

August 29, 2003

VIA HAND DELIVERY

Mr. James R. Keene
City Manager
City of Tucson
255 West Alameda, 10th Floor
P.O. Box 27210
Tucson, Arizona 85726-7210

Re: The Community of Civano, LLC; development issues

Dear Mr. Keene:

By letter dated September 12, 2002, The Community of Civano, LLC ("COC") submitted proposed changes to certain of the key documents governing the development of Civano. Over the past year, COC has worked closely with City staff, especially the Civano Project Manager Hector Martinez, and with the Civano residents to refine the proposed changes. Additionally, Mr. Martinez has worked independently with the Civano Neighbors group to identify issues of concern affecting the project. Finally, COC entered into a purchase agreement with the Pulte Home Corporation ("Pulte") in 2002, by which Pulte proposes to purchase (and subsequently develop) property for residential housing in Neighborhoods 2 and 3 of the Civano project south of the existing Neighborhood 1.¹ Pulte also requires certain changes to the key documents as a condition to close of escrow.

The enclosed documents reflect the input of City staff, the Civano residents, and Pulte. COC herein resubmits these documents for review and approval as appropriate by the City Manager and the Mayor and Council:

1. Amended and Restated Civano Development Agreement (the "Amended Agreement"). The Amended Agreement is based on a draft prepared by Michael McCrory that consolidates the original Civano Development Agreement, two amendments, an addendum and a clarification into a single document and brings the factual history up-to-date. Additional changes affect the timing of the recreational

¹ Pulte's purchase will not include the 50+ acres along Houghton Road designated for commercial development.

facilities (Section 3.1.5), the timing for completed development of the project (Section 3.1.6), resolution of the not-for-profit entity (Section 3.1.7), the indemnity provisions (Section 4.2), the satisfaction of the sewer construction requirement (Section 4.3) and a waiver of claims from both parties (Section 8.5).

2. Amended Indemnity Agreement (Exhibit 11 to the Amended Agreement), per Section 4.2 of the Amended Agreement, and blackline comparison to original Indemnity Agreement.

3. Table comparing the original Civano Development Agreement with the Amended Agreement.

4. Revised Memorandum of Understanding and blackline comparison to original Memorandum of Understanding. The proposed changes modify the use of reclaimed water in Neighborhoods 2 and 3 (Sections 5.1.3, 5.2.12, 5.3.4).

5. Revised IMPACT System text and blackline comparison to original IMPACT System. The proposed changes update the 1993 statistics in the original IMPACT System to 2001 where available, modify the use of reclaimed water in Neighborhoods 2 and 3 (Water Use), and reflect the status of SunTran service to Civano.

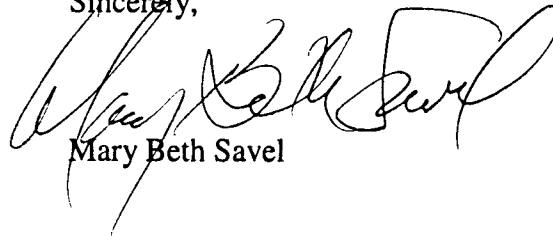
6. Revised IMPACT System table (same changes as for text).

7. July 28, 2003 letter from Mr. Dave Modeer of Tucson Water supporting COC's proposal to modify the use of reclaimed water in the Civano project.

The Civano "team" from the City, COC and Pulte met on August 28, 2003, to coordinate the on-going development status of the project. COC and Pulte identified October 13, 2003, as the target by which we intend Mayor and Council consideration of those document changes that require Mayor and Council approval (to the Amended Agreement, Amended Indemnity Agreement, and Revised IMPACT System/table). Our goal is to combine this approval with an additional request for a change of rezoning condition affecting the first portion of Pulte's intended development of Neighborhood 2; a 40-acre parcel along Houghton Road. Please be assured that COC intends to work closely with Councilmember Scott and her staff, City staff, the Civano residents and Pulte to accomplish these goals.

I look forward to hearing from you and City staff shortly in connection with the review and processing of the enclosed changes to the Civano development documents.

Sincerely,



Mary Beth Savel

MBS/sdl
Enclosures

cc: Councilmember Shirley Scott (w/o enclosures)
Mr. Hector F. Martinez
Michael W. L. McCrory, Esq.
Ms. Judith Kilroy
Thomas Dolan, Esq.
Mr. Bruce Stokes
Ms. Paula Meade
Steven A. Betts, Esq.
(all with enclosures)