

DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS OF
CLIFFDWELLER RANCH
PHASE I

This Declaration is made and executed this _____ day of _____, 1993, by CLIFFDWELLER DEVELOPMENT, L.C. (hereinafter referred to as "Declarant").

RECITALS

A. Declarant is the record owner (legal or equitable) of that certain parcel of real property (the Property) described in Exhibit A of this Declaration. Declarant desires to create on the Property a planned development with Common Areas that may be added in the future for the benefit of the Development and the Owners of Lots therein.

B. Declarant desires to provide for the preservation and enhancement of the property value and amenities and for the maintenance of the future Common Areas. To this end and for the benefit of the Property and of the Owners thereof, the Declarant desires to subject the Property described in Exhibit A of this Declaration to the covenants, restrictions, easements, charges, and liens hereinafter set forth, each and all of which are for the benefit of the Property and each Owner thereof.

C. Declarant deems it desirable, for the efficient preservation of the values and amenities of the Property, to create an entity which possesses the power to maintain and administer the Common Areas, to collect and disburse the assessments and charges hereinafter provided for, and otherwise to administer and enforce the provisions of this Declaration. For such purpose Declarant has, in conjunction with recordation of this Declaration, caused to be incorporated under the laws of the State of Utah as a nonprofit corporation, Cliffdweller Ranch Landowners Association.

D. Declarant intends to annex additional phases to the development whose Owners will become Members of the Association and will be entitled and subject to all rights, powers, privileges, covenants, restrictions, easements charges, and liens hereinafter set forth.

NOW, THEREFORE, for the foregoing purposes, Declarant declares that the Property is and shall be held, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens hereinafter set forth, and as set forth in the plat recorded concurrently herewith.

GALLIAN, WESTFALL & WILCOX
ATTORNEYS AND COUNSELORS AT LAW

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I. DEFINITIONS

When used in this Declaration (including in that portion hereof under "RECITALS") the following terms shall have the meaning indicated.

1. Declaration shall mean and refer to this instrument as the same may hereafter be modified, amended, supplemented, or expanded in accordance with the provisions hereof (and in particular in accordance with the provisions of Article XI) concerning amendments or supplements to this Declaration which are to occur in conjunction with the expansion of the Development.

2. Plat shall mean and refer to the Phase I portion of the plat of the "CLIFFDWELLER RANCH" consisting of one (1) page, executed and acknowledged by Declarant prepared and certified by L. Reid Pope, a registered Utah Land Surveyor, and recorded in the office of the County Recorder of Washington County, Utah, concurrently herewith, also as the same may hereafter be modified, amended, supplemented or expanded in accordance with the provisions of Article XI concerning amendments or supplements to this Declaration which are to occur in conjunction with the expansion of the Development as herein provided.

3. Property shall mean and refer to all of the real property which is covered by the Plat, a description of which is stated in Exhibit "A" of this Declaration and such portions of additional land which may be annexed to the Development as provided herein.

4. Lot shall mean and refer to any of the separately numbered and individually described plots of land shown on the Plat. Upon recordation of the Supplementary Declaration for additional land, Lot shall include the separately numbered and individually described plots of land shown in the Plats of the additional lands.

5. Common Areas shall mean and refer to those portions of the property which are not included within the Lots, including all improvements other than utility lines now or hereafter constructed or located thereon. Presently there are no common areas.

6. Living Unit shall mean and refer to a structure which is designed and intended for use and occupancy as a single family residence, together with all improvements located on the Lot concerned which are used in conjunction with such residence.

7. Owner shall mean and refer to the person who is the owner of record (in the office of the County Recorder of Washington County, Utah) of a fee or an undivided fee interest in the Lot. Notwithstanding any applicable theory relating to a mortgage, deed of trust, or like instrument, the term Owner shall not mean or include a Mortgagee or a beneficiary or trustee under a deed of trust unless and until such party has acquired title pursuant to foreclosure or any arrangement or proceeding in lieu thereof.

8. Association shall mean and refer to CLIFFDWELLER RANCH LANDOWNERS ASSOCIATION, a Utah non-profit corporation

9. Articles and By-Laws shall mean and refer to the Articles of Incorporation and the By-Laws of the Association.

10. Board of Trustees and the Board shall mean and refer to the Board of Trustees of the Association.

11. Member shall mean and refer to every person who holds membership in the Association.

12. Mortgagee shall mean any person named as a first mortgagee or beneficiary under or holder of a first deed of trust.

13. Development shall mean and refer to the CLIFFDWELLER RANCH created by this Declaration as it exists at any given time, including future addition as allowed by this Declaration.

14. Declarant shall mean and refer to Cliffdwellers Development, L.C., its successors and assigns, or to any successor or assign to whom all or substantially all of its interest in the development of the Property is conveyed.

15. Front Yard Area shall mean and refer to the yard area of each lot extending from the street to the fence line which shall be located fifteen (15) feet inside the owners' property line, unless otherwise approved by the Architectural Control Committee.

16. Supplementary Declaration shall mean and refer to any supplementary declaration of covenants, conditions, and restrictions, or similar instrument, which extends the provisions of the Declaration to all or any portion of additional lands and contain such complementary or amended provisions for such additional land as are herein required by the Declaration.

II. DESCRIPTION OF PROPERTY

The property which is initially associated with the Development and which is and shall be held, transferred, sold, conveyed and occupied subject to the provisions of this Declaration consists of the real property situated in Washington County, State of Utah, and more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference.

The property consists of 30 lots as set forth on the Plat filed concurrently herewith.

TOGETHER WITH all easements, rights-of-way, and other appurtenances and rights incident to, appurtenant to, or accompanying the above-described parcel of real property.

ALL OF THE FOREGOING IS SUBJECT TO: all liens for current and future taxes, assessments, and charges imposed or levied by governmental or quasi-governmental authorities; all Patent reservations and exclusions; any mineral reservations of record and rights incident thereto; all instruments of record which affect the above-described land or any portion thereof, including without limitation, any mortgage or deed of trust; all visible easements and rights-of-way; all easements and rights-of-way of record; any easements, rights-of-way, encroachments, or discrepancies otherwise existing; an easement for each and every pipe, line, cable, wire, utility line, or similar facility which traverses or partially occupies the above-described land at such time as construction of all Project improvements is complete; and all easements necessary for ingress to, egress from, maintenance of, and replacement of all such pipes, line, cables, wires, utility lines, and similar facilities; RESERVING UNTO DECLARANT, however, such easements and rights of ingress and egress over, across, through, and under the above-described land and any improvements now or hereafter constructed thereon as may be reasonably necessary for Declarant or for any assignee or successor of Declarant (in a manner which is reasonable and not inconsistent with the provisions of this Declaration): (i) To construct and complete The improvements as Declarant deems to be appropriate, and to do all things reasonably necessary or proper in connection therewith; (ii) To improve portions of the Property with such other or additional improvements, facilities, or landscaping designed for the use and enjoyment of all the Owners or Declarant or as such assignee or successor may reasonably determine to be appropriate; (iv) To change the configuration of lots and buildings located thereon that are still in the ownership of Declarant upon filing an amended plat. If, pursuant to the foregoing reservations, the above described land or any improvement thereon is traversed or partially occupied by a permanent improvement or utility line, a perpetual easement for such improvement or utility line shall exist. With the exception of such perpetual easements, the reservations hereby effected shall, unless sooner terminated in accordance with their terms, expire twenty-five (25) years after the date on which this Declaration is filed for record in the Office of the County Recorder of Washington County, Utah.

III. MEMBERSHIP AND VOTING RIGHTS

1. Membership. Every Owner shall be a Member of the Association. Membership in the Association shall be mandatory, shall be appurtenant to the Lot in which the Owner has the necessary interest, and shall not be separated from the Lot to which it appertains.

2. Voting Rights. The Association shall have the following described two classes of voting membership:

Class A. Class A Members shall be all the Owners other than the Declarant. Class A Members shall be entitled to one vote for each Lot in which the interest required for membership in the Association is held. In no event, however, shall more than one Class A vote exist with respect to any Lot.

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to five (5) votes for each Lot in which it holds the interest required for membership in the Association. The Class B membership shall automatically cease and be converted to Class A membership on the first to occur of the following events.

(a) When the total number of votes held by all Class A members equals the total number of votes held by the Class B Member. If phases are added, Declarant or its assigns shall continue to hold Class B privileges, even if they shall have been previously lost under this paragraph.

(b) The expiration of twenty-five (25) years after the date on which this Declaration is filed for record in the office of the County Recorder of Washington County, Utah.

3. Multiple Ownership Interests. In the event there is more than one Owner of a particular Lot, the vote relating to such Lot shall be exercised as such Owners may determine among themselves. A vote cast at any Association meeting by any of such Owners, whether in person or by proxy, shall be conclusively presumed to be the vote attributable to the Lot concerned unless an objection is immediately made by another Owner of the same Lot. In the event such an objection is made, the vote involved shall not be counted for any purpose whatsoever other than to determine whether a quorum exists.

IV. PROPERTY RIGHTS IN COMMON AREAS

1. Acquisition. As presently constituted, no common areas are included within Cliffsweller Ranch. The Association may, however, purchase, lease or otherwise acquire parcels of land, amenities or other facilities for inclusion as Common Areas in the planned development and assess the value given to the individual owners as provided for in Article V (4) - Special Assessments, of these covenants. This paragraph shall not be construed as to limit the rights of the Declarant to add common areas and amenities.

2. Easement of Enjoyment. Each Member shall have a right and easement of use and enjoyment including, but not limited to, the right of ingress and egress to and from his Lot and in and to the Common Areas. Such right and easement shall be appurtenant to and shall pass with title to each Lot and in no event shall be separated therefrom. Any Member may permit any person to the use and enjoyment described herein to any tenant, lessee, or contract purchaser who resides on such Member's Lot. The Association shall have an easement over, across, under and through the Lots for the maintenance of the Lots, Units and Common Areas.

3. Form For Conveyancing. Any deed, lease, mortgage, deed of trust, or other instrument conveying or encumbering title to a Lot shall describe the interest or estate involved substantially as follows:

All of Lot _____ CLIFFDWELLER RANCH, Phase I, as the same is identified in the Plat recorded in the office of the Washington County Recorder, and in the "Declaration of Covenants, Conditions and Restrictions of the Cliffdweller Development Phase I" (the Declaration) recorded in Book _____, at Page _____, as Entry No. _____ of the official records of Washington County, Utah, SUBJECT TO all of the provisions of the Declaration, and subject, also, to liens for current taxes.

Whether or not the description employed in any such instrument is in the above-specified form, however, all provisions of this Declaration shall be binding upon and shall inure to the benefit of any party who acquires any interest in a Lot.

3. Limitation on Easement. A Member's right and easement of use and enjoyment concerning the Common Areas shall be subject to the following:

(a) The right of the Association to suspend a Member's right to the use of any amenities included in the Common Areas for any period during which an assessment on such Member's Lot remains unpaid and for a period not exceeding ninety (90) days for any infraction by such Member or his guest or invitee of the provisions of this Declaration or of any rule or regulation promulgated by the Association;

(b) The right of the Association to impose reasonable limitations on the number of guests per Member who at any given time are permitted to use the Common Areas.

(c) The right of the County of Washington and any other governmental or quasi-governmental body having jurisdiction over the property to access and rights of ingress and egress over and across any street, parking area, walkway or open spaces contained within the Property for purposes of providing police and fire protection and providing any other governmental or municipal service; and

(d) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency or authority for such purposes and subject to such conditions as may be agreed to by the Association. Any such dedication or transfer must, however, be assented to by two-thirds (2/3) of the vote of each class of membership which Members present in person or by proxy are entitled to cast at a meeting duly called for the purpose. Written or printed notice setting forth the purpose of the meeting and the action proposed shall be sent to all Members at least ten (10) days but not more than thirty (30) days prior to the meeting date. Notwithstanding the above, the Declarant reserves unto itself the right to commit the project in total to a special service district which may be formed to provide services, including septic or sewer maintenance, water, and garbage removal.

4. Encroachments. If any portion of an improvement constructed by Declarant, his successors or assigns, encroaches upon the Common Areas or other Lots, as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the development, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

V. ASSESSMENTS

1. Personal Obligation and Lien. Declarant, for each Lot owned by it, (subject to the express reservation contained in paragraph 3 below of this section V) and each Owner shall, by acquiring or in any way becoming vested with an interest in a Lot, be deemed to covenant and agree to pay to the Association the monthly and the special assessments described in this Article, together with the hereinafter provided for interest and costs of collection. All such amounts shall be, constitute, and remain: (a) a charge and continuing lien upon the Lot with respect to which such assessment is made; and (b) the personal obligation of the person who is the owner of such Lot at the time the assessment falls due. No Owner may exempt himself or his Lot from liability for payment of assessments by waiver of his rights concerning the Common Areas or by abandonment of his Lot. Any such liens, however, shall be subordinate to the lien or equivalent security interest of any first Mortgage on the unit recorded prior to the date any such common expense assessments become due.

2. Purpose of Assessments. Assessments levied by the Association shall be used exclusively for the purpose of promoting the maintenance, health, safety, and welfare of residents of the Property. The use made by the Association of funds obtained from assessments may include payment of the cost of: taxes and insurance on the Common Areas; maintenance, repair, replacement, and improvement of the Common Areas; management and supervision of the Common Areas; establishing and funding a reserve to cover major repair or replacement of improvements within the Common Areas; and any expense necessary or desirable to enable the Association to perform or fulfill its obligations, functions, or purposes under this Declaration or its Articles of Incorporation, including maintenance of fences and the first 15 feet of front yard areas (between roadway right-of-way and fence line).

3. Base for Assessment. Each lot, whether improved with a Living Unit or unimproved which has been conveyed to an Owner shall be assessed at a same and equal rate. For the purpose of assessment, the term "Owner" shall exclude the Declarant and if authorized by Declarant in writing, any builder, contractor, investor, or other person or entity who purchases a Lot for the purpose of constructing improvements thereon for resale to an Owner, who shall pay no assessment unless a unit constructed on a lot is occupied for a permanent residence, provided that the Declarant or its assigns shall have the obligation to subsidize the association until control of the association passes to unit owners.

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ATTORNEYS AND COUNSELORS AT LAW

Subsidization shall be defined as the payment of a reasonable cash needs of the association for ordinary and necessary maintenance expenses (not including reserves or capital replacement). In no event, however, shall the subsidy exceed the monthly assessments.

4. Special Assessments. In addition to the annual assessments authorized above, the Association may levy special assessments for the purpose of defraying, in whole or in part: (a) any expense or expenses not reasonably capable for being fully paid with funds generated by monthly assessments; or (b) the cost of any construction, reconstruction, or unexpectedly required repair or replacement in connection with the Common Areas. Any such special assessment must be assented to by more than fifty percent (50%) of all votes which Members present in person or represented by proxy are entitled to cast at a meeting duly called for the purpose. Written notice setting forth the purpose of the meeting shall be sent to all Members at least ten (10) days but not more than thirty (30) days prior to the meeting date.

5. Quorum Requirements. The quorum required for any action authorized by Section 4 above shall be as follows: at the first meeting called the presence of Members or of proxies entitled to cast fifty percent (50%) of all outstanding votes shall constitute a quorum. If a quorum is not present at the first meeting or any subsequent meeting, another meeting may be called (subject to the notice requirements set forth in Section 4) at which a quorum shall be one-half of the quorum which was required at the immediately preceding meeting. No such subsequent meeting shall be held more than forty-five (45) days following the immediately preceding meeting.

6. Equal Rate of Assessment. Both monthly or yearly and special assessments shall be fixed at a uniform (equal) rate for all Lots, subject to the provision of paragraph 3 above regarding the Declarant, or his assigns. However, unequal assessments may be assessed against the Lots for those costs which are the individual responsibility of an owner (i.e. elective insurance or other charges to the owner for services provided).

7. Monthly Assessment Due Dates. The monthly or yearly assessments provided for herein shall commence as to all Lots on the date deed is delivered to the first purchaser of a Lot (or contract of sale) or the date of occupancy under an occupancy agreement whichever first occurs. The first monthly assessment shall be adjusted according to the number of days remaining in the month of conveyance, contract or occupancy, as the case may be. At least 15 days prior to the effective date of any change in amount of the monthly assessment the Association shall give each Owner written notice of the amount and the first due date of the assessment concerned.

8. Certificate Regarding Payment. Upon the request of any Owner or Prospective purchaser or encumbrancer of a Lot the Association shall issue a certificate stating whether or not all

assessments respecting such Lot are current and, if not, the amount of the delinquency. Such certificate shall be conclusive in favor of all persons who in good faith rely thereon.

9. Effect of Non-payment -- Remedies. Any assessment not paid when due shall, together with the hereinafter provided for interest and costs of collection, be, constitute, and remain a continuing lien on the Lot, provided, however, that any such lien will be subordinate to the lien or equivalent security interest of any first mortgage on the Lot recorded prior to the date any such assessments become due. The person who is the Owner of the Lot at the time the assessment falls due shall be and remain personally liable for payments. Such personal liability shall not pass to the Owner's successors in title unless expressly assumed by them. If the assessment is not paid within thirty (30) days after the date on which it becomes delinquent, the amount thereof shall bear interest from the date of delinquency at the rate of Eighteen percent (18%) per annum plus late payment service charge equal to five (5) percent of each delinquent amount due and the Association may, in its discretion, bring an action either against the Owner who is personally liable or to foreclose the lien against the Lot. Any judgment obtained by the Association shall include reasonable attorney's fees, court costs, and each and every other expense incurred by the Association in enforcing its rights.

10. Tax Collection From Lot Owners by Washington County Authorized. It is recognized that under the Declaration the Association will own the Common Areas and that it will be obligated to pay property taxes to Washington County. It is further recognized that each Owner of a Lot as a Member of the Association and as part of his monthly common assessment will be required to pay to the Association his pro rata share of such taxes. Notwithstanding anything to the contrary contained in the Declaration, or otherwise, Washington County shall be, and is, authorized to collect such pro rata share (on equal basis) of taxes directly from each Owner by inclusion of said share with the tax levied on each Lot. To the extent allowable, Washington County is hereby directed so to do. In the event that the assessor shall separately assess Common Areas to the Association, the Board of Trustees may require, the unit owners, including Declarant to pay a special assessment, on a pro rata basis, for property taxes.

VI. OPERATION AND MAINTENANCE

1. Maintenance of Lots and Living Units. Each Lot and Living Unit shall be maintained by the Owner thereof so as not to detract from the appearance of the Property and so as not to affect adverse the value or use of any other Lot or Living Unit. The Association shall have no obligation regarding maintenance or care of Lots or Living Units except as provided in Paragraph 2 of this Article VI.

2. Operation and Maintenance by Association. The Association, by its duly delegated representative, shall provide for such maintenance and operation of the 15' setback area and fences, and Common Areas (if any), as may be necessary or desirable to make them appropriately usable in conjunction with the Lots and to keep them clean, functional, attractive and generally in good condition and repair. The Association shall maintain landscape and improve the 15' setback areas of each Lot including, but not by way of limitation, grass, fences, landscaping, shrubs, watering and the sprinkling system. In addition, the Association shall maintain any and all Common Areas acquired (if any), and shall maintain all fencing and supplemental road maintenance not performed by the County, but deemed in the best interest of the project by the Board of Trustees. In addition thereto, the Association shall maintain electrical and plumbing systems located in common areas (if any). The Association shall pay for snow removal as deemed necessary by the Board. In the event that special needs for maintenance or repair of the Common Areas, Limited Common Areas should be necessitated through willful or negligent act of the Member, his family, guests, or invitees, the cost of such maintenance shall be added to and become a part of assessment to which such Lot is subject.

Twice annually, or at times to be decided by the Board of Trustees, spraying or discing to control and remove weeds along and in the roadways and fence lines will occur. The costs associated with this spraying shall be added and become part of the assessment to which each Lot is subject.

Notwithstanding the provisions regarding Lot and Living Unit maintenance by Owners, in the event an Owner of any Lot in the Property shall fail to maintain his Lot and the exterior of his Living Unit situated thereon in a manner satisfactory to the Architectural Control Committee or the Board, the Association, after approval by 2/3 vote of the Board, shall have the right, through its agents, employees, or through an independent contractor to enter upon his Lot and repair, maintain, and restore the portion of the Lot maintainable by the Owner and the exterior of his Living Unit and any other improvements erected thereon (but not the interior of his Living Unit). The cost of such exterior maintenance shall be added to and become part of the assessment to which Lot is subject.

3. Water. Culinary water is available through the purchase of shares of stock in the Hurricane Valley Mutual Water Company. The purchase of shares of stock in the company and the payment for water usage are the responsibility of the individual lot owners.

4. Insurance. The Association shall secure and at all times maintain the following insurance coverages if there shall be significant common areas acquired in the future:

(a) A policy or policies of fire and casualty insurance, with extended coverage endorsement, for the full insurable replacement value of all improvements comprising a part of the Common Areas. The name of the insured under each such policy shall be in form and substance similar to: "CLIFFDWELLER RANCH" for the use and benefit of the individual Lot Owners and Mortgagees, as their interests may appear".

(b) A comprehensive policy or policies insuring the Owners, the Association, and its directors, officers, agents, and employees against any liability incident to the ownership, use or operation of the Common Areas which may arise among themselves, to the public, and to any invitees or tenants of the Property or of the Owners. Limits of liability under such insurance shall not be less than \$1,000,000.00 for all claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against water damage, liability for non-owned or hired automobile, liability for property of others, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use. Such policies shall be issued on a comprehensive liability basis, shall provide a cross-liability endorsement pursuant to which the rights of the named insureds as between themselves are not prejudiced, and shall contain "a severability of interest" clause or endorsement to preclude the insurer from denying the claim of an Owner in the Development because of negligent acts of the Association or other Owners.

The following additional provisions shall apply with respect to insurance:

(1) In addition to the insurance described above, the Association shall secure and at all times maintain insurance against such risks as are or hereafter may be customarily insured against in connection with developments similar to the Property in construction, nature, and use.

(2) All policies shall be written by a company holding a rating of Class IV or better from Best's Insurance Reports or equivalent rating. Each insurer must be specifically licensed in the State of Utah.

(3) The Association shall have the authority to adjust losses.

(4) Insurance secured and maintained by the Association shall not be brought into contribution with insurance held by the individual Owners or their Mortgagees.

(5) Each policy of insurance obtained by the Association shall, if reasonably possible, provide: A waiver of the insurer's subrogation rights with respect to the Association, the Owners, and their respective directors,

officers, agents, employees, invitees, and tenants; that it cannot be cancelled, suspended, or invalidated due to the conduct of any particular Owner or Owners; that it cannot be cancelled, suspended, or invalidated due to the conduct of the Association or of any director, officer, agent or employee of the Association without a prior written demand that the defect be cured; that any "no other insurance" clause therein shall not apply with respect to insurance held individually by the Owners.

(6) Notwithstanding any provisions to the contrary herein, so long as the Mortgagee or its designee holds a mortgage or beneficial interest in a trust deed on a Lot in the Development or owns a Lot, insurance policies shall meet all requirements and contain such other coverage and endorsements as may be required from time to time by the Mortgagee or its designee.

(7) Fidelity Coverage. The Association shall maintain fidelity coverage to protect against dishonest acts on the part of trustees, officers, manager, employees of the Association and all others (including volunteers) who handle, or are responsible for handling, funds of the Association. Such fidelity bonds shall:

(a) name the Association as an obligee as the name insured;

(b) Be written in an amount sufficient to provide protection which is in no event less than one and one-half (1½) times the Association's estimated annual operating expenses and reserves;

(c) contain waivers of any defense based upon the exclusion of volunteers or persons who serve without compensation from any definition of "employee" or similar expression; and

(d) provide that they may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to all first Mortgagees of Lots.

(8) Mortgagee Clause. All policies of hazard insurance must contain or have attached the standard mortgagee clause commonly accepted by private institutional mortgage investors in the area in which the mortgaged premises are located. The mortgagee clause must provide that the insurance carrier shall notify the first Mortgagee (or trustee) named at least ten (10) days in advance of the effective date of any reduction in or cancellation of the policy.

(9) Review of Insurance. The Board shall periodically, and whenever requested by twenty percent (20%) or more of the Owners, review the adequacy of the Association's insurance program and shall report in writing the conclusions and action taken on such review to the Owner of each Lot and to the holder of any mortgage on any Lot who shall have requested a copy of such report. Copies of every policy of insurance procured by the Board shall be available for inspection by the Owner.

(10) Lots and Living Units Not Insured by Association. The Association shall have no duty or responsibility to procure or maintain any fire, liability, extended coverage or other insurance covering any Lot or Living Unit and acts and events occurring thereon. Accordingly, each Owner shall secure and keep in force at all times fire and extended coverage insurance which shall be equal to or greater than fire and extended coverage and shall be at least equal to that commonly required by private institutional mortgage investors in the area in which the Mortgaged premises are located. The policy shall provide, as a minimum, fire and extended coverage insurance on a replacement cost basis in an amount not less than that necessary to comply with any co-insurance percentage stipulated in the policy. The amount of coverage shall be sufficient so that in the event of any damage or loss to the Mortgaged premises of a type covered by the insurance, the insurance proceeds shall provide at least the lesser of: (i) compensation equal to the full amount of damage or loss, or (ii) compensation to the first Mortgagee under the Mortgage equal to the full amount of the unpaid principal balance of the Mortgage Loan.

(11) Unacceptable Policies. Policies are unacceptable where: (i) under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against the Lot Owner or Mortgagee or Mortgagee's designee; or (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by carrier's board of directors, policyholders, or members; or (iii) the policy includes any limiting clauses (other than insurance conditions) which could prevent Lot Owner, Mortgagee or Mortgagee's Designee from collecting insurance proceeds.

(12) Flood Insurance. The Development is not located in an area identified by the Housing and Urban Development as an area having special flood hazards. In the event that at some future time the Development should be declared to be in such flood area, a blanket policy of flood insurance on the Project shall be maintained in the amount of the aggregate of the outstanding principal balances of the mortgage loans on the Living Units comprising the Development or the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less. The name of the insured under each

required policy must be in form and substance as that required by the Federal Home Loan Mortgage Corporation at any given time.

5. Manager. The Association may carry out through a Manager any of its functions which are properly the subject of delegation. Any Manager so engaged may be an independent contractor or an agent or employee of the Association, shall be responsible for managing the Property for the benefit of the Association and the Owners, and shall, to the extent permitted by law and the terms of the agreement with the Association, be authorized to perform any of the functions or acts required or permitted to be performed by the Association itself.

6. Terms of Management Agreement. Any agreement for professional management of the Development, or any other contract providing for services of the Declarant, sponsor, or builder, may not exceed three (3) years. Any such agreement must provide for termination by either party without cause and without payment of a termination fee on ninety (90) days or less written notice.

VII. USE RESTRICTIONS

1. Use of Common Areas. The Common Areas shall be used only in a manner consistent with their community nature and with the use restrictions applicable to Lots and Living Units. No admission fees, charges for use, leases, or other income-generating arrangement of any type shall be employed or entered into with respect to any portion of the Common Areas unless voted upon and approved according to the procedures adopted for the approval of special assessments in Article V paragraphs 5 and 6.

2. Use of Lots and Living Units. Each Lot shall be improved with a Living Unit, each to be used only as a single-family residence which includes use by guests. No Lot or Living Unit shall be used, occupied, or altered in violation of law, so as to create a nuisance or interfere with the rights of any Owner or in a way which would result in an increase in the cost of any insurance covering the Common Areas. Notwithstanding this paragraph, Declarant, its successors and assigns have planned for and it is their intent to develop certain portions of lands to be annexed in the future as commercial lots.

3. Building Setbacks. The setback for buildings located in the development shall be: Front 150', Side 25', backyard 25'. This paragraph shall not affect the power delegated to the Architectural Control Committee to grant variances to the setback requirements in appropriate circumstances.

4. Minimum Square Footage. The minimum square footage requirements for any Living Unit shall be 1500 square feet of finished interior feet on the ground level exclusive of garages, patios, balconies, decks or other semi-external space. Each Living

Unit shall be improved with an attached or detached garage with a minimum square footage requirement of 400 square feet of finished interior feet.

5. Fences, Entries and Corner Posts. Where feasible, all fences throughout the community shall be three (3) rail double lodge pole pine fencing, at least 4' high or other fencing approved by the Architectural Control Committee and the Declarant. Also, driveway entries and fence corner posts which tie into fencing shall be constructed in accordance with the approved design set forth in the Architectural Guidelines. Feasibility shall be decided by the Declarant. Fences shall be placed 15' inside the front lot line, unless otherwise approved by the Architectural Control Committee. A fence, driveway, entry and corner posts approved by the Architectural Committee shall be maintained at all times by the Association after construction is completed. All fences, driveway, entry and corner posts shall be installed within 6 (six) months of purchase at the expense of the Owner. In the event the owner fails to complete all or part of the fencing, driveway, entry or corner posts required by this paragraph, the Association may in its discretion, construct or cause to be constructed the fences required. The costs of said construction shall be assessed to the owner of the lot as provided for in Article V of these covenants. The Declarant reserves the right to change fencing requirements in future phases.

6. Non-residential Use. No part of the Property shall be used for any commercial, manufacturing, mercantile, storing, vending, or other such non-residential purposes, except that an owner may operate a home occupation in the residence, approved by the County of Washington. Declarant, its successors or assigns, may use the Property for a model home site display, and as a sales and construction office during the construction and sales period. Notwithstanding this paragraph, Declarant, its Successors or assigns, have planned and it is their intent to develop certain portions of land to be annexed into the Property as Commercial lots, which it has the right to do in subsequent phases.

7. Signs. No sign or billboard of any kind shall be displayed to the public view on any portion of the Property or any Lot advertising the property for sale or rent except signs used by Declarant, its successor or assigns, to advertise the property during the construction and sales period, provided that each unit owner shall be allowed to display no more than 2 "for sale", or "for rent" signs in the unit windows and said signs shall be no more than 12" x 14" in size.

8. Quiet Enjoyment. No noxious or offensive trade or activity shall be carried on upon any Lot or any part of the Property, nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the owners of his respective Living Unit or which shall in any way increase the rate of insurance.

9. Temporary Structures, Equipment, Motor Vehicles, Etc. No structure of a temporary character, trailer, basement, tent, shack, garage, barn, or other out building shall be used on any lot at any time as a residence, either temporarily or permanently. No mobile home, trailer, camper, boat, truck larger than 3 4 ton, flatbed truck, aircraft or similar equipment or vehicle not in running condition shall be permitted to be parked upon any Lot, except the owner may park and occupy a mobile home or trailer on his Lot for a maximum period of one year from the date of issuance of a building permit while his Living Unit is under construction. The equipment and vehicles previously described may be parked within a garage, hanger, or facility properly screened from the view of others and approved by the Architectural Control Committee. No motor vehicle whatsoever may be parked on any common street or driveways, but shall be kept in the parking areas.

10. Animals. Horses or similar animals may be bred and or raised on the individual lots. However, the allowable number of the foregoing animals shall not exceed three (3) animals per acre, excepting birds conforming to County regulations. Dogs, cats and other household pets may also be kept on the lots. All large animals must be kept within a sturdy enclosure and are not allowed on the common areas except they be under a means of adequate control. All household pets must be leashed while in the Common Areas (if any).

11. Weeds. Weeds are those noxious plants allowed to grow uncontrolled by the Owner and do not include those native plants now growing on the Lots and Property. The Owner is responsible for controlling and removing weeds growing on his Lot. Twice annually or at additional times determined by the Association or Board of Trustees, weeds growing in the Front Yard Areas, and any Common Areas, may be mowed or disked by the Association. At these times the owner may, by giving notice to the Association, arrange for the removal of his weeds, and the Association shall add the costs of removal or mowing to the owner's monthly assessment. Any weeds not controlled or removed by the owner prior to the dates of removal as set by the Association shall be mowed or removed by the Association and the costs and at the Board's option, a penalty fee to be determined by the Association, shall be added to the monthly assessment of the Owner.

12. Garbage Removal and Animal Wastes. All rubbish, trash and garbage and animal wastes shall be regularly removed from the Property, and shall not be allowed to accumulate thereon. In the event that the owner fails to comply with this provision, the Association may remove or cause to be removed, the garbage and animal wastes and include the costs in the owners monthly assessments. All clothes lines, machinery and equipment shall be prohibited upon any Lot unless kept in the living unit including the garage.

13. Utilities. All utilities, including electrical service to the living unit which shall be installed and constructed underground. In addition, any utility service to any out building shall also be installed and constructed below the ground.

underground. In addition, any utility service to any out building shall also be installed and constructed below the ground.

14. Electronic Antennas. No television, radio, or other electronic antenna or devise of any type shall be erected, constructed, placed or permitted to remain on any of the Living Units or structures on the Lots in said tract unless and until the same shall have been approved in writing by the Architectural Control Committee of the Association.

15. Airport Easement. All owners and the Association are hereby made aware of the fact that an affiliate of Declarant has previously developed an adjacent project known as the "Grassy Meadows Sky Ranch, which community has an FAA approved private airstrip with an airplane landing and take-off pattern that flies over the Cliffdweller Development. Accordingly, each buyer and mortgagee and the Association is on notice of the prior use of the adjacent Grassy Meadows Sky Ranch Airport.

Each owner and the Declarant for any lot owned by them by virtue of acceptance of a deed, and the Association, and all mortgagees of the property permanently, waive any claim they may have to damages, injunctive relief, or any cause of action they may have or claim against the owners (Grassy Meadows Airport, Inc., or assigns) operating Grassy Meadows Landowners Association, Inc., or its assigns, or any FBO operation, developers, or users of the Grassy Meadows Sky Ranch Airport by virtue of the fact that aircraft shall be operated over or near the Cliffdweller Development including, but not limited to, claims due to noise inherent in the operation of aircraft, claims of violation of airspace, whether now known or hereafter used for navigation or flight in air, using airspace over the project or landing, taking off, or operating on the Grassy Meadows Sky Ranch Airport.

The parties hereto further understand that the Declarant's affiliates have reserved and own a runway protection zone which borders Lots 11 to 16, as shown on the Plat. Owners may not enter the runway protection zone. Owners are responsible to see that no intrusion of the airspace of the runway protection zone shall occur, such as trees, antennae, kites, or any other intrusion. Also, no owner in the project shall allow any intrusion into the clear zone area which would jeopardize the flight of aircraft landing or taking off from the Grassy Meadows Sky Ranch. The clear zone area is defined on the plat. Grassy Meadows Airport, Inc., for itself, its lessee(s) or assigns, and all Grassy Meadows Airport users are hereby granted a permanent easement to operate aircraft in the airspace of the Cliffdweller Development.

Lots 16, 17, 18, 19, 20, 21 and 22 shall be subject to a clear zone requirement for the benefit of the Grassy Meadows Sky Ranch Airport and its users which requires that such lots may not build or allow any structure or improvement, antenna or other objects which

will penetrate a clear zone calculated as follows: From the southerly boundary of the runway protection zone as shown on the plat, no lot may pierce the plane of the clear zone, the starting point of which is from the southerly line of the runway protection zone and which proceeds northerly on a plane which goes up on a 20-1 slope (for each 20 feet to the north, on the runway protection zone the plane rises 1 foot from the base elevation of 3,368 above sea level at the south line of the runway protection zone). No trees, buildings, structures, antennas or other object of any kind shall be placed within the clear zone, and the purchasers of such lots understand that airplanes will be flying above the lots in these areas for the benefit of the Grassy Meadows Sky Ranch and its owners and users of the airport, and a permanent air space easement to fly airplanes over such lots and the entire subdivision is specifically given, in addition to the rights conferred above.

The Architectural Guidelines for the project shall include a map of the runway protection zone and the clear zone with approximate elevations of the clear zone, to assist owners in complying with this building and use restriction.

Prior to obtaining approval from the Architectural Control Committee, the Architectural Control Committee shall be provided with specific measurements of any improvements and any landscape plan and the owner shall prove that this clear zone will not be violated on initial building or violated by subsequent growth of vegetation. No building or vegetation that may violate the clear zone initially or in the future shall be allowed.

16. Exception for Declarant. Notwithstanding the restrictions contained in this Article VII, for 25-year period following the date on which this Declaration is filed for record in the office of the County Recorder of Washington County, Utah, Declarant shall have the right to use any Lot or Living Unit owned or leased by it and any part of the Common Areas reasonably necessary or appropriate, including, but not limited to, a model or other temporary structure as a sales office, in furtherance of any construction, marketing, sales, management, promotional, or other activities designed to accomplish or facilitate improvement of the Common Areas or improvement and or sale of all Lots owned by Declarant. Declarant may also conduct collateral business activity on the Project.

VIII. ARCHITECTURAL CONTROL

1. Architectural Control Committee. The Board of Trustees of the Association shall appoint a three-member Committee the function of which shall be to insure that all exteriors of Living Units and landscaping within the Property harmonize with existing surroundings and structures. The Architectural Control Committee shall be deemed to have the authority and responsibility to reject any plan not in accordance with appropriate engineering or aesthetic requirements of the environment and terms of this Declaration. The Committee need not be composed of Owners. If such a Committee is not appointed the

Board itself shall perform the duties required of the Committee.

2. Submission to Committee. No Living Unit, accessory or addition to a Living Unit, landscaping, or other improvement of a Lot which is visible from the Common Areas or roads shall be constructed, maintained, or accomplished, and no alteration, repainting, or refurbishing of the exterior of any Living Unit shall be performed, unless complete plans and specifications therefor have first been submitted to and approved by the Architectural Control Committee.

3. Standard. In deciding whether to approve or disapprove plans and specifications submitted to it, the Committee shall use its best judgment to insure that all improvements, construction, landscaping, and alterations on Lots within the Property conform to and harmonize with existing surroundings and structures and are engineered appropriately for the environment. The Board may formulate general guidelines and procedures. The adopted guidelines and procedures shall be incorporated in the Book of Resolutions and the Architectural Control Committee, or the Board, as the case may be, shall act in accordance with such guidelines and procedures. Such guidelines shall include, but not be limited to, the following: Each living unit shall contain a minimum of 1500 square feet, a 400 sq. foot attached or detached garage. All landscaping shall conform to the natural state in appearance. No trees or bushes shall be removed except as is necessary within the front setback requirement. Selected brush, shrub or natural grass removal for the purpose of construction, access and enhancing the view may be allowed, but only upon the specific approval of the Architectural Control Committee. The Architectural Control Committee may determine appropriate and specific guidelines regarding fencing on the lots. The Architectural Control Committee is vested with the right to not allow any fencing where it deems it inappropriate. Any structure or landscaping not in harmony with the natural look of the area shall be discouraged.

4. Approval Procedure. Any plans and specifications submitted to the Committee shall be approved or disapproved by it in writing within thirty (30) days after submission. In the event the Committee fails to take any action within such period it shall be deemed to have approved the material submitted.

5. Construction. Once begun, any improvements, construction, landscaping, or alterations approved by the Committee shall be diligently prosecuted to completion. If reasonably necessary to enable such improvement, construction, landscaping, or alteration, the person or persons carrying out the same shall be entitled to temporary use and occupancy of unimproved portions of the Common Areas in the vicinity of the activity.

6. Disclaimer of Liability. Neither the Architectural Committee, nor any member thereof acting in good faith shall be liable to the Association or to any Owner for any damage, loss, or

prejudice suffered or claimed on account of (a) the approval or rejection of, or the failure to approve or reject, any plans, drawings or specifications, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development or manner of development of any of the Property, or (d) any engineering or other defect in approved plans and specifications.

7. Nonwaiver. The approval by the Architectural Committee of any plans and specifications for any work done or proposed shall not constitute a waiver of any right of the Architectural Committee to disapprove any similar plans and specifications.

8. Completion of Construction. Once begun, any improvements, construction, landscaping or alterations approved by the Architectural Committee shall be diligently prosecuted to completion in strict accordance with the plans and specifications approved by the Architectural Committee.

9. Exception for Declarant. The foregoing provisions of this Article VIII shall not apply to any improvement, construction, landscaping, or alteration which is carried out by Declarant on any Lot or on any part of the Common Areas and which occurs at any time during the seven-year period following the date on which this Declaration is filed for record in the office of the County Recorder of Washington County, Utah. Declarant shall further have the right to designate the location and design of any common area amenities including, but not limited to clubhouse, pool, Jacuzzi, or other recreational amenities or green areas, provided that the Declarant shall not be required to provide any such amenities by virtue of this paragraph.

10. Declarant's Obligation. Declarant hereby covenants in favor of each Owner that all improvement of the Common Areas accomplished by it shall be architecturally compatible with respect to one another.

IX. CONDEMNATION

If at any time or times the Common Areas or any part thereof shall be taken or condemned by any authority having the power of eminent domain, the Association shall represent the lot owners in these proceedings, negotiations, settlements or agreements. All compensation and damages shall be payable to the Association and shall be used promptly by Association to the extent necessary for restoring or replacing any improvements on the remainder of the Common Areas. Upon completion of such work and payment in full therefor, any proceeds of condemnation then or thereafter in the hands of the Association which are proceeds for the taking of any portion of the Common Areas shall be disposed of in such manner as the Association shall reasonably determine; provided, however, that in the event of a taking in which any Lot is eliminated, the Association shall disburse the portion of the proceeds of the

condemnation award allocable to the interest of the Owner of such Lot to such Owner and any first Mortgagee of such Lot, as their interests shall appear, after deducting the proportionate share of said Lot in the cost of debris removal.

X. RIGHTS OF FIRST MORTGAGEES

Notwithstanding any other provisions of this Declaration, the following provisions concerning the rights of first Mortgagee shall be in effect:

1. Preservation of Regulatory Structure and Insurance. Unless the holders of 75% of all first Mortgagees and 75% of the Lot Owners shall have given their prior written approval, the Association shall not be entitled:

(a) by act or omission to change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the Architectural design of the exterior appearance of Living Units, or the upkeep of the Common Areas of the Property;

(b) to fail to maintain fire and extended coverage on insurable portions of the Common Areas on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs) (Note that the Declarant does not contemplate placing insurable improvements. Accordingly, it is not currently anticipated that such insurance will be acquired); or

(c) to use hazard insurance proceeds for losses to the Common Areas for other than the repair, replacement or reconstruction of improvements on the Common Areas.

2. Preservation of Common Area; Change in Method of Assessment. Unless the Association shall receive the prior written approval of (1) at least 75% of all first mortgagees (based on one vote for each Mortgagee) of the Lots and (2) the Owners of at least seventy-five percent (75%) of the Lots (not including Lots owned by Declarant) the Association shall not be entitled:

(a) by act or omission to seek to abandon, partition, subdivide, encumber, sell or transfer the Common Areas, except to grant easements for utilities and similar or related purposes, as herein elsewhere reserved; or

(b) to change the ratio or method of determining the obligations, assessments, dues or other charges which may be levied against a Lot or the Owner thereof.

Neither this Article X nor the insurance provision contained in Article VI may be amended without the prior approval of all first Mortgagees.

3. Notice of Matters Affecting Security. The Association shall give written notice to any first Mortgagee of a Lot requesting such notice whenever:

(a) there is any default by the Owner of the Lot subject to the first mortgage in performance of any obligation under this Declaration or the Articles or Bylaws of the Association which is not cured within thirty (30) days after default occurs; or

(b) there occurs any substantial damage to or destruction of any Living Unit or any part of the Common Areas involving an amount in excess of, or reasonably estimated to be in excess of \$15,000.00. Said notice shall be given within ten (10) days after the Association learns of such damage or destruction; or

(c) there is any condemnation proceedings or proposed acquisition of a Living Unit or of any portion of the Common Areas within ten (10) days after the Association learns of the same; or

(d) any of the following matters come up for consideration or effectuation by the Association:

(i) abandonment or termination of the Planned Unit Development established by this Declaration;

(ii) material amendment of the Declaration or the Articles or Bylaws of the Association; or

(iii) any decision to terminate professional management of the Common Areas and assume self-management by the Owners.

4. Notice of Meetings. The Association shall give to any first Mortgagee of a Lot requesting the same, notice of all meetings of the Association; and such first Mortgagee shall have the right to designate in writing a representative to attend all such meetings.

5. Right to Examine Association Records. Any first Mortgagee shall have the right to examine the books, records and audit financial statements of the Association.

6. Right to Pay Taxes and Charges. First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any portion of the Common Areas and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Areas; and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association. Declarant, for the Association as owner of the Common Areas, hereby covenants and the Association by acceptance of the conveyance of the Common Areas, whether or not it shall be so

expressed in such conveyance, is deemed to covenant and agree to make such reimbursement.

7. Exemption from any First Right of Refusal. Any first Mortgagee and any purchaser therefrom who obtains title to the Lot pursuant to the remedies provided in the first Mortgage, or by foreclosure of the first Mortgage, or by deed or assignment in lieu of foreclosure, or by sale pursuant to any power of sale or otherwise shall be exempt from any "right of first refusal" which would otherwise affect the Lot.

8. Rights Upon Foreclosure of Mortgage. Each holder of a first Mortgage (or deed or trust) on a Lot and any purchaser from it who comes into possession of the Lot by virtue of foreclosure of the Mortgage, or by deed or assignment in lieu of foreclosure, or pursuant to a power of sale or otherwise will take the Lot free of, and shall not be liable for, any claims for unpaid assessments and charges against the Lot which accrue prior to the time such holder comes into possession of the Lot.

9. Restrictions Without Approval of Mortgagees. Except as to the Association's right to grant easements for utilities and similar or related purposes, the Development's Common Areas may not be alienated, released, transferred, hypothecated, or otherwise encumbered without the approval of all holders of first Mortgage liens on the Lots.

10. Mortgagees Rights Concerning Amendments. Except as concerns the right of Declarant to amend the Declaration and related documents as contained in Article XII of the Declaration, no material amendment to the Declaration, By-Laws or the Articles of Incorporation of the Association shall be accomplished or effective unless at least 66 2/3% of the Mortgagees (based on one vote for each Mortgagee) of the individual Lots have given their prior written approval to such amendment.

XI. ANNEXATION OF ADDITIONAL LAND

1. Annexation by Declarant. Declarant may expand the Property subject to this Declaration by the annexation of additional land for common areas or for subdivision into additional residential and commercial lots. The annexation of such land shall become effective upon the recordation in the office of the County Recorder of Washington County, Utah, of a Supplementary Declaration which (i) describes the land to be annexed or incorporates by reference the description of the additional land; (ii) declares that the annexed land is to be held, sold, conveyed, encumbered, leased, occupied and improved as part of the Property subject to the Declaration; (iii) sets forth such additional limitations, restrictions, covenants and conditions as are applicable to the annexed land; and (iv) states when such annexation becomes applicable to the annexed land. When such annexation becomes effective, the annexed land shall become part of the Property. Such annexation may be accomplished in one or

more annexations without limitation as to size or location.

2. Limitation on Annexation. Declarant's right to annex said land to the Property shall be subject to the following limitations, conditions and rights granted to the Declarant:

(a) Declarant shall not effectuate any annexation of land which would cause the total number of living units existing on, or planned for, the Property to exceed 600 total lots, or 570 units in the additional property.

(b) Declarant's right to annex land to the Property shall expire twenty-five (25) years after this Declaration is filed for record in the office of the County Recorder of Washington County, Utah.

(c) Additional Living Units when constructed shall be compatible with existing structures on the Property, provided that such determination shall be made in the discretion of Declarant (with respect to Living Units or Common Area improvements built by Declarant or their assigns), or as approved by the Architectural Control Committee.

(d) The configuration of annexed land as to lot size, common areas and the nature, quantity or quality of improvements shall be in discretion of the Declarant or their assigns. No assurances can therefore be given.

(e) Declarant reserves unto itself and its assigns the right to create limited Common Areas and facilities within any portion of the annexed land. No assurances can therefore be made with respect to such items.

3. Supplementary Declaration. The annexation authorized under the foregoing section shall be made by filing of record a Supplementary Declaration of Covenants, Conditions and Restrictions or similar instrument, with respect to the additional property which shall extend the plan of this Declaration to such property.

Such Supplementary Declaration contemplated above may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property and as are not inconsistent with the plan of this Declaration.

The recordation of such Supplementary Declaration shall constitute and effectuate the annexation of the said real property described therein, making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter all of the owners of lots in said real property shall automatically be members of the Association.

4. Declarant's Right to Amend. Until the right to enlarge the development through the addition of tracts or subdivisions terminates, Declarant shall have, and is hereby vested with, the right to unilaterally amend the Declaration as may be reasonably necessary or desirable: (i) to more accurately express the intent of any provisions of the Declaration in the light of then existing circumstances or information; (ii) to better insure, in light of the existing circumstances or information, workability of the arrangement which is contemplated by the Declaration; or (iii) to facilitate the practical, technical, administrative or functional integration of any additional tract or subdivision into the development; (iv) to conform to the underwriting requirements of any lender, or to conform to any state law in which the project may be registered.

5. Expansion of Definitions. In the event the Property is expanded, the definitions used in this Declaration automatically shall be expanded to encompass and refer to the Property as so expanded. E.g., "Property" shall mean the real property described in Article II of this Declaration plus any additional real property added by a Supplementary Declaration or by Supplementary Declarations, and reference to this Declaration shall mean this Declaration as so supplemented.

XI. MISCELLANEOUS

1. Notices. Any notice required or permitted to be given to any Owner under the provisions of this Declaration shall be deemed to have been properly furnished if delivered or mailed, postage prepaid, to the person named as the Owner, at the latest address for such person as reflected in the records of the Association at the time of delivery or mailing. Any notice required or permitted to be given to the Association may be given by delivering or mailing the same to the Managing Agent or the President of the Association. Any notice required or permitted to be given to the Architectural Control Committee may be given by delivering or mailing the same to the Chairman or any member of such Committee.

2. Rules and Regulations. The Association shall have authority to promulgate and enforce such reasonable rules, regulations, and procedures as may be necessary or desirable to aid the Association in carrying out any of its functions or to insure that the Property is maintained and used in a manner consistent with the interests of the Owners.

3. Amendment. Any amendment to this Declaration shall require: (a) the affirmative vote of at least two-thirds (2/3) of all Class A membership votes which Members present in person or represented by proxy are entitled to cast at a meeting duly called for such purpose; and, (b) so long as the Class B membership exists, the written consent of Declarant. Written notice setting forth the purpose of the meeting and the substance of the amendment proposed shall be sent to all Members at least ten (10) but not more than

thirty (30) days prior to the meeting date. The quorum required for any such meeting shall be as follows: At the first meeting called the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of the Class A membership shall constitute a quorum. If a quorum is not present at the first meeting or any subsequent meeting, another meeting may be called (subject to the notice requirement set forth in the foregoing portion of this Section 3) at which a quorum shall be one-half of the quorum which was required at the immediately preceding meeting. No such subsequent meeting shall be held more than forty-five (45) days following the immediately preceding meeting. Any amendment authorized pursuant to this Section shall be accomplished through the recordation of an instrument executed by the Association (and by the Declarant if the Class B membership then exists). In such instrument an officer or director of the Association shall certify that the vote required by this Section for amendment has occurred. Notwithstanding anything herein contained to the contrary, until eighty percent (80%) of the Lots in the Development (including additional phases as may be added) have been sold to purchasers, Declarant shall have, and it hereby vests with, the right to unilaterally amend this Declaration as may be reasonably necessary or desirable; (a) to more accurately express the intent of any provision of this Declaration in light of then existing circumstances, information or mortgagee requirements, or (b) to better insure, in light of then existing circumstances or information, workability of the Arrangement which is contemplated by this Declaration; (c) to conform this Declaration, or any amendments thereto, to local ordinances, to Utah law, or to the requirements of law of any other jurisdiction or state where the project may be registered, as may be amended from time to time, or to conform to the underwriters guidelines of major secondary market investors in order to facilitate the availability of financing.

4. Consent in Lieu of Vote. In any case in which this Declaration requires for authorization or approval of a transaction the assent or affirmative vote of a stated percentage of the votes present or represented at a meeting, such requirement may be fully satisfied by obtaining, with or without a meeting, consents in writing to such transaction from Members entitled to cast at least the stated percentage of all membership votes outstanding in connection with the class of membership concerned. The following additional provisions shall govern any application of this Section 4:

(a) All necessary consents must be obtained prior to the expiration of ninety (90) days after the first consent is given by any Member.

(b) The total number of votes required for authorization or approval under this Section 4 shall be determined as of the date on which the last consent is signed.

(c) Except as provided in the following sentence, any change in ownership of a Lot which occurs after consent has been obtained from the Owners thereof shall not be considered or taken into account for any purpose. A change in ownership which would otherwise result in an increase in the total number of Class A votes outstanding shall, however, be effective in that regard and shall entitle the new Owner to give or withhold his consent.

(d) Unless the consent of all Members whose memberships are appurtenant to the same Lot are secured the consent of none of such Members shall be effective.

5. Reserve Fund. The Board shall establish adequate reserve to cover the cost of reasonably predictable and necessary major repairs and replacements of the Common Areas and shall cause such reserve to be funded by regular monthly or other periodic assessments against the Lot Owners rather than by special assessments.

6. Lease Provisions. Any Owner may lease his Lot or Living Unit, provided, however, that any lease agreement between a Lot Owner and a Lessee must be in writing and must provide, inter alia, that:

(a) The terms of the Lease shall in all respects be subject to the provisions of the Declaration, Articles of Incorporation of the Association and the By-Laws; and

(b) Any failure by the Lessee to comply with the terms of such documents shall constitute a default under the lease.

7. Declarant's Rights Assignable. All or any portion of the rights of Declarant under this Declaration or in any way relating to the Property may be assigned.

8. Interpretation. The captions which precede the Articles and Sections of this Declaration are for convenience only and shall in no way affect the manner in which any provision hereof is construed. Whenever the context so requires the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof and any gender shall include both other genders. The invalidity or unenforceability of any portion of this Declaration shall not affect the validity or enforceability of the remainder hereof.

9. Covenants to Run With Land. This Declaration and all the provisions hereof shall constitute covenants to run with the land or equitable servitudes, as the case may be, and shall be binding upon and shall inure to the benefit of Declarant and all parties who hereafter acquire any interest in a lot or in the Common Areas. All parties who hereafter acquire any interest in a lot or in the Common

EXHIBIT "A"
LEGAL DESCRIPTION OF
CLIFFDWELLER RANCH PHASE I

BEGINNING AT THE EAST 1/4 CORNER OF SECTION 28, TOWNSHIP 42 SOUTH, RANGE 13 WEST, SLB&M AND RUNNING THENCE ALONG THE SECTION LINE N 00°09'28" E 2643.09 FEET TO THE NORTHEAST CORNER OF SAID SECTION 28; THENCE ALONG THE SECTION LINE N 89°50'35" W 285.82 FEET; THENCE N 32°48'12" W 982.20 FEET; THENCE N 89°50'35" W 212.48 FEET TO A 375.00 FOOT RADIUS CURVE TO THE LEFT (LONG CHORD BEARING S 83°49'18" W 82.76 FEET); THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE 82.93 FEET; THENCE S 77°29'10" W 104.24 FEET; THENCE N 12°30'50" W 50.00 FEET; THENCE N 77°29'10" E 104.24 FEET TO A 425.00 FOOT RADIUS CURVE TO THE RIGHT (LONG CHORD BEARING N 83°49'18" E 93.80 FEET); THENCE NORTHEASTERLY ALONG THE ARC OF SAID CURVE 93.99 FEET; THENCE S 89°50'35" E 211.70 FEET; THENCE N 00°44'27" W 442.76 FEET;

THENCE N 89°51'43" W 442.12 FEET; THENCE S 24°27'21" W 8.11 FEET TO A 766.00 FOOT RADIUS CURVE TO THE LEFT (LONG CHORD BEARING S 06°38'47" W 468.56 FEET); THENCE SOUTHWESTERLY 476.19 FEET ALONG THE ARC OF SAID CURVE TO THE POINT OF A 25.00 FOOT RADIUS REVERSE CURVE TO THE RIGHT (LONG CHORD BEARING S 33°09'42" W 34.94 FEET); THENCE SOUTHWESTERLY 38.68 FEET ALONG THE ARC OF SAID CURVE; THENCE S 12°30'50" E 50.00 FEET; THENCE S 77°29'10" W 33.61 FEET TO A 775.00 FOOT RADIUS CURVE TO THE LEFT (LONG CHORD BEARING S 68°51'48" W 232.39 FEET); THENCE SOUTHWESTLY 233.27 FEET ALONG THE ARC OF SAID CURVE; THENCE S 05°05'43" W 289.03 FEET; THENCE S 40°34'07" E 1107.95 FEET; THENCE S 36°59'56" E 498.37 FEET; N 89°19'52" E 220.30 FEET; THENCE S 31°40'07" E 50.00 FEET; THENCE S 68°19'52" W 387.01 FEET; THENCE S 00°09'26" W 662.01 FEET; THENCE S 89°51'44" E 294.70 FEET; THENCE S 05°52'03" W 1005.02 FEET TO A POINT ON THE CENTER SECTION LINE AND THE NORTH LINE OF "GRASSY MEADOWS SKY RANCH SUBDIVISION"; THENCE S 89°51'44" E 505.30 FEET ALONG THE CENTER SECTION LINE TO THE POINT OF BEGINNING.

CONTAINING 63.600 ACRES

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