

River Island Ranch Developer's Disclosure

The following information is deemed reliable as of February 21, 2011; however, Land Properties, Inc. and/or the Developer is not responsible or liable for any changes, additions, or alterations to existing county, utility company or Rio Grande Club Membership policies, which are subject to change at any time.

River Island Ranch consists of/is planned for approximately 338 parcels/units. The Ranch, when referred to in this document, shall mean River Island Ranch. The Developer, when referred to in this document, shall mean the River Island Ranch, Inc. An Owner, when referred to in this document, is a person or entity that has purchased a parcel from the Developer, or otherwise holds ownership of a parcel within River Island Ranch.

ROADS

Access to River Island Ranch is from U.S. Highway #160, County Road 18 and County Road 15. U.S. Highway #160 is a two-lane paved road maintained by the State. County Roads 18 and 15 are two-lane county maintained roads, which combine paved and gravel roads. These roads are open year round.

The Ranch is located approximately 5 miles from South Fork, Colorado. Roads within the Ranch have a driving surface of approximately twenty-two (22) feet in width with ditches and surfaced with natural materials.

The Developer will be responsible for maintenance of private roads within the subdivision until 80% of the parcels are sold and/or until all infrastructure and amenities are complete, whichever occurs last. At that time, River Island Ranch Property Owners Association will be responsible for maintenance, repair, snow removal and supervision of these roads. The River Club is responsible for maintenance of any roads leading to the Island amenities, including the amenity grounds (Clubhouse and Cabins).

Each Owner is responsible for restoring the roads, ditches, and culverts within the Ranch to their original condition when they are disturbed due to the installation of driveways, culverts, utilities, etc. to Owner's respective Lot. The Owner is responsible for notifying the POA before commencing any construction, including driveways, culverts, utility taps, etc.

UTILITIES

The Developer has provided electric and telephone to within 100 feet of the property line of each parcel. These utilities will be installed per the utility companies' specifications. It will be the responsibility of each lot Owner to extend the utility services, electric and phone, at their expense from the main lines to their building site. Information regarding specific utilities follows:

Electric service will consist of alternating current, single-phase, sixty-hertz, 120/240 volts which is the standard required for residential installation. The San Luis Valley Rural Electric Cooperative has a \$250 application fee and a permanent line extension fee currently \$1,921 if home-site is within 300 feet of the metering point. To obtain service, you must contact San Luis Valley Rural Electric Cooperative, located at 3625 U.S. Highway 160 W, Monte Vista, CO 81144, or call (719) 852-3538 or (800) 332-7634.

Telephone service shall be provided through Qwest Communications. It is recommended to contact them immediately upon your decision to build. Qwest Communications is located at 1005 – 17th Street, Denver, Colorado 80202 or call (800) 244-1111.

Qwest also provides high speed DSL internet service at River Island Ranch for an additional monthly fee.

Cellular telephone service is available from Verizon Wireless (800) 256-4646 and Alltel (866) 255-8357, among others.

Any rebates in effect at the time of telephone or electric installation for installation of main lines will be credited to the Developer for the costs incurred for the installation of said utilities.

FIRE PROTECTION

The Ranch is located in the Del Norte Fire Protection District. The Developer has installed underground water cisterns within the utility easements of parcels 7, 34, 43, 80 and 86. Each cistern is 30,000 gallons in size and the corners will be identified with markers. No improvements or driveways may be installed above the cisterns. Owners are responsible for locating the cistern on their parcel, if applicable, prior to commencement of any construction.

WATER AND WATER RIGHTS

Each property owner is responsible for incurring all costs associated with obtaining a water well permit from the Colorado Division of Water Resources, drilling the well, and installing all equipment necessary to remove and treat the water. Buyer will comply with any and all requirements and fees of the water augmentation plan at River Island Ranch. Currently the water district's annual water augmentation fees are \$150.00 and are subject to change. The Developer does not warrant the quantity or quality of the water or the probability of successfully finding water. Currently, the cost charged by local companies to drill the well shaft is approximately \$29 to \$35 per foot. The Colorado Division of Water Resources is located at 422 4th Street, Alamosa, CO 81101, (719)-589-6683.

Each property in Phases 2, 4, and 6 are required to be part of a water and distribution system (central water system). A water and distribution system owned by a third party ("Servicer") separate and distinct from Developer shall provide water for domestic use to the Property. Servicer, or its agents, will charge an availability of service fee and a flat monthly consumption fee for domestic water use up to a maximum number of gallons as established by Servicer in its sole discretion. Consumption in excess of a maximum number of gallons will be charged at an increased rate as established by Servicer in its sole discretion. Distribution or trunk lines will be installed by Servicer to each Lot. Each lot will be separately metered. Each Owner shall have the responsibility, at his sole cost and expense, to utilize a contractor approved by the Association to construct, install and maintain a separate water line from the trunk line to each dwelling and water meter pursuant to specifications established by the Association. Ownership of any Lot within the Property excludes water, ground water, subsurface and surface water rights, except as expressly provided above, and domestic wells approved in writing by the Association and the State of Colorado. In no event shall any Owner be entitled to have standing to object to any application for a well permit, any water rights application, including but not limited to, a change of water right, or approval of any augmentation plans or new water right that may be filed by Servicer or its assigns. Outside irrigation on any lot shall be limited to 2,500 square feet in the aggregate, and except as expressly provided herein, no Lot or Owner shall

be entitled to the use or ownership of any irrigation water rights owned or formerly owned by Developer. Developer hereby reserves unto itself, assigns and successors a non-exclusive, perpetual easement for the purpose of access to and over the Property as may be reasonably necessary to take actions to effectuate and enforce any dry-up covenant given by Developer for water rights owned by Developer and formerly used for irrigation of the Property, and to take other actions reasonably necessary to eliminate any use of such water rights on the Property. Such easements shall provide for activities, including but not limited to, alteration and removal of ditches, and any monitoring or testing activity; provided, however, any such easement shall be used and exercised in a manner that will not unreasonably interfere (except as to termination of irrigation by exercise of any water rights formerly used for irrigation of the Property) with use of any Lot by an Owner.

Current water rates effective: October 1, 2007

Vacant Home Site (Lot) Availability Fee	\$25.00 per month – flat rate
Usage Fee	\$25.00 per mo. First 5,000 gallons
	\$ 2.50 per 1,000 gal. after 5,000 gal. up to 20,000 gal.
	\$ 5.00 per 1,000 gal. after 20,000 gal.
Current water tap fee	\$4,500.00
(Due at time of tap or hook-up to system, includes meter)	

SEWER

Each Owner is responsible for incurring all costs associated with obtaining a septic permit from Rio Grande County (which is currently \$150) and installing a sewage septic vault and system (approximately \$3,000 to \$5,000) that meets the minimum standards of the County Health Department. If your parcel cannot pass the county percolation tests the County will require an engineered septic system. The costs for an engineered system will be higher. The cost of the percolation test typically adds a few hundred dollars to the cost of the system. To obtain a permit you must complete an application with Rio Grande County Building Department at the Rio Grande County Court House, 965 6th Street, Del Norte, CO 81132 or call (719) 657-9472.

GAS

Natural gas service is not available. Developer is not responsible for providing gas service. Propane gas utilizing an individual tank storage system is available from:

- South Fork Propane, 26359 W. Highway 160, South Fork, CO 81154 (719) 873-5500
- Monte Vista Cooperative, 1901 E. Highway 160, Monte Vista, CO 81144 (719) 852-5181
- AmeriGas, 625 West Avenue, Alamosa, CO 81101 (719) 589-2545
- Windy's LP Gas Service, 536 Grand Ave., Del Norte, CO 81132 (719) 657-2466

ZONING

The property is zoned rural vacant land at this time. Upon the final approval of each phase the lots will be zoned residential. The Rio Grande County Zoning Department is located at the Rio Grande County Courthouse, 925 Sixth Street, Del Norte, CO 81132.

PROPERTY TAXES

The Ranch currently has an agricultural tax status. There is a current grazing lease in place through 2011. Each owner has the option to participate each year in the grazing lease, excluding the year of purchase. Colorado is a fence out state, so if Owner decides not to participate in the grazing lease the Owner is responsible for fencing their property within the guidelines of the Covenants.

Agricultural Taxes are based on the following formula:

$10.13 \times \# \text{ of acres} \times \text{mill levy} = \text{tax assessment}$

Example based on 2011 Mill Levy: $10.13 \times 5 \text{ acres} \times .044516 = \2.25

Property without agricultural status is assessed taxes, based on the assessment value given by the County. Notice of valuations are mailed out by May 1st of each year from the County Assessor's office, and complaints may be heard for a certain time period, should you disagree with the valuation of your property. Taxes are based on the following formula:

$\text{Actual Value} \times \text{Assessment Rate} \times \text{Mill Levy} = \text{Tax Assessment}$

River Island Ranch lies in tax district 07C and the 2011 total mill levy was .044516. Assessment Rates are currently 7.96% for improved residential property and 29% for vacant land. The following is an example of how property taxes are calculated prior to any improvements being constructed. Therefore, the construction of improvements will alter your tax bill and the assessment rate used.

VACANT LAND

$\text{Actual value} \times \text{Assessment Rate} \times \text{Current Mill Levy} = \text{Tax Assessment}$

$\$75,000 \times 29\% \times .044516 = \968.22

$\$100,000 \times 29\% \times .044516 = \$1,290.96$

IMPROVED/RESIDENTIAL PROPERTY

$\text{Actual value} \times \text{Assessment Rate} \times \text{Current Mill Levy} = \text{Tax Assessment}$

$\$300,000 \times 7.96\% \times .044516 = \$1,063.04$

$\$500,000 \times 7.96\% \times .044516 = \$1,771.74$

ACTS OF GOD

Neither the Developer nor Land Properties, Inc. will be responsible for damage, problems, concerns or issues otherwise involving persons not associated with the Developer or Land Properties, Inc., or for problems caused by natural habitat or wildlife. It is the Owner's sole responsibility to insure against personal property damage caused by "acts of God" or otherwise. It is also the Owner's sole responsibility to be educated with anticipated problems and concerns as well as insuring against possible damages associated with natural habitat or wildlife.

BUILDING PERMIT AND FEES

Rio Grande County, CO requires a building permit. Permits may be obtained at the Rio Grande County Courthouse, 925 Sixth Street, Del Norte, CO 81132 (719) 657-9472. The cost of the permit is based on the valuation of the house.

Rio Grande County has an Impact Fee payable at the time of obtaining the building permit in the amount of \$1,430.00, effective June 1, 2006.

CLOSING COSTS

The following table shows the standard fees associated with the closing of your property:

Closing Fee Cash	\$250.00	Recording Fees	\$10.00 - \$30.00
Closing Fee Financed	\$300.00	Delivery and Postage	\$18.00 - \$36.00
Mortgagee's Policy Financed	\$100.00	County Documentary Fee	.01% of the purchase price
Tax Certificate	\$ 10.00		
County taxes prorated as credit to Buyer – January 1 st through date of closing			
POA Working Capital is prorated as debit to Buyer – date of closing through December 31 st			
River Island Ranch Club Fee prorated as debit to Buyer – date of closing through December 31 st			

PROPERTY OWNERS ASSOCIATION

A POA has been formed by the Developer for the Ranch to help enforce the Protective Covenants and Architectural Design Guidelines, collect assessments, maintain non-county roads, and represent all owners in matters of mutual interest. Membership in the POA is mandatory. Annual working capital fee is \$395.00 per year and is the responsibility of each Owner. The Developer does not pay the annual working capital fee. Developer will be responsible for non-county road maintenance, except for the access roads to the island and amenities, until 80% of the lots are sold. The Developer will maintain control of the Property Owners Association until 80% of the lots are sold and/or until all infrastructure and amenities are complete, whichever occurs last, and will maintain control of the POA until such time or until Developer chooses to turnover control to the POA at an earlier date. The Developer will appoint a Board of Directors that will control and disburse the funds of the POA.

Upon reaching the time frame set forth above, a meeting of the members of the POA will be held to elect a new board of directors. The Developer has no financial interest in nor will it derive profit from the POA. The Developer cannot borrow or authorize borrowing from the Property Owners Association.

RIVER ISLAND RANCH CLUB MEMBERSHIP

River Island Ranch property owners will be members of the River Island Ranch Club. Membership in the club is mandatory. A River Island Ranch Club Membership fee of \$500.00 per parcel per year has been established to cover costs such as maintenance of the club facilities, ranch manager, etc and is the responsibility of each Owner. These funds are being utilized to pay for all expenses related to the Club amenities. The Developer has built and furnished two Owner Cabins and the Owner's Private Clubhouse. The Developer has deeded these amenities to the River Island Ranch Property Owner's Association, Inc. The Membership fee will pay for the day-to-day operations of the facilities. The Club Membership may use the membership money to build up to four additional cabins. The River Island Ranch Club Guidelines are available for your review.

RIO GRANDE CLUB MEMBERSHIP

River Island Ranch property owners will have the option of a Golf or Sports and Angling Membership from the Rio Grande Club. Rio Grande Club Membership Deposits are in addition to the price of the property and paid to Rio Grande Club at closing. Membership Deposits are in the amount of 10% of purchase price of the parcel for a Golf Membership and 5% of purchase price of the parcel for a Sports and Angling Membership, respectively. Rio Grande Club Membership Deposits are recallable and refundable. Membership in the Rio Grande Club is optional. Membership in the Rio Grande Club must be accepted or declined at time of contract execution. The

Rio Grande Club Membership monthly dues start at the time of closing. Monthly dues are currently \$341 (Golf) and \$192.50 (S/A) respectively and subject to the Rio Grande Club Membership plan per the Rio Grande Club Membership plan documents (prices subject to change). Rio Grande Club Membership information and prices are current as of January 1, 2011. See Rio Grande Club Membership Plan documents for current details and all additional information.

IRRIGATION EASEMENTS

Irrigation ditches and easements exist within River Island Ranch and are depicted on the recorded plat maps. The ditch owners have the right to access River Island Ranch roads in order to access irrigation ditches for maintenance and operation. The maintenance and operation may take place at any time of day or night. Property owners cannot impede the maintenance or operation of the ditch. Property owner cannot use any water from an irrigation ditch. Property owners shall not recreate in irrigation ditches.

Buyer has read, understands, and agrees to the above-mentioned disclosures as listed on Pages 1 – 6, for River Island Ranch Lot(s) _____.

Buyer Date

Buyer Date

Selling Agent Date