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**PROTECTIVE COVENANTS FOR
RUSTED HILLS PHASE 2**

A residential subdivision located in
Washington City, Utah

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS AND CONCEPTS1

ARTICLE 2 USE RESTRICTIONS.....3

2.1 Land Use and Building Type.....3

2.2 Lot Size4

2.3 Care and Maintenance of Lots.....4

2.4 Care and Maintenance of Common Area4

2.5 Easements.....4

2.6 Hazardous Activities5

2.7 Motorbikes5

2.8 Weed Control.....5

2.9 Pest Control.....5

2.10 Nuisances5

2.11 Safe Condition.....5

2.12 Oil and Mining Operations.....5

2.13 Animals, Livestock, Poultry, and Agriculture.....5

2.14 Garbage and Refuse Disposal.....5

2.15 Water Supply6

2.16 Sewage Disposal.....6

2.17 RVs, Boats, and Vehicles.....6

2.18 Rules and Regulations.....6

2.19 Developer Business, Marketing, and Sales.....6

ARTICLE 3 ARCHITECTURAL CONTROL.....6

3.1 Architectural Control Committee.....6

3.2 Governmental Permit Required.....8

3.3 Design Restrictions8

3.4 Construction and Contractor Provisions.....12

ARTICLE 4 ASSOCIATION MEMBERSHIP AND VOTING RIGHTS.....13

ARTICLE 5 FINANCES AND OPERATIONS.....13

5.1 Creation of Lien and Personal Obligation of Assessment.....13

5.2 Purpose of Assessments.....13

5.3 Maximum Annual Assessment.....14

5.4 Special Assessments for Capital Improvements.....14

5.5 Specific Assessments.....14

5.6 Emergency Assessments.....14

5.7	Uniform Rate of Assessment; Periodic Assessments	15
5.8	Date of Commencement of Annual Assessments; Due Dates.....	15
5.9	Effect of Nonpayment of Assessment; Remedies of Association	15
5.10	Subordination of Lien to Mortgages.....	16
5.11	Books, Records, and Audit	16
	ARTICLE 6 ENFORCEMENT AND AMENDMENT	16
6.1	Violation Constitutes Nuisance.....	16
6.2	Enforcement.....	16
6.3	Right to Enforce.....	17
6.4	Developer Exemption.....	17
	ARTICLE 7 AMENDMENT AND EXPANSION	17
7.1	Amendment.....	17
7.2	Additional Property.....	17
	ARTICLE 8 GENERAL PROVISIONS	17
8.1	Duration of Covenants.....	17
8.2	Notices.....	17
8.3	Construction and Severability.....	17
8.4	Assignment of Powers.....	18
8.5	Gender and Grammar.....	18
8.6	Waivers.....	18
8.7	Topical Headings.....	18

PROTECTIVE COVENANTS FOR

RUSTED HILLS PHASE 2

A residential subdivision located in Washington City, Utah

Dennett Brothers Development Corp. hereinafter referred to as the "Developer," is the owner of the following described property, hereinafter referred to as the "Property," located in Washington County, State of Utah, to-wit:

Tax ID# W-5-2-35-2131

COMMENCING AT THE WEST QUARTER CORNER OF SECTION 36, TOWNSHIP 42 SOUTH, RANGE 15 WEST, OF THE SALT LAKE BASE AND MERIDIAN; thence S 89°28'54" E, along the East-West Center Section Line 116.20 feet to the point of beginning; thence continuing S 89°28'54" E along said line, 441.26 feet; thence departing said line and running S 00°31'06" W 662.48 feet; thence N 89°27'42" W, 411.81 feet to the Southeast Corner of Rusted Hills Phase 1 Subdivision; thence N 00°31'27" E, along the East Line of said Phase 1, 139.72 feet to the Southeast Corner of Rusted Hills Drive; thence N 00°32'32" E, along the East Line of said Drive; 50.00 feet to the NE Corner of said Drive; thence N 89°27'28" W, along the North Line of said Drive 27.86 feet to the Southeast Corner of Lot 8, of said Phase 1; thence N 00°19'20" E, along the East Line of said Phase 1, 472.60 feet to the point of Beginning

Developer hereby includes all of the Property in the plat recorded herewith of Rusted Hills Phase 2 and divides the Property into Lots as shown on said plat and dedicates the streets shown on said plat to the public. The easements indicated on said plat are hereby perpetually reserved for public utilities and for any other uses as designated thereon or set forth herein, and no structures other than for such utility or other indicated purposes are to be erected within the lines of said easements. The Property is not a cooperative.

Developer further declares that all of the Property described herein is held and shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied, and improved subject to the following limitations, restrictions, covenants and conditions, all of which are declared and agreed to be in furtherance of a plan for the subdivision, improvement and sale of the Property, and are established and agreed upon for the purposes of enhancing and protecting the value, desirability and attractiveness of the Property and every Lot, part or portion thereof. The acceptance of any deed to or conveyance of any Lot, part or portion of the Property by the grantees therein named or by their legal representatives, heirs, executors, administrators, successors or assigns, shall constitute their covenant and agreement with the Developer and with each other to accept, hold, improve, use and convey the Property described and conveyed in or by such deed or conveyance subject to said covenants, conditions, and restrictions. These covenants, conditions, and restrictions shall run with the land.

**ARTICLE 1
DEFINITIONS AND CONCEPTS**

The following definitions and concepts shall control in this Declaration. Any terms used in this Declaration that are not defined shall have their plain and ordinary meaning. In the event the same term is defined in this Declaration the term shall have the meaning set forth in the declaration being referred to.

1.1 "Additional Property" means and refers to any real property which is adjacent or contiguous to, or otherwise within the vicinity of the Property, whether or not so described herein or on the Plat. When Additional Property is annexed to this Declaration, it shall become part of the Property.

1.2 "Articles" means and refers to the Articles of Incorporation of Rusted Hills Owners Association Phase 2. The purpose of the Articles is to establish the Association as a non-profit corporation under Utah law.

1.3 "Association" means Rusted Hills Owners Association Phase 2, a Utah non-profit corporation, its successors and assigns.

1.4 "Bylaws" means and refers to the Bylaws of the Association, a copy of which is attached as Exhibit A. The purpose of the Bylaws is to govern the Association's internal affairs, such as (for purposes of example but not limitation) voting, elections, and meetings.

1.5 "Common Area" means and refers to all real property, including the improvements thereto and facilities thereon, which the Association owns, leases, or otherwise holds possessory or use rights in, at any given time, for the common use and enjoyment of the Owners. Common Area may be designated on the Plat or otherwise established as provided for in this Declaration.

1.6 "Common Expenses" means the actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of the Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents. Common Expenses shall not include any expenses incurred by the Developer during the Developer Control Period or for initial development or other original construction costs unless a majority Members approve.

1.7 "Community" or "Property" means that certain real property hereinbefore described, and such annexations and additions thereto as may hereafter be subjected to this Declaration, and, where the context requires, includes any improvements thereon.

1.8 "Community Association Act" means the Utah Community Association Act, Title 37, Chapter 8a of the Utah Code, and any amendments thereto.

1.9 "Developer" means Dennett Brothers Development Corp., a Utah corporation, and its successors and assigns.

1.10 "Developer Control Period" means the period of time during which the Developer owns a Lot in the Property.

1.11 "Declaration" means this instrument and any amendments, restatements, supplements, or annexations thereto, which are recorded in the office of the Washington County Recorder.

1.12 "Directors", "Board of Directors", or "Board" means the governing body of the Association.

1.13 "Entire Membership" means all Members. When a vote of the Entire Membership is referenced it means all potential votes for all Lots in the Property.

1.14 "Governing Documents" means, collectively, this Declaration, the Articles, the Bylaws, and any amendments or supplements thereto, and includes any rules, regulations, and resolutions established pursuant to the authority of the Declaration, Articles, or Bylaws.

1.15 "Limited Common Area" means and refers to a portion of the Common Area which has been designated for the primary or exclusive use of a particular Owner or Owners. Generally, Limited Common Area, as a portion of Common Area, is owned by the Association but reserved for the use and enjoyment of the Owner or Owners to whose Unit the Limited Common Area is adjacent or appurtenant. Limited Common Area may be designated on the Plat or otherwise established as provided for in this Declaration.

1.16 "Lot" means a separately numbered and individually described plot of land shown on the Plat designated as a Lot for private ownership, but specifically excludes the Common Area and Limited Common Area.

1.17 "Member" means and is synonymous with the terms "Owner" and is used herein and in the Bylaws and Articles as a means to identify the Owners as members of the Association.

1.18 "Mortgage" means a mortgage, a deed of trust, a deed to secure a debt, or any other form of security instrument affecting title to any home.

1.19 "Mortgagee" means and refers to a lender holding a first Mortgage or deed of trust.

1.20 "Owner" means the entity, person, or group of persons owning fee simple title to any Lot which is within the Property. Regardless of the number of parties participating in ownership of each Lot, the group of those parties shall be treated as one "Owner." The term "Owner" includes contract purchasers but does not include persons who hold an interest merely as security for the performance of an obligation unless and until title is acquired by foreclosure or similar proceedings. Membership is appurtenant to and may not be separated from Lot ownership.

1.21 "Plat" means the subdivision Plat recorded herewith prepared and certified by a Utah Registered Land Surveyor and any amendments or replacements thereof, or additions thereto.

1.22 "Property" or "Community" means that certain real property hereinbefore described, and such annexations and additions thereto as may hereafter be subjected to this Declaration, and, where the context requires, includes any improvements thereon.

1.23 "Home" means a single family dwelling, with or without walls or roofs in common with other single family dwellings, and an appurtenant garage. When the term "Home" is used it includes fee title to the real property lying directly beneath the single family dwelling, within Lot boundary lines, this, however, is not all the Lot in some instances as there may be Lot boundary outside the Unit walls. Ownership and Unit boundaries are depicted and described on the Plat. Where the context requires, such as provisions on lien rights and enforcement, the term Home shall include the Lot.

ARTICLE 2 USE RESTRICTIONS

2.1 Land Use and Building Type. All Lots shall be used only for detached single family residential purposes. As used herein, the term "family" is defined to mean persons related by blood or

marriage, by legal adoption, or by operation of law. No professional, business or commercial use shall be made of the same, or any portion thereof; provided, however, that the Lot restrictions contained in this section shall not be construed in such a manner as to prohibit an Owner or resident from (a) maintaining a personal professional library therein; (b) keeping personal business or professional records or accounts therein; or (c) handling personal, business or professional telephone calls or correspondence therefrom.

2.2 Lot Size. Lot sizes as described on the recorded plat of subdivision are considered minimum Lot sizes and no person shall further subdivide any Lot other than as shown on the recorded plat of said Property. Lots may not be combined for construction of a single home.

2.3 Care and Maintenance of Lots. The Owner of each Lot shall keep the same free from rubbish, litter and noxious weeds. All structures, landscaping and improvements shall be maintained in good condition and repair at all times. Each Lot shall be subject to an easement for access to make repairs upon adjoining Lots and structures; provided however, that:

(a) Any damage caused by such entry shall be repaired at the expense of the Owner whose property was the subject of the repair work which caused the same;

(b) Any such entry shall be made only at reasonable times and with as little inconvenience as possible to the Owner of the entered Lot; and

(c) In no event shall said easement be deemed to permit entry into the interior portion of any home.

Each Owner shall be responsible for maintenance of his Lot. In the event any Owner fails to perform this maintenance in a manner so as not to detract from the appearance of the property, or affect adversely the value or use of any other lot, the Directors of the Association shall have the right to have maintenance performed on the Lot and the cost of said maintenance shall be added to and become part of the assessment to which such Lot is subject.

2.4 Care and Maintenance of Common Area. The Rusted Hills Owners Association Phase 2 ("Association") shall be responsible for care and maintenance of the Common Area and improvements thereon. Any damage caused to the Common Areas and/or improvements by any Lot Owner and/or their agents, guests or invitees must be repaired by the Lot Owner as soon as possible after such damage is discovered, and in the event of failure of the Owner to make such repairs, the Association may make such repairs and the expense of such repair shall be borne by the Lot Owner.

2.5 Easements. Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation, maintenance or replacement of utilities, or which may change the direction or flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Lot and all improvements in it shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority or utility company is responsible. The title holder of each Lot shall from time to time as may be reasonably required grant rights over, across, on, under and upon these easements for such additional uses and services as may be provided from time to time by a public authority or private utility company.

2.6 Hazardous Activities. No activities shall be conducted on the Property and no improvements shall be constructed on the Property which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon the Property and no open fires shall be lighted or permitted on the Property except in a contained barbecue or fire pit unit while attended and in use for cooking purposes or within a safe and well-designed interior fireplace.

2.7 Motorbikes. All motorcycles, trail bikes, three-wheel powered devices, automobiles, and two or four-wheel drive recreational type vehicles are to be operated only by individuals with driver's licenses and only on established streets and parking areas and are specifically prohibited from all other portions of the Property, and are to be used on said streets only for ingress, egress, and access purposes and not for recreational purposes anywhere within the Property.

2.8 Weed Control. Each Lot Owner shall, to the extent reasonably feasible, control the growth and proliferation of noxious weeds and flammable materials on his Lot so as to minimize weeds, fire and other hazards to surrounding Lots, homes, Common Areas, and surrounding properties, and shall otherwise comply with any applicable ordinances, laws, rules, or regulations pertaining to the removal and/or control of noxious weeds. Noxious weeds shall mean and refer to those plants which are injurious to crops, animals, land, or the public health.

2.9 Pest Control. No Lot Owner shall permit anything or condition to exist upon the Lot which would induce, breed, or harbor infectious plant diseases or noxious insects. Each Owner shall perform such pest control activities on his Lot as may be necessary to prevent insects, rodents, and other pests from being present on his Lot.

2.10 Nuisances. No noxious or offensive activity shall be carried on upon any Lot, part or portion of the Property, nor shall anything be done thereon which may be or may become an annoyance to the Subdivision. No clothes drying or storage of any articles which are visible from any public street shall be permitted.

2.11 Safe Condition. Without limiting any other provision of these covenants, each Owner shall maintain and keep such Owner's Lot at all times in a safe, sound and sanitary condition and repair and shall correct any condition or refrain from any activity which might endanger the health of or interfere with the safety or reasonable enjoyment of other owners of their respective Lots.

2.12 Oil and Mining Operations. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot, part or portion of the Property, nor shall any oil well, gas well, tank, tunnel, mineral excavation or shaft be permitted upon or in any such Lot or portion of the Property.

2.13 Animals, Livestock, Poultry, and Agriculture. No animals, livestock, or poultry of any kind shall be raised, bred or kept on any Lot, part or portion of the Property, except that dogs, cats or other domesticated household pets, two (2) or less in total number may be kept in a home constructed on a Lot, provided that they are not kept, bred, or maintained for any commercial purpose. Such animals as are permitted shall be strictly controlled and kept pursuant to all applicable laws and ordinances, and shall be on a leash or inside a fence when outside the Owner's home.

2.14 Garbage and Refuse Disposal. No Lot or part or portion of the Property shall be used or maintained as a dumping ground for rubbish, rubble, trash, garbage or other waste. Such trash, rubbish,

rubble, garbage or other waste as produced within the Property shall be kept in sanitary containers inside a structure except when placed for collection. No rubbish, trash, papers, junk or debris shall be burned upon the Property except that trash may be burned in accordance with applicable laws and ordinances inside homes that are properly equipped with inside incinerator units.

2.15 Water Supply. Each home shall be connected to and use the municipal culinary water supply. No individual culinary water supply system shall be used or permitted to be used on any Lot, part or portion of the Property.

2.16 Sewage Disposal. Each home shall be connected to and use the municipal sewage disposal system. No individual sewage disposal system shall be permitted on any Lot, part or portion of the Property.

2.17 RVs, Boats, and Vehicles. No boats, trailers, buses, motor homes, campers, recreational vehicles, or other such vehicles, shall be parked or stored upon any Lot except within an enclosed garage or on a cement pad behind the required front Lot line set-back area. No such vehicles shall be parked overnight on any street located within the Property. Trailers, motor homes, and trucks over 9,000 pounds GVW are not allowed to be stored upon any vacant lot or street or road area adjacent to the Property.

Motor vehicles that are inoperable shall not be permitted to remain upon any street or lot or road areas adjacent thereto. In the event an inoperable motor vehicle remains upon any Lot or road area for a period exceeding thirty (30) days, the Developer or other Lot owners residing within the Property may remove the inoperable motor vehicle after a ten (10) day written notice. The cost of such removal shall attach to the vehicle and the Lot as a valid lien in favor of the persons, entities, or parties causing such removal. For the purpose of this section, "inoperable motor vehicle" shall mean any motor vehicle that is unable to operate in a normal manner upon the streets under its own power, or is unlicensed or unregistered for a period of not less than six (6) weeks.

2.18 Rules and Regulations. The Board of Directors of the Association shall have the authority to promulgate rules and regulations for the governance of the Property and persons within the Property. These rules of the Association shall be compiled and copies shall be made available by the Directors for inspection and copying at a reasonable cost.

2.19 Developer Business, Marketing, and Sales. Notwithstanding any provisions to the contrary herein contained, it shall be expressly permissible for Developer, or its written designee, to maintain such facilities and conduct such activities as in the sole opinion of Developer may be reasonably required, convenient or incidental to the construction of homes and sale of lots during the Development Phase, and upon such portion of the Property including lots or common area, if any, as Developer deems necessary, including but not limited to, a business office, storage areas, construction yard, signs, model units and sales offices. As part of the overall program of development of the Property into a residential community and to encourage the marketing thereof, the Developer shall have the right of use of any lots or any common area and facilities thereon, including any Common Area, community buildings, without charge during the sales and construction period to aid in its marketing activities.

ARTICLE 3 ARCHITECTURAL CONTROL

3.1 Architectural Control Committee. Prior to the commencement of any excavation, construction or remodeling of any structure or of any addition to any structure, or modification of the

natural topography of any Lot, or installation of fences or landscaping elements, approval of the Architectural Control Committee is required.

(a) **Appointment and Membership.** The Architectural Control Committee shall consist of three (3) persons. So long as Developer owns a Lot within the Property, including ownership of any Lot in any phase(s) subsequent to the first phase, it shall be entitled to appoint all members of the Architectural Control Committee. Thereafter, the Architectural Control Committee shall consist of the Directors on the Board of the Association or of three (3) persons appointed by the Board.

(b) **Submission of Plans.** Two (2) complete sets of building plans and specifications shall be filed with the Architectural Control Committee, together with a site or plot plan showing grading, landscaping and all lighting, indicating the exact part of the building site which the improvements will cover, with such a fee as the Architectural Control Committee may determine from time to time, and an application and such supporting material, such as samples of building materials, as the Architectural Control Committee deems necessary. No work shall commence unless and until the Architectural Control Committee shall endorse on one set of such plans its written approval that such plans are in compliance with the covenants herein set forth and with the standards herein or hereafter established by said Architectural Control Committee pursuant hereto. The second set of such plans shall be filed as a permanent record with the Architectural Control Committee.

(c) **Rights of Approval.** The Architectural Control Committee shall have the right to refuse or approve any plans and specifications and shall have the right, in so doing, to take into consideration the suitability of the proposed building, the materials of which it is to be built, the site upon which it is proposed to be erected, the harmony thereof with the surroundings, and the effect of said building, or other structure so planned, on the outlook from adjacent or neighboring property.

(d) **Architectural Standards.** The Architectural Control Committee shall promulgate and maintain a list of standards for guidance in approving or disapproving plans and specifications pursuant to this Article.

(e) **Time Frame for Action.** In the event the Architectural Control Committee fails to approve or disapprove in writing any such plans within sixty (60) days after the submission thereof to the Architectural Control Committee, then approval shall be deemed to have been given.

(f) **Non-Liability.** The Architectural Control Committee shall not be held liable for damages by reason of any action, inaction, approval, or disapproval by it with respect to any request made pursuant to this Article. Any errors or omissions in the design of any building, other improvement or landscaping and any violation of any governmental ordinance are the sole responsibility of the Lot Owner and the Lot Owner's designer, architect, or contractor. The Architectural Control Committee's review of plans shall in no way be concerned with structural or mechanical integrity or soundness.

(g) **Waiver.** The approval of the Architectural Control Committee of any plans and specifications for any work done or proposed shall not constitute a waiver of any right of the Architectural Control Committee to disapprove any similar plans and specifications subsequently submitted.

(h) **Rules and Regulations.** The Architectural Control Committee shall adopt reasonable rules and regulations for the conduct of its proceedings and to carry out its duties and may fix the time and place for its regular meetings and such extraordinary meetings as may be necessary, and

shall keep written minutes of its meetings, which shall be open for review and inspection upon request. The Architectural Control Committee shall, by majority vote, elect one of its members as chairman and one of its members as secretary and the duties of each will be such as usually appertain to such offices. Notice of meetings shall be given to owners who have made application to the Architectural Control Committee for approval of plans.

(i) Compensation. Unless authorized by resolution of the Board, the members of the Architectural Control Committee shall not receive any compensation for services rendered. Members shall be entitled to reimbursement for reasonable expenses incurred by them in connection with the performance of any Committee function or duty. Professional consultants retained by the Architectural Control Committee shall be paid such compensation as the Architectural Control Committee determines.

(j) Developer Exemption. Developer shall be exempt from the provisions, restrictions, and requirements of this Article, as the same exists or as it may be amended, supplemented, or replaced in accordance with other provisions of the Declaration.

3.2 Governmental Permit Required. No home, accessory or addition to a home, other structure or building shall be constructed or maintained, and no grading or removal of natural vegetation or change in natural or approved drainage patterns or installation of fencing or landscaping elements shall occur on a Lot until any required permit or required approval therefor is obtained from the appropriate governmental entity following submission to the appropriate governmental entity of such information as it may require. The granting of a permit or approval by any governmental entity with respect to any matter shall not bind or otherwise affect the power of the Architectural Control Committee to refuse to approve any such matter.

3.3 Design Restrictions. In order to promote a harmonious community development and protect the character of the Property, the following guidelines, together with any guidelines hereafter established by the Architectural Control Committee, are applicable to the Property:

(a) Purpose and Intent. The intent of these Architectural Guidelines is to encourage a blending of styles within the Property with the natural surroundings and prevailing architecture of the created environment of the Property. These standards allow design latitude and flexibility, while ensuring that the value of the Property will be enhanced through the control of site planning, architecture and landscape elements.

The Architectural Guidelines serve as an evaluative aid to owners, builders, project developers, design professionals, City staff, the Planning Commission, City Council and the Architectural Control Committee in the design review of individual, private and public developments within Rusted Hills Phase 2. The Washington City Zoning Regulations will apply for any area of design not addressed in these guidelines.

(b) ACC Enforcement. The ACC may levy a fine or penalty of up to fifty dollars (\$50) against any Owner who fails to refrain from violating these covenants. A fine may be levied for each day of a continuing violation. All attorneys fees and costs incurred in any such action, and all expenses incurred and any fines levied, shall constitute a lien on such Lot Owner's Lot, and shall also be a personal obligation of said Lot Owner, enforceable at law, until such payment therefore is made. Enforcement under this provision shall be in addition to any mechanism of enforcement provided in this Declaration or by applicable law.

(c) Permitted and Required Structures. The only building or structure permitted to be erected, placed or permitted to be located on any Lot within the Property shall be a detached single family home placed within the building envelope for each Lot and not to exceed the height requirements found in this section. Each home must include a minimum two car, private, enclosed and attached garage. All construction shall be of new materials. All structures shall be constructed in accordance with the zoning and building ordinances of Washington City, Utah, in effect from time to time.

(d) Minimum Area. The minimum total square footage of living area on the ground floor located within the building envelope and foundation for any single-story residential home constructed on any Lot within the Property shall be not less than 1,750 square feet, exclusive of porches, balconies, patios and garages. Two-story homes shall have a minimum of 1,600 square feet on the main level, with a total square footage of not less than 2,200 square feet, exclusive of porches, balconies, patios and garages.

(e) Setbacks. The following minimum setback standards apply to the Lot. All measurements shall be made from the applicable Lot line to the foundation, porch or other extension of such building, whichever is nearer to such Lot line.

Front:	Minimum of 20 feet Lot line to structure.
Side:	Minimum of 10 feet from Lot line to structure.
Rear:	Minimum of 20 feet from Lot line to structure.

(f) Building Height. Maximum building height shall be 35 feet for a two-story home and 25 feet for a one-story home. Height is measured from a base line parallel to the existing Lot grade to a parallel line intersecting the highest point of any roof element.

(g) Home Elevations. Elevations should be consistent with the intended architectural style of the home and carried around all four elevations of the structure.

(h) Facades. Facades shall be stucco, masonry, brick or stone, with accents of brick, stone, or such other material as approved by the Architectural Control Committee.

(i) Roof Materials. Roof material shall be limited to slate, clay, or concrete tiles. Colors shall be subdued earth tones or such other colors as may be allowed by the Architectural Control Committee.

(j) Reflective Exterior Surfaces or Materials. No reflective exterior surfaces or materials shall be used. Sheet metal, flashing, vents and pipes must be colored or painted to match the material to which they are attached or from which they project.

(k) Colors. Base building colors shall be in earth tones. Pastels or high gloss finishes may not be used. Complementary accent colors can be used on facia, window trim, shutters and doors.

(l) Prohibited Structures. Dome structures, log homes, pre-manufactured homes; re-located homes; and Earth or Berm homes of any type are not allowed.

(m) Temporary or Other Structures. No structure of a temporary nature, and no trailer, bus, basement, outhouse, tent, shack, garage, or other outbuilding shall be used at any time as a home either temporarily or permanently, nor shall any such structures be erected or placed on the Property at any time. No old or second-hand structures shall be moved onto any of said Lots. It is the Developers intention that all homes and other buildings to be erected within the Property be new construction, of good quality, workmanship, and materials.

(n) Accessory Buildings. No storage or utility buildings are allowed. All such structures intended for such uses must be built so as to be part of the home.

(o) Driveways and Parking. There shall be area on the driveway (excluding sidewalk areas) to park not less than two vehicles per Lot. Each driveway on a Lot shall be constructed out of cement, brick, concrete, or interlocking pavers. Cinders, sand, gravel, asphalt or dirt shall not be permitted for driveway material in the front and side yard area of any Lot. The driveway in the front and side yard areas of each Lot shall be in a color which blends with the exterior of the structure located on such Lot.

(p) Sight Obstructions. No structure, fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain on any corner Lot within the triangular area formed by the street property lines and a line connecting them at points thirty (30) feet from the intersection of the street lines, or in the case of a rounded property corner from the intersection of the street property lines extended. The same sight line limitations shall apply on any Lot within the (10) feet from the intersection of a street property line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distances of such intersections unless the foliage line is maintained at such height to prevent obstruction of such sight lines. No fence, wall, hedge, shrub or other structure shall be placed along any front property line. No fence, wall, hedge, tree, plant, shrub or foliage shall be planted, kept or maintained in such manner as, in the opinion of the Architectural Control Committee, shall create a serious potential hazard or an aesthetically unpleasant appearance to the other residents of the Property.

(q) Fencing. Fencing, walls and other barriers are limited to and shall be block walls in of a material and color approved by the Architectural Control Committee. No fences shall be constructed in the front setback area.

(r) Retaining Walls. Retaining walls are restricted to a maximum height of five (5) feet, unless otherwise approved by the Architectural Control Committee. In the event approval is given for a retaining wall higher than five (5) feet, the retaining wall must be tiered and landscaping must be installed to hide the retaining wall.

(s) External Illumination. Light used to illuminate garages, patios, parking areas or for any other purposes, shall be so arranged as to reflect light away from adjacent homes and away from the vision of passing motorists. Low level outdoor illumination may be used for particular landscape features (trees, rock formations, etc.).

(t) External Television or Other Antennas. Antennas for radio, television, or device for the reception or transmission of radio, microwaves or other similar signals are restricted to the attic or interior of the home. It is mandatory that all homes be pre-wired for cable reception. Satellite dish antennas shall be allowed provided they are located in such areas as may be designated by the

Architectural Control Committee. In no event shall satellite dish antennas be visible from neighboring property or exceed 20 inches in diameter or width.

(u) Location of Air Conditioning, Heating, and Soft Water Equipment. Air conditioning, heating equipment, and soft water tanks must be screened from view so as not to be visible from neighboring property or from the streets of the development, and shall be insulated for sound attenuation. Air conditioning units are not permitted on roofs or through windows.

(v) Utility Meters. Utility meters shall be placed in as inconspicuous a location as possible. Locations of meters are to be shown on the plans, and meters must be screened from view from neighboring property. Exposed piping should be painted to match exterior colors of the home. The area immediately around the meters should be cleared to allow for access. Electric meters, switches, or circuit breaker boxes are not to be located in the same enclosure with the gas meter and regulator. Enclosures for gas meters and regulators are to be vented in compliance with the Uniform Building Code.

(w) Mailboxes. Developer shall install cluster mailboxes. Said cluster mailboxes shall be the only allowed mail receptacles.

(x) External Apparatus. No Lot Owner shall cause or permit anything (including, without limitation, awnings, canopies or shutters) to hang, be displayed or otherwise affixed to or placed on the exterior walls or roof or any part thereof, or on the outside of windows or doors, without the prior written consent of the Architectural Control Committee.

(y) Landscaping. Landscaping shall be completed in accordance with the landscape plan submitted to and approved by the Architectural Control Committee prior to construction of the home, and may include but shall not be limited to the preparation for the planting of lawn, grass or other appropriate ground cover, and appropriate shrubbery. Lots which are to be landscaped in a desert motif must be approved by the Architectural Control Committee. Limited use of cinders may be made in the landscaping on a Lot, only as approved by the Architectural Control Committee.

(z) Planting and Gardening. No planting or gardening shall be done, and no fences, hedges or walls shall be erected or maintained upon any property except such as are installed in accordance with the initial construction of the buildings located thereon or as approved by the Architectural Control Committee.

(aa) Slope and Drainage Control. No structure, planting or other material shall be placed or permitted to remain or other activities undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of flow of drainage channels. The slope control areas of each Lot and all improvements in them shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority or utility company is responsible. Lot owners are responsible to see that no nuisance or damage is created by drainage location or flow to any adjacent property.

(bb) Easements. Easements for installation and maintenance of utilities, drainage facilities and ingress and egress are reserved as shown upon the recorded plat. Within these easements no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may change the direction of flow or drainage channels in the easements or which may impede ingress and egress. The easement area of each

lot and all improvements in it shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority or utility company is responsible.

(cc) Lateral and Subjacent Support and Drainage. An Owner's activities which affect the lateral or subjacent support, or both, of adjacent landowners shall be responsible for damages proximately caused by such activities. Owners shall be responsible for all damage proximately caused by drainage from their lot(s) to adjacent landowners.

(dd) Signs, Commercial Activity. Except for one "For Rent" or "For Sale" sign of not more than two (2) square feet, no advertising signs, billboards, objects of unsightly appearance, or nuisances shall be erected, placed, or permitted to remain on any Lot or any portion of the Property. No commercial activities of any kind whatever shall be conducted in any building or on any portion of the properties. The foregoing restrictions shall not apply to the commercial activities, signs and billboards, if any, of the Developer or its agents during the construction and sales period or by the Association in furtherance of its powers and purposes set forth hereinafter and in its Articles of Incorporation, Bylaws and Rules and Regulations, as the same may be amended from time to time.

3.4 Construction and Contractor Provisions. In order to promote a harmonious community development and protect the character of the Property, the following guidelines which are applicable to the Property:

(a) Completion of Construction. The construction of any building on any portion of the Property shall be continuously and diligently pursued from and after the commencement of such construction, and in any event shall be substantially completed within twelve (12) months after such commencement.

(b) Building Materials Storage. No Lot, part or portion of the Property shall be used or maintained as a storage area for building materials except during a construction phase. Once a home is occupied or made available for sale all building materials shall be removed or stored inside such home, out of public sight.

(c) Landscaping. Front yard landscaping shall be complete prior to occupancy. Upon acquisition of record title to a Lot, a contribution into escrow in the amount of \$750.00 shall be made at closing by or on behalf of the purchaser. The \$750.00 shall be held in escrow pending completion of the construction and landscaping on a Lot. In the event the landscaping is not complete prior to occupancy, or in the event the streets, curb or gutter are damaged as a result of the construction upon that Lot, the \$750.00 shall be forfeited and used to pay for said landscaping, or for repair, maintenance and replacement of those areas damaged during construction. Such payment into escrow shall be refundable upon satisfactory completion of the landscaping and construction as determined by the Board of Directors.

(d) Soils Test. The Lot purchaser is encouraged to obtain a soils test and recommendation on foundation from a Utah registered engineer prior to construction. The Architectural Control Committee may require that the Lot Owner obtain a soils test and recommendation on foundation prior to the final approval. Furthermore, the Architectural Control Committee may condition final approval following the recommendations set forth in the soils test document. By approving the commencement of construction after review of any soils test and recommendation, the Architectural Control Committee is not warranting and shall not be deemed to have warranted the results of such test or recommendation.

(e) Damages. Any damage inflicted on existing improvements such as curbs, gutters, streets, concrete sidewalks and such, by the Owner and/or their agents of any particular Lot in the subdivision must be repaired within thirty (30) days after such damage is discovered, and the expense of such repair shall be borne by the Owner causing the damage

(f) Maintenance of Lot During Construction. Contractors or subcontractors as Owner/builders must provide on-site dumpsters during construction and are required to clean up the site daily to maintain a clean work site during construction. Dirt or mud from the construction site or elsewhere, dispersed, directly or indirectly, on the public streets within the Property must be cleaned up within twenty-four (24) hours by the contractor or subcontractor as Owner/builder. The Architectural Control Committee may levy up to a Five Hundred Dollar (\$500) fine against a violator of this subsection (f) and/or the Owner of the Lot for each day of a continuing violation. The fine shall be a charge on the land and shall be a continuing lien on the Lot of the Owner who is in violation.

ARTICLE 4 ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

Each Owner of a Lot within the Property shall be a member of Rusted Hills Owners Association Phase 2 ("Association") by virtue of these Covenants.

The Association shall have one class of voting membership. All members are entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, the group of such persons shall be a member. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

ARTICLE 5 FINANCES AND OPERATIONS

5.1 Creation of Lien and Personal Obligation of Assessment. The Developer and each subsequent owner of any Lot by acceptance of a deed or conveyance therefor, whether or not it shall be so expressed in any such deed or other conveyance, covenants and agrees to pay to the Association assessments or charges and interest, costs of collection and reasonable attorney fees, as hereinafter provided. All such amounts shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment or amount is charged. Such assessments and other amounts shall be the personal obligation of (a) the person who was the owner of such Lot at the time when the assessment fell due, and (b) successors-in-title who took title when assessments were delinquent.

5.2 Purpose of Assessments. The assessments levied by the Association shall be used by the Association for the improvement, maintenance, repair and preservation of the Common Area on the Property. The assessments must provide for but are not limited to, the payment of taxes on Association property and insurance maintained by the Association; the payment of the cost of repairing, replacing and maintaining the Common Area on the Property; the payment of administrative expenses of the Association; payment of insurance deductible amounts; the establishment of a reserve account for repair, maintenance and replacement of the Common Area areas which must be replaced on a periodic basis; the payment of any professional services deemed necessary and desirable by the Board; and other amounts required that the Directors shall determine to be necessary to meet the primary purposes of the Association.

5.3 Maximum Annual Assessment. Until January 1 following recording of these Covenants, the maximum annual assessment shall be Twenty-five Dollars (\$25.00) per Lot. This amount shall be the basis of calculation for future maximum annual assessments.

(a) From and after the date referred to above the maximum annual assessment shall be increased each year by five percent (5%) above the maximum assessment for the previous year, without a vote of the members.

(b) The Association may change the basis and maximum of the assessments fixed by this Section prospectively for any annual period provided that any such change shall have the assent of sixty percent (60%) of the votes of members, voting in person or by proxy, at a meeting duly called for this purpose.

5.4 Special Assessments for Capital Improvements. In addition to the annual assessments, the Association may levy in any assessment year a special assessment, applicable to that year only. Special assessments may only be levied to defray, in whole or in part, the cost of any construction, reconstruction, repair or replacement of the Common Area. Special assessments must have the assent of sixty percent (60%) of the votes of the members voting in person or by proxy, at a meeting duly called for this purpose.

5.5 Specific Assessments. The Association shall have the power to levy specific assessments against a particular Unit to cover costs incurred in bringing any Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying any specific assessment under this subsection.

5.6 Emergency Assessments. Notwithstanding anything contained in this Declaration, the Board, without Member approval, may levy emergency assessments in response to an emergency situation. Prior to the imposition or collection of any assessment due to an emergency situation, the Board shall pass a resolution containing the written findings as to the necessity of such expenditure and why the expenditure was not or could not have been reasonably foreseen or accurately predicted in the budgeting process and the resolution shall be distributed to the Members with the notice of the emergency assessment. If such expenditure was created by an unbudgeted utility maintenance or similar expense or increase, the assessment created thereby shall be discontinued by the Board by a similar resolution, if such expense is subsequently reduced, or to the extent the next succeeding annual budget incorporates said increase into the annual assessment. An emergency situation is one in which the Board finds: (a) an expenditure, in its discretion, required by an order of a court, to defend the Association in litigation, or to settle litigation; (b) an expenditure necessary to repair or maintain the Property or any part of it for which the Association is responsible where a threat to personal safety on the Property is discovered; (c) an expenditure necessary to repair, maintain, or cover actual Association expenses for the Property or any part of it that could not have been reasonably foreseen by the Board in preparing and distributing the pro forma operating budget (for example, increases in utility rates, landscape or maintenance contract services, attorney fees incurred in the defense of litigation, etc.); or (d) such other situations in which the Board finds that immediate action is necessary and in the best interests of the Association.

5.7 Uniform Rate of Assessment; Periodic Assessments. Assessments must be fixed at a uniform rate for all Lots; provided, however, that assessments shall not accrue against the Developer or Lots owned by the Developer.

5.8 Date of Commencement of Annual Assessments; Due Dates.

(a) The assessment provided for herein shall commence to accrue on the first day of the month following conveyance to a purchaser. The first assessment shall be adjusted according to the number of months remaining in the calendar year. In the absence of a determination by the Directors as to the amount of said assessment, the assessment shall be an amount equal to 90% of the maximum assessment provided above.

(b) At least thirty (30) days prior to the commencement of each new assessment period, the Directors shall send or cause to be sent a written notice of the annual assessment to each Owner subject thereto. This notice shall not be a pre-requisite to validity of the assessment.

(c) The assessment due dates shall be established by the Directors.

(d) The Directors shall prepare a roster of the properties and the assessments applicable thereto at the same time that it shall fix the amount of the assessment, which roster shall be kept by the Treasurer of the Association, who shall record payments of assessments and shall allow inspection of the roster by any member at reasonable times.

(e) The Association shall, upon written demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessment on a specified Lot has been paid. Such certificates, when properly issued, shall be conclusive evidence of the payment of any assessment or fractional part thereof which is therein shown to have been paid.

5.9 Effect of Nonpayment of Assessment; Remedies of Association. Any assessment or installment thereof not paid within thirty (30) days after the due date therefor shall be delinquent and shall bear interest from the due date at the rate of twelve percent (12%) per annum (or such lesser rate as the Directors shall set by resolution) until paid. In addition, a late fee of \$25.00 for each delinquent installment shall be imposed. There shall be added to the amount of any delinquent assessment the costs and expenses of any action, sale or foreclosure, and reasonable attorney fees incurred in enforcing and collecting said delinquent assessment.

To enforce payment of the assessment, interest, and late fees, the Directors may, in the name of the Association, (a) bring an action at law against the Owner personally obligated to pay any such delinquent assessment without waiving the lien of assessment, or (b) may elect to foreclose the lien against the property in accordance with the laws of the State of Utah applicable to the exercise of powers of sale in deeds of trust or to the foreclosure of mortgages, or in any other manner permitted by law, and/or (c) may restrict, limit, or totally terminate any or all services performed by the Association in behalf of the delinquent member. Any fee for termination or reinstating such services shall be the responsibility of the Lot Owner and shall be treated as an assessment and become a lien on the Owners Lot.

A power of sale is hereby conferred upon the Association which it may exercise. Under the power of sale the Lot of an Owner may be sold in the manner provided by Utah law pertaining to deeds of trust as if said Association were beneficiary under a deed of trust. The Association shall designate any person or entity qualified by law to serve as Trustee for purposes of power of sale foreclosure pursuant to Utah

Code Annotated § 57-8a-302, with power of sale to foreclose the Lots and all improvements for the purpose of securing payments of assessments under the terms of this Declaration.

No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the common areas or by abandonment of the Lot.

5.10 Subordination of Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage held by an institutional lender. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to foreclosure of a first mortgage or any proceeding in lieu thereof shall extinguish the assessment lien as to payments which became due prior to such sale or transfer. No sale or transfer, however, shall relieve a Lot or Owner from personal liability for assessments coming due after he takes title or from the lien of such later assessments.

5.11 Books, Records, and Audit. The Association shall maintain current copies of the Protective Covenants, Articles, Bylaws, Rules and other similar documents, as well as its own books, records and financial statements which shall all be available for inspection by Lot owners and insurers as well as by holders, insurers and guarantors of first mortgages during normal business hours upon reasonable notice. Charges shall be made for copying, researching or extracting from such documents. A Lot Owner or holder, insurer or guarantor of a first mortgage may obtain an audit of Association records at its own expense so long as the results of the audit are provided to the Association.

ARTICLE 6 ENFORCEMENT AND AMENDMENT

6.1 Violation Constitutes Nuisance. Every act or omission whereby any restriction, covenant or condition in this document set forth is violated in whole or in part, is declared to be and shall constitute a nuisance, and may be abated by appropriate legal action by the Developer, the Association, or a Lot Owner or owners. The remedies provided for hereunder shall be deemed cumulative and not exclusive.

6.2 Enforcement. Each and all of the restrictions, covenants and conditions contained in this document is and are for the benefit of the Developer, the Association and of the Lot Owner or owners from time to time of any Lot, part or portion of the Property. Each such restrictive covenant and condition shall inure to the benefit of and pass with each and every Lot, part or portion of the Property and shall apply to and be binding upon each and every successor in interest. Said restrictions, covenants and conditions are and shall be deemed covenants of equitable servitude, and the actual or threatened breach thereof, or the continuance of any such breach, or compliance therewith, may be enforced, enjoined, abated, or remedied by appropriate proceedings at law or in equity by the Developer, the Association, or a Lot Owner or owners; provided, however, that no such breach shall affect or impair the lien of any bona fide mortgage or trust deed which shall have been given in good faith and for value, except that any subsequent owner of said Lot, part or portion of the Property shall be bound and obligated by the said restrictions, covenants and conditions, whether such ownership is obtained by foreclosure, at a trustee's sale, or otherwise. The Board may levy a fine or penalty not to exceed 50% of the amount of the maximum annual assessment against any Owner who fails to refrain from violation of these covenants or a rule of the Association, after three (3) days written notice, and opportunity for hearing. A fine may be levied for each day of a continuing violation. All attorneys fees and costs incurred in any action to enforce the terms of this Declaration, and all expenses incurred and any fines

levied, shall constitute a lien on such Lot Owner's Lot, and shall also be a personal obligation of said Lot Owner, enforceable at law, until such payment therefore is made.

6.3 Right to Enforce. The provisions contained in these covenants shall bind and inure to the benefit of and be enforceable by the Developer, the Association or a Lot Owner or owners, and each of their legal representative, heirs, successors and assigns, and failure to enforce any of said restrictions, covenants, or conditions shall in no event be deemed a waiver of the right to do so thereafter.

6.4 Developer Exemption. Developer shall be exempt from the provisions, restrictions, and requirements of this Article, as the same exists or as it may be amended, supplemented, or replaced in accordance with other provisions of the Declaration.

ARTICLE 7 AMENDMENT AND EXPANSION

7.1 Amendment. After Developer no longer owns a Lot in the Property, or any subsequent phase, the covenants and restrictions contained herein may be amended by a recorded instrument signed by no less than the owners of sixty-seven percent (67%) of the number of Lots, provided that all signatures must be notarized and obtained within a 180 day period. After the Developer or its designee ceases to act as the Architectural Control Committee, written notice of any such proposed amendment shall be sent to every Owner of any Lot, part or portion of the Property at least 30 days in advance. The Developer may unilaterally amend these Protective Covenants so long as the Developer owns a Lot within the Property, including any Lot in any subsequent phase.

7.2 Additional Property. Additional property may be subjected to these covenants, conditions and restrictions by the Developer. The Developer shall indicate its intent to have such property bound by these covenants, conditions and restrictions on the plat of such property, or by recording an additional set of covenants, and thereafter such additional property shall be considered as part of the Property in all respects, and Lots therein shall constitute Lots under this agreement. This right of the Developer shall be assignable to one or more assignees.

ARTICLE 8 GENERAL PROVISIONS

8.1 Duration of Covenants. The covenants, conditions, and restrictions contained herein shall run with and bind the land for a period of fifty (50) years from the date this document is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years each, subject to amendment as herein set forth. Until the Developer or its designee ceases to act as the Architectural Control Committee, the covenants and restrictions contained herein may be modified, amended or repealed in whole or in part at any time and from time to time by the Developer or his successor or assigns by recorded instrument.

8.2 Notices. Any notice required under the provisions of this document to be sent to any Lot Owner shall be deemed to have been properly sent when mailed, postage prepaid, to the last known address of such Owner.

8.3 Construction and Severability. All of the covenants, conditions, and restrictions contained in this document shall be construed together. Invalidity of any one of said restrictions,

covenants or conditions, or any part thereof, shall not affect the enforceability or applicability any of the remaining restrictions, covenants or conditions, or parts thereof.

8.4 Assignment of Powers. Any and all rights and power of the Developer herein contained may be delegated, transferred or assigned. Wherever the term "Developer" is used herein, it includes Developer and its successors and assigns.

8.5 Gender and Grammar. The singular, wherever used herein, shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

8.6 Waivers. No provision contained herein shall be deemed to have been waived by reason of any failure to enforce it, irrespective of the number of violations that may occur.

8.7 Topical Headings. The topical headings contained herein are for convenience only and do not define, limit, or construe the contents of these covenants.

IN WITNESS WHEREOF, the undersigned has hereunto executed this document this 3rd day of March 2014.

DEVELOPER:

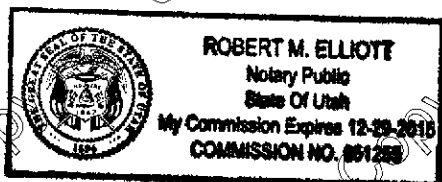
DENNETT BROTHERS DEVELOPMENT CORP.
a Utah corporation

By: [Signature]
Douglas T. Dennett

STATE OF UTAH)
) ss.
COUNTY OF WASHINGTON)

On this 3rd day of March, 2014, before me personally appeared Douglas T. Dennett, as an officer of Dennett Brothers Development Corp. who acknowledged before me that the corporation executed the document and the document was the act of the corporation for its stated purpose.

[Signature]
NOTARY PUBLIC



BYLAWS

OF

RUSTED HILLS OWNERS ASSOCIATION PHASE 2

TABLE OF CONTENTS

ARTICLE 1 LOCATION OF OFFICES 1
1.1 Principal Office 1
1.2 Registered Office and Agent 1
ARTICLE 2 DEFINITIONS 1
ARTICLE 3 MEMBERSHIP AND VOTING RIGHTS 1
3.1 Membership 1
3.2 Voting Rights 1
3.3 Qualification for Membership 1
3.4 Suspension of Membership 2
ARTICLE 4 MEETINGS OF MEMBERS 2
4.1 Annual Meetings 2
4.2 Special Meetings 2
4.3 Notice of Meetings 2
4.4 Waiver of Notice 2
4.5 Quorum 2
4.6 Proxies 3
4.7 Voting 3
4.8 Action by Written Ballot in Lieu of Meeting 3
4.9 Procedure 3
4.10 Place of Meetings 3
ARTICLE 5 BOARD OF DIRECTORS 3
5.1 Qualifications 3
5.2 Number 4
5.3 Term of Office 4
5.4 Removal 4
5.5 Compensation 4
ARTICLE 6 NOMINATION AND ELECTION OF DIRECTORS 4
6.1 Nomination 4
6.2 Election 4
6.3 Voting by Mail 4
ARTICLE 7 MEETINGS OF DIRECTORS 5
7.1 Regular Meetings 5
7.2 Special Meetings 5
7.3 Quorum 5
7.4 Action Without a Meeting 5
7.5 Place of Meetings 5
7.6 Presence of Directors at Meetings 5
ARTICLE 8 POWERS AND DUTIES OF THE BOARD OF DIRECTORS 5
8.1 Powers 5

8.2 Duties 6

ARTICLE 9 OFFICERS AND THEIR DUTIES 7

9.1 Enumeration of Offices 7

9.2 Election of Officers 7

9.3 Term 7

9.4 Special Appointments 7

9.5 Resignation and Removal 7

9.6 Vacancies 7

9.7 Multiple Offices 8

9.8 Duties 8

9.9 Compensation 8

ARTICLE 10 INDEMNIFICATION OF DIRECTORS AND OFFICERS 8

ARTICLE 11 COMMITTEES 9

11.1 Architectural Control Committee 9

11.2 Additional Committees 9

ARTICLE 12 FINANCIAL MATTERS 9

12.1 Depositories 9

12.2 Contracts; Management Contract 9

12.3 Fiscal Year 9

12.4 Annual Report 9

ARTICLE 13 BOOKS AND RECORDS 9

13.1 Association Records 9

13.2 Inspection of Books and Records 10

ARTICLE 14 RULES AND REGULATIONS 11

ARTICLE 15 AMENDMENT 11

ARTICLE 16 CONFLICTS AND INTERPRETATION 11

16.1 Conflicts 11

16.2 Titles and Headings 11

BYLAWS

OF

RUSTED HILLS OWNERS ASSOCIATION PHASE 2

ARTICLE 1
LOCATION OF OFFICES

1.1 Principal Office. The principal office of Rusted Hills Owners Association Phase 2 hereinafter referred to as the "Association", shall be at 1413 Sandhill Drive, Washington, Utah. The location of the principal office may be changed by resolution of the Board of Directors.

1.2 Registered Office and Agent. The registered office and agent of the Association, as required by Section 501 of the Utah Revised Nonprofit Corporation Act, Utah Code Ann. §§ 16-6a-101 et seq. (1953, as amended) (hereinafter the "Act"), may be changed from time to time as provided in the Act.

ARTICLE 2
DEFINITIONS

Except as otherwise provided herein, the definitions set forth in the Act, the Protective Covenants for Rusted Hills Phase 2 (hereinafter, "Declaration"), and the Articles of Incorporation of Rusted Hills Owners Association Phase 2 (hereinafter, "Articles" or "Articles of Incorporation") and any applicable amendments and supplements thereto or restatements thereof shall control in these Bylaws.

ARTICLE 3
MEMBERSHIP AND VOTING RIGHTS

3.1 Membership. Every Owner ("Owner") is a Member of the Association ("Member"). The term Owner includes contract purchasers but does not include persons who hold an interest merely as security for the performance of an obligation unless and until title is acquired by foreclosure or similar proceedings. Membership is appurtenant to and may not be separated from Lot ownership. Membership in the Association automatically transfers upon transfer of title by the record Owner to another person or entity.

3.2 Voting Rights. The Association has one class of voting membership: All Members are entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, the group of such persons shall be a Member. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

3.3 Qualification for Membership. No person, persons, entity or entities shall exercise the rights of membership until satisfactory proof has been furnished to the Secretary of the Association of qualification as a Member, or nominee of a Member, pursuant to the terms of the Articles of Incorporation and the Bylaws. Such proof may consist of a copy of a duly executed and acknowledged warranty deed or title insurance policy showing said person, persons, entity or entities, or the person nominating him or her qualified in accordance therewith, in which event said deed or title insurance policy shall be deemed conclusive evidence in the absence of a conflicting claim based upon a later deed or title insurance policy.

3.4 Suspension of Membership. The rights of membership are subject to the payment of annual and special assessments levied by the Association. If a Member fails to make payment of any annual or special assessment levied by the Association within thirty (30) days after the same shall become due and payable, the voting rights of such Member may be suspended by the Board of Directors until such assessment has been paid. Rights of a Member may also be suspended for violation of any of the use restrictions and for infraction of any published rules and regulations established by the Board of Directors governing the use of the services, facilities or equipment of the Association, for a period not to exceed sixty (60) days. Except for suspension of voting rights for failure to pay assessments and for violation of any use restriction, any suspension of the rights of Membership shall be pursuant to notice and hearing. The Board shall establish a procedure for notice and hearing that is fair and reasonable taking into consideration all of the relevant facts and circumstances.

ARTICLE 4 MEETINGS OF MEMBERS

4.1 Annual Meetings. The first annual meeting of the Members for the election of Directors, the presentation of the annual financial report of the Association and for the transaction of such other business as the Board of Directors may determine, shall be held at such time and place as may be designated by Developer. Each subsequent annual meeting of the Members shall be held on _____ at the hour of ____:____ m., (unless the Directors, by resolution, direct otherwise. If the day of the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour of the first day following which is not a legal holiday.

4.2 Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all voting interests.

4.3 Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least thirty (30) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association. Such notice shall specify the place, date and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

4.4 Waiver of Notice. The notice provided for hereinabove is not indispensable and any meeting of the Members shall be deemed validly called for all purposes if all Members are represented thereat in person or by proxy, or if a quorum is present and waivers of notice of time, place and purpose of such meeting shall be duly executed in writing either before or after said meeting by those Members not so represented or not given such notice. The attendance of any Member at a meeting in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by that Member.

4.5 Quorum

(a) Quorum Requirements Generally. Except as hereafter provided, and as otherwise provided in the Articles of Incorporation or Declaration, the presence at the meeting of Members entitled to cast, or of proxies entitled to cast, twenty percent (20%) of all the voting interests shall constitute a quorum for any action. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to

time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

(b) Quorum Requirement for Assessments. In case of a meeting to change the basis and maximum of assessments, to make assessments in excess of said maximum or to levy a special or additional assessment, as those assessments are defined in the Declaration, presence at the meeting of Members, or of proxies, entitled to cast sixty percent (60%) of all the voting interests shall constitute a quorum. If the required quorum is not forthcoming at such a meeting, another meeting may be called, subject to the notice requirement set forth above and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting, provided that no such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

4.6 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary prior to the meeting for which the proxy is valid. Every proxy shall be revocable and shall automatically cease upon conveyance of a Lot by the Member.

4.7 Voting. If a quorum is present, the affirmative vote of the majority of the Members represented at the meeting shall be the act of all the Members, unless the act of a greater number is expressly required by law, by the Declaration, or by the Articles of Incorporation of the Association or elsewhere in these Bylaws. Upon direction of the presiding officer, the vote upon any business at a meeting shall be by ballot, but otherwise any such vote need not be by ballot.

4.8 Action by Written Ballot in Lieu of Meeting. Action may be taken by written ballot in lieu of any annual, regular, or special meeting if the ballot is delivered by or at the direction of the Secretary to each Member entitled to vote on the matter, which ballot shall (a) set forth in detail the proposed action; (b) provide an opportunity to vote for or against the proposed action; (c) state the date when such ballot must be returned in order to be counted, which date shall not be less than thirty (30) days after delivery of the ballot; (d) state by what means it shall be returned and where; and (e) shall be accompanied by any written information, which has been approved by a majority of the Directors, sufficient to permit each Member casting the ballot to reach an informed decision on the matter. Each ballot shall contain a means of identification for each Member entitled to vote, which shall either identify such Member by Lot or unit number or by name. The number of votes cast by written ballot pursuant to this section shall constitute a quorum for action on the matter. Notwithstanding the above, no action by written ballot in lieu of any annual, regular, or special meeting shall be permitted on matters that involve the election or removal of any Director(s) or expenditure of Association funds.

4.9 Procedure. The order of business and all other matters of procedure at every meeting of Members shall be determined by the presiding officer.

4.10 Place of Meetings. The Board of Directors may designate the place of any annual or special meeting of the Members by stating or fixing such place pursuant to resolution, provided, however, that such place must be within Washington County, State of Utah. If no designation is made by the Board of Directors, annual and regular meetings shall be held at the Association's principal office.

ARTICLE 5 BOARD OF DIRECTORS

5.1 Qualifications. A Director must be a natural person of at least 18 years of age or older and a Member of the Association. In the case of multiple co-Owners or Owners not natural persons, their

designees. Directors appointed by the Developer need not be Members of the Association. Persons elected by the Members shall be Members of the Association.

5.2 Number. The affairs of this Association shall be managed by a Board of three (3), five (5) or seven (7) Directors, the number of persons constituting the whole Board of Directors to be fixed from time to time by resolution of the Board of Directors. So long as Developer owns a Lot within the Property, Developer shall appoint the Board of Directors.

5.3 Term of Office. At each annual meeting, the Members shall elect Directors for terms of two (2) years, with an odd number of Directors (at least two less than the entire Board) elected in odd-numbered years and an even number of Directors elected in even-numbered years. In the initial election of Directors, the method of election shall provide that the term of an odd number of Directors (at least two less than the entire Board) shall expire in the next odd numbered year, and the term of an even number of Directors shall expire in the next even numbered year.

5.4 Removal. Any Director may be removed from the Board with cause, by a majority vote of the Members of the Association. Any Director who shall be absent from three (3) consecutive Board meetings shall be automatically removed from the Board unless otherwise determined by the Board. In the event of death, resignation or removal of a Director, a temporary successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor or until special election of a successor.

5.5 Compensation. No Director shall receive compensation for any service he or she may render to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of Director duties.

ARTICLE 6 NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of Members. The Nominating Committee shall consist of a chairman, who shall be a Member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors at least sixty (60) days prior to each annual meeting of the Members, to serve through such annual meeting. The nominating committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

6.2 Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles of Incorporation and these Bylaws. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

6.3 Voting by Mail. Election of Directors may be handled by mail voting in the following manner, which may be, at the determination of the Board, the sole method of voting or used in conjunction with in-person voting. Ballots shall be sent to each Member by the Secretary not more than sixty (60) days and not fewer than thirty (30) days before the date set for election. Ballots shall instruct Members to seal their ballot in a ballot envelope and then place the sealed envelope into a larger envelope along with a signed paper, provided by the Secretary, identifying the Member whose vote is contained in

the inner envelope. Ballots may be delivered to the Secretary in person or by mail. Upon receiving the ballots, the corporate secretary shall open the outer envelope, remove the identification paper and record which Members have voted. The identification paper and outer envelope shall then be separated from the ballot envelope. The ballot envelope shall be retained by the Secretary until opened on the election date.

**ARTICLE 7
MEETINGS OF DIRECTORS**

7.1 Regular Meetings. The first meeting of the Board of Directors will follow the annual meeting of the Members. Thereafter, regular meetings of the Board of Directors shall be held at such date, time and place as may be determined from time to time by resolution of the Board of Directors. Written notification of each regular Board meeting shall be delivered or mailed to all Directors at least seven (7) days prior to any regular Board meeting. Meetings of the Board shall be open to all Members, unless litigation or potential litigation, contract negotiation or employment or personnel matters are being discussed.

7.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association or by any two (2) Directors, after not less than two (2) days' notice to each Director.

7.3 Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law, the Articles of Incorporation or these Bylaws.

7.4 Action Without a Meeting. Whenever the Directors are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by all Directors.

7.5 Place of Meetings. Regular or special meetings of the Board of Directors may be held in or out of the State of Utah.

7.6 Presence of Directors at Meetings. The Board of Directors may allow any Director to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating in the meeting may hear each other during the meeting. A director participating in a meeting through means permitted under this section shall be considered to be present in person at the meeting.

**ARTICLE 8
POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

- 8.1 Powers. The Board of Directors shall have power to:
- (a) adopt and publish rules and regulations governing the use of the equipment and facilities of the Association and to establish reasonable admission and other fees for the use thereof;
 - (b) suspend the voting rights and any other rights of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association or in

violation of any of the use restrictions. Such rights may also be suspended for infraction of any published rules and regulations, after notice and hearing, for a period of not to exceed sixty (60) days;

(c) employ a manager, an independent contractor or such other employees as they deem necessary, and to prescribe their duties;

(d) borrow money for the purpose of improving the Common Area, and in aid thereof to mortgage said Property, such mortgage to be subordinate to the rights of the Owners;

(e) with the approval of sixty-seven percent (67%) of first mortgagees on Lots and sixty-seven percent (67%) of each class of Owners, to sell, exchange, hypothecate, alienate, encumber, dedicate, release or transfer all or part of the Common Area to any private individual, corporate entity, public agency, authority or utility;

(f) enter into agreements or leases which provide for use of the Common Areas and facilities by a similar Association in consideration for use of the Common Areas and facilities of the other Association, or for cash consideration;

(g) grant easements for public utilities or other public purposes consistent with the intended use of the Common Area;

(h) levy and collect assessments as more fully outlined in the Declaration;

(i) purchase insurance as outlined in the Declaration;

(j) appoint an Architectural Control Committee;

(k) appoint arbitrators to resolve party wall disputes;

(l) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws or the Articles of Incorporation or Declaration;

(m) enforce and administer the Declaration recorded as affecting the Property.

8.2 Duties. It shall be the duty of the Board of Directors to:

(a) act within thirty (30) days upon any request for approval or disapproval submitted pursuant to the Declaration;

(b) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-half (1/2) of the Members who are entitled to vote;

(c) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(d) prepare a roster of the Lots within the Property and the assessments applicable thereto.

(e) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(f) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period;

(g) foreclose the lien against any Property for which assessments are not paid within thirty (30) days after due date or bring an action at law against the Owner personally obligated to pay the same;

(h) furnish a certificate upon written demand, and for a reasonable charge, signed by an officer of the Association setting forth whether the assessment on a specified Lot has been paid;

(i) maintain an adequate reserve fund for maintenance, repairs, and replacement of any elements of the common or Limited Common Areas which must be replaced on a regular basis and cause a reserve analysis to be reviewed at least every three years and conducted no less frequently than every six years.

(j) prepare an annual budget and present it to the Members for approval at the annual meeting of Members.

ARTICLE 9 OFFICERS AND THEIR DUTIES

9.1 Enumeration of Offices. The officers of this Association shall be a President and Vice-President, who shall at all times be Members of the Board of Directors, a Secretary and a Treasurer, who need not be Members of the Board of Directors nor of the Association, and such other officers as the Board may from time to time create by resolution.

9.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

9.3 Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless the officer shall sooner resign, or be removed, or otherwise be disqualified to serve.

9.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

9.5 Resignation and Removal. The Board may remove any officer from office with or without cause. Any officer may resign at any time by giving notice to the Board, or any officer of the Board. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise necessary to make it effective.

9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer being replaced.

9.7 Multiple Offices. The same person may hold the offices of Secretary and Treasurer. No person shall simultaneously hold more than one of any of the other offices except in the case of special office created pursuant to Section 9.4.

9.8 Duties. The officers and their duties are as follows:

(a) President. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments, including amendments to the Governing Documents, and shall co-sign all checks and promissory notes.

(b) Vice President. The Vice-President shall act in the place and stead of the President in the event of absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse such funds as directed by resolution of the Board of Directors; sign all checks and promissory notes of the Association; maintain a roster of Lots within the Property, assessments and payments; keep proper books of account; issue certificates of payment of assessments; notify the Directors of Members who are delinquent in paying assessments and prepare an annual budget and statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of the budget and statement to the Members at said meeting.

9.9 Compensation. No salary or other compensation for services shall be paid to any officer of the Association for services rendered by such officer, but this shall not preclude an officer of the Association from performing any other service for the Association as an employee and receiving compensation therefor.

ARTICLE 10 INDEMNIFICATION OF DIRECTORS AND OFFICERS

Each Director and officer of the Association now or hereafter serving as such shall be indemnified by the Association against any and all claims and liabilities to which he has or shall become subject while or after serving by reason of serving as Director or officer, or by reason of any action alleged to have been taken, omitted, or neglected by him as such Director or officer; and the Association shall reimburse each such person for all legal expenses reasonably incurred by him in connection with any such claim or liability; provided, however, that no such person shall be indemnified against, or be reimbursed for any expense incurred in connection with, any claim or liability arising out of his own willful misconduct or gross negligence.

The right of indemnification hereinabove provided for shall not be exclusive of any rights to which any Director or officer of the Association may otherwise be entitled by law.

**ARTICLE 11
COMMITTEES**

11.1 Architectural Control Committee. An Architectural Control Committee composed of three or more representatives may be appointed by the Directors as further set forth in the Declaration.

11.2 Additional Committees. In addition to the Architectural Control Committee, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purposes.

**ARTICLE 12
FINANCIAL MATTERS**

12.1 Depositories. The Board of Directors shall select such depositories as it considers proper for the funds of the Association. All checks and drafts against such deposited funds shall be signed and countersigned by persons specified by the Board or in these Bylaws.

12.2 Contracts; Management Contract. The Board of Directors may authorize any officer or officers, agent or agents, in addition to those specified in these Bylaws, to enter into any contract or execute and deliver any instrument in the name of or on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or render it liable for any purpose or for any amount.

12.3 Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors of the Association.

12.4 Annual Report. The Board of Directors shall present at the annual meeting of the Members the report of the treasurer, giving the annual budget and a statement of income and expenses, and a report of other affairs of the Association during the preceding year. The Board of Directors shall provide all Members, at the expense of the Association, copies of said annual budget and statement of income and expense.

**ARTICLE 13
BOOKS AND RECORDS**

13.1 Association Records

(a) The Association shall keep as permanent records:

(i) minutes of all meetings of Members and Board of Directors;

(ii) a record of all actions taken by the Members or Board of Directors without a meeting;

(iii) a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors on behalf of the nonprofit corporation; and

(iv) a record of all waivers of notices of meetings of Members and of the Board of Directors or any committee of the Board of Directors.

(b) The Association shall maintain appropriate accounting records.

(c) The Association or its agent shall maintain a record of its Members in a form that permits preparation of a list of the name and address of all Members:

(i) in alphabetical order, by class; and

(ii) showing the number of votes each Member is entitled to vote.

(d) The Association shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

(e) The Association shall keep a copy of each of the following records at its principal office:

(i) its Articles of Incorporation;

(ii) its Bylaws;

(iii) resolutions adopted by its board of directors relating to the characteristics, qualifications, rights, limitations, and obligations of Members or any class or category of Members;

(iv) the minutes of all Members' meetings for a period of three years;

(v) records of all action taken by Members without a meeting, for a period of three years;

(vi) all written communications to Members generally as Members for a period of three years;

(vii) a list of the names and business or home addresses of its current Directors and officers;

(viii) a copy of its most recent annual report delivered to the Utah Division of Corporations & Commercial Code pursuant to Section 1607 of the Act; and

(ix) all financial statements prepared for periods ending during the last three years that a Member could have requested under Section 1606 of the Act.

(f) The requirements of this Section 13.1 shall be deemed to include any requirements of the Act with respect to the keeping of records which are not otherwise provided for herein.

13.2 Inspection of Books and Records. The books, records, and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

**ARTICLE 14
RULES AND REGULATIONS**

The Board of Directors shall have the power to adopt and establish by resolution such rules and regulations as it may deem necessary for the maintenance, operation, management and control of the Property, equipment, facilities and utility systems of the Association. The Board of Directors may alter from time to time such rules and regulations. The Members shall at all times obey such regulations and use their best efforts to see that they are faithfully observed by the persons with whom they reside, their lessees, invitees and others over whom they may exercise control or supervision. The Directors may levy a fine or penalty not to exceed 50% of the amount of the maximum annual assessment against any Owner who fails to refrain from violation of the Declaration or a rule of the Association, after three (3) days written notice and opportunity for hearing.

**ARTICLE 15
AMENDMENT**

These Bylaws may be altered, amended, repealed or added to by the vote of the Board of Directors of the Association at any regular meeting of said Board or at a special meeting called for that purpose. These Bylaws and any amendments thereto may be amended, altered or replaced by the Members at any annual or special meeting of the Members. Any such Amendment shall be recorded in the office of the Washington County Recorder, Washington County, Utah.

**ARTICLE 16
CONFLICTS AND INTERPRETATION**

16.1 **Conflicts.** In case of any conflict between the Declaration, the Articles of Incorporation or these Bylaws, the Declaration shall be of primary authority, the Articles of Incorporation secondary and the Bylaws subject thereto.

16.2 **Titles and Headings.** The titles and headings contained in these Bylaws are for convenience only and do not define, limit, or construe the contents of these Bylaws.

Certification

STATE OF UTAH)
) ss.
COUNTY OF WASHINGTON)

I, the undersigned, do hereby certify:

- 1. I am the duly elected secretary of Rusted Hills Owners Association Phase 2, a Utah Non-Profit Corporation.
- 2. The foregoing Bylaws constitute the Bylaws of said Corporation as duly adopted at a meeting of the Board of Directors on the 3rd day of March, 2014.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____ 2014.

[Signature]
Secretary

STATE OF UTAH)
) ss.
COUNTY OF WASHINGTON)

On this 3rd day of March, 2014, before me personally appeared Douglas C. Bennett, whose identity is personally known to or proved to me on the basis of satisfactory evidence (and who, being by me duly sworn (or affirmed), did say that he/she is the Secretary of Rusted Hills Owners Association Phase 2 a corporation, and that the foregoing document was signed by him/her on behalf of that corporation by authority of its bylaws or of a resolution of its board of directors, and he/she acknowledged before me that the corporation executed the document and the document was the act of the corporation for its stated purpose.

[Signature]
NOTARY PUBLIC

