

When recorded, mail to:
City Clerk
City of Flagstaff
211 West Aspen Avenue
Flagstaff, Arizona 86001

DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") is entered into as of the 20th day of March, 2007, between Cavan Opportunity Fund, L.L.C., a Delaware limited liability company ("Owner"), and the City of Flagstaff, Arizona, a municipal corporation organized and existing under the laws of the State of Arizona ("City").

RECITALS

A. Arizona Revised Statutes ("A.R.S.") § 9-500.05 authorizes the City to enter into a development agreement with a landowner or any other person having an interest in real property located in the City.

B. The Owner is the owner of certain real property located within the incorporated boundaries of the City and which is depicted in Exhibit A, attached to and made a part hereof ("Property"). The Property is situated within the area comprising the McMillan Mesa Village Specific Plan dated August 14, 1992 ("Specific Plan"), the area of which is depicted in Exhibit B, attached to and made a part hereof.

C. Owner desires to develop a mixed use subdivision within the Specific Plan area ("Project").

D. For reasons including interests of public health, safety and welfare, the Owner and the City are entering into this Agreement to set forth and clarify certain public infrastructure obligations for the Project as recommended by the Planning and Zoning Commission.

E. This Agreement is consistent with the Specific Plan and those portions of the Flagstaff Area Regional Land Use and Transportation Plan ("General Plan") applicable to the Property.

F. Owner is under no compulsion, economic or otherwise, to enter into this Agreement.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual benefits and obligations of the parties set forth herein, the parties agree as follows:

1. Recitals. The recitals set forth above are acknowledged by the parties to be true and correct and are incorporated herein by reference.
2. Interest of the Owner. The Owner hereby represents and warrants to the City that Owner is the sole fee title owner of the Property as of the date of this Agreement and that to the best of Owner's actual knowledge no other person or entity has any legal or equitable ownership interest in the Property except First Fidelity Bank, N.A. ("Lender"), which as of the date of this Agreement has an equitable interest in the Property.
3. Assignment. The rights of the Owner under this Agreement may be transferred or assigned, in whole or in part, by written instrument, to any subsequent owner or lessee of all or any portion of the Property, provided that the Owner notifies the City thereof within fifteen (15) days following any such transfer or assignment.
4. Binding Effect of Agreement. The burdens of this Agreement bind, and the benefits of this Agreement inure to the parties hereto and their successors in interest and assigns of the parties hereto pursuant to A.R.S. § 9-500.05(D).
5. Implementation. This Agreement is intended to facilitate the development of the Property by assuring the development of certain public infrastructure described below.
6. Public Infrastructure.
 - 6.1 Water Storage Infrastructure. The Owner agrees to construct a water storage tank sized to meet the development's average daily usage plus two-hour fire flow, which equates to 541,400 gallons of water storage, as required in the McMillan Mesa Village Subdivision Public Water & Sewer Impact Analysis dated July 7, 2006 and prepared by the City of Flagstaff Utilities Department. To meet this requirement, subject to the reimbursement provided herein, the Owner shall design, construct and connect to the Zone "A" water system, a 1.2 million gallon water storage tank at the existing Cheshire tank site owned by the City of Flagstaff. In addition, the Owner shall pay to the City of Flagstaff a fee equal to the estimated proportionate amount of operation and maintenance expenses for 20 years of operation and maintenance costs for the 1.2 million gallon water storage tank. (The Owner's cost for operation and maintenance shall be equal to its proportionate share of the tank size). Design and construction plans for the 1.2 million gallon water tank shall be provided by the Owner along with the subdivision improvement plans.

The City shall reimburse the Owner for the City's proportional share of construction costs for the 1.2 million gallon water storage tank and shall provide the land for construction of the 1.2 million gallon water storage tank located at the existing Cheshire tank site. The extent of the City's reimbursement obligation regarding the water storage tank shall be limited to its

share of water tank construction costs, as specified above. The Owner's proportionate share for construction of the 1.2 million gallon water storage tank equates to 45.08%, which is based on the 541,400 gallons of required water storage. The City's proportional share for construction of the 1.2 million gallon water storage tank equates to 54.92%, which is based on 658,600 gallons of excess water storage capacity. Reimbursement by the City to the Owner shall be made upon completion and acceptance of the water storage tank and related facilities by the City of Flagstaff Utilities Department.

The City shall not issue Project building permits for more than 300 residential units and 26 acres of commercial development or the equivalent thereof until the Owner has provided the additional 541,400 gallons of water storage capacity as described above and the water storage tank is operational.

6.2 Sewer Line Improvements. Prior to the issuance of building permits the Owner shall be required to construct off-site sewer improvements to include replacement of the existing 33" sewer line connecting manholes 23-063 and 23-058 with a 42" sewer line. This sewer line reach is approximately 2,237' feet in length. Infrastructure improvements shall include sewer line, manholes and any other incidental utility improvements necessary for construction. The Owner shall provide design and construction plans for the sewer line replacement with the subdivision improvement plans. The Owner shall be responsible for all costs associated with the design and construction for the sewer line replacement. The City shall reimburse the Owner for the difference of construction costs between a 36" sewer line and a 42" sewer line upon completion of the sewer line improvements acceptance thereof by the City of Flagstaff Utilities Department.

7. Effective Date. This Agreement shall be effective upon execution by the parties hereto and recordation in the Office of the Coconino County Recorder.

8. Amendments or Cancellation of the Agreement. This Agreement may be amended or canceled, in whole or in part only with the mutual written consent of the City and the Owner. Within ten (10) days after any such amendment or cancellation of this Agreement, the amendment or cancellation shall be recorded by the City in the Official Records of Coconino County, Arizona.

9. Duration. If not sooner terminated in accordance with the provisions hereof, this Agreement shall automatically terminate and be of no further force fifteen (15) years from the effective date hereof. If the parties mutually determine that a longer period for the performance of the provisions of this Agreement is necessary for any reason, the term of this Agreement may be extended by a written amendment.

10. Relationship of the Parties. It is understood that the contractual relationship between the parties is undertaken pursuant to the authorization contained in A.R.S. § 9-500.05, and nothing contained in this Agreement shall create any partnership, joint venture or agency relationship between the City and the Owner. No term or provision of this Agreement is intended to, or shall, be for the benefit of any person, firm, organization or corporation not

a party hereto, and no such other person, firm, organization or corporation shall have any right or cause of action hereunder, whether as a third-party beneficiary or otherwise.

11. General Provisions.

11.1 Notices.

(a) Manner of Serving. All notices, filings, consents, approvals and other communications provided for herein or given in connection herewith ("Notices") shall be validly given, filed, made, delivered or served if in writing and delivered personally or sent by registered or certified United States Postal Service Mail, return receipt requested, postage prepaid to:

If to City: City Clerk, City of Flagstaff
211 West Aspen Avenue
Flagstaff, Arizona 86001

Copy to: City Attorney
211 West Aspen Avenue
Flagstaff, Arizona 86001

If to Owner: Cavan Opportunity Fund, L.L.C.
c/o Cavan Management Services, L.L.C.
15333 N. Pima Road, Suite 305
Scottsdale, Arizona 85260

If to Lender: First Fidelity Bank, N.A.
Attention: Susan Chapman, Vice President
232 N. 32nd Street
Phoenix, Arizona 85018

Copy to: William P. Ring, Esq.
114 N. San Francisco Street, Suite 200
Flagstaff, Arizona 86001

Or to such other addresses as a party may from time to time designate in writing and deliver in a like manner. Any such change of address notice shall be given at least ten (10) days before the date on which the change is to become effective.

(b) Mailing Effective. Notices given by mail shall be deemed delivered seventy-two (72) hours following deposit in the U.S. Postal Service, in the manner set forth above.

11.2 General Waiver. No delay in exercising any right or remedy shall constitute a waiver thereof, and no waiver by the parties of the breach of any provision of this Agreement shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement.

11.3 Attorneys' Fees and Costs. Subject to Section 11.14, Mediation, if legal action by either party is brought because of a breach of this Agreement or to enforce a provision of this Agreement, the prevailing party is entitled to reasonable attorneys' fees and court costs.

11.4 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

11.5 Headings. The description headings of the paragraphs of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

11.6 Entire Agreement. This Agreement constitutes the entire agreement between the parties concerning the subject matter hereof. All prior and contemporaneous agreements, representations and understandings of the parties, oral or written, other than specifically incorporated herein by reference, are superseded by this Agreement.

11.7 Severability. If any provision of this Agreement is declared void or unenforceable, the provisions shall be severed from this Agreement, which shall otherwise remain in full force and effect, provided that the overall intent of the parties is not materially vitiated by such severability.

11.8 Governing Law. This Agreement is entered into in Arizona and shall be construed and interpreted under the laws of the State of Arizona. The parties agree that venue for any action commenced in connection with this Agreement shall be proper only in a court of competent jurisdiction located in Coconino County, Arizona, and the parties hereby waive any right to object to such venue.

11.9 Recordation. No later than ten (10) days after this Agreement has been executed by the City and Owner, it shall be recorded in its entirety by the City in the Official Records of Coconino County, Arizona.

11.10 Default, Remedies. If either party to this Agreement breaches any provision of this Agreement, the non-defaulting party shall be entitled to all remedies available at both law and in equity including specific performance.

11.11 Authority. The parties to this Agreement represent to each other that they have full power and authority to enter into this Agreement.

11.12 Cancellation. This Agreement is subject to the cancellation provisions of A.R.S. § 38-511.

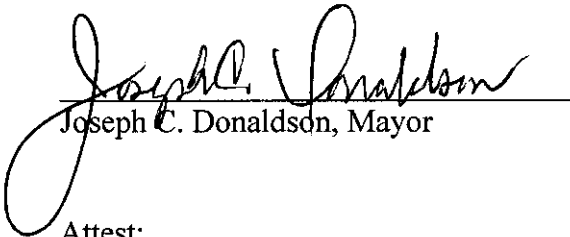
11.13 Construction of Agreement. This Agreement has been arrived at by negotiation and shall not be construed against either party or against the party who prepared the last draft.

11.14 Mediation. If a dispute arises out of or relates to this Agreement and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to resolve the dispute by mediation before resorting to litigation or some other dispute resolution procedure. Mediation will be self-administered and conducted under the CPR Mediation Procedures established by the CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, New York 10017, (212) 949-6490, www.cpradr.org with the exception of the mediator selection provisions, unless other procedures are agreed upon by the parties. Unless the parties agree otherwise, the mediator(s) shall be selected from panels of mediators trained under the Alternative Dispute Resolution Program of the Coconino County Superior Court. Each party agrees to bear its own costs in mediation. The parties will not be obligated to mediate if an indispensable party is unwilling to join the mediation. This section does not constitute a waiver of the parties' right to arbitrate or initiate legal action if a dispute is not resolved through good faith negotiation or mediation, or if provisional relief is required under the Arizona Rules of Civil Procedure.

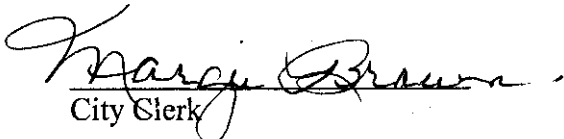
11.15 Signatures. Each person who executed this Agreement on behalf of the Owner personally warrants and guarantees to the City that he or she has the legal power to bind the Owner to this Agreement with respect to such person's interest.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

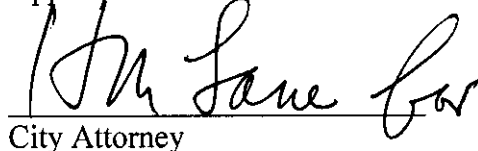
CITY OF FLAGSTAFF, an Arizona municipal corporation


Joseph C. Donaldson, Mayor

Attest:


City Clerk

Approved as to Form:


City Attorney

[Signatures continued on following page]

CAVAN OPPORTUNITY FUND, L.L.C., a Delaware limited liability company

By: Cavan Management Services, L.L.C., an Arizona limited liability company, its
Manager

By: 
Thomas P. Keff, its Manager

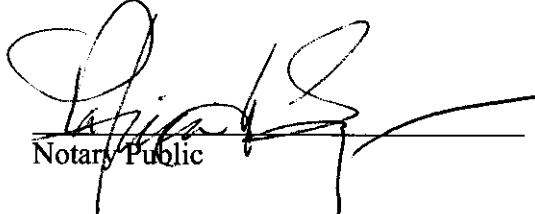
Acknowledged and Approved:

First Fidelity Bank, N.A.

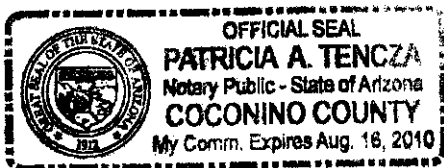
By: 
Susan Chapman, Vice President

STATE OF ARIZONA)
) ss
County of Coconino)

On this 2nd day of April, 2007, before me, a Notary Public, personally
appeared Joseph C. Donaldson, Mayor of the City of Flagstaff, known to be or satisfactorily
proven to be the person whose name is subscribed to the foregoing instrument and
acknowledged that he executed the same on behalf of the City of Flagstaff, for the purposes
therein contained.


Notary Public

My Commission Expires:



STATE OF ARIZONA)
) ss
County of Maricopa)

On this 2nd day of March, 2007, before me, a Notary Public,
personally appeared Thomas P. Kell, known to be and satisfactorily proven to be the person
whose name is subscribed to the foregoing instrument and acknowledged that he executed the
same for the purposes therein contained as President of Cavan Management Services, L.L.C.,
Manager of Cavan Opportunity Fund, L.L.C.

Naomi McCarthy
Notary Public

My Commission Expires: 8-31-2010

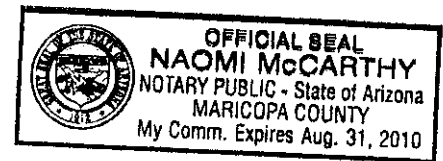


EXHIBIT "A"
McMillan Mesa Village
Development Agreement
Net of Public Rights of Way

PARCEL 1:

LOT 3 OF SECTION 15, TOWNSHIP 21 NORTH, RANGE 7 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA.

EXCEPTING THEREFROM THE WESTERN 40.00 FEET THEREOF, BEING THE EASTERN RIGHT OF WAY OF TURQUOISE DRIVE, A PUBLIC STREET, AS SHOWN ON RESULTS OF SURVEY MAP RECORDED IN BOOK 4, PAGE 35 (R.C.C.)(R2)

PARCEL 2:

LOT 1, SECTION 15, TOWNSHIP 21 NORTH, RANGE 7 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA;

EXCEPTING THEREFROM THAT PORTION CONVEYED TO THE CITY OF FLAGSTAFF IN INSTRUMENT RECORDED SEPTEMBER 22, 1992 IN DOCKET 1507, PAGE 271, AND CONDITION OF ACCEPTANCE BY THE CITY OF FLAGSTAFF RECORDED MARCH 18, 1993 IN DOCKET 1548, PAGE 914.

ALSO **EXCEPTING** THEREFROM THAT PORTION CONVEYED TO THE CITY OF FLAGSTAFF IN BY SPECIAL WARRANTY DEED RECORDED DECEMBER 22, 1992 IN DOCKET 1531, PAGE 090.

PARCEL 3:

A PARCEL OF LAND LOCATED IN THE NORTHEAST QUARTER OF SECTION 15, TOWNSHIP 21 NORTH, RANGE 7 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT THAT IS 40.26 FEET, NORTH 89 DEGREES 47 MINUTES EAST ALONG THE NORTHERLY LINE OF SAID SECTION 15 FROM THE NORTH QUARTER CORNER, SAID CORNER BEING A 5/8 INCH REBAR IN A 12" CONCRETE FILLED CORRUGATED METAL PIPE, SAID POINT BEING A RAILROAD SPIKE IN THE CENTERLINE OF TURQUOISE DRIVE;

THENCE NORTH 89 DEGREES 47 MINUTES EAST (BASIS OF BEARING FROM U.S.B.L.M. PLAT, DATED AUGUST 3, 1982 (R1) ALONG THE NORTHERLY LINE OF SAID SECTION 15, 1607.76 FEET (R1), 1605.47 MEASURED (M) TO A BLM STANDARD CAP MARKING A CORNER OF LOTS 1 AND 2 OF SAID SECTION 15; THENCE SOUTH 21 DEGREES 09 MINUTES EAST, 843.48 FEET (R1), SOUTH 21 DEGREES 11 MINUTES EAST, 840.78 FEET (M) ALONG THE LINE BETWEEN LOTS 2 AND 1 TO A BLM STANDARD CAP MARKING THE CORNER BETWEEN LOTS 1, 2 AND 3;

THENCE SOUTH 77 DEGREES 08 MINUTES WEST, 1684.32 FEET (R1), SOUTH 77 DEGREES 46 MINUTES WEST, 1683.92 FEET (M) TO A RAILROAD SPIKE IN THE CENTERLINE OF TURQUOISE DRIVE, MARKING THE CORNER BETWEEN LOTS 2, 3 AND 4;

THENCE NORTHERLY ALONG THE CENTERLINE OF TURQUOISE DRIVE ALONG A CURVE CONVEX TO THE SOUTHWEST, SAID CURVE HAVING A RADIUS OF 1198.25 FEET, DELTA OF 20 DEGREES 13 MINUTES, AND LENGTH OF 422.73 FEET (R1 AND M) TO A POINT OF REVERSE CURVATURE.

THENCE CONTINUING ALONG TURQUOISE DRIVE ALONG A CURVE CONVEX TO THE NORTHEAST, SAID CURVE HAVING A RADIUS OF 849.68 FEET (R1), 851.73(M), DELTA = 27 DEGREES 55 MINUTES (R1), 27 DEGREES 51 MINUTES FEET (M), AND LENGTH OF 409.89 FEET(R1), 409.92 FEET (M) TO A POINT OF REVERSE CURVATURE;

THENCE CONTINUING ALONG TURQUOISE DRIVE ALONG A CURVE CONVEX TO THE SOUTHWEST, SAID CURVE HAVING A RADIUS OF 695.55 FEET (R1), 695.83 FEET(M); DELTA OF 28 DEGREES 18 MINUTES (R1), 28 DEGREES 16 MINUTES (M) AND LENGTH OF 343.40 FEET (R1), 343.37 FEET (M) TO A POINT OF TANGENCY;

THENCE CONTINUING ALONG TURQUOISE DRIVE NORTH 0 DEGREES 24 MINUTES WEST, 16.63 FEET (R1), NORTH 0 DEGREES 21 MINUTES WEST, 16.61 FEET (M) TO THE **POINT OF BEGINNING**;

AND FURTHER BEING DESCRIBED AS LOT 2 OF SECTION 15, TOWNSHIP 21 NORTH, RANGE 7 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA;

EXCEPTING THEREFROM THAT PORTION CONVEYED TO THE CITY OF FLAGSTAFF BY ORDER RECORDED IN DOCKET 1349, PAGE 233;

ALSO **EXCEPTING** THEREFROM THE WESTERN 40.00 FEET THEREOF, BEING THE EASTERN RIGHT OF WAY OF TURQUOISE DRIVE , A PUBLIC STREET, AS SHOWN ON RESULTS OF SURVEY MAP RECORDED IN BOOK 4, PAGE 35 (R.C.C.)(R2)

ALSO **EXCEPTING** THEREFROM THE NORTHERN 33.50 FEET OF SAID LOT 2 OF SECTION 15;

ALSO **EXCEPTING** THEREFROM A PORTION OF A PARCEL OF LAND DESCRIBED IN DOCKET 1129, PAGE 577 OF THE RECORDS OF COCONINO COUNTY, ARIZONA (R.C.C.), SITUATED IN THE NORTHEAST QUARTER OF SECTION 15, TOWNSHIP 21 NORTH, RANGE 7 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

FROM THE NORTH QUARTER OF SAID SECTION 15;

THENCE NORTH 89 DEGREES 50 MINUTES 12 SECONDS EAST [BASIS OF BEARING: (DOCKET 1349, PAGE 239 (R.C.C.)(R1))], ALONG THE NORTH SECTION LINE OF SAID SECTION 15 FOR 80.60 FEET [RECORD: 80.58 FEET(R1)] TO THE EAST RIGHT OF WAY LINE OF TURQUOISE DRIVE AS SHOWN ON RESULTS OF SURVEY MAP RECORDED IN BOOK 4, PAGE 35 (R.C.C.)(R2);

THENCE SOUTH 00 DEGREES 16 MINUTES 14 SECONDS EAST ALONG SAID EAST RIGHT OF WAY LINE FOR 16.55 FEET TO A NONTANGENT POINT OF CURVATURE;

THENCE SOUTHEASTERLY ALONG SAID EAST RIGHT OF WAY LINE ALONG A CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 03 DEGREES 40 MINUTES 32 SECONDS AND A RADIUS OF 657.11 FEET, FOR A DISTANCE OF 42.15 FEET, THE CHORD OF SAID CURVE BEARS SOUTH 01 DEGREES 12 MINUTES 50 SECONDS EAST FOR 42.15 FEET TO THE SOUTHWEST CORNER OF A PARCEL OF LAND DESCRIBED IN DOCKET 1349, PAGE 240 (R.C.C.)(R.3) AND THE TRUE POINT OF BEGINNING;

THENCE NORTH 43 DEGREES 22 MINUTES 31 SECONDS EAST ALONG THE SOUTHERLY

PARCEL LINE OF SAID PARCEL (R3) FOR 34.73 FEET [RECORD: 34.44 FEET (R3)] TO A POINT;

THENCE NORTH 89 DEGREES 50 MINUTES 12 SECONDS EAST ALONG SAID SOUTHERLY PARCEL LINE FOR 30.01 FEET [M & R3] TO A POINT;

THENCE SOUTH 72 DEGREES 55 MINUTES 14 SECONDS EAST ALONG SAID SOUTHERLY PARCEL LINE FOR 48.91 FEET [M & R3] TO A POINT;

THENCE NORTH 85 DEGREES 09 MINUTES 30 SECONDS EAST ALONG SAID SOUTHERLY PARCEL LINE FOR 67.44 FEET [M & R3] TO A POINT,

THENCE SOUTH 84 DEGREES 27 MINUTES 10 SECONDS EAST [M & R3] ALONG SAID SOUTHERLY PARCEL LINE FOR 73.58 FEET TO A POINT;

THENCE SOUTH 20 DEGREES 18 MINUTES 32 SECONDS WEST FOR 224.82 FEET TO A POINT;

THENCE SOUTH 08 DEGREES 00 MINUTES 15 SECONDS EAST FOR 147.17 FEET TO A POINT;

THENCE SOUTH 81 DEGREES 39 MINUTES 15 SECONDS WEST FOR 63.67 FEET TO A NONTANGENT POINT ON CURVE, SAID POINT BEING THE EASTERLY RIGHT OF WAY LINE OF SAID (R2);

THENCE NORTHWESTERLY ALONG SAID EASTERLY RIGHT OF WAY LINE ALONG A CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 06 DEGREES 6 MINUTES 29 SECONDS AND A RADIUS OF 892.28 FEET FOR A DISTANCE OF 97.72 FEET, THE CHORD OF SAID CURVE BEARS NORTH 25 DEGREES 27 MINUTES 37 SECONDS WEST FOR 97.67 FEET TO A POINT OF REVERSE CURVE;

THENCE CONTINUE NORTHWESTERLY ALONG SAID EASTERLY RIGHT OF WAY LINE, ALONG A CURVE TO THE RIGHT HAVING A CENTRAL ANGLE OF 24 DEGREES 32 MINUTES 45 SECONDS AND A RADIUS OF 657.11 FEET, FOR A DISTANCE OF 279.36 FEET, THE CHORD OF SAID CURVE BEARS NORTH 16 DEGREES 19 MINUTES 29 SECONDS WEST FOR 279.36 FEET, TO THE TRUE **POINT OF BEGINNING**.

PARCEL 4:

A PORTION OF THE NORTHEAST QUARTER OF SECTION 15, TOWNSHIP 21 NORTH, RANGE 7 EAST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

FOR REFERENCE, BEGIN AT THE EAST QUARTER CORNER OF SAID SECTION 15, A BLM BRASS CAP;

THENCE NORTH, 00 DEGREES 08 MINUTES 04 SECONDS EAST, ALONG THE EAST LINE OF SAID SECTION 15, A DISTANCE OF 550.96 FEET TO A ½ INCH PIPE;

THENCE SOUTH 89 DEGREES 40 MINUTES 31 SECONDS WEST, A DISTANCE OF 49.94 FEET;

THENCE NORTH 89 DEGREES 49 MINUTES 41 SECONDS WEST, A DISTANCE OF 128.44 FEET;

THENCE NORTH 80 DEGREES 43 MINUTES 57 SECONDS WEST, A DISTANCE OF 56.20 FEET;

THENCE NORTH 89 DEGREES 54 MINUTES 52 SECONDS WEST, A DISTANCE OF 107.02 FEET TO THE TRUE **POINT OF BEGINNING**;

THENCE SOUTH 02 DEGREES 02 MINUTES 55 SECONDS EAST, A DISTANCE OF 529.73 FEET;

THENCE NORTH 89 DEGREES 45 MINUTES 20 SECONDS WEST, A DISTANCE OF 97.85 FEET;
 THENCE SOUTH 00 DEGREES 52 MINUTES 01 SECONDS EAST, A DISTANCE OF 87.27 FEET TO THE
 BEGINNING OF A CURVE, CONCAVE TO THE EAST, HAVING A RADIUS OF 20.00 FEET AND A
 CENTRAL ANGLE OF 90 DEGREES 31 MINUTES 07 SECONDS;
 THENCE RUN ALONG THE ARC OF SAID CURVE A DISTANCE OF 31.60 FEET;
 THENCE SOUTH 89 DEGREES 39 MINUTES 06 SECONDS WEST, A DISTANCE OF 96.00 FEET TO THE
 BEGINNING OF A CURVE, CONCAVE TO THE WEST, HAVING A RADIUS OF 20.00 FEET AND A
 CENTRAL ANGLE OF 89 DEGREES 29 MINUTES 09 SECONDS;
 THENCE RUN ALONG THE ARC OF SAID CURVE, A DISTANCE OF 31.24 FEET;
 THENCE NORTH 00 DEGREES 51 MINUTES 45 SECONDS WEST, A DISTANCE OF 87.85 FEET;
 THENCE NORTH 89 DEGREES 45 MINUTES 20 SECONDS WEST, A DISTANCE OF 7.00 FEET;
 THENCE NORTH 89 DEGREES 34 MINUTES 28 SECONDS WEST, A DISTANCE OF 68.13 FEET;
 THENCE NORTH 75 DEGREES 59 MINUTES 46 SECONDS WEST, A DISTANCE OF 57.74 FEET;
 THENCE NORTH 78 DEGREES 14 MINUTES 56 SECONDS WEST, A DISTANCE OF 99.31 FEET;
 THENCE NORTH 00 DEGREES 08 MINUTES 15 SECONDS EAST, A DISTANCE OF 587.55 FEET;
 THENCE SOUTH 75 DEGREES 28 MINUTES 17 SECONDS EAST, A DISTANCE OF 373.65 FEET TO THE
POINT OF BEGINNING.

PARCEL 5:

A PORTION OF THE EAST HALF OF SECTION 15, TOWNSHIP 21 NORTH RANGE 7 EAST OF THE
 GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, DESCRIBED AS
 FOLLOWS:

TRACTS 8, 9 AND 10, SWITZER MESA UNIT TWO, AS SHOWN ON THE PLAT THEREOF RECORDED
 IN CASE 2, MAPS 344-344D, RECORDS OF COCONINO COUNTY, ARIZONA; AND

LOTS 48-58, INCLUSIVE, SWITZER MESA UNIT TWO, AS SHOWN ON THE PLAT THEREOF
 RECORDED IN CASE 2, MAPS 344-344D, RECORDS OF COCONINO COUNTY, ARIZONA.

PARCEL 6:

A PORTION OF THE NORTHEAST QUARTER OF SECTION 15, TOWNSHIP 21 NORTH, RANGE 7 EAST,
 OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA,
 DESCRIBED AS FOLLOWS:

FOR REFERENCE, BEGIN AT THE NORTH 1/16TH CORNER OF SAID SECTION 15, A BLM BRASS CAP;

THENCE NORTH 88 DEGREES 19 MINUTES 36 SECONDS WEST, A DISTANCE OF 1005.26 FEET TO
 THE TRUE **POINT OF BEGINNING**;

THENCE SOUTH 00 DEGREES 12 MINUTES 03 SECONDS WEST, A DISTANCE OF 326.33 FEET TO
 THE BEGINNING OF A CURVE, CONCAVE TO THE WEST, HAVING A RADIUS OF 637.50 FEET AND
 A CENTRAL ANGLE OF 15 DEGREES 16 MINUTES 44 SECONDS;

THENCE RUN ALONG THE ARC OF SAID CURVE, A DISTANCE OF 170.0 FEET;

THENCE SOUTH 15 DEGREES 28 MINUTES 47 SECONDS WEST, A DISTANCE OF 100.00 FEET TO THE BEGINNING OF A CURVE CONCAVE TO THE EAST, HAVING A RADIUS OF 562.50 FEET AND A CENTRAL ANGLE OF 15 DEGREES 16 MINUTES 44 SECONDS;

THENCE RUN ALONG THE ARC OF SAID CURVE, A DISTANCE OF 150.00 FEET;

THENCE SOUTH 00 DEGREES 12 MINUTES 03 SECONDS WEST, A DISTANCE OF 10.00 FEET TO THE NORTHWEST CORNER OF LOT 48, SWITZER MESA UNIT TWO, AS SHOWN ON THE PLAT RECORDED IN CASE 2, MAPS 344-344D, RECORDS OF COCONINO COUNTY, ARIZONA;

THENCE SOUTH 89 DEGREES 45 MINUTES 13 SECONDS EAST, A DISTANCE OF 110.00 FEET TO THE NORTHEAST CORNER OF SAID LOT 48;

THENCE SOUTH 00 DEGREES 12 MINUTES 03 SECONDS WEST, A DISTANCE OF 795.32 FEET TO THE SOUTHEAST CORNER OF LOT 58 OF SAID SWITZER MESA UNIT TWO;

THENCE NORTH 77 DEGREES 44 MINUTES 39 SECONDS WEST, A DISTANCE OF 111.93 FEET TO THE SOUTHWEST CORNER OF SAID LOT 58;

THENCE NORTH 00 DEGREES 27 MINUTES 54 SECONDS EAST, A DISTANCE OF 56.65 FEET;

THENCE NORTH 78 DEGREES 57 MINUTES 51 SECONDS WEST, A DISTANCE OF 155.10 FEET TO THE SOUTHWEST CORNER OF TRACT 8 OF SAID SWITZER MESA UNIT TWO;

THENCE NORTH 13 DEGREES 32 MINUTES 21 SECONDS WEST, ALONG THE WEST LINE OF SAID TRACT 8, A DISTANCE OF 200.00 FEET TO THE NORTHWEST CORNER OF SAID TRACT 8;

THENCE NORTH 07 DEGREES 35 MINUTES 08 SECONDS WEST, A DISTANCE OF 200.00 FEET TO THE NORTHWEST CORNER OF TRACT 9 OF SAID SWITZER MESA UNIT TWO;

THENCE NORTH 33 DEGREES 34 MINUTES 58 SECONDS WEST, A DISTANCE OF 260.00 FEET TO THE NORTHWEST CORNER OF TRACT 10 OF SAID SWITZER MESA UNIT TWO;

THENCE NORTH 25 DEGREES 17 MINUTES 40 SECONDS WEST, A DISTANCE OF 939.94 FEET TO A POINT ON THE NORTH LINE OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 15;

THENCE SOUTH 88 DEGREES 19 MINUTES 36 SECONDS EAST, ALONG SAID NORTH LINE A DISTANCE OF 844.34 FEET TO THE **POINT OF BEGINNING**.

EXCEPTING THEREFROM ANY PORTION OF THE ABOVE DESCRIBED PROPERTY LYING WITHIN THE LINES OF SWITZER MESA UNIT TWO, AS SHOWN ON THE PLAT THEREOF RECORDED IN CASE 2, MAPS 344-344D, RECORDS OF COCONINO COUNTY, ARIZONA.

PARCEL 7:

THAT PORTION OF SECTIONS 10, 11 AND 14, TOWNSHIP 21 NORTH, RANGE 7 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTH LINE OF SAID SECTION 10 THAT LIES SOUTH 89 DEGREES 50 MINUTES 12 SECONDS WEST (BASIS OF BEARINGS, DOCKET 1349, PAGE 239, COCONINO COUNTY RECORDERS OFFICE) A DISTANCE OF 439.62 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 10;

THENCE NORTH 31 DEGREES 22 MINUTES 18 SECONDS WEST, A DISTANCE OF 84.56 FEET TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF CEDAR AVENUE AS DESCRIBED IN DOCKET 1437, PAGE 163, AND THE BEGINNING OF A NONTANGENT CURVE TO THE LEFT FROM WHICH THE RADIUS POINT BEARS NORTH 26 DEGREES 57 MINUTES 58 SECONDS WEST, BEING CONCAVE TO THE NORTHWEST, HAVING A RADIUS OF 985.00 FEET AND A CENTRAL ANGLE OF 63 DEGREES 21 MINUTES 12 SECONDS;

THENCE NORTHEASTERLY ALONG SAID CURVE AN ARC DISTANCE OF 1089.14 FEET;

THENCE NORTH 00 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 138.12 FEET;

THENCE NORTH 89 DEGREES 40 MINUTES 50 SECONDS EAST, A DISTANCE OF 80.00 FEET;

THENCE NORTH 00 DEGREES 19 MINUTES 10 SECONDS WEST, A DISTANCE OF 22.50 FEET;

THENCE NORTH 89 DEGREES 40 MINUTES 50 SECONDS EAST, A DISTANCE OF 170.00 FEET TO THE BEGINNING OF A CURVE TO THE RIGHT, CONCAVE TO THE SOUTHWEST, HAVING A RADIUS OF 300.00 FEET AND A CENTRAL ANGLE OF 90 DEGREES 00 MINUTES 00 SECONDS;

THENCE EASTERLY AND SOUTHERLY ALONG SAID CURVE AN ARC DISTANCE OF 471.24 FEET;

THENCE SOUTH 00 DEGREES 19 MINUTES 10 SECONDS EAST, A DISTANCE OF 696.22 FEET TO THE BEGINNING OF A CURVE TO THE RIGHT, CONCAVE TO THE NORTHWEST, HAVING A RADIUS OF 750.00 FEET AND A CENTRAL ANGLE OF 56 DEGREES 26 MINUTES 16 SECONDS;

THENCE SOUTHWESTERLY ALONG SAID CURVE AN ARC DISTANCE OF 738.77 FEET;

THENCE SOUTH 31 DEGREES 22 MINUTES 18 SECONDS EAST, A DISTANCE OF 270.27 FEET;

THENCE SOUTH 58 DEGREES 37 MINUTES 42 SECONDS WEST, A DISTANCE OF 350.00 FEET, MORE OF LESS, TO A POINT THAT LIES SOUTH 31 DEGREES 22 MINUTES 18 SECONDS EAST FROM THE POINT OF BEGINNING;

THENCE CONTINUING SOUTH 58 DEGREES 37 MINUTES 42 SECONDS WEST, A DISTANCE OF 50.00 FEET;

THENCE NORTH 31 DEGREES 22 MINUTES 18 SECONDS WEST, A DISTANCE OF 108.48 FEET, MORE OF LESS, TO A POINT ON THE WEST LINE OF SAID SECTION 14;

THENCE NORTH 01 DEGREES 22 MINUTES 18 SECONDS WEST, ALONG THE WEST LINE OF SAID SECTION 14 TO THE NORTHWEST CORNER OF SAID SECTION 14;

THENCE SOUTH 89 DEGREES 50 MINUTES 12 SECONDS WEST, ALONG THE SOUTH LINE OF SAID SECTION 10, A DISTANCE OF 439.62 FEET TO THE POINT OF **BEGINNING**;

EXCEPTING THEREFROM THAT PORTION AS DESCRIBED IN DOCKET 1499, PAGE 636, AND AMENDED AND CORRECTED IN DOCKET 1502, PAGE 483.

PARCEL 8:

THAT PORTION OF SECTION 14, TOWNSHIP 21 NORTH, RANGE 7 EAST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, COCONINO COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 14;

THENCE SOUTH 89 DEGREES 50 MINUTES 12 SECONDS WEST (BASIS OF BEARINGS DOCKET 1349,

PAGE 239, RECORDS OF COCONINO COUNTY RECORDERS OFFICE) ALONG THE NORTH LINE OF SECTION 15, TOWNSHIP 21 NORTH, RANGE 7 EAST, A DISTANCE OF 439.62 FEET;

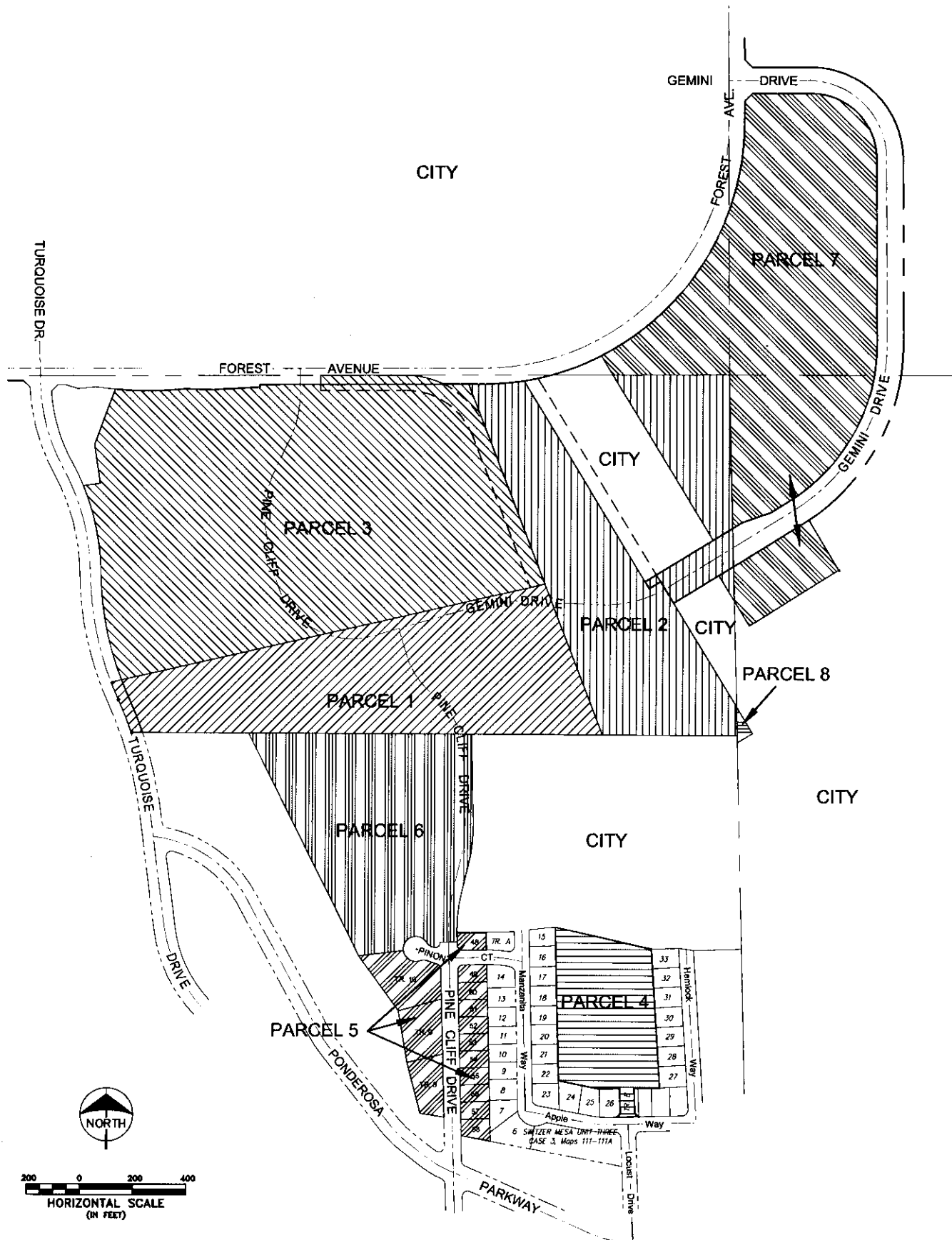
THENCE CONTINUING SOUTH 89 DEGREES 50 MINUTES 12 SECONDS WEST, ALONG THE NORTH LINE OF SAID SECTION 15, A DISTANCE OF 292.30 FEET;

THENCE SOUTH 31 DEGREES 22 MINUTES 18 SECONDS EAST, A DISTANCE OF 1463.51 FEET, MORE OR LESS, TO A POINT ON THE WEST LINE OF SAID SECTION 14, BEING THE TRUE **POINT OF BEGINNING**;

THENCE CONTINUING SOUTH 31 DEGREES 22 MINUTES 18 SECONDS EAST, A DISTANCE OF 116.91 FEET;

THENCE SOUTH 58 DEGREES 37 MINUTES 42 SECONDS WEST, A DISTANCE OF 67.50 FEET, MORE OR LESS, TO A POINT ON THE WEST LINE OF SAID SECTION 14;

THENCE NORTH 01 DEGREES 22 MINUTES 18 SECONDS WEST, ALONG THE WEST LINE OF SAID SECTION 14, A DISTANCE OF 135.00 FEET, MORE OR LESS, TO THE **POINT OF BEGINNING**.



This exhibit illustrates the eight (8) parcels comprising the McMillan Mesa Village property that is subject to the Development Agreement between the City of Flagstaff and Cavan Opportunity Fund, LLC.

McMillan Mesa Village
Property Subject to
Development Agreement
 CAVAN Opportunity Fund, L.L.C.

DAC Consulting, Inc. February 16, 2007 File: _MMV-070216.dwg

McMillan Mesa

Located within Sections 10, 11, 14 & 15,
T.21N, R.7E, C&SRD&M

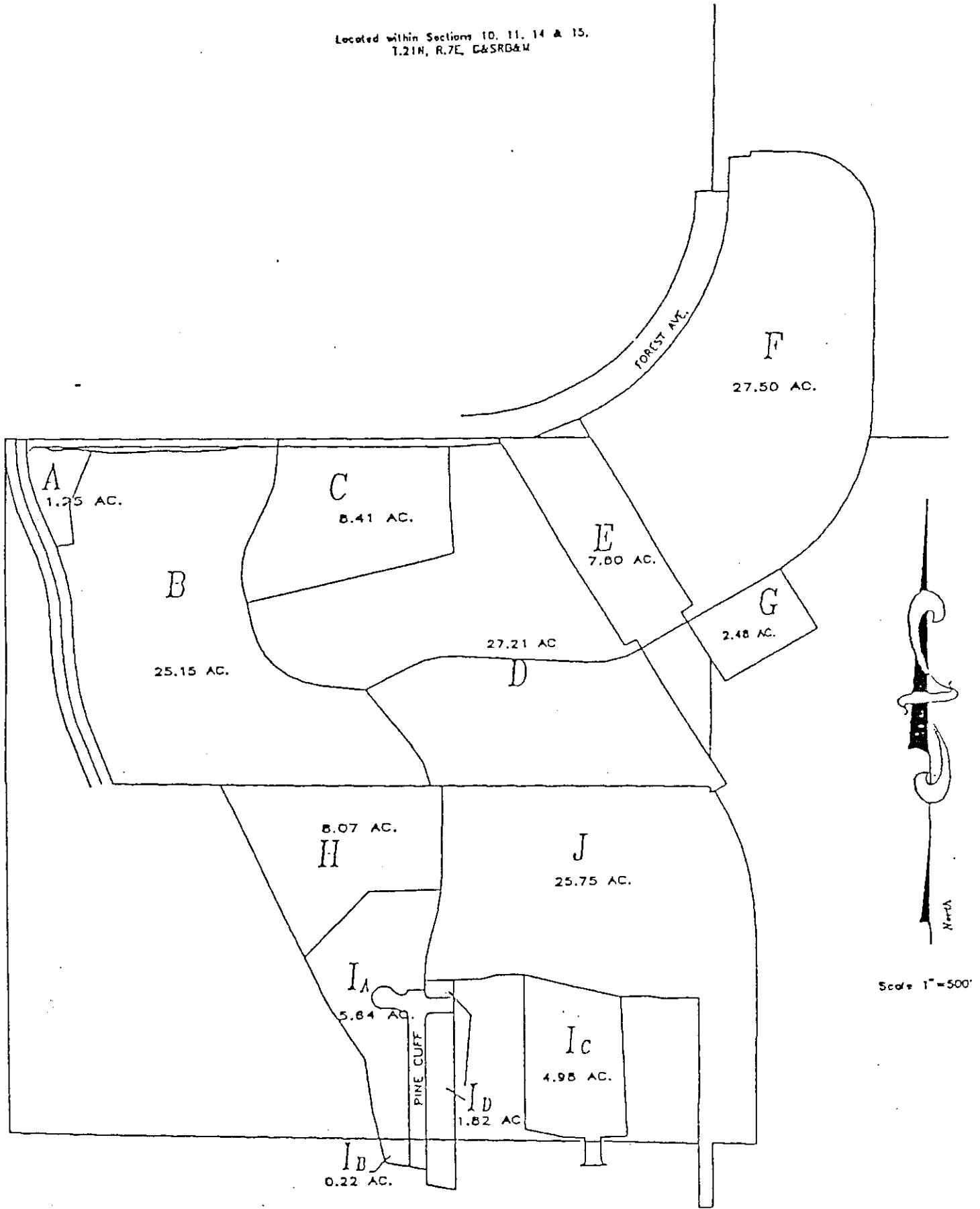


EXHIBIT B