the closing.

6. AMENITIES/OTHER PROMISED FACILITIES.

The Developer currently has no plans to offer any "amenities" within the subdivision except San Juan River access for fishing and other recreational purposes as set forth in the Declaration and shown on the recorded plat of Phase I, Pinon Hills Ranch. The Developer is exploring the possibility of installing other amenities such as water features (ponds/lakes) and picnic areas on the Ranch. However, no funds have been set aside to date for those amenities.

7. JUDGMENTS AND ADMINISTRATIVE ORDERS.

There are no judgments and administrative orders issued against the Developer, Property Owners Association, or Managing Entity of this subdivision.

8. BROKER'S AND SALES PERSONS.

All sales within Colorado will be made by brokers and salespersons licensed by the State of Colorado unless specifically exempted pursuant to C.R.S. 12-61-101(4).

9. ROADS.

Legal access to the western boundary of the subdivision is by an easement from County Road 500, Trujillo Road. Legal access within the subdivision is by easement described and granted on the recorded plat. County Road 500, Trujillo Road, leads to the western boundary of the subdivision and is a gravel two lane road. The roads within

Phase I, Pinon Hills Ranch, are in place and are complete. The roads within the subdivision will abut a portion of every lot. The roads are 20 feet wide with a 12" compacted crushed gravel surface. There are drainage culverts and ditches on each side of the roads. The roads are private and are open year round. The roads are constructed on the recorded easements and are currently maintained by the Developer/Property Owners Association. You, (the Buyer) are responsible for construction and maintenance of the driveway onto your parcel. The roads within the subdivision will be dedicated to the Property Owners Association. The roads in Phase I, Pinon Hills Ranch, have already been dedicated to the Property Owners Association as provided on the recorded plat.

10. PROPERTY OWNERS ASSOCIATION.

Pinon Hills Ranch is a common interest community as defined by the Colorado Common Interest Ownership Act. The subdivision will have a Property Owners Association. Membership in the Association is mandatory. Articles of Incorporation for the Property Owners Association have been filed with the State of Colorado and Bylaws for the Association will be adopted once the Articles have been approved by the Colorado Secretary of State.

The primary services to be provided by the Association will be the improvement of common areas, snow removal, road maintenance, administration of lease grazing rights, and the representation of all unit Owner's in matters of mutual interest.

The Developer will maintain voting control of the Association until 75% of the total of all Parcels that may be created in all phases within the subdivision have been conveyed to Owners other than the Developer. Once the period of Developer Control has ended or should the Developer elect to shorten the period of Developer Control, the Developer will deliver to the Association all property of the Association held by or controlled by it, including all original Association documents such as bylaws, minute books, all other books and records and will provide an accounting of Association funds and financial statements for the period of the Association's existence to the date when Developer Control ends and will comply with all other statutory requirements including the specific requirements under C.R.S. 38-33.3-303(9).

The Developer has no financial interest in and will not derive any income or profit from the Association and has no right to borrow or authorize borrowing from the Association. The Board of Directors will control or disburse the funds of the Association. Copies of the Association's Articles of Incorporation and Bylaws will be made available to all Buyers.

The Developer is not responsible for paying association dues and fees. It is estimated that Association dues and fees will be approximately \$750.00 per year, not

including special assessments. Special assessments may be levied by the Association as provided in the recorded Declaration of Covenants, Conditions and Restrictions for Pinon Hills Ranch. There is a one time working capital account contribution of \$250.00 due and payable at closing on the purchase of a parcel.

11. SEWAGE DISPOSAL.

The Developer is not providing a sewage disposal system. If you (the Buyer) build a habitable structure on the property, you will be responsible for the costs of obtaining a permit from the county and installing a sewage system that meets the current standards of the San Juan Basin Health Department. The Developer does not warrant the cost or county approval of your septic system.

12. AVAILABILITY OF GAS.

Gas service is not currently available and Developer is not responsible for providing this service.

13. ZONING.

There is no zoning in Archuleta County, Colorado applicable to this subdivision. However, use of your parcel (s) is subject to applicable state and county regulations, such as building codes, and rules and regulations established by the Property Owners Association and the Environmental Control Committee as provided in the recorded Declaration.

14. AGRICULTURAL STATUS.

This subdivision is presently classified as agricultural land for real estate tax purposes. This means that it receives favorable real estate tax treatment that is not available to real estate classified as strictly residential or vacant land. The Developer and the Association hope to retain the current agricultural taxation status for the subdivision. There is no guarantee, however, that agricultural status for the subdivision or any individual parcel will be maintained indefinitely into the future. State laws and regulations governing agricultural status may change, but Developer and the Association will use their best efforts to retain such agricultural status consistent with all applicable state laws and regulations currently in effect or as amended. Owners are encouraged to use their best efforts to support the Developer and Association in maintaining the agricultural exemption. The Developer intends to sign a grazing lease or leases to permit grazing of horses or other livestock on the Ranch as part of its efforts to retain favorable tax status. Owners will be required to sign such leases or to authorize the Property Owners Association to sign such leases on their behalf. This means that horses or other livestock may be grazing on your parcel(s) from time to time. Although the Developer is

not aware of any state rules and regulations on the subject, the Developer believes that an Owner may fence up to five acres within his parcel for construction of improvements (and to fence out livestock) without adversely affecting his agricultural status. Parcel Owner's may choose to opt out of the agricultural taxation status by written agreement with the Association. This option will require the Parcel Owner to fence his entire parcel. Waiving agricultural status may result in increased real estate taxes for your parcel(s).

15. BUILDING AND BUILDING PERMITS.

Each property is unique and may create specific challenges during building. It is the sole responsibility of Buyer to consult their general contractor, architect or engineer prior to construction. Buyer should obtain the services of a registered professional engineer who is familiar with potential geologic hazards, and who has expertise in geologic hazard areas. Buyer acknowledges Developer has made absolutely no representations or warranties whatsoever, express or implied, concerning the condition of soils on the lot or the suitability of the lots for construction of a residence or any other use, and Buyer shall accept the lot "as is". Archuleta County, Colorado requires a building permit. Information regarding County regulations can be obtained at the Archuleta County Planning and Building offices in Pagosa Springs.

In addition to the requirement of a building permit, all construction on each lot is subject to approval by the Environmental Control Committee pursuant to the recorded Pinon Hills Ranch Declaration of Covenants, Conditions and Restrictions.

16. STATEMENT OF ASSESSMENTS.

The Seller (Developer), in every contract for sale, shall provide to the Buyer, the written statement of assessments pursuant to C.R.S. 38-33.3-316(8).

17. SURVEY.

The Developer has had the subdivision surveyed and a subdivision plat map has been recorded. Each lot within the subdivision has been monumented at the corners and any angles.

18. COVENANTS, CONDITIONS AND RESTRICTIONS.

Each Owner acknowledges that the ownership of a parcel requires full compliance with the recorded Declaration of Covenants, Conditions and Restrictions for Pinon Hills Ranch as well as the rules and regulations established by the Property Owners Association, the Articles and Bylaws of the Association and the guidelines, rules and regulations of the Environmental Control Committee. This includes the payment of

regular and special assessments as determined by the Board of Directors for the purpose of defraying in whole or in part the costs of maintenance, construction, reconstruction, repair or replacement of a capital improvement upon any common area, including fixtures and personal property related thereto and any improvements and fixtures upon any parcel which benefits the Association and/or the property as a whole.

IN ACCORDANCE WITH C.R.S. 12-61-405(1)(I), THE BUYER HAS THE RIGHT TO RESCIND THE CONTRACT TO BUY AND SELL REAL ESTATE (CONTRACT) WITH OR WITHOUT CAUSE AND AT THE BUYER'S SOLE OPTION BY TELEGRAM, MAIL OR HAND DELIVERY AT ANY TIME WITHIN FIVE (5) CALENDAR DAYS FOLLOWING THE DATE OF THE SIGNING OF THE CONTRACT BY BOTH PARTIES. SUCH REQUEST SHALL BE CONSIDERED MADE IF BY MAIL WHEN POSTMARKED, IF BY TELEGRAM WHEN FILED FOR TELEGRAPHIC TRANSMISSION, OR IF BY HAND DELIVERY WHEN DELIVERED TO THE SELLER'S PLACE OF BUSINESS. THIS RIGHT OF RESCISSION CANNOT BE WAIVED.

I have read and understand the above disclosures.

(Buyer's name)
Date: _____

(Buyer's name)
Date: _____

(Agent's name)
Date: _____