

WHEN RECORDED, RETURN TO:
D.R. Horton, Inc.
12351 South Gateway Park Place, Suite D-100
Draper, Utah 84020
Attn: Boyd A. Martin



ENT 6782:2014 PG 1 of 76
JEFFERY SMITH
UTAH COUNTY RECORDER
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RECORDED FOR DR HORTON INC

**MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF SKYE ESTATES**

January 7, 2014

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THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF SKYE ESTATES, is made effective as of this 7 day of January, 2014, by D.R. HORTON, INC., a Delaware corporation, (referred to herein as "Declarant"), with respect to the following:

RECITALS:

A. Declarant owns certain real property located in Highland City, Utah County, Utah, which is more particularly described on Exhibit A attached hereto and by this reference made a part hereof (the "Property"). Declarant desires to develop, in phases, the Property as a master planned development known as Skye Estates consisting of residential, commercial, and recreational uses.

B. At full development it is intended, without obligation, that the Property will have one or more Single Family Residential Developments, an Active Living Residential Development, a Parcel developed for Professional Office/Retail Use, and recreational areas which may include, without obligation, trail systems, open spaces, walkways, a swimming pool and a clubhouse.

C. As part of the various phases of development of the Property, Declarant intends, without obligation, to record various Plats; to dedicate portions of the Property to the public for streets, roadways, utilities, drainage and flood control; and to record various Neighborhood Declarations and/or Supplemental Declarations covering portions of the Property, which Neighborhood Declarations and/or Supplemental Declarations will designate the purposes for which such portions of the Property may be used and may set forth additional covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements applicable to such portions of the Property.

D. As part of the development of the Property, Declarant may, without any obligation to do so, sell Lots to various Merchant Builders.

E. Declarant desires to form the Master Association as a non-profit corporation for the purpose of benefiting the Property and its Owners and Residents, which non-profit corporation will (a) acquire, construct, operate, own, manage and maintain a variety of Community Areas and other areas within the Property; (b) establish, levy, collect and disburse the Assessments and other charges imposed hereunder; and (c) as the agent and representative of the Members of the Master Association and the Residents of Skye Estates, administer and enforce all provisions hereof and enforce use and other restrictions imposed on various parts of the Property.

F. Declarant desires to establish for its own benefit and for the mutual benefit of all future Owners, Mortgagees, Residents, lessees, occupants and other holders of an interest in the

Property, or any part thereof, certain mutually beneficial covenants, restrictions and obligations with respect to the proper development, use and maintenance of the Property.

G. Declarant desires and intends that the Owners, Mortgagees, Residents, lessees, occupants and other holders of an interest in the Property and other persons hereafter acquiring any interest in or otherwise utilizing portions of the Property shall at all times enjoy the benefits of the Property and shall hold their interest therein subject to the rights, privileges, covenants and restrictions set forth in this Declaration, all of which are declared to be in furtherance of a plan to promote and protect the aesthetic and cooperative aspects of Skye Estates and are established for the purpose of enhancing the value, desirability and attractiveness of Skye Estates.

H. Declarant therefore desires to subject all of the Property to the covenants, conditions, restrictions, assessments, charges, servitudes, liens and reservations set forth in this Declaration.

I. In order to cause this Declaration and the Covenants to run with the Property and to be binding upon the Property and the Owners, Mortgagees, Residents, lessees, occupants and other holders of an interest therein from and after the date this Declaration is recorded, Declarant hereby makes all conveyances of the Property, whether or not so provided therein, subject to this Declaration; and by accepting deeds, leases, easements or other grants or conveyances to any portion of the Property, the Owners and other transferees for themselves and their heirs, executors, administrators, trustees, personal representatives, successors and assigns, agree that they shall be personally bound by this Declaration (including but not limited to the obligation to pay Assessments) hereinafter set forth, except to the extent such persons are specifically excepted herefrom and that all portions of the Property acquired by them shall be bound by and subject to this Declaration.

NOW, THEREFORE, Declarant hereby declares, covenants and agrees as follows:

ARTICLE I DEFINITIONS

The following words, phrases or terms used in this Declaration (including that portion hereof headed "Recitals") shall have the following meanings:

1.1 "Active Living Residential Development and/or Active Living Residential Use" shall mean Units in planned unit developments or subdivisions with Dwelling Units intended for Residential occupancy for people age 55 and older and shall include those types of Residential housing arrangements known as attached townhomes, together with related areas intended for the use and enjoyment of the Owners and Residents of the Dwelling Units in the Active Living Residential Development.

1.2 "Additional Land" shall mean, refer to and consist of that certain real property located in Highland City, Utah County, Utah, described in Exhibit B attached hereto and by this reference made a part hereof, which Additional Land is owned by Declarant or is the subject of a contract of sale, pursuant to which Declarant has the right to acquire such Additional Land. This Declaration is not intended to create and shall not be deemed to constitute any lien, encumbrance, restriction or limitation upon any portion of the Additional Land, unless and until

the Additional Land or any portion thereof is added to the existing Skye Estates in accordance with the provisions of Article XIX of this Declaration.

1.3 “Annual Assessment” shall mean the charge levied and assessed each year against each Lot, Unit or Parcel (other than Exempt Property) pursuant to Section 7.3, hereof.

1.4 “Articles” shall mean the Articles of Incorporation of the Master Association as the same may from time to time be amended or supplemented.

1.5 “Assessable Property” shall mean all Lots, Units or Parcels or other portions of the Property, except such part or parts thereof as may from time to time constitute Exempt Property.

1.6 “Assessments” shall mean collectively the Annual Assessment and the Special Assessment imposed by the Master Association.

1.7 “Assessment Lien” shall mean the lien created and imposed by Article VII.

1.8 “Assessment Period” shall mean the term set forth in Section 7.8.

1.9 “Board” shall mean the Board of Directors of the Master Association.

1.10 “Bylaws” shall mean the Bylaws of the Master Association, as the same may from time to time be amended or supplemented. A copy of the Bylaws is attached hereto as Exhibit D.

1.11 “Certificate of Amendment” shall mean an amendment to this Declaration Recorded by the Master Association pursuant to Section 17.2 of this Declaration and/or shall mean an amendment to this Declaration Recorded by the Declarant pursuant to Section 17.3 or Section 17.4 of this Declaration.

1.12 “Church Use” shall mean use of property at Skye Estates by a church or religious organization for a permanent church facility, including a chapel used for religious services and which may be used for church cultural and recreational activities. Residential Areas and Commercial Areas may not be utilized for Church Use, except as permitted by a Neighborhood Declaration, a Supplemental Declaration or the Declarant. No Dwelling Unit may be utilized for Church Use.

1.13 “Community Area” and “Community Areas” shall mean (a) all Master Association Land designated from time to time by the Board for use by the Members, Residents, lessees, occupants and their guests, including entry monument areas and the entry monuments related to projects subject to Neighborhood Declarations and/or Supplemental Declarations constructed by Declarant; (b) all areas identified as open space on the Master Land Use Plan, including the Trail System, which may or may not be dedicated to the public or to a Municipal Authority, but only until such open space is dedicated to a Municipal Authority; (c) all land within Skye Estates which the Declarant, by this Declaration or other Recorded instrument, makes available for use by Members of the Master Association including enhanced parkways and median strips and areas between roadways and Improvements, even if owned by a Municipal Authority; (d) all land within Skye Estates which the Declarant indicates on a Plat,

Neighborhood Declaration or Supplemental Declaration is to be used for landscaping, drainage, and/or flood control for the benefit of Skye Estates and/or the general public and is to be dedicated to the public or a Municipal Authority upon the expiration of a fixed period of time, but only until such land is so dedicated; (e) all land or right-of-way easements within Skye Estates which are dedicated to the public or to a Municipal Authority, but which such Municipal Authority or other governmental agency requires the Master Association to maintain; (f) roadways, walkways, bridges, culinary water system components, tunnels and storm drain pipes within the existing and subsequent phases of Skye Estates; and (g) other public infrastructure within Skye Estates.

1.14 “Community Expense Fund” shall mean and refer to the fund created or to be created pursuant to the provisions of Article VII of this Declaration and into which all monies of the Master Association shall be deposited. Two separate and distinct funds shall be created and maintained thereunder, one for operating expenses and one for capital or reserve expenses which together shall constitute the Community Expense Fund.

1.15 “Community Expenses” shall mean and refer to those costs and expenses incurred by or on behalf of the Master Association arising out of or connected with the maintenance, improvements and operation (including capital repairs and replacements) of Skye Estates and the operation of the Master Association as described in Article VII hereof.

1.16 “Covenants” shall mean the covenants, conditions, restrictions, assessments, charges, rights, obligations, servitudes, liens, reservations and easements set forth in this Declaration, as amended or supplemented from time to time.

1.17 “Declarant” shall mean D.R. Horton, Inc., a Delaware corporation, and the successors and assigns of Declarant’s rights and powers hereunder. Declarant shall also include any Person or Persons that have been assigned and have agreed to assume certain of Declarant’s rights and/or obligations in this Declaration pursuant to Section 18.1 effective upon the Recording of a written instrument signed by the Declarant and such Person or Persons and duly Recorded in the Office of the Recorder of Utah County, Utah, that evidences such assignment and assumption.

1.18 “Declaration” shall mean this Master Declaration of Covenants, Conditions and Restrictions of Skye Estates, as amended or supplemented from time to time.

1.19 “Deed” shall mean a deed or other instrument conveying the fee simple title in a “Lot,” “Unit” or “Parcel.”

1.20 “Design Guidelines” means those design guidelines for development of all the real property subject to this Declaration, which may be established by the Declarant and/or the Board from time to time. Declarant or the Board reserves the right to modify the Design Guidelines. The Design Guidelines may impose, without limitation, certain restrictions with respect to a Dwelling Unit’s mandatory minimum and maximum square footage, building materials used in constructing the Dwelling Unit, architectural standards and other matters. The Design Guidelines also may include certain signage guidelines for development of all the real property subject to this Declaration as established by the Declarant and/or the Board from time to

time. There is no assurance that the Design Guidelines will not change from time to time, and they may change with respect to unsold Lots, Units or Parcels, subject to this Declaration, after one or more other such Lots, Units or Parcels, have been sold by Declarant.

1.21 “Design Review Board” shall mean the committee created pursuant to Article XI.

1.22 “Development Agreement” shall mean that certain Annexation and Development Agreement dated March 19, 2013 by and between MRFP LLC and Highland City, as the same may be amended from time to time, which pertains to the Property.

1.23 “Development Guidelines” shall mean those development guidelines for Skye Estates which relate to the development and construction of roadways, major infrastructure and other matters related to both off-site and on-site development of Lots, Units and Parcels, but excluding the guidelines for construction of Dwelling Units and buildings on Lots, Units and Parcels which are governed and controlled by the Design Guidelines.

1.24 “Drainage Control Features” shall mean the term set forth in Section 3.4.

1.25 “Dwelling Unit” shall mean any building or portion thereof situated upon a Lot, Unit or Parcel designed for use and occupancy as a residence by a Single Family.

1.26 “Eligible Mortgagee” shall mean and refer to a Mortgagee which has requested notice of certain matters from the Master Association in accordance with Section 16.1 of this Declaration.

1.27 “Exempt Property” shall mean the following parts of Skye Estates:

1.27.1 All land and Improvements owned by or dedicated to and accepted by the United States, a Municipal Authority, or any political subdivision thereof, for as long as any such entity or political subdivision is the owner thereof or for so long as said dedication remains effective, including all Municipal Authority Property and all property utilized for General Public Uses;

1.27.2 All Master Association Land, for as long as the Master Association is the owner thereof.

1.27.3 All land utilized for Church Use.

1.27.4 Each other property, including each Lot, Unit or Parcel, while owned by Declarant or a Declarant related developer entity, until the earliest to occur of (i) the acquisition of its record title by a Person other than Declarant or a Declarant-related developer entity, or (ii) the 10th anniversary of the date on which the real property comprising such Exempt Property is subjected to this Declaration. Declarant or a Declarant related developer entity may expressly waive its right to an exemption from Annual Assessments and Special Assessments as to some or all Exempt Properties of which it is then the Owner, by a Supplemental Declaration identifying such Exempt Properties and signed by it. In such event, such exemption shall terminate as to each such identified Exempt Property when such Supplemental Declaration is Recorded. Any such

waiver shall run with the title to each such Exempt Property and bind its subsequent Owners, including Declarant, any Declarant related developer entity.

1.27.5 All Exempt Property described herein shall be exempt from Assessments and Membership in the Master Association (provided, however, the Declarant or a Declarant related entity shall remain a Member in the Master Association at all times as a Class B Member with voting rights, notwithstanding its temporary exemption status from required Assessment payments) and its associated privileges and responsibilities, but shall nevertheless be subject to all other provisions of this Declaration, including but not limited to, the use restrictions and architectural controls. Provided, however, at the sole and exclusive option of Declarant, property described in Section 1.27.1 shall be fully exempt from all of the terms and provisions of this Declaration.

1.28 “FHA” shall mean and refer to the Federal Housing Administration.

1.29 “FHLMC” shall mean the Federal Home Loan Mortgage Corporation.

1.30 “First Mortgage” means any Mortgage which is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

1.31 “First Mortgagee” means any person named as a Mortgagee under a First Mortgage, or any successor to the interest of any such person under a First Mortgage.

1.32 “FNMA” shall mean and refer to Federal National Mortgage Association.

1.33 “General Public Uses” shall mean those types of uses designated by the Master Land Use Plan as General Public Uses, including but not limited to open spaces and trails, conveyed, assigned, or transferred by Deed or other written instrument to a Municipal Authority.

1.34 “Governing Documents” shall mean this Declaration, Neighborhood Declaration(s), Supplemental Declaration(s), the Bylaws, the Articles, the Skye Estates Rules, the Design Guidelines, the Board’s resolutions and the Recorded Plats.

1.35 “Improvement(s)” shall mean any improvement now or hereafter constructed in Skye Estates and includes anything which is a structure for purposes of applicable Municipal Authority law including but not limited to any building, structure, shed, covered patio, fountain, pool, radio or television antenna or receiving dish, tree, shrubbery, paving, curbing, landscaping, tank, fence, mailbox, sign, any excavation or fill having a volume exceeding ten (10) cubic yards and any excavation, fill, ditch, diversion, dam, or other thing or device which affects the natural flow of surface water or the flow of water in a natural or artificial stream, wash or drainage channel.

1.36 “Land Use Classification” shall mean the classification to be established by the Declarant pursuant to Section 4.1, which designates the type of Improvements which may be constructed on a Lot, Unit, Parcel or Master Association Land and the purposes for which such Improvements and surrounding land may be utilized.

1.37 “Lease” shall mean a written lease or sublease for the leasing or rental of any Residential or Commercial property.

1.38 “Lot” shall mean any area of real property within Skye Estate designated as a Lot on any Plat recorded or approved by Declarant and limited by a Neighborhood Declaration and/or Supplemental Declaration to Single Family Residential Use.

1.39 “Maintenance Charges” shall mean any and all costs assessed to a Sub-Association and/or an Owner pursuant to Sections 10.2 and 10.3.

1.40 “Manager” shall mean such Person retained by the Board to perform certain functions of the Board pursuant to this Declaration or the Bylaws. The Manager for the Master Association shall carry out certain responsibilities of the Master Association as required herein, by the Development Agreement, and by any other Governing Document.

1.41 “Master Association” shall mean the Utah nonprofit corporation to be organized by Declarant to administer and enforce the Covenants and to exercise the rights, powers and duties set forth in this Declaration, the Articles, the Bylaws and any other Governing Document and the successors and assigns of such nonprofit corporation. Declarant hereby reserves the exclusive right to cause such Master Association to be incorporated. Declarant shall name the Master Association the “SKYE ESTATES MASTER OWNERS ASSOCIATION, INC.”

1.42 “Master Association Land” shall mean such part or parts of Skye Estates, together with the buildings, structures and Improvements thereon, and other real property which the Master Association now or hereafter owns in fee for as long as the Master Association is the owner of the fee.

1.43 “Master Association Use” shall mean those portions of Skye Estates intended for the use and benefit of the Master Association including, without limitation, amenities provided by the Master Association for the use and enjoyment of the Members and Owners.

1.44 “Master Land Use Plan” shall mean the map, site plan and other documents showing and/or identifying the various Land Use Classifications and density allocations applicable to various Parcels as provided in the Development Agreement and as approved by the applicable Municipal Authority and the Declarant, as the same may from time to time be amended, a copy of which shall be on file at all times in the office of the Master Association. Declarant reserves the right to modify the Master Land Use Plan from time to time. Such modifications by Declarant may include, among others, the addition or deletion of Land Use Classifications.

1.45 “Member” shall mean any person holding a Membership in the Master Association pursuant to this Declaration.

1.46 “Membership” shall mean a Membership in the Master Association and the rights granted to the Owners and Declarant pursuant to Article VI to participate in the Master Association.

1.47 “Merchant Builder” shall mean a Person who acquires Lots in Skye Estates for the purpose of improving and constructing Dwelling Units or other Improvements thereon for resale to the general public; provided, however, that the term “Merchant Builder” shall not mean or refer to Declarant or its successors.

1.48 “Mortgage” shall mean any mortgage, deed of trust, or other document encumbering any portion of a Lot, Unit or Parcel or interest therein, including without limitation a leasehold interest, as security for the payment of a debt or obligation.

1.49 “Mortgagee” shall mean a beneficiary of a Mortgage as well as a named Mortgagee.

1.50 “Municipal Authority” shall mean the applicable governmental entity or municipality which has jurisdiction over some part of Skye Estates including, without limitation, Highland City.

1.51 “Municipal Authority Property” shall mean all real property which is from time to time conveyed, assigned, or transferred by Deed or other written instrument to the applicable Municipal Authority, which may include, without limitation, portions or all of the Trail System, public streets including medians and enhanced parkways, retention basins and drainage facilities and open space areas.

1.52 “Neighborhood” shall mean one or more Lots, Units or Parcels (as designated by Declarant or by the Board) with interests other than those common to all Lots, Units or Parcels, as more particularly described in Section 6.4. By way of illustration and not limitation, a subdivision of Lots created by one or more Plats, an Active Living Residential Development or a Commercial Area might each be designated as separate Neighborhoods. In addition, each Parcel intended for development shall constitute a Neighborhood, subject to division by Declarant into more than one Neighborhood upon development. Where the context permits or requires, the term “Neighborhood” shall also refer to the Sub-Association which in some instances may be established to act on behalf of the Owners within the Neighborhood. Declarant has initially established Neighborhood boundaries, which boundaries may be modified by Declarant or by the Board, as provided herein.

1.53 “Neighborhood Declaration” shall mean a declaration Recorded pursuant to Section 4.1 of this Declaration. A Neighborhood Declaration shall contain restrictions on use and establish a Land Use Classification for each Parcel covered by the Neighborhood Declaration as described in Section 4.1 of this Declaration. The Neighborhood Declaration shall identify the density allocated to the property it covers. It is contemplated that a Neighborhood Declaration will be a comprehensive and detailed document such as a declaration of covenants, conditions and restrictions, which specifically regulate a Neighborhood.

1.54 “Neighboring Property” is any property or street within Skye Estates (including annexed property) other than the specific property in reference.

1.55 “Owner” shall mean (a) any Person(s) who is (are) record holder(s) of legal, beneficial or equitable title to the fee simple interest of any Lot, Unit or Parcel including, without limitation, one who is buying a Lot, Unit or Parcel under a Recorded contract or Recorded notice

of such contract, but excluding others who hold an interest therein merely as security and (b) any Person(s) entitled to occupy all of a Lot, Unit or Parcel under a lease or sublease for an initial term of at least ten (10) years, in which case the fee owner or sublessor of the Lot, Unit or Parcel shall not be deemed the Owner thereof for purposes of this Declaration during the term of said lease or sublease.

1.56 “Parcel” shall mean a portion of the Property limited by a Neighborhood Declaration or Supplemental Declaration or the Master Land Use Plan to one or more Land Use Classifications, but any such areas shall cease to be a Parcel upon the recordation of a Plat, Neighborhood Declaration or other instrument covering the area and creating Lots, Units and related amenities. A Parcel shall not include a Lot or a Unit but, in the case of staged developments, shall include areas not yet included in a Plat or other Recorded instrument creating Lots, Units and related amenities. Declarant shall have the right, subject to the requirements of any applicable Municipal Authority, to identify and create and/or reconfigure the boundaries of any Parcel of which Declarant is the Owner.

1.57 “Highland City” shall mean Highland City Municipal Corporation, a body corporate and political subdivision of the State of Utah.

1.58 “Period of Declarant Control” shall mean the term as defined in Section 6.3.2.

1.59 “Person” shall mean a natural individual, a corporation, limited liability company, partnership or any other entity with the legal right to hold title to real property.

1.60 “Plat” shall mean any subdivision plat affecting Skye Estates as Recorded in the Office of the County Recorder of Utah County, Utah, as such may be amended from time to time.

1.61 “Professional Office/Retail and/or Professional Office/Retail Development and/or a Professional Office/Retail Area(s) and/or Professional Office/Retail Use” shall mean any Parcel or portion thereof owned or leased by one Person or group of Persons, which is used for one or more of the following uses, approved in advance by Declarant or by the Master Association: retail merchandise and food, restaurants, medical facilities, skilled nursing facilities, professional offices, sports and fitness centers, clubhouse and other recreational amenities, office signage, daycare or nursery or educational institutions. Professional Office/Retail Areas shall not include any Community areas owned by the Master Association or other Community Areas owned by a Sub-Association.

1.62 “Property” shall mean the real property described on Exhibit A and any Additional Land added to Skye Estates by Declarant pursuant to Article XIX.

1.63 “Record” or “Recording” shall mean placing an instrument of public record in the Office of the County Recorder of Utah County, Utah, and “Recorded” shall mean having been so placed of public record.

1.64 “Resident” shall mean:

1.64.1 Each buyer under a contract of sale covering any part of the Assessable Property, regardless of whether the contract is Recorded, and each tenant or lessee actually residing on any part of the Assessable Property; and

1.64.2 Members of the immediate family of each Owner, lessee, tenant or buyer referred to in Section 1.64.1 actually living in the same household with such Owner, lessee, tenant or buyer.

Subject to the Skye Estates Rules (including the imposition of special non-resident fees for use of the Master Association Land if the Master Association shall so direct), the term “Resident” also shall include the on-site employees, guests or invitees of any such Owner, lessee, buyer or tenant, if and to the extent the Board in its absolute discretion by resolution so directs.

1.65 “Residential” or “Residential Areas” shall include Single Family Residential Developments, Active Living Residential Developments and all common recreational areas and facilities associated with any of the foregoing.

1.66 “Single Family” shall mean a group of one or more persons, each related to the other by blood, marriage or legal adoption, or a group of persons not all so related, who maintain a common household in a Dwelling Unit.

1.67 “Single Family Residential Development and/or Single Family Residential Use” shall mean Lots in a planned unit development or subdivision intended for Single Family occupancy in Dwelling Units, together with related areas intended for the use and enjoyment of the Owners and Residents of such Lots.

1.68 “Skye Estates” shall mean, refer to, and consist of the Property and the development to be completed thereon, commonly known as Skye Estates.

1.69 “Skye Estates Rules” shall mean the rules for Skye Estates adopted by the Board pursuant to Section 5.3.

1.70 “Special Assessment” shall mean any assessment levied and assessed pursuant to Section 7.6.

1.71 “Special Use Fees” shall mean the term set forth in Section 3.1.5.

1.72 “Sub-Association” shall mean any Utah nonprofit corporation or unincorporated association, or its successor in interest, the membership of which is composed of the Owners of Lots, Units or Parcels subject to one or more Neighborhood Declarations and/or Supplemental Declarations. Subject to Declarant’s prior approval, any Neighborhood shall be required to Record a Neighborhood Declaration against a Neighborhood development and organize a Sub-Association under the conditions set forth in this Declaration.

1.73 “Supplemental Declaration” shall mean an amendment or supplement to this Declaration filed by the Declarant identified as a Supplemental Declaration and Recorded

pursuant to Section 4.1 of this Declaration, which establishes a Land Use Classification. Neighborhood Declarations may or may not be Recorded in addition to or as a part of a Supplemental Declaration in the Declarant's sole, exclusive, and subjective discretion. However, it is possible, but not required, that certain Lots, Units or Parcels may be subject to both a Neighborhood Declaration and a Supplemental Declaration. It is contemplated that a Supplemental Declaration will be, in contrast to a Neighborhood Declaration, a relatively short document, identifying Land Use Classifications, designating Neighborhoods and identifying density allocated to the property it covers.

1.74 "Timeshare/Fractional Share Development or Timeshare/Fractional Share Use" shall mean any such development as defined under Utah Code Ann. § 57-19-2(18) or successor statutes. Notwithstanding anything to the contrary contained in this Declaration, Declarant has decreed that no portion of the Property shall be utilized or subjected to any Timeshare/Fractional Share Development or Timeshare/Fractional Share Use.

1.75 "Trail System" shall mean the system of trails for Skye Estates which is established from time to time by Declarant and/or the Master Association and which may be identified on the Master Land Use Plan or on any Plat for Skye Estates. The Trail System may be owned by the Master Association and/or conveyed, assigned, or transferred by Deed or other written instrument to the appropriate Municipal Authority.

1.76 "Unit" shall mean a Dwelling Unit within an Active Living Residential Development.

1.77 "Use" shall mean one or more specific types of property development and classification as set forth in Section 4.1 of this Declaration.

1.78 "VA" shall mean the Veterans Administration.

1.79 "Visible From Neighboring Property" shall mean, with respect to any given object, that such object is or would be visible to a person six feet tall standing on Neighboring Property, on the level of the base of the object being viewed.

1.80 "Working Capital Fund" shall mean the term set forth in Section 7.14.

ARTICLE II PROPERTY SUBJECT TO DECLARATION

2.1 General Declaration Creating Skye Estates. Declarant hereby declares that the Property, is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration as amended or modified from time to time. In addition, all or portions of the Property shall be subject to Recorded Neighborhood Declarations and/or Recorded Supplemental Declarations as applicable and as amended from time to time. Declarant intends to develop the Property by subdivision into various Lots, Units and Parcels and to sell such Lots, Units and Parcels. As portions of the Property are developed and/or sold to Merchant Builders for development, except as otherwise provided in this Declaration, Declarant or its designated nominee shall Record one or more Neighborhood Declarations and/or Supplemental Declarations covering such property.

Said Neighborhood Declarations and/or Supplemental Declarations will specify the Land Use Classification and permitted uses of property described therein (in accordance with Article IV hereof) and will incorporate this Declaration and establish such additional covenants, conditions and restrictions as may be appropriate for that property. This Declaration and all subsequent Neighborhood Declarations and Supplemental Declarations are declared and agreed to be in furtherance of a general plan for the subdivision, development, improvement and sale of the Property and are established for the purpose of enhancing the value, desirability and attractiveness of Skye Estates and every part thereof. All of this Declaration and applicable Neighborhood Declarations and Supplemental Declarations shall run with the Property and shall be binding upon and inure to the benefit of Declarant, the Master Association, all Owners and Residents and their successors in interest. Nothing in this Declaration shall be construed to prevent the Declarant from modifying the Master Land Use Plan or any portions thereof as to which a Neighborhood Declaration and/or Supplemental Declaration has not been Recorded. This Declaration shall not be construed to prevent the Declarant from dedicating or conveying portions of the Property, including but not limited to streets or roadways, for uses other than as a Lot, Unit, Parcel, or Master Association Land, subject to the provisions of Section 4.1. Skye Estates is not a cooperative.

2.2 Master Association Bound. Upon filing of the Articles with the Utah Division of Corporations and Commercial Code, the Covenants shall be binding upon and shall benefit the Master Association.

2.3 Municipal Authority Property. From time to time, the Declarant may, in its sole and exclusive discretion and without the vote of the Members, convey, assign, or transfer by Deed or other written instrument certain Community Areas to the applicable Municipal Authority. Once any such Community Areas are conveyed, assigned or transferred to a Municipal Authority, they shall be Exempt Property and shall constitute Municipal Authority Property. It is contemplated that from time to time certain open space areas, the Trail System and other real property and facilities, may be conveyed, assigned, or transferred by Deed or other written instrument to a Municipal Authority, which conveyances are hereby authorized pursuant to this Declaration.

ARTICLE III EASEMENTS AND RIGHTS OF ENJOYMENT IN COMMUNITY AREAS

3.1 Easements of Enjoyment. Every Member shall have a right and nonexclusive easement of enjoyment in and to the Community Areas, as such areas are dedicated for use by Declarant, which shall be appurtenant to and shall pass with the title to every Lot, Unit and Parcel, subject to the following provisions:

3.1.1 The right of the Master Association to suspend the voting rights of any Member and the right to the use of the Community Areas by any Member (i) for any period during which any Assessment against such Member's Lot, Unit or Parcel remains delinquent; (ii) for a period not to exceed sixty (60) days for any infraction by such Member of this Declaration, a Neighborhood Declaration, a Supplemental Declaration, Skye Estates Rules or applicable Design Guidelines, and (iii) for successive sixty (60)-

day periods if any such infraction by such Member is not corrected during any prior sixty (60)-day suspension period.

3.1.2 The right of the Master Association to dedicate or transfer all or any part of the Master Association Land to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Master Association.

3.1.3 The right of the Master Association to regulate the time, place and manner of use of the Community Areas through Skye Estates Rules and to prohibit access to those Community Areas, such as maintenance buildings, landscaped rights-of-ways, and other areas not intended for use by the Members. The Skye Estates Rules shall be intended, in the absolute discretion of the Board, to enhance the preservation of the Community Areas or the safety and convenience of the users thereof, or otherwise shall serve to promote the best interests of the Owners and Residents.

3.1.4 The right of the applicable Municipal Authority and any other governmental or quasi-governmental body having jurisdiction over Skye Estates to access and rights of ingress and egress over and across any street, parking area, walkway, or open area contained within Skye Estates for purposes of providing police and fire protection, transporting school children and providing other governmental or municipal service.

3.1.5 The right (but not the obligation) of the Master Association to charge special use fees ("Special Use Fees") for the use of the Community Areas. The Special Use Fees, if any, shall be set by the Board from time to time, in its discretion. Special Use Fees shall be charged only for actual entry upon or use of those portions of the Community Areas, if any, selected by the Board to be subject to a Special Use Fees, and shall be imposed only where the Board deems it appropriate to collect revenue from the actual users of such selected portions of the Community Area so that all of the costs of operating such selected portions of the Community Area are not borne by all of the Owners through Annual Assessments, but rather are borne, at least in part, by the Owners, Residents and other Persons using such selected portions of the Community Area.

3.2 No Partition. No Person acquiring any interest in the Property or any part thereof shall have a right to, nor shall any person seek, any judicial partition of the Community Areas, nor shall any Owner sell, convey, transfer, assign, hypothecate or otherwise alienate all or any of such Owner's right and nonexclusive easement of enjoyment in the Community Areas or any funds or other assets of the Master Association except in connection with the sale, conveyance or hypothecation of such Owner's Lot, Unit or Parcel (and only with respect to the right and nonexclusive easement of enjoyment that is appurtenant thereto), or except as otherwise expressly permitted herein. This Section shall not be construed to prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring or disposing of title to real property.

3.3 Easements for Encroachments. If any part of a Lot, Unit or Parcel or any Improvement built in substantial accord with the boundaries for such Lot, Unit or Parcel as

depicted on a Plat (or in other approved documents depicting the location of such on the Lot, Unit or Parcel) encroaches or shall encroach upon the Community Areas or upon an adjoining Lot, Unit or Parcel, an easement for such encroachment and for the maintenance of the same shall and does exist. If any part of the Community Areas encroaches or shall encroach upon a Lot, Unit or Parcel or an Improvement, an easement for such encroachment and for the maintenance of the same shall and does exist. Each Owner shall have an unrestricted right of ingress or egress to and from its Lot, Unit or Parcel.

3.4 Easements for Drainage Maintenance and Flood Water. Various Community Areas, Lots, Units and Parcels have or may have ditches, diversions, swales, depressions, berms, retention basins, detention basins, bulkheads, walls, dams, or other structures retaining water or other similar features on, under or through the soil that are designed to carry water away from any Community Area, Lot, Unit or Parcel, as depicted upon a Recorded Plat, or otherwise found on such properties (collectively, "Drainage Control Features"). All Owners of Lots, Units or Parcels wherein Drainage Control Features are located shall remove trash and other debris therefrom and fulfill their maintenance responsibilities with respect to such Owners' Lot, Unit or Parcel as provided in this Declaration. Notwithstanding the foregoing, the Declarant reserves for itself and its successors, assigns, and designees, a perpetual, nonexclusive right and easement, but not the obligation, to enter upon the Drainage Control Features located within any Community Area, Lot, Unit or Parcel for the purpose of maintaining, repairing, cleaning, or altering drainage and water flow, and shall have an access easement over and across any Community Area, Lot, Unit or Parcel (but not the Dwelling Units or other buildings thereon) abutting or adjacent to any portion of any Drainage Control Features to the extent reasonably necessary to exercise their rights under this Section 3.4. The Declarant's rights and easements provided in this Section 3.4 shall be transferred automatically to the Master Association at such time as the Declarant shall cease to own any property subject to the Declaration, or such earlier time as Declarant may elect, in its sole discretion, to transfer such rights by a written instrument. All persons entitled to utilize these easements shall use reasonable care in, and repair any material damage resulting from, the use of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall, excessive spring run-off, or natural disasters. Owners or Residents are strictly prohibited from disrupting the drainage pattern and shall not interfere with, obstruct, rechannel, construct upon, alter, build-in, fill-in, or impair any Drainage Control Features or the drainage pattern over his or her Lot, Unit or Parcel from or to any other Lot, Unit or Parcel as that pattern may be established by Declarant, a Merchant Builder, or other developer.

3.5 Easements for Utilities. There is hereby created an easement at specific locations approved by Declarant upon, across, over and under the Community Areas for reasonable ingress, egress, installation, replacement, repair or maintenance of all emergency access roads and all utilities, including, but not limited to, gas, water, sanitary sewer, telephone, storm drain, cable television and electricity. By virtue of this easement, it shall be expressly permissible for the providing utility company to install and maintain the necessary equipment at such locations on the Community Areas, but no sanitary sewers, electrical lines, water lines, storm drain lines, or other utility or service lines may be installed or located on the Community Areas, except as designed, approved and/or constructed by the Declarant or as approved by the Board.

3.6 Easements for Ingress and Egress. There are hereby created easements for ingress and egress for pedestrian traffic over, through and across sidewalks, paths, walks and lanes that from time to time may exist upon the Community Areas. There is also created an easement for ingress and egress for pedestrian and vehicular traffic over, through and across such driveways and parking areas as from time to time may be paved and intended for such purposes. Such easements shall run in favor of and be for the benefit of the Owners and Residents of the Lots, Units and Parcels and their guests, families, tenants and invitees. There is also hereby created an easement upon, across and over the Community Areas and all private streets, private roadways, private driveways and private parking areas within the Property for vehicular and pedestrian ingress and egress for police, fire, medical and other emergency vehicles and personnel. The Board shall have the right to relocate and/or reconfigure any and all such easements from time to time as it sees fit without the consent of any Owners (but subject to any necessary approvals of Highland City or any other governmental body or agency having jurisdiction including in particular, but without limitation, the easements granted herein for police, fire, medical and other emergency vehicles and personnel).

3.7 Delegation of Use. Each Member shall, in accordance with this Declaration and the Skye Estates Rules and the limitations therein contained, be deemed to have delegated his or her right of enjoyment in the Community Areas or from time to time portions of the Master Association Land to the members of his or her family, his or her tenants or lessees, his or her guests or invitees or to his or her tenant's family, guests or invitees.

3.8 Transfer of Title. Declarant agrees that it shall convey to the Master Association the Master Association Land subject to certain easements, this Declaration, and the lien of current general taxes and the lien of any assessments, charges, or taxes imposed by governmental or quasi-governmental authorities within a reasonable period of time after the closing of the last sale of a Lot, Unit or Parcel within the Property, or at such earlier time as Declarant determines in its sole discretion.

3.9 Trail System. Certain pathways or trails around and/or through the Property (including the Trail System) may be developed and maintained by the Master Association, or a Municipal Authority, from time to time as part of hiking and/or bicycling trail systems serving the public in addition to Owners and Residents; in such instances, members of the public shall also have the right to use such trails for the purposes for which they are developed and maintained, subject to reasonable, non-discriminatory rules and regulations as the Board may adopt from time to time and subject to applicable requirements and regulations of Highland City and any other governmental body or agency having jurisdiction thereof. Except in connection with the construction, emergency repair and maintenance activities, no motor vehicles shall be operated on any pedestrian pathways, biking or hiking trails (including the Trail System), or portions of the Community Areas designated by the Board from time to time as areas where no motor vehicles shall be operated. For purposes of this Section 3.9, "motor vehicles" shall include all automobiles, motorcycles, motorbikes, motor scooters, mini-bikes, all-terrain vehicles, snowmobiles, mopeds, off-road vehicles, or other gas or electric powered means of transportation of any size or type.

**ARTICLE IV
LAND USE CLASSIFICATIONS, PERMITTED
USES AND RESTRICTIONS**

4.1 Land Use Classifications. As portions of the Property are readied for development and/or sale to Merchant Builders, the Land Use Classifications, restrictions, easements, rights-of-way and other matters, including new or different uses and restrictions therefor and including any number of subclassifications thereof for any special uses, shall be fixed by Declarant in a Neighborhood Declaration and/or Supplemental Declaration which shall be Recorded for that portion of the Property. The Land Use Classifications, Neighborhoods, and density allocations affecting the Property as of the date of this Declaration are set forth on Exhibit C attached hereto and incorporated herein. Any such Neighborhood Declaration or Supplemental Declaration shall be construed as a supplement to this Declaration and fully a part hereof for all purposes to the same extent as if all of the provisions thereof were set forth in this Declaration. In exercising its authority to Record Neighborhood Declarations and/or Supplemental Declarations, Declarant may impose new Land Use Classifications or new restrictions so long as such are generally in conformance with then existing uses and restrictions applicable to Skye Estates and with the scheme of development contemplated by the Development Agreement, the Master Land Use Plan and this Declaration. The Land Use Classifications for Lots, Units or Parcels and Master Association Land established by a Neighborhood Declaration or Supplemental Declaration shall not be changed except as specifically permitted by this Declaration. The current contemplated Land Use Classifications are as follows:

- 4.1.1 Active Living Residential Use;
- 4.1.2 Single Family Residential Use;
- 4.1.3 Professional Office/Retail Use;
- 4.1.4 Master Association Use, which may include Community Areas; and
- 4.1.5 General Public Uses approved by the Declarant.

Unless otherwise specifically provided in this Declaration, the definitions and characteristics of such Land Use Classifications, and specific permitted and prohibited uses in such Land Use Classifications, shall be determined in the applicable Neighborhood Declaration or Supplemental Declaration and shall be within the complete discretion of Declarant. All Neighborhood Declarations and Supplemental Declarations shall be subject to the zoning, land use, and development laws, ordinances, rules and regulations and policies of the applicable Municipal Authority and subject to the Development Agreement.

4.2 Covenants Applicable to All Land Use Classifications. The following covenants, conditions, restrictions and reservations of easements and rights shall apply to all Lots, Units and Parcels, the Owners and lessees thereof, and all Residents, whether or not a Neighborhood Declaration or Supplemental Declaration has been Recorded on said property and regardless of the Land Use Classification of such property.

4.2.1 Architectural Control. No Improvements (whether temporary or permanent), alterations, repairs, excavation, grading, landscaping or other work which in any way alters the exterior appearance of any portion of the Property, or the Improvements located thereon, from its natural or improved state existing on the date this Declaration is Recorded shall be made or done without the prior written approval of the Design Review Board pursuant to Article XI, except as otherwise expressly provided in this Declaration. No building, fence, wall, residence or other structure shall be commenced, erected, maintained, improved, altered or made without the prior written approval of the Design Review Board pursuant to Article XI. All subsequent additions to or changes or alterations in any building, fence, wall or other structure, including exterior color scheme, and all changes in the grade of Lots, Units or Parcels, shall be subject to the prior written approval of the Design Review Board pursuant to Article XI. No changes or deviations in or from the plans and specifications once approved by the Board shall be made without the prior written approval of the Design Review Board pursuant to Article XI.

4.2.2 Animals. No animal, bird, or fish, other than a reasonable number of generally recognized house or yard pets as determined solely by the Board, shall be maintained on any Lot, Unit or Parcel and then only if they are kept, and raised thereon solely as domestic pets and not for commercial purposes. All pets must be kept within a Unit or on a leash at all times. No animal or bird shall be allowed to make an unreasonable amount of noise or to become a nuisance. No structure for the care, housing or confinement of any animal or bird shall be maintained so as to be Visible From Neighboring Property, unless otherwise approved by the Board. If an Owner or Resident fails to abide by the rules and regulations and/or covenants applicable to pets, the Board may bar such pet from use of or travel upon the Community Areas. The Board may subject ingress, egress, use, or travel upon the Community Areas by a Person with a pet to a Special Use Fee, which may be a general fee for all similarly-situated Persons or a specific fee imposed for failure of an Owner or Resident to abide by the rules, regulations, and/or covenants applicable to pets. In addition, any pet which endangers the health of any Owner or Resident of a Lot, Unit or Parcel or which creates a nuisance or an unreasonable disturbance or is not a common household pet, as may be determined in the sole discretion of the Board, must be permanently removed from the Property upon seven (7) days' written notice by the Board. Upon the written request of any Owner or Resident, the Board shall conclusively determine, in its sole and absolute subjective discretion, whether for the purposes of this Section 4.2.2 a particular animal, fish or bird is a generally recognized house or yard pet, whether such a pet is a nuisance or whether the number of animals, fish or birds on any such property is reasonable. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions contained herein.

4.2.3 Temporary Occupancy and Temporary Buildings. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Subject to the Design Guidelines, temporary buildings or structures may be used during the construction of any structure on any property.

4.2.4 Landscaping. Unless otherwise approved by the Design Review Board, the initial Owner that purchases from Declarant or from any Merchant Builder a Dwelling Unit on any Lot shall be responsible to install landscaping and irrigation on such Lot pursuant to a landscape plan that shall be approved in advance by the Design Review Board. All such landscape plans shall contain requirements for the commencement and completion of all such landscape improvements. The required minimum landscaping for all Lots shall include the planting of grass or the placement of sod in the front yard and in the park strip and also the planting of trees in the park strip as provided in this Section 4.2.4. Not less than (1) one tree shall be planted in the park strip for each Lot. When the total park strip frontage for a Lot exceeds 50 feet, a minimum of (2) two trees shall be planted in the park strip for such Lot. The minimum number of trees to be planted in the park strips for Lots located on a corner shall be calculated and satisfied separately for the park strip frontage located in the front of such Lot as well as the park strip frontage located on each side of the Lot. Trees planted in the park strips shall be not less than 1.5 inches in diameter. The type of trees allowed for planting in the park strip are: Eastern Redbud, Summer Snow Japanese Tree Lilac, Katsura, Forest Pansy Redbud, Tatarian Maple, Red Buckeye, Golden Rain Tree, Sargent Apple, Red Barron Crab Apple, and Flowering Cherry. Front yard and park strip landscaping must be completed within twelve (12) months following the closing date for the purchase of the Lot by the initial Owner. Landscaping plans and the requirements for the completion of landscape improvements for any portion of the Property improved for Active Living Residential Use or for Professional Office/Retail Use shall be as determined and approved by the Design Review Board, but such landscaping plans shall be consistent with the minimum landscaping required for Lots improved with the construction of Dwelling Units.

4.2.5 Maintenance of Landscaped Areas. After the landscaped Improvements on any portion of the Property are initially completed, the Master Association or a Sub-Association that is approved by the Master Association to be responsible therefor, shall care for, maintain and repair all landscaped portions of the Community Areas within Skye Estates, and the costs and expenses to care for, maintain and repair all landscaped areas that are cared for, maintained and repaired by the Master Association shall be Community Expenses. The costs and expenses to care for, maintain and repair all landscaped areas that are cared for, maintained and repaired by a Sub-association shall be included within the costs and expenses that are assessed by such Sub-Association to the members of such Sub-Association. Unless otherwise provided in the applicable Neighborhood Declaration, the Owner of each Lot shall be responsible to care for, maintain and repair all landscaped areas on such Owner's Lot.

4.2.6 Nuisances. No weeds, dead trees or plants, rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot, Unit or Parcel, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the Residents of such other property, as determined on a reasonable, good faith basis. No other nuisance shall be permitted to exist or operate upon any Lot, Unit or Parcel so as to be offensive or detrimental to any other property in the vicinity thereof or to its Residents, as determined

on a reasonable, good faith basis. Without limiting the generality of any of the foregoing provisions, except as specifically provided in this Section 4.2.6, no exterior speakers, horns, whistles, firecrackers, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such property.

4.2.7 Construction Activities. All construction activities and parking in connection with the building of Improvements on any Lot, Unit or Parcel shall be subject to the Design Guidelines and approved by the Design Review Board pursuant to Article XI. The Board in its sole discretion shall have the right to determine the existence of any nuisance arising out of construction and any activities related thereto. The Design Review Board has the right to impose fines related to violations of the Design Guidelines. The Design Guidelines require submittal to the Design Review Board of site specific construction mitigation plans prior to any construction activities.

4.2.8 Diseases and Insects. No Owner shall permit any thing or condition to exist upon any Lot, Unit or Parcel which shall induce, breed or harbor infectious plant diseases or noxious insects.

4.2.9 Repair of Improvements. No Improvement on any Lot, Unit or Parcel shall be permitted to fall into disrepair, and each such Improvement shall at all times be kept in good condition and repair and adequately painted or otherwise finished. In the event any Improvement is damaged or destroyed, then, subject to the approvals required by Section 4.2.1 above and subject to the provisions of any Neighborhood Declaration or Supplemental Declaration, such Improvement shall be immediately repaired, rebuilt or demolished. If any Improvement should be demolished, then the Owner shall at all times maintain the vacant Lot, Unit or Parcel in a clean and sightly condition, and shall clear and shall continue to clear the Lot, Unit or Parcel of any weeds, debris, garbage, tree prunings or like items.

4.2.10 Antennas and Satellite Dishes. To the full extent permissible under state and federal law, no television, radio, shortwave, microwave, satellite, flag or other antenna, pole, tower or dish shall be placed, constructed or maintained upon any Lot, Unit, Parcel or other part of the Property unless such antenna, pole, tower or dish is fully and attractively screened or concealed so as not to be Visible From Neighboring Property, which means of screening or concealment shall be subject to the Design Guidelines and the regulation and prior approval of the Design Review Board. Notwithstanding the foregoing, the Design Review Board may allow, pursuant to the Skye Estates Rules, the placing on a Lot, Unit or Parcel of a flag pole no greater than eight (8) feet in length for the purpose of displaying the national flag of the United States of America, which flag shall be no greater than twenty (20) square feet in size.

4.2.11 Mineral Exploration. No portion of the Property shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, gas, earth or any earth substance of any kind. No derrick or other structure designed for use in boring for water, oil, or other hydrocarbons or minerals of any kind or nature shall be erected, maintained or permitted on any portion of the Property.

4.2.12 Signs. No signs whatsoever (including, but not limited to commercial, political, "for sale," "for rent," and similar signs) which are Visible from Neighboring Property shall be erected or maintained on any Lot, Unit or Parcel except:

4.2.12.1 Signs erected and maintained by Declarant (or the Master Association pursuant to Section 10.1.4) pursuant to this Declaration.

4.2.12.2 Signs required by law.

4.2.12.3 Residence identification signs, provided the size, color, content and location of such signs have been approved in writing by the Design Review Board.

4.2.12.4 Signs of Merchant Builders approved from time to time by the Design Review Board as to number, size, color, design, content, location and type.

4.2.12.5 Such construction job identification signs and subdivision identification signs which are in conformance with the requirements of any Municipal Authority and which have been approved in writing by the Design Review Board as to number, size, color, design, content, and location.

4.2.12.6 Signs identifying the entry way to distinct Neighborhoods or locations of special interest, provided the size, color, content and location of such signs have been approved in writing by the Design Review Board.

4.2.13 Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, Unit or Parcel, except in covered containers of a type, size and style which are approved by the Board or required by the applicable Municipal Authority. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make the same available for collection within a 24 hour period. All rubbish, trash and garbage shall be removed from the Lots, Units and Parcels and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot, Unit or Parcel.

4.2.14 Clothes Drying Facilities. No outside clotheslines or other outside facilities for drying or airing clothes shall be erected, placed or maintained on any Lot, Unit or Parcel or other property so as to be Visible From Neighboring Property.

4.2.15 Outdoor Play Apparatus, Sculptures and Art. No outdoor play apparatus, structures or devices including, without limitation, basketball goals, backboards, swimming pools, tennis courts and swing sets, sculptures, or outdoor art shall be erected, placed or maintained on any Lot, Unit or Parcel without the prior written approval of the Board (including, without limitation, approval as to appearance and location).

4.2.16 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot, Unit or Parcel except (i) such machinery or equipment as is usual and customary in connection with the use,

maintenance or construction (during the period of construction) of a building, appurtenant structures, or other Improvements; (ii) that which Declarant or the Master Association may require for the operation and maintenance of the Property; or (iii) that which is used or displayed in connection with any business permitted under a Neighborhood Declaration or Supplemental Declaration.

4.2.17 Restriction on Further Subdivision, Property Restrictions and Rezoning. No Lot, Unit or Parcel shall be further subdivided or separated into smaller Lots, Units or Parcels or interests by any Owner, and no portion less than all of any such Lot, Unit or Parcel, nor any easement or other interest therein, shall be conveyed or transferred by any Owner, without the prior written approval of the Declarant (or the Board following the expiration of the Period of Declarant Control), which approval must be evidenced on the Plat or other instrument creating the subdivision, easement or other interest. This provision shall not apply to transfers of an ownership interest in the whole of any Lot, Unit or Parcel. Further, this provision shall not, in any way, limit Declarant from subdividing or separating into Lots, Units or Parcels the Property, which has not previously been platted or subdivided into Lots or Units. Except for Improvements constructed by Declarant, no buildings or other Improvements shall be constructed on any Lot, Unit or Parcel until a Neighborhood Declaration or Supplemental Declaration has been Recorded on such property. No Neighborhood Declaration, Supplemental Declaration or further covenants, conditions, restrictions or easements shall be Recorded by any Owner or other person against any Lot, Unit or Parcel without the provisions thereof having been first approved in writing by the Declarant (or the Board following the expiration of the Period of Declarant Control), and any covenants, conditions, restrictions or easements Recorded without such approval being evidenced thereon shall be null and void. No application for rezoning of any Lot, Unit or Parcel, and no applications for variances or use permits, shall be filed with a Municipal Authority unless the proposed use of the Lot, Unit or Parcel complies with this Declaration and any applicable Neighborhood Declaration or Supplemental Declaration.

4.2.18 Utility Easements. There is hereby created a blanket easement upon, across, over and under each Lot, Unit and Parcel for ingress to, egress from, and for the installation, replacing, repairing and maintaining of, all utility and service lines and systems, including, but not limited to storm drain, water, sewer, gas, telephone, electricity, television cable or communication lines and systems, as such utilities are installed in connection with the initial development of each Lot, Unit or Parcel and the construction of the Improvements thereon and also to the extent deemed necessary thereafter by the Declarant or the Board provided that the location of any such easements shall not unreasonably interfere with the intended use of such Lot, Unit or Parcel by the Owner thereof. Pursuant to this easement, a providing utility or service company may install and maintain facilities and equipment on the Property and affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of buildings on the Lots, Units and Parcels. Notwithstanding anything to the contrary contained in this Subsection, no sewers, storm drain lines, electrical lines, water lines, or other utilities or service lines may be installed or relocated on any Lot, Unit or Parcel except as approved by the Declarant (or the Board following the expiration of the Period of Declarant

Control), or, if installed after a Neighborhood Declaration or Supplemental Declaration is Recorded, as approved by the Declarant and also by the Board.

4.2.19 Fences and Walls. Except as otherwise specifically authorized and approved by Declarant (or by the Board following the expiration of the Period of Declarant Control) no perimeter fences or walls shall be constructed or otherwise allowed within Skye Estates.

4.2.20 Utility Service. No lines, wires or other devices for communication or for the transmission of electric current or power, including telephone, television and radio signals, and cable information highways, shall be erected, placed or maintained anywhere in or upon any Lot, Unit or Parcel, unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures as approved by the Declarant (or the Board following the expiration of the Period of Declarant Control), except for:

4.2.20.1 overhead power poles and lines to perimeter areas of the Property as approved by Declarant (or the Board following the expiration of the Period of Declarant Control); and

4.2.20.2 boxes on the ground for electrical or communication connections, junctions, transformers and other apparatus customarily used in connection with such underground lines, wires and other devices as approved by the Declarant (or the Board following the expiration of the Period of Declarant Control).

4.2.21 Overhead Encroachments. Except as provided for herein, no tree, shrub or planting of any kind on any Lot, Unit or Parcel shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way, or other area from ground level to a height of eight (8) feet without the prior approval of the Board. Notwithstanding the foregoing, if any part of a healthy tree or shrub shall encroach upon the Community Areas, or upon an adjoining Lot, Unit or Parcel, an easement for such encroachment and for the maintenance of the same shall and does exist, provided such encroachment does not create a hazardous, dangerous or unsafe condition. Each Owner shall have a right of ingress or egress to the adjoining Lot, Unit or Parcel to the extent reasonably necessary to maintain such tree or shrub.

4.2.22 Trucks, Trailers, Campers and Boats. No motor vehicle classed by manufacturer rating as exceeding one-ton, nor any mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, boat, boat trailer or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Lot, Unit or Parcel or on any street or Community Area in Skye Estates so as to be Visible From Neighboring Property, or visible from the Community Areas or the streets; provided, however, the provisions of this Section 4.2.22 shall not apply to (i) pickup trucks of less than one-ton capacity with camper shells not exceeding seven (7) feet in height measured from ground level and mini-motor homes not exceeding seven (7) feet in height and eighteen (18) feet in length which are parked as provided in Section 4.2.23

below and are used on a regular and recurring basis for basic transportation, or (ii) trucks, trailers and campers parked in an approved recreational vehicle storage area within a Residential Area or other approved areas designated for such parking in Professional Office/Retail Area Land Use Classifications in connection with permitted commercial activities conducted in such Professional Office/Retail Area Land Use Classifications.

4.2.23 Motor Vehicles, Parking and Towing.

4.2.23.1 No automobile, motorcycle, motorbike, snowmobile, snow cat, personal watercraft, boat, boat trailer, motorcycle, motorbike, motor scooter, mini-bike, all-terrain vehicle, moped, off-road vehicle, recreational vehicle or other similar equipment or vehicle or other motor vehicle shall be stored, constructed, reconstructed or repaired upon any Lot, Unit, Parcel or street or other Professional Office/Retail Area in Skye Estates, and no inoperable vehicle may be stored or parked on any such Unit, Parcel or street, so as to be Visible From Neighboring Property or to be visible from Professional Office/Retail Areas or streets; provided, however, that the provisions of this Section 4.2.23 shall not apply to (i) emergency vehicle repairs; (ii) temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any Improvement approved by the Design Review Board; (iii) the parking of such vehicles during normal business hours in areas designated for parking in a non-Residential Land Use Classification; (iv) vehicles parked in garages on Lots, Units or Parcels so long as such vehicles are in good operating condition and appearance and are not under repair; (v) the storage of such vehicles in an area designated for such purposes on a Neighborhood Declaration or Supplemental Declaration or on a site plan approved by the Board; and (vi) vehicle repair within a garage which is closed except as necessary for ingress and egress.

4.2.23.2 On-street parking is expressly prohibited on all private streets within Skye Estates and is also expressly prohibited on any portion of Grant Boulevard located within or adjacent to Skye Estates. It is the intent of the Declarant to restrict on-street parking on all other public streets within Skye Estates as much as possible. Vehicles of all Owners and Residents, and of their employees, guests and invitees, are to be kept in garages and residential driveways of the Owner and other designated parking areas wherever and whenever such facilities are sufficient to accommodate the number of vehicles at a Lot, Unit or Parcel; provided, however, this Section 4.2.23 shall not be construed to permit the parking in the above described areas of any vehicle whose parking on the Property is otherwise prohibited or the parking of any inoperable vehicle. Recreational vehicles shall be parked in covered garages except for limited periods not to exceed forty-eight (48) consecutive hours in Residential driveways or other designated parking areas as determined by the Board and promulgated as part of the Skye Estates Rules. All guest parking areas within Skye Estates, as identified and designated by Declarant or by the Board by appropriate signage, shall be reserved for the parking of the guests of Owners.

4.2.23.3 The Board has the right, without notice, to have any vehicle which is parked, kept, maintained, constructed, reconstructed or repaired in violation of Section 4.2.23 towed away at the sole cost and expense of the owner of the vehicle. Any expense incurred by the Master Association in connection with the towing of any vehicle must be paid by the owner of the vehicle to the Master Association upon demand. If the vehicle is owned by an Owner or Resident, any amounts payable to the Master Association will be secured by the Assessment Lien against that Owner's or Resident's Lot, Unit or Parcel, and the Master Association may enforce collection of those amounts in the same manner provided for in this Declaration for the collection of Assessments.

4.2.24 Roofs. To the full extent permissible under state and federal law, no apparatus, structure or object shall be placed on the roof of a Dwelling Unit or other Improvement without the prior written consent of the Design Review Board. Any apparatus, structure or object approved by the Design Review Board for placement on the roof of a Dwelling Unit shall be mounted on the rear of the roof so that such apparatus or object is below the highest ridge on the roof and is not Visible From Neighboring Property and is not visible from any street by a Person standing anywhere on the curb or street in front of the Dwelling Unit or other Improvement or at the rear or sides of Lots, Units or Parcels backing upon any open space or public right of way. No air conditioning units or evaporative coolers extending from windows or protruding from roofs are permitted, except as installed by Declarant or as approved by the Design Review Board.

4.2.25 Draperies and Window Coverings. All draperies, window coverings and window treatments in all Lots, Units or Parcels and other Improvements within Skye Estates at all times shall be as specified by Declarant (or by the Design Review Board following the expiration of the Period of Declarant Control), and such draperies, window coverings and window treatments shall not be altered or removed without the written authorization of Declarant (or the Design Review Board after the expiration of the Period of Declarant Control).

4.2.26 Drainage. No Owner or Resident shall interfere with or obstruct the drainage pattern over his or her Lot, Unit or Parcel from or to any other Lot, Unit or Parcel as that pattern may be established by Declarant, a Merchant Builder, or any other developer or as described in Section 3.4 hereof with respect to Drainage Control Features.

4.2.27 Garage Openings. All garages shall be fully enclosed. No carports shall be permitted. No garage door shall be open except when necessary for access to and from the garage, cleaning, maintenance or repair.

4.2.28 Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other Resident or occupant of a Lot, Unit or Parcel, any member of the Board or any authorized representative of the Board, shall have the right to enter upon and inspect any Lot, Unit or Parcel and the Improvements thereon, except for the interior portions of any completed Dwelling Unit, for the purpose of ascertaining whether or not

the provisions of this Declaration have been or are being complied with, and such persons shall not be deemed guilty of trespass by reason of such entry.

4.2.29 Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant or by Merchant Builders or their duly authorized agents, of structures, Improvements or signs necessary or convenient to the development or sale of the Property, if those structures, Improvements or signs have been approved by the Board.

4.2.30 Health, Safety and Welfare. In the event additional uses, activities and facilities are deemed by the Board to be a nuisance or to adversely affect the health, safety or welfare of Owners and Residents, the Board may make rules restricting or regulating their presence within Skye Estates as part of the Design Guidelines.

4.2.31 Model Units. The provisions of this Declaration and of Neighborhood Declarations or Supplemental Declarations which, in certain instances, prohibit non-Residential use of Lots, Units and Parcels and regulate parking of vehicles shall not prohibit the construction and maintenance of model Residential Dwelling Units by persons engaged in the construction of Residential Dwelling Units at Skye Estates and parking incidental to the visiting of such model Residential Dwelling Units so long as the location of such model Residential Dwelling Units and the opening and closing hours are approved by the Board and so long as the construction, operation and maintenance of such model Residential Dwelling Units otherwise comply with all of the provisions of this Declaration. The Board may also permit areas within Skye Estates to be used for parking in connection with the showing of model Residential Dwelling Units so long as such parking and parking areas are in compliance with the ordinances of the governing Municipal Authority and any rules of the Board. Any Residential Dwelling Units constructed as model Residential Dwelling Units shall cease to be used as model Residential Dwelling Units at any time the Owner thereof is not actively engaged in the construction and sale of Dwelling Units at Skye Estates, and no Residential Dwelling Unit shall be used as a model Residential Dwelling Unit for the sale of Units not located at Skye Estates.

4.2.32 Incidental Uses. The Declarant or the Board may approve uses of property within a Land Use Classification which are incidental to the full enjoyment by the Owners of the property within that Land Use Classification. Such approval may be subject to such regulations, limitations and restrictions, including termination of the use, as the Declarant or the Board may wish to impose, in its sole discretion, for the benefit of Skye Estates as a whole.

4.2.33 Leases. Any Lease between an Owner and a tenant or lessee respecting a Lot, Unit, Parcel or any portion of the Property shall be subject in all respects to the provisions of the Governing Documents, and any failure by the lessee to comply with the terms of such Governing Documents shall be a default under the Lease. Specifically, all Leases shall comply with the Governing Documents and shall require that the tenant acknowledge receipt of a copy of the Governing Documents and/or reference to the location thereof for inspection by such tenant or lessee. The Lease shall also obligate the

tenant to comply with the foregoing and shall provide that in the event of noncompliance, the Board, in addition to any other remedies available to it, may evict the tenant on behalf of the Owner and specifically assess all costs associated therewith against the Owner and the Owner's property.

4.2.34 Energy Conservation Equipment. To the full extent permissible under state and federal law, no solar energy collector panels or attendant hardware or other energy conservation equipment shall be constructed or installed, unless it is an integral and harmonious part of the architectural design of a structure, as determined in the sole discretion of the Board.

4.2.35 Violations of Law. Any activity which violates local, state, or federal laws or regulations is prohibited; however, the Board shall have no obligation to take enforcement action in the event of a violation.

4.2.36 Easement for Development. Declarant hereby reserves an easement throughout the Property for the purpose of completing all Improvements contemplated by this Declaration. Declarant shall be entitled to use all Community Areas, roadways and other facilities located in, on or under the Property in order to make Improvements thereto and to continue with the development of the Property.

4.2.37 Sales Offices. Declarant hereby reserves the right to maintain sales offices, management offices, signs advertising Skye Estates, and models in any areas of Skye Estates owned by the Declarant. Declarant may relocate sales offices, management offices and models to other locations within Skye Estates at any time.

4.2.38 Tanks. Unless otherwise approved by Declarant or the Board, no tanks of any kind (including tanks for the storage of fuel) shall be erected, placed or maintained on any Parcel unless such tanks are buried underground. Nothing herein shall be deemed to prohibit use or storage upon any Parcel of an above ground propane or similar fuel tank with a capacity of ten (10) gallons or less used in connection with a normal residential gas barbecue, grill or fireplace or a spa or "hot tub", so long as any such tank either: (a) has a capacity of ten (10) gallons or less; or (b) is appropriately stored, used and/or screened, in accordance with the Skye Estates Rules or as otherwise approved by the Design Review Board, so as not to be Visible From Neighboring Property. Notwithstanding the foregoing, Declarant or a Merchant Builder shall have the right to use above-ground tanks during the course of construction and related activities in the development of Skye Estates as otherwise authorized by applicable Municipal Authorities.

4.3 Covenants Applicable to Property Within Single Family Lot Subdivision Use and Residential Development Land Use Classifications. The following covenants, conditions, restrictions and reservations of rights shall apply only to Dwelling Units and the Owners and Residents thereof lying within a Single Family Lot Subdivision Use or an Active Adult Residential Development Land Use Classification:

4.3.1 General. Property classified as a Single Family Lot Subdivision Use or an Active Adult Residential Development Land Use Classification under a Neighborhood Declaration or Supplemental Declaration may be used only for the construction and occupancy of Residential Dwelling Units together with common recreational facilities and other Community Areas. All property within such Land Use Classifications shall be used, improved and devoted exclusively to Residential Use.

4.3.2 Business Activities. Property classified for the purposes set forth in Section 4.3.1 under a Neighborhood Declaration or Supplemental Declaration shall not be used for any business, trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or Resident may conduct business activities within the Dwelling Unit so long as: (a) the existence or operation of the activity is not apparent or detectable by sight, sound, or smell from outside the Dwelling Unit; (b) the activity conforms to all zoning requirements for Skye Estates; (c) the activity does not involve regular visitation of the Dwelling Unit by clients, customers, suppliers, or other business invitees or door-to-door solicitation of Residents of the Property; and (d) the activity is consistent with the Residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other Residents of the Property, as may be determined in the sole discretion of the Board. This Section 4.3.2 shall not apply to any activity conducted by Declarant or a Merchant Builder approved by Declarant with respect to its development and sale of the Lots, Units or Parcels or its use of any Dwelling Units which it owns within Skye Estates.

4.3.3 Tenants. The entire Dwelling Unit may be leased to a tenant or lessee for Residential occupancy from time to time by the Owner, subject to the provisions of this Declaration (including without limitation Section 4.2.33) the Skye Estates Rules and any applicable Design Guidelines.

4.4 Covenants Applicable to Property Within Professional Office/Retail Developments and all other Professional Office/Retail Areas. The following covenants, conditions, restrictions and reservation of rights shall apply only to Professional Office/Retail Developments and all other Professional Office/Retail Areas, the Improvements constructed thereon and the Owners and Residents and occupants within Professional Office/Retail Area Land Use Classifications:

4.4.1 General. Property classified as and located within a Professional Office/Retail Area will generally be developed as individual Professional Office/Retail projects by Declarant and/or one or more Merchant Builders. Declarant may sell or lease one or more Parcels to individual Merchant Builders who will construct Improvements with respect to such a Parcel in accordance with a specific Neighborhood Declaration or Supplemental Declaration.

4.4.2 Tenants. All or some portion of a Parcel in a Professional Office/Retail Area may be leased to one or more tenants or lessees from time to time by the Owner of a Parcel, subject to the provisions of this Declaration (including without limitation Section 4.2.33), the Skye Estates Rules and any applicable Design Guidelines.

4.5 Variances. Subject to the provisions of the Design Guidelines, the Board may, at its option and in extenuating circumstances, grant variances from the restrictions set forth in Article IV of this Declaration or in the Design Guidelines or in any Neighborhood Declaration or in any Supplemental Declaration, if the Board determines in its discretion (a) either (i) that a restriction would create an unreasonable hardship or burden on an Owner which hardship is not self imposed by such Owner or (ii) that a change of circumstances since the date this Declaration is Recorded has rendered such restriction obsolete and (b) that the activity permitted under the variance will not have any substantial adverse effect on the Owners and Residents of Skye Estates and is consistent with the high quality of life intended for Owners and Residents of Skye Estates.

4.6 Business Activities Conducted Within Dwelling Units. Business activities conducted within a Dwelling Unit shall not change the Residential Use of such Dwelling Unit into a Professional Office/Retail Use.

ARTICLE V ORGANIZATION OF MASTER ASSOCIATION

5.1 Formation of Master Association. The Master Association shall be a Utah nonprofit corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws and this Declaration. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

5.2 Board of Directors and Officers. The affairs of the Master Association shall be conducted by a Board of at least three (3) directors and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws, as the same may be amended from time to time. The initial Board shall be composed of three (3) directors appointed by Declarant, which initial Board shall be controlled by Declarant until the expiration of the Period of Declarant Control. The Board may also appoint various committees and may appoint a Manager who shall, subject to the direction of the Board, be responsible for the day-to-day operation of the Master Association. The Board shall determine the compensation to be paid to the Manager. The Board's responsibilities shall include, but shall not be limited to, the following:

- 5.2.1 administration;
- 5.2.2 preparing and administering an operational budget;
- 5.2.3 establishing and administering an adequate reserve fund;
- 5.2.4 scheduling and conducting the annual meeting and other meetings of the Members;
- 5.2.5 collecting and enforcing the Assessments and the Maintenance Charges;
- 5.2.6 accounting functions and maintaining records;

5.2.7 establishing, administering and enforcing the Design Guidelines of Skye Estates, as authorized in Article XI of this Declaration;

5.2.8 promulgation and enforcement of the Skye Estates Rules;

5.2.9 maintenance of the Community Areas; and

5.2.10 all the other duties imposed upon the Board pursuant to the Governing Documents, including enforcement thereof.

5.3 Skye Estates Rules. By a majority vote, the Board may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations to be known as the Skye Estates Rules. The Skye Estates Rules may restrict and govern the use of any area of Skye Estates by any Member or Resident, by the family of such Member, or by any invitee, licensee or tenant of such Member; provided, however, that the Skye Estates Rules shall not discriminate among Members and shall be consistent with the Governing Documents.

5.3.1 Notwithstanding any provision in this Declaration to the contrary, no rule, regulation or action of the Master Association, Board or Manager shall unreasonably impede Declarant's right to develop the Property.

5.3.2 ALL OWNERS ARE GIVEN NOTICE THAT THE USE OF THEIR LOT, UNIT OR PARCEL AND THE COMMUNITY AREAS IS LIMITED BY THE SKYE ESTATES RULES AND THE DESIGN GUIDELINES AS AMENDED, EXPANDED, AND OTHERWISE MODIFIED FROM TIME TO TIME. EACH OWNER, BY ACCEPTANCE OF A DEED, ACKNOWLEDGES AND AGREES THAT THE USE AND ENJOYMENT AND MARKETABILITY OF HIS OR HER LOT, UNIT OR PARCEL CAN BE AFFECTED BY THIS PROVISION AND THAT THE SKYE ESTATES RULES AND THE DESIGN GUIDELINES MAY CHANGE FROM TIME TO TIME. ALL PURCHASERS OF LOTS, UNITS OR PARCELS ARE ON NOTICE THAT THE BOARD MAY ADOPT CHANGES TO THE SKYE ESTATES RULES AND THE DESIGN GUIDELINES FROM TIME TO TIME. COPIES OF THE CURRENT SKYE ESTATES RULES AND THE DESIGN GUIDELINES MAY BE OBTAINED FROM THE MASTER ASSOCIATION.

5.4 Personal Liability. No director of the Master Association, no member of any committee of the Master Association, no officer of the Master Association and no Manager or other employee of the Master Association shall be personally liable to any Member or to any other person, including the Master Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Master Association, the Board, the Design Review Board, the Manager, any representative or employee of the Master Association or any committee, committee member or officer of the Master Association; provided, however, the limitations set forth in this Section 5.4 shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct.

5.5 Sub-Associations. Prior to such time as a Sub-Association is formed by a Merchant Builder developing a Parcel at Skye Estates, the articles of incorporation and bylaws or other governing documents for such Sub-Association must be approved by Declarant (until the

expiration of the Period of Declarant Control) and by the Master Association. The governing documents for such Sub-Association shall specify that the rights of its members are subject and subordinate to the provisions of the Governing Documents.

5.6 Professional Management. The Master Association may carry out through the Manager those of its functions which are properly subject to delegation. The Manager so engaged shall be an independent contractor and not an agent or employee of the Master Association, shall be responsible for managing Skye Estates for the benefit of the Master Association and the Owners, and shall, to the extent permitted by law and by the terms of the agreement with the Master Association, be authorized to perform any of the functions or acts required or permitted to be performed by the Master Association itself. Any such management agreement may be terminated by the Declarant without cause at any time during the Period of Declarant Control. In addition, any such management agreement may be terminated by the Master Association without cause upon giving reasonable notice at any time after the expiration of the Period of Declarant Control.

5.7 Implied Rights. The Master Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents or by law, all rights and powers of the Master Association may be exercised by the Board without a vote of the Members. The Board may institute, defend, settle, or intervene on behalf of the Master Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Community Areas, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not be construed as creating any independent legal duty of the Board to institute litigation on behalf of or in the name of the Master Association or its Members. In exercising the Master Association's rights and powers, making decisions on behalf of the Master Association, and conducting the Master Association's affairs, Board directors shall be subject to, and their actions shall be judged in accordance with, the standards set forth in the Articles and Bylaws. All final decisions of the Board shall be nonappealable.

ARTICLE VI MEMBERSHIPS AND VOTING

6.1 Owners of Lots, Units and Parcels. Every Person who is the Owner of Assessable Property (whether a Lot, Unit or a Parcel) shall be subject to Annual Assessments and Special Assessments and shall be a Member of the Master Association (provided, however, Declarant as a Class B Member shall be and shall remain a Member of the Master Association at all times with voting rights, notwithstanding its temporary exemption status from required Assessment payments). Each such Owner shall have the following number of Memberships:

6.1.1 One Membership for each Lot owned by the Member.

6.1.2 In the case of the Owner of a Parcel designated for Active Living Residential Development, one Membership for each Unit permitted upon the Parcel under the Master Land Use Plan then in effect for Skye Estates. If a Plat or other instrument creating Units is recorded covering all or part of the area within such Parcel, the Parcel

shall be reduced in size by the area so platted, and the number of Memberships held by the Owner, as Owner of the Parcel, shall be reduced by a number equal to the number of Units on the recorded Plat. All Memberships attributable to the Parcel shall cease when the land area ceases to be a Parcel because all of the area in the Parcel has been platted or otherwise dedicated to the public and no unplatted Active Living Residential Use Area remains within the Parcel;

6.1.3 Except as otherwise provided in Section 6.1.5 below, in the case of the Owner of the Parcel designated for or as a Professional Office/Retail Area, one Membership for each 149 square feet of floor area designated as being permitted upon the Parcel under the Master Land Use Plan then in effect for Skye Estates, up to a maximum number of 67 Memberships allocated to the Professional Office/Retail Area Parcel. If a site plan for the Professional Office/Retail Parcel is subsequently approved by the Declarant, the Design Review Board and the Municipal Authority for a number of square feet of floor area different than the 10,000 square feet of floor area assumed pursuant to the Master Land Use Plan, the number of Memberships will be adjusted, as to the portion of the Parcel covered by the site plan and shall be effective as of the date of adjustment, to reflect the actual square feet authorized by the approved site plan.

6.1.4 No Memberships Shall be allocated to Community Areas. Exempt Property (except as otherwise provided regarding Declarant), property utilized for a Church Use or other General Public Uses.

6.1.5 Each such Membership shall be appurtenant to and may not be separated from ownership of the Lot, Unit or Parcel to which the Membership is attributable. As provided in this Section 6.1. there shall be only one Membership for each Lot, for each Unit and for each 149 square feet of floor area in the Professional Office/Retail Area, which Memberships shall be shared by any joint Owners of, or Owners of undivided interests in a Lot, Unit or Parcel.

6.2 Declarant. The Declarant shall be a Member of the Master Association for so long as the Declarant holds a Class B Membership pursuant to Section 6.4 below or for so long as Declarant owns any Lots, Units or Parcels within Skye Estates.

6.3 Voting.

6.3.1 The Class A Memberships which shall be all Memberships other than the Class B Memberships held by the Declarant. Each Owner shall be entitled to one (1) vote for each Class A Membership held by the Owner, subject to the authority of the Board to suspend the voting rights of the Owner for violations of this Declaration in accordance with the provisions hereof. Notwithstanding the forgoing, no vote shall be cast or counted for any Class A Membership not subject to Assessment.

6.3.2 The Class B Memberships, shall be held only by the Declarant and any successor of Declarant who takes title to any Lot, Unit or Parcel from Declarant for the purpose of development and sale and who is designated to be the owner of a Class B Membership in a Recorded instrument executed by Declarant. The Declarant shall

initially be entitled to 1,200 votes as a Class B Member. This number shall be decreased by one (1) vote for each Class A Membership existing at any one time. The Class B Memberships shall cease and shall be converted to Class A Memberships, on the basis of the number of Lots, Units and Parcels then owned by the Declarant, on the happening of the first of the following events:

6.3.2.1 When Declarant has sold all of the Lots, Units and/or the Parcels owned and developed by Declarant within Skye Estates and on any of the Additional Land that may be subjected to this Declaration and become part of Skye Estates, pursuant to Article XIX hereof; or

6.3.2.2 twenty-five (25) years from the date the Declaration was Recorded; or

6.3.2.3 when, in its discretion, the Declarant so determines.

6.3.3 From and after the happening of such events, whichever occurs first, the Lots, Units and/or Parcels owned by Declarant shall be entitled to voting rights on the same basis as all other Owners as set forth in Section 6.3.1 hereof. Upon the happening of an event described in Sections 6.3.2.1, 6.3.2.2 or 6.3.2.3, or at such earlier time as Declarant determines to terminate the Period of Declarant Control, Declarant shall advise the Membership of the termination of the Period of Declarant Control.

6.3.4 During the Period of Declarant Control, Declarant, as holder of the right to vote the Memberships owned by Declarant, shall have the sole right to appoint all of the Directors as provided in this Declaration.

6.3.5 Except as otherwise expressly provided in this Declaration or in any of the other Governing Documents, any issue put to a vote by ballot without a meeting or at a duly called meeting of the Members at which a quorum is present shall be decided by a simple majority of all votes represented in person or by valid proxy at such meeting.

6.4 Neighborhoods.

6.4.1 Neighborhoods. Every Lot, Unit and Parcel shall be located within a Neighborhood (as designated by Declarant or by the Board following the expiration of the Period of Declarant Control) and shall be subject to a Neighborhood Declaration or Supplemental Declaration including any assessment provisions contained therein. In the discretion of the Owner(s) and developer(s) of each Neighborhood, the Lots, Units and Parcels within a particular Neighborhood may be subject to additional covenants and/or the Owners of Lots and Units may all be required to be members of a Sub-Association in addition to being Members of the Master Association. Each amendment to this Declaration filed to subject Additional Land to this Declaration shall initially assign the property described therein to a specific Neighborhood by name, which Neighborhood may be then existing or newly created. Declarant (or the Board following the expiration of the Period of Declarant Control) may unilaterally amend this Declaration or any amendment to this Declaration to redesignate Neighborhood boundaries.

6.5 Membership Rights. Each Member shall have the rights, duties and obligations set forth in this Declaration and such other rights, duties and obligations as are set forth in the Governing Documents, as the same may be amended from time to time. In any situation in which a Member is entitled personally to exercise the votes appurtenant to his or her Lot or Unit and there is more than one Owner of a particular Lot or Unit, the votes for such Lot or Unit shall be exercised as such co-Owners determine among themselves and as they then advise the Board. Absent such advice, the Lot's or Unit's votes shall be suspended, if more than one Person seeks to exercise it.

6.6 Transfer of Membership. The rights and obligations of the Owner of a Membership in the Master Association shall not be assigned, transferred, pledged, designated, conveyed or alienated in any way, except upon the transfer of ownership to an Owner's Lot, Unit or Parcel and then only to the transferee of ownership to such Lot, Unit or Parcel. A transfer of ownership to a Lot, Unit or Parcel may be effected by Deed, intestate succession, testamentary disposition, foreclosure of a Mortgage or such other legal process as is now in effect or as may hereafter be established under or pursuant to the laws of the State of Utah. Any transfer of ownership to a Lot, Unit or Parcel shall operate to transfer the Membership(s) appurtenant to said Lot, Unit or Parcel to the new Owner thereof.

ARTICLE VII COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

7.1 Creation of Lien and Personal Obligation of Assessments and Maintenance Charges. Except as otherwise provided in Sections 7.5 and 7.12, Declarant, for each Lot, Unit and Parcel hereafter established within Skye Estates, hereby covenants and agrees, and each Owner by acceptance of a Deed or other conveyance of a Lot, Unit or Parcel (whether or not it shall be so expressed in such Deed or conveyance) is deemed to covenant and agree, to pay to the Master Association the following assessments and charges: (1) Annual Assessments established by this Article VII; (2) Special Assessments for capital improvements or other extraordinary expenses or costs established by this Article VII; and (3) Maintenance Charges established by Sections 10.2 and 10.3. Notwithstanding the foregoing sentence and notwithstanding any other provisions in this Declaration to the contrary, Exempt Property shall not be subject to assessments and charges from the Master Association for Annual Assessments or for Special Assessments. However, Exempt Property shall be subject to assessments and charges for Maintenance Charges. All Assessments shall be established and collected as hereinafter provided. No diminution or abatement of Annual Assessments, Special Assessments or Maintenance Charges nor any decrease, offset, deduction or set-off shall be claimed or allowed by reason of any alleged failure of the Master Association or Board to take some action or to perform some function required to be taken or performed by the Master Association or Board under this Declaration or the Bylaws, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Master Association, or from any action taken by the Master Association or the Board to comply with any law, ordinance, or with any order or directive of any Municipal Authority or other governmental authority. The obligation to pay Assessments and Maintenance Charges shall be deemed to be a separate and independent covenant on the part of each Owner. The Annual Assessments, Special Assessments and Maintenance Charges, together with interest, costs and reasonable attorney's fees, shall be a charge on the Lot, Unit or Parcel and shall be a continuing servitude and lien

upon the Lot, Unit or Parcel against which each such Assessment or Maintenance Charge is made, except that Exempt Property shall not be subject to the Annual Assessments and the Special Assessments. Each such Annual Assessment, Special Assessment and Maintenance Charge, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Person who was the Owner of the Lot, Unit or Parcel at the time when the Assessment or Maintenance Charge fell due. The personal obligation for delinquent Assessments and for Maintenance Charges shall not pass to the successors in title of the Owner, unless expressly assumed by them. However, the lien upon the applicable Lot, Unit or Parcel for any unpaid Assessments or Maintenance Charges existing at the time of any transfer shall continue, notwithstanding such transfer, until the Assessments or Maintenance Charges have been paid in full.

7.2 Property Assessable Upon Recording of Deed. ALL OWNERS ARE GIVEN NOTICE THAT THEIR LOT(S), UNIT(S) AND/OR PARCEL(S) SHALL BE SUBJECT TO FULL ASSESSMENT IN ACCORDANCE WITH THE TERMS OF THIS DECLARATION UPON ACCEPTANCE OF A DEED, REGARDLESS OF WHETHER OR NOT SUCH LOT(S), UNIT(S) AND/OR PARCEL(S) HAVE BEEN IMPROVED, EXCEPT AS OTHERWISE PROVIDED IN THIS MASTER DECLARATION. At the time a Deed is Recorded conveying a Lot, Unit or Parcel to an Owner, such Lot or Unit shall thereupon be subject to the Assessments and Maintenance Charges, and the Board shall levy such Assessments or Maintenance Charges upon the Owner of the Lot, Unit or Parcel within 30 days after the Recording of such Deed. If applicable, the Annual Assessment and/or any Special Assessment shall be prorated for the remaining portion of the assessment year. In any dispute, question or controversy regarding whether property is Assessable Property or Exempt Property, the Board shall have the exclusive power and authority to decide such dispute, question or controversy, and any decision regarding the foregoing shall be conclusive and binding on all interested parties. All final decisions of the Board regarding the foregoing shall be nonappealable.

7.3 Annual Assessments. Annual Assessments shall be computed and assessed against all Lots, Units and Parcels (other than Exempt Property) as follows:

7.3.1 Community Expenses. Annual Assessments shall be based upon advance estimates of the Master Association's cash requirements to provide for payment of all estimated Community Expenses arising out of or connected with the maintenance, improvement and operation of the Community Areas (including capital repairs and replacements), fulfilling the Master Association's obligations under the Development Agreement and the Master Association's obligations with respect to the operation of the Master Association. Such estimated Community Expenses may include, without limitation, the following: expenses of management; real property taxes and assessments upon all Master Association Land; and upon all other Property within Skye Estates (unless and until the Lots, Units and Parcels are separately assessed); premiums for all insurance that the Master Association is required or permitted to maintain hereunder; repairs and maintenance; wages of Master Association employees, including fees for a Manager; utility charges; legal and accounting fees; any deficit remaining from a previous period; creation of an adequate contingency reserve, major maintenance reserve and/or sinking fund; creation of an adequate reserve fund for maintenance, repairs, and replacement of those Community Areas that must be replaced on a periodic basis; and

any other expenses and liabilities which may be incurred by the Master Association under or by reason of this Declaration and the Development Agreement. Such shall constitute Community Expenses, and all funds received from Annual Assessments under this Article VII shall be part of the Community Expense Fund.

7.3.2 Apportionment. Community Expenses shall be apportioned among and assessed to the Members in accordance with Section 7.4.

7.3.3 Annual Budget. Annual Assessments shall be determined on the basis of a fiscal year beginning January 1 and ending December 31 next following, provided the first fiscal year shall begin as provided in Section 7.8, and on or before November 1 of each year thereafter, the Board shall prepare and make available to each Member, or cause to be prepared and to be made available to each Member, an operating budget for the upcoming fiscal year. The budget shall itemize the estimated Community Expenses for such fiscal year, anticipated receipts (if any) and any deficit or surplus from the prior operating period. The budget shall serve as the supporting document for the Annual Assessment for the upcoming fiscal year and as the major guideline under which the Master Association shall be operated during such annual period.

7.3.4 Notice and Payment. Except with respect to the first fiscal year, the Board shall notify each Member in writing as to the amount of the Annual Assessment against such Member's Lot, Unit or Parcel on or before December 1 each year for the fiscal year beginning on January 1 next following. Except as otherwise provided by the Board, each Annual Assessment shall be payable in equal monthly, quarterly or annual installments as determined by the Board in its sole discretion; provided, however, the Annual Assessment for the first fiscal year shall be based upon such portion of the first fiscal year that remains after the notice of the Annual Assessment becomes effective. The Members shall commence payment of the full monthly Assessments against their respective Lots, Units or Parcels upon conveyance to any Member of the first Lot, Unit or Parcel in Skye Estates. All unpaid installments of any Annual Assessment shall bear interest at the rate established by the Board, not to exceed eighteen percent (18%) per annum, from and after fifteen (15) days after the date each such installment became due until paid, and the Member shall be liable for late fees as determined by the Board, and all costs, including attorneys' fees incurred by the Master Association in collecting the same. In addition, in the event that any installment of the Annual Assessment is not paid within fifteen (15) days of the date such installment becomes due, the Master Association may, at its option, and upon fifteen (15) days prior written notice to the Member, accelerate the due date for all remaining unpaid installments of the Annual Assessment for the remainder of the fiscal year and all accrued but unpaid interest thereon. Payment of the Annual Assessment installments so accelerated shall be due at the expiration of said fifteen (15) day notice period, and interest shall accrue on the entire sum at the rate established by the Board not to exceed eighteen percent (18%) per annum from such date until paid in full. The failure of the Board to give timely notice of any Annual Assessment as provided herein shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of any Member from the obligation to pay such Assessment or any other Assessment; but the date when the payment shall become due in such case

shall be deferred to a date fifteen (15) days after notice of such Assessment shall have been given to the Member in the manner provided in this Declaration.

7.3.5 Inadequate Funds. In the event that the Community Expense Fund proves inadequate at any time for whatever reason, including nonpayment of any Member's Assessment, the Board may, on behalf of the Master Association, levy additional Special Assessments in accordance with the procedure set forth in Section 7.6 below, except that the vote therein specified shall be unnecessary.

7.4 Allocation of Assessments. The amount of any Annual or Special Assessment against each Lot, Unit or Parcel shall be fixed at a uniform rate per Membership, except that the following Owners shall pay only twenty-five percent (25%) of the Annual Assessment otherwise attributable to his or her Membership during the periods hereafter specified:.

7.4.1 The Owner of a Lot shall pay only twenty-five percent (25%) of the Annual Assessment attributable to his Membership until the earlier of (i) completion of the Dwelling Unit on the Lot and occupancy of such Dwelling Unit or (ii) twelve (12) months from commencement of construction of the Dwelling Unit on the Lot.

7.4.2 The Owner of a Parcel in a Professional Office/Retail Area restricted under a Neighborhood Declaration or Supplemental Declaration or the Master Land Use Plan to uses other than Residential shall pay only twenty-five percent (25%) of the Annual Assessment otherwise attributable to his or her Membership until the earlier of (i) the completion of the first building on the Parcel and occupancy of such building or (ii) twelve (12) months from commencement of construction of the first building on the Parcel.

7.4.3 Anything in this Section 7.4 to the contrary notwithstanding if, after an Assessment's record date but before the end of the fiscal year for which it is levied, an Assessable Property is added to Skye Estates or a Neighborhood by a Supplemental Declaration, or an Exempt Property becomes Assessable Property, then each Assessment which would have been levied against such Assessable Property for such fiscal year if it were not Exempt Property (as hereafter reduced) shall be due on the later of (a) the date on which such Assessment would have been due, if such part of Skye Estates had been Assessable Property on such record date, or (b) the date on which such Assessable Property becomes subject to Assessment levy. If an Assessable Property is added to Skye Estates or a Neighborhood as provided for above, the Master Association shall be deemed, automatically and without the need for further action, to have levied against it each Annual, Special or Neighborhood Assessment for such fiscal year which the Master Association has levied against the other Assessable Properties. Each such Assessment levied against such Assessable Property shall be in an amount determined under this Section 7.7.3 as if it were eligible for such levy on such record date, but then reduced in proportion to the number of days (if any) in such fiscal year elapsed as of (and including) the date on which such Supplemental Declaration is Recorded, or such Exempt Property becomes an Assessable Property, as the case may be.

7.4.4 Notwithstanding the foregoing, in the event that a Parcel designated by a Neighborhood Declaration or Supplemental Declaration or the Master Land Use Plan for Active Living Residential Development or Professional Office/Retail Use is developed in distinct separate phases, then with respect to each phase, the Owner shall pay only twenty five percent (25%) of the Annual Assessments attributable to his or her Membership until the earlier of (i) completion of that phase and occupancy of a Dwelling Unit or building of that phase or (ii) twelve (12) months from commencement of construction of a Dwelling Unit or building of that phase. If the Owner of a Parcel or Unit ceases to qualify for the reduced twenty-five (25%) rate during the period to which an Annual Assessment is attributable, or if the Parcel ceases to be a Parcel because it has been subdivided for Active Living Residential Use, the Assessment attributable to the Membership shall be prorated between the applicable rates on the basis of the number of days in the period that the Owner qualified for each rate. Annual Assessments may be collected on a monthly, quarterly or annual basis, and Special Assessments may be collected as specified by the Board unless otherwise determined by the resolution of the Members of the Master Association approving the Special Assessment.

7.5 Certain Owners Exempt from Annual Assessments and Special Assessments. Notwithstanding Section 7.4, the Owners of Exempt Property shall not have an obligation to pay any Annual Assessment or Special Assessment.

7.6 Special Assessments for Capital Improvements and Extraordinary Expenses. In addition to the Annual Assessments authorized above, the Master Association may levy, in any Assessment Period, a Special Assessment applicable to that period only for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Master Association Land or other Community Areas, including fixtures and personal property related thereto, or for the purpose of defraying other extraordinary expenses, provided that, except as provided in Section 7.3.5 and Section 14.4, any such Special Assessment shall have the assent of a majority of the votes of the Members who are voting in person or by proxy at a meeting duly called for such purpose or by written approval of such Members. The provisions of this Section 7.6 are not intended to preclude or limit the assessment, collection or use of Annual Assessments for the aforesaid purposes. Special Assessments may be collected as specified by the Board, unless otherwise determined by the majority vote of the Members of the Master Association approving the Special Assessment.

7.7 Notice and Quorum for Any Action Authorized Under Section 7.6. Written notice of any meeting called for the purpose of taking any action authorized under Section 7.6 shall be sent to all Members no less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called for the consideration of a Special Assessment, the presence of Members or of proxies entitled to cast ten percent (10%) of all the votes (exclusive of suspended voting rights) of all the Memberships within the Master Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

7.8 Establishment of Annual Assessment Period. The period for which the Annual Assessment is to be levied ("Assessment Period") shall be the calendar year, except that the first Assessment Period shall commence upon the Recording of the first Neighborhood Declaration or Supplemental Declaration and terminate on December 31 of such year. The Board in its sole discretion from time to time may change the Assessment Period by Recording with the County Recorder of Utah County, Utah, an instrument specifying the new Assessment Period.

7.9 Rules Regarding Billing and Collection Procedures. The Board shall have the right to adopt Skye Estates Rules setting forth procedures for the purpose of making the Assessments provided herein and for the billing and collection of the Annual Assessments, Special Assessments and the Maintenance Charges, provided that said procedures are not inconsistent with the provisions hereof. The failure of the Master Association to send a bill to a Member shall not relieve any Member of his or her liability for any Assessment or charge under this Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days written notice prior to the commencement of such foreclosure or enforcement, at the address of the Member on the records of the Master Association, that the Assessment or any installment thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after the delinquency of such payment. The Master Association shall be under no duty to refund any payments received by it, even though the ownership of a Membership changes during an Assessment Period. Successor Owners of Lots, Units or Parcels shall be given credit for prepayments, on a prorated basis, made by prior Owners. The amount of the Annual Assessment and the Special Assessment against Members who become such during an Assessment Period upon the recordation of a Neighborhood Declaration or Supplemental Declaration shall be prorated.

7.10 Community Expense Fund. The Master Association shall establish and maintain two (2) separate and distinct permanent funds, one for the periodic regular maintenance and repair of Skye Estates, including without limitation the private streets within Skye Estates, and for other routine operating expenses and one for capital expenses and the replacement of Improvements to the Community Areas that the Master Association may be obligated to maintain, repair or replace, including without limitation the private streets within Skye Estates. These two (2) funds shall be maintained out of Annual Assessments and Special Assessments for Community Expenses, which two funds together shall constitute the Community Expense Fund.

7.11 Evidence of Payment. Upon receipt of a written request by a Member or any other Person, the Master Association within a reasonable period of time thereafter shall issue to such Member or other Person a written certificate stating (a) that all Annual Assessments, Special Assessments and Maintenance Charges (including interest, costs and attorneys' fees, if any, as provided in Section 7.3.4 and Section 10.3) have been paid with respect to any specified Lot, Unit or Parcel as of the date of such certificate, or (b) if all Annual Assessments, Special Assessments and Maintenance Charges have not been paid, the amount of such Annual Assessments, Special Assessments and Maintenance Charges (including interest, costs and attorneys' fees, if any) due and payable as of such date. The Master Association may make a reasonable charge for the issuance of such certificates, which charges must be paid at the time the request for any such certificate is made. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with respect to any matter therein stated as against any bona fide purchaser of, or Mortgagee on, the Lot, Unit or Parcel in question.

7.12 Property Exempted from the Annual Assessments and Special Assessments. All Exempt Property shall be exempt from Annual Assessments and Special Assessments, but shall nevertheless be subject to all other provisions of this Declaration, including but not limited to, the use restrictions and architectural controls. Exempt Property shall not be exempt from the Maintenance Charges, from attorneys' fees, costs, expenses and interest as described in Section 7.3.4 and Section 10.3, or from the Assessment Lien to secure said amounts; provided, however, that in the event any change of ownership or use of Exempt Property results in all or any part thereof becoming Assessable Property in any year, the same thereupon shall be subject to the assessment of the Annual and Special Assessments (prorated as of the date it became Assessable Property) and the associated Assessment Lien.

7.13 Declarant's Duty to Fund Deficits. During any fiscal year in which Declarant or a Declarant related developer entity owns one or more Lots, Units or Parcels which (under Section 1.27.4 of the definition of Exempt Property) are Exempt Properties due to such Person's ownership thereof, and which would not constitute Exempt Properties under any other part of such definition, Declarant shall be obligated to fund to or for the account of the Master Association, at such time or times as such funding is reasonably required by the Master Association during such fiscal year, an aggregate amount for such fiscal year equaling the lesser of (i) the total amount which Declarant and/or such Declarant related developer entity would have owed to the Master Association on account of any Annual Assessments and Special Assessments which, if such Exempt Properties had been Assessable Properties, would have been levied against them for such fiscal year, or (ii) any excess, for such fiscal year, of the Community Expenses over the aggregate Annual Assessments and Special Assessments levied against all Assessable Properties in Skye Estates. Notwithstanding the foregoing, Declarant shall have no obligation to fund to or for the account of the Master Association any amounts under this Section 7.13 after the expiration of the Period of Declarant Control.

7.14 Working Capital Fund. A "WORKING CAPITAL FUND" EQUAL TO (3) MONTHLY INSTALLMENTS OF THE ANNUAL ASSESSMENT FOR EACH LOT, UNIT OR PARCEL SHALL BE ESTABLISHED AND MAINTAINED FOR SKYE ESTATES. EACH LOT'S, UNIT'S OR PARCEL'S SHARE OF THE WORKING CAPITAL FUND SHALL BE COLLECTED FROM THE INITIAL PURCHASER OF A LOT, UNIT OR PARCEL AND TRANSFERRED TO THE MASTER ASSOCIATION AT THE TIME OF THE CLOSING OF THE INITIAL SALE OF THAT LOT, UNIT OR PARCEL. The purpose of the Working Capital Fund is to ensure that the Master Association will have cash available to pay Community Expenses and unforeseen expenditures of the Master Association. Amounts paid into the Working Capital Fund are not to be considered advance payments of any Assessments.

7.15 Right to Assess Sub-Associations. Notwithstanding any provision of this Declaration, the Master Association shall have the right to directly assess each Sub-Association for all Assessments and Maintenance Charges otherwise assessable to the Owners of such Sub-Associations.

**ARTICLE VIII
ENFORCEMENT OF PAYMENT OF ASSESSMENTS AND MAINTENANCE
CHARGES AND ENFORCEMENT OF ASSESSMENT LIEN**

8.1 Master Association as Enforcing Body. Except as otherwise set forth in this Declaration, the Master Association, as the agent and representative of the Members, shall have the exclusive right to enforce the provisions of this Declaration.

8.2 Master Association's Enforcement Remedies. If any Member fails to pay the Assessments or installments when due, or to pay Maintenance Charges, the Master Association may enforce the payment of the Assessments, Maintenance Charges and/or Assessment Lien by taking one or more of the following actions, concurrently or separately (and by exercising any of the remedies hereinafter set forth, the Master Association does not prejudice or waive its right to exercise any other remedy):

8.2.1 Bring an action at law and recover judgment against the Member personally obligated to pay the Assessments or the Maintenance Charges;

8.2.2 Foreclose the Assessment Lien against the Lot, Unit or Parcel in accordance with the then prevailing Utah law relating to the foreclosure of realty mortgages or deeds of trust (including the right to recover any deficiency), the method recognized under Utah law for the enforcement of a mechanic's lien which has been established in accordance with Chapter 1, Title 38, Utah Code Annotated, as amended from time to time, or any other means permitted by law, and the Lot, Unit or Parcel may be redeemed after foreclosure sale, if provided by law. In order to facilitate the foreclosure of any such lien in the manner provided at law for the foreclosure of deeds of trust, Declarant hereby designates Provo Land Title Company, a Utah corporation having an office in Provo, Utah as trustee ("Trustee") and conveys and warrants pursuant to Sections 57-1-20, 57-8a-302 and 57-8a-402 to Trustee, with power of sale, the Lots, Units or Parcels and all of the Improvements to the Lots, Units or Parcels within Skye Estates for the purpose of securing payment of all of the Assessments under the terms of this Declaration. Each Owner, by accepting a deed to a Lot, Unit or Parcel, also hereby conveys and warrants to Trustee, with power of sale, each Lot, Unit and/or Parcel acquired by such Owner and all of the Improvements thereon for the purpose of securing payment of all of the Assessments under the terms of this Declaration and such Owner's performance of such Owner's obligations set forth herein. The Board may, at any time, designate one or more successor trustees, in the place of Trustee, in accordance with the provisions of Utah law for the substitution of trustees under deeds of trust. Such Trustee, and any successors, shall not have any other right, title or interest in the Property beyond those rights and interests necessary and appropriate to foreclose any liens against Lots, Units or Parcels arising pursuant hereto. In any such foreclosure, the Owner of the Lot, Unit or Parcel being foreclosed shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees), and such costs and expenses shall be secured by the lien being foreclosed. The Master Association shall have the power to bid at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Lots, Units or Parcels purchased at such sale.

8.2.3 Notwithstanding the subordination of an Assessment Lien as described in Section 8.3, the delinquent Member shall remain personally liable for the Assessments and the Maintenance Charges and related costs after his or her Membership is terminated by foreclosure or Deed in lieu of foreclosure or otherwise.

8.3 Priority of Lien. The Assessment Lien provided for herein shall be subject and subordinate to liens for taxes and other public charges which by applicable law are expressly made superior. Except as above provided and except as provided in Section 16.5, the Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon each Lot, Unit or Parcel. The sale or transfer of any Lot, Unit or Parcel shall not affect the Assessment Lien, except as provided in Section 16.5.

8.4 Attorneys' Fees and Costs. In any action taken pursuant to Section 8.2, the Member shall be personally liable for, and the Assessment Lien shall be deemed to secure the amount of, the Annual Assessments, the Special Assessments and the Maintenance Charges together with the Master Association's collection costs and attorneys' fees, including those costs, fees and interest specified in Section 7.3.4 and Section 10.3.

ARTICLE IX USE OF FUNDS; BORROWING POWER; OTHER MASTER ASSOCIATION DUTIES

9.1 Purposes for Which Master Association's Funds May Be Used. The Master Association shall apply all funds and property collected and received by it (including the Annual Assessments, Special Assessments, Maintenance Charges, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of Skye Estates and the Members and Residents by devoting said funds and property, among other things, to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of all land, properties, Improvements, facilities, services, projects, programs, studies and systems, within Skye Estates, which may be necessary, desirable or beneficial to the general common interests of Skye Estates, the Members and the Residents. The following are some, but not all, of the areas in which the Master Association may seek to aid, promote and provide for such common benefit: maintenance of landscaping on Community Areas and public right-of-way and drainage areas within Skye Estates; fulfilling the Master Association's obligations under the Development Agreement; insurance; communications; utilities; public services; indemnification of officers and directors of the Master Association and any committees created by the Master Association; and compliance with any Governing Document. The Master Association also may expend its funds as otherwise permitted under the laws of the State of Utah.

9.2 Borrowing Power. The Master Association may borrow money in such amounts, at such rates, upon such terms and security, and for such periods of time as is necessary or appropriate as determined by the Board without a vote of the Members.

9.3 Master Association's Rights in Spending Funds From Year to Year. The Master Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Annual or Special Assessments, Maintenance Charges, fees or otherwise),

and may carry forward as surplus any balances remaining. The Master Association shall not be obligated to reduce the amount of Annual Assessment in the succeeding year if a surplus exists from a prior year, and the Master Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Master Association and the accomplishment of its purposes.

ARTICLE X MAINTENANCE

10.1 Community Areas and Public Right-of-Way. The Master Association, or its duly delegated representative, shall maintain and otherwise manage all Community Areas, including, but not limited to, the landscaping, walkways, parking areas, drives, recreational facilities and the roofs, interiors and exteriors of the buildings and structures located upon said properties; provided, however, the Master Association shall not be responsible for providing or maintaining the landscaping or structures on any Community Areas which are part of Lots, Units or Parcels unless (i) such landscaping or structures are available for use by all Owners and Residents or are within easements intended for the general benefit of Skye Estates and (ii) the Master Association assumes in writing the responsibility as set forth in a Recorded instrument as hereinafter provided.

The Board shall use a reasonably high standard of care in providing for the repair, management and maintenance of said property. In this regard the Master Association may, subject to any applicable provisions on Special Assessments, in the discretion of the Board:

10.1.1 reconstruct, repair, replace or refinish any Improvement or portion thereof upon Master Association Land;

10.1.2 maintain (including snow removal therefrom), construct, reconstruct, repair, replace or refinish any road improvement or surface upon any portion of the Community Areas used as a road, street, walk, driveway or parking area;

10.1.3 replace injured and diseased trees and other vegetation in any Community Area, and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

10.1.4 place and maintain upon any Community Area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof; and

10.1.5 do all such other and further acts which the Board deems necessary to preserve and protect the Community Areas and the beauty thereof, in accordance with the general purposes specified in this Declaration.

10.1.6 The Board shall be the sole judge as to the appropriate maintenance of all Community Areas and other properties maintained by the Master Association. Any cooperative action necessary or appropriate to the proper maintenance and upkeep of said properties shall be taken by the Board or by its duly delegated representative.

10.1.7 In the event any Plat, Neighborhood Declaration, Supplemental Declaration, deed restriction or this Declaration permits the Board to determine whether or not Owners of certain Lots, Units or Parcels will be responsible for maintenance of certain Community Areas or public right-of-way areas, the Board shall have the sole discretion to determine whether or not it would be in the best interest of the Owners and Residents of Skye Estates for the Master Association or for an individual Owner or a Sub-Association to be responsible for such maintenance, considering cost, uniformity of appearance, location and other factors deemed relevant by the Board. The Board may cause the Master Association to contract with others for the performance of the maintenance and other obligations of the Master Association under this Article X, and in order to promote uniformity and harmony of appearance, the Board may also cause the Master Association to contract to provide maintenance services to Sub-Associations or to Owners of Lots, Units and Parcels having such responsibilities in exchange for the payment of such fees as the Master Association, the Sub-Association or the Owner may agree upon.

10.2 Assessment of Certain Costs of Maintenance and Repair of Community Areas and Public Areas. In the event that the need for maintenance or repair of Community Areas, structures and other property maintained by the Master Association is caused through the willful or negligent act of any Owner or Resident of a Lot, Unit or Parcel, or any family members, guests, invitees or tenants of such Persons, the cost of such maintenance or repairs shall be added to and become a part of the Assessment to which such Owner and the Owner's Lot, Unit or Parcel is subject and shall be secured by the Assessment Lien. Any charges or fees to be paid by the Owner of a Lot, Unit or Parcel pursuant to Section 10.1 in connection with a contract entered into by the Master Association with an Owner for the performance of an Owner's maintenance responsibilities shall also become a part of such Assessment and shall be secured by the Assessment Lien.

10.3 Maintenance and Use of Lots, Units and Parcels. Each Dwelling Unit, Improvement, Lot, Unit and Parcel shall be properly maintained by the Owner so as not to detract from the appearance of Skye Estates and so as not to affect adversely the value or use of any other Dwelling Unit, Improvement, Lot, Unit or Parcel. In the event any portion of any Lot, Unit or Parcel is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Lots, Units and Parcels or other areas of Skye Estates which are substantially affected thereby or related thereto, or in the event any portion of a Lot, Unit or Parcel is being used in a manner which violates this Declaration or any Neighborhood Declaration or any Supplemental Declaration applicable thereto, or in the event the Owner of any Lot, Unit or Parcel is failing to perform any of its obligations under the Governing Documents, the Board may by resolution make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the offending Owner that unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said 14-day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered to: (i) enter the Lot, Unit or Parcel and cause such action to be taken, and the cost thereof shall be added to and become a part of the Assessment (including interest at the rate of 18% per annum) to which the offending Owner and the Owner's Lot, Unit or Parcel is subject and shall be secured by the Assessment Lien; (ii) Record a notice of violation in the Office of the

County Recorder of Utah County, Utah; (iii) impose a fine commensurate with the severity of the violation; and/or (iv) bring an action at law and recover judgment of specific performance and/or damages against the Owner and including costs and attorneys' fees. In any action taken pursuant to this Section 10.3, the Owner shall be personally liable for, and the Assessment Lien shall be deemed to secure the amount of, the Master Association's collection costs and attorneys' fees.

ARTICLE XI DESIGN REVIEW BOARD

11.1 Membership. There is hereby established a Design Review Board, which shall be responsible for the establishment and administration of the Design Guidelines and to carry out all other responsibilities assigned to the Design Review Board in order to carry out the purposes and intent of this Declaration. The Design Review Board shall also administer, in conjunction with Declarant, the Development Guidelines which shall be established solely by Declarant and the applicable Municipal Authority. The Design Review Board shall be composed of individuals or entities the Declarant determines in its sole discretion, who need not be Members of the Master Association. All of the members of the Design Review Board shall be appointed, removed, and replaced by Declarant in its sole discretion, until such time as the Class B Membership is terminated, and at that time the Board shall succeed to Declarant's right to appoint, remove, or replace the members of the Design Review Board. At the sole and exclusive option of Declarant, the Declarant may establish a "Modification Committee" which shall be a subcommittee of the Design Review Board. The Modifications Committee shall deal solely with changes to structures and improvements which have previously been approved by the Design Review Board and which an Owner desires to alter or change following the original construction of such structure or improvements. It is contemplated that the Modifications Committee will be made up largely of Owners who will take over responsibility for modifications subject to appropriate written guidelines established by the Design Review Board.

11.2 Purpose. The Design Review Board shall review, study and either approve, reject or request resubmittal of proposed developments and Improvements to a Lot, Unit or Parcel, all in compliance with this Declaration and as further set forth in the rules and regulations of the Design Review Board and the Design Guidelines adopted and established from time to time by the Design Review Board and the Development Guidelines established by Declarant and approved by the applicable Municipal Authority. Each developer, including any Merchant Builder, of a Parcel shall demonstrate to the Design Review Board that its Neighborhood Declaration or Supplemental Declaration, Plat and development plan have been approved by the Declarant and by the applicable Municipal Authority and that such items are in compliance with the Development Guidelines and Design Guidelines.

11.2.1 The Design Review Board shall exercise its best judgment to see that all Improvements conform and harmonize with any existing structures as to external design, quality and type of construction, materials, color, location on the Lot, Unit or Parcel, height, grade and finished ground elevation, and all aesthetic consideration set forth in this Declaration or in the Design Guidelines.

11.2.2 The Design Review Board shall exercise its best judgment to see that each Merchant Builder undertakes its development of a Lot or Parcel, including but not limited

to, the roadways and major infrastructure, in compliance with the Development Guidelines.

11.2.3 Except for Improvements made by Declarant, no Improvement on a Lot, Unit or Parcel shall be erected, placed or altered on any Lot, Unit or Parcel nor shall any construction be commenced until plans for such Improvement shall have been approved by the Design Review Board.

11.2.4 The actions of the Design Review Board in the exercise of its discretion by its approval or disapproval of plans and other information submitted to it, or with respect to any other matter before it, shall be conclusive and binding on all interested parties subject to appeal as provided in the Bylaws.

11.3 Organization and Operation of the Design Review Board.

11.3.1 Term. The term of office of each member of the Design Review Board, subject to Section 11.1 hereof, shall be one (1) year, commencing January 1 of each year, and continuing until his successor shall have been appointed. Should a Design Review Board member die, retire, become incapacitated, or in the event of a temporary absence of a member, a successor may be appointed as provided in Section 11.1 hereof. The Declarant may remove any member of the Design Review Board at any time for any cause without notice.

11.3.2 Chairman. So long as Declarant appoints the Design Review Board, Declarant shall appoint the chairman. At such time as the Design Review Board is appointed by the Board, the chairman shall be elected annually from among the members of the Design Review Board by majority vote of said members.

11.3.3 Operations. The chairman shall take charge of and conduct all meetings and shall provide for reasonable notice to each member of the Design Review Board prior to any meeting. The notice shall set forth the time and place of the meeting, and notice may be waived by any member. In the absence of a chairman, the party responsible for appointing or electing the chairman may appoint or elect a successor, or if the absence is temporary, a temporary successor.

11.3.4 Voting. The affirmative vote of a majority of the members of the Design Review Board shall govern its actions and be the act of the Design Review Board. A quorum shall consist of the members.

11.3.5 Expert Consultation. The Design Review Board may avail itself of technical and professional advice and consultants as it deems appropriate.

11.4 Expenses. Except as provided below, all expenses of the Design Review Board shall be paid by the Master Association. The Design Review board shall have the right to charge a fee for each application submitted to it for review, in an amount which may be established by the Design Review Board from time to time, and such fees shall be collected by the Design Review Board and remitted to the Master Association to help defray the expenses of the Design Review Board's operation.

11.5 Design Guidelines and Rules; Development Guidelines. The Design Review Board shall adopt, establish, and publish from time to time Design Guidelines. The Design Guidelines shall define and describe the design standards for Skye Estates and the various uses within Skye Estates. The Design Guidelines may be modified or amended from time to time by the Design Review Board. To the extent permitted by the Design Guidelines, the Design Review Board, in its sole discretion, may excuse compliance with such requirements as are not necessary or appropriate in specific situations and may permit compliance with different or alternative requirements. Compliance with the Skye Estates design review process is not a substitute for compliance with applicable Municipal Authority building, zoning, and subdivision regulations and requirements, and each Owner is responsible for obtaining all approvals, licenses, and permits as may be required prior to obtaining final approval of any Improvements from the Design Review Board and prior to commencing construction. The Development Guidelines shall not be subject to modification or amendment by the Design Review Board. The Development Guidelines shall be established solely by the applicable Municipal Authority and the Declarant. The Design Review Board shall have no authority to excuse compliance or permit variances in connection with any requirements of the Development Guidelines.

11.6 Procedures. As part of the Design Guidelines, the Design Review Board shall make and publish such rules and regulations as it may deem appropriate to govern its proceeding. Appeals shall be conducted as provided in the Design Guidelines.

11.7 Limitation of Liability. The Design Review Board shall use reasonable judgment in approving or disapproving all plans and specifications submitted to it. Neither the Design Review Board, nor any individual Design Review Board member, shall be liable to any person or any official act of the Design Review Board in connection with submitted plans and specifications, except to the extent the Design Review Board or any individual Design Review Board member acted with gross negligence or was guilty of willful misconduct. Approval by the Design Review Board does not necessarily assure approval by the appropriate Municipal Authority. Notwithstanding that the Design Review Board has approved plans and specifications, neither the Design Review Board nor any of its members shall be responsible or liability to any Owner, developer, or contract holder with respect to any loss, liability, claim, or expense which may arise by reason of such approval of the construction of any Improvements. Neither the Board, the Design Review Board, or any agent thereof, nor Declarant or any of its shareholders, employees, agents, or consultants shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the provisions of the Design Guidelines, nor for any structural or other defects in any work done according to such plans and specifications. In all events the Design Review Board shall be defended and indemnified by the Master Association in any such suit or proceeding which may arise by reason of the Design Review Board's decision. The Master Association, however, shall not be obligated to indemnify each member of the Design Review Board to the extent any such member of the Design Review Board shall be adjudged to be liable for gross negligence or willful misconduct in the performance of his duty as a member of the Design Review Board, unless and then only to the extent that the Court in which such action or suit may be brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expense as such court shall deem proper.

11.8 Certificate of Compliance. Upon payment of a reasonable fee established from time to time by the Board, and upon written request of any Owner or his agent, an existing or prospective Mortgagee, or a prospective grantee, the Design Review Board shall issue an acknowledged certificate, in recordable form, setting forth generally, to the best of the Design Review Board's knowledge, that the Owner is not in violation of any of the terms and conditions of the Design Guidelines. Unless such request shall be complied with within thirty (30) days after receipt of the request, it shall be conclusively presumed that the Owner and the Owner's Improvements are in conformance with all the terms and conditions of the Design Guidelines subject to the control of the Design Review Board.

ARTICLE XII RIGHTS AND POWERS OF MASTER ASSOCIATION

12.1 Master Association's Rights and Powers As Set Forth in Articles and Bylaws. In addition to the rights and powers of the Master Association set forth in this Declaration, the Master Association shall have such rights and powers as are set forth in its Articles and Bylaws and the Utah Revised Nonprofit Corporation Act, Utah Code Ann. § 16-6a-101, et seq. Such rights and powers, subject to the approval thereof by any agencies or institutions deemed necessary by Declarant, may encompass any and all things which a natural person could do or which now or hereafter may be authorized by law, provided such Articles and Bylaws are not inconsistent with the provisions of this Declaration and are necessary, desirable or convenient for effectuating the purposes set forth in this Declaration. After incorporation of the Master Association, a copy of the Articles and Bylaws of the Master Association shall be available for inspection at the office of the Master Association during reasonable business hours by prior appointment.

12.2 Master Association's Rights of Enforcement. The Master Association, as the agent and representative of the Owners and Members, shall have the right to enforce, by any proceeding at law or in equity, the Covenants set forth in this Declaration and/or any and all covenants, restrictions, reservations, charges, servitudes, assessments, conditions, liens or easements provided for in any contract, Deed, declaration or other instrument which (a) shall have been executed pursuant to, or subject to, the provisions of this Declaration, or (b) otherwise shall indicate that the provisions of such instrument were intended to be enforced by the Master Association or by Declarant. In the event suit is brought or arbitration is instituted or an attorney is retained by the Master Association to enforce the terms of this Declaration or any other Governing Document and the Master Association prevails, the Master Association shall be entitled to recover, in addition to any other remedy, reimbursement for attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith including but not limited to the Master Association's administrative costs and fees. Said attorneys' fees, costs and expenses shall be the personal liability of the breaching Owner and shall also be secured by the Assessment Lien against said Owner's Lot, Unit or Parcel. If the Master Association should fail to act within a reasonable time, any Owner shall have the right to enforce the Covenants set forth in this Declaration.

12.3 Contracts with Others for Performance of Master Association's Duties. Subject to the restrictions and limitations contained herein, the Master Association may enter into contracts and transactions with others, including the Declarant and its affiliated companies, and such

contracts or transactions shall not be invalidated or in any way affected by the fact that one or more Board members or officers of the Master Association or members of any committee are employed by or otherwise connected with Declarant or its affiliates, provided that the fact of such interest shall be disclosed or known to the other Board members acting upon such contract or transaction, and provided further that the transaction or contract is fair and reasonable. Any such Board member, officer or committee member may be counted in determining the existence of a quorum at any meeting of the Board or committee of which he or she is a member which shall authorize any contract or transaction described above or grant or deny any approval sought by the Declarant, its affiliated companies or any competitor thereof and may vote to authorize any such contract, transaction or approval with like force and effect as if he or she were not so interested.

ARTICLE XIII INSURANCE AND FIDELITY BONDS

13.1 Hazard Insurance. The Master Association shall at all times maintain in force insurance meeting the following requirements: A “master” or “blanket” type policy of property insurance shall be maintained, if reasonably available, covering all insurable Improvements, if any, on the Master Association Land and where appropriate on the Community Areas; fixtures, building service equipment, personal property and supplies comprising a part of the Community Areas or owned by the Master Association; but excluding land, foundations, excavations, and other items normally not covered by such policies. References herein to a “master” or “blanket” type policy of property insurance are intended to denote single entity insurance coverage. If blanket all-risk insurance is not reasonably available, then at a minimum, such “master” or “blanket” policy shall afford protection against loss or damage by fire, by other perils normally covered by the standard extended coverage endorsement, and by all other perils which are customarily covered with respect to projects similar to Skye Estates in construction, location, and use, including (without limitation) all perils normally covered by the standard “all risk” endorsement, where such endorsement is available. Such “master” or “blanket” policy shall be in an amount not less than one hundred percent (100%) of current replacement cost of all elements of the Community Areas covered by such policy, exclusive of land, foundations, excavation, and other items normally excluded from coverage. The insurance policy shall include either of the following endorsements to assure full insurable value replacement cost coverage: (1) a Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance); or (2) a Replacement Cost Endorsement (under which the insurer agrees to pay up to one-hundred percent of the property’s insurable replacement cost but no more) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance). The maximum deductible amount for such policy shall be determined by the Board.

13.2 Flood Insurance. If any part of the Community Areas is or comes to be situated in a “special flood hazard area” as designated on a “flood insurance rate map,” a “master” or “blanket” policy of flood insurance shall be maintained, if reasonably available, covering the Improvements located on the Community Areas, and any machinery and equipment related thereto (hereinafter “Insurable Property”) in an amount deemed appropriate, but not less than the lesser of (1) the maximum limit of coverage available under the National Flood Insurance

Administration Program for all Insurable Property within any portion of the Community Areas located within a designated flood hazard area; or (2) one hundred percent (100%) of the insurable value of all such facilities. The maximum deductible amount for such policy shall be determined by the Board.

13.3 Policy Requirements.

13.3.1 The name of the insured under each policy required to be maintained by the foregoing sections (Section 13.1 and Section 13.2) shall be the Master Association for the use and benefit of the individual Owners. Notwithstanding the requirement of the immediately foregoing sentence, each such policy may be issued in the name of an authorized representative of the Master Association, including any Insurance Trustee (as hereinafter defined) with whom the Master Association has entered into an agreement (referred to herein as an "Insurance Trust Agreement", or any successor to such Insurance Trustee, for the use and benefit of the individual Owners. Loss payable shall be in favor of the Master Association (or Insurance Trustee), as a trustee for each Owner and each such Owner's First Mortgagee. Each Owner and each such Owner's First Mortgagee, if any, shall be beneficiaries of such policy. Evidence of insurance shall be issued to each Owner and First Mortgagee upon request.

13.3.2 Each policy required to be maintained by the foregoing sections (Section 13.1 and Section 13.2), shall contain the standard mortgage clause, or equivalent endorsement (without contribution), commonly accepted by private institutional mortgage investors in the area in which Skye Estates is located.

13.3.3 Each policy required to be maintained by the foregoing sections (Section 13.1 and Section 13.2), shall provide, if available, for the following: recognition of any Insurance Trust Agreement; a waiver of the right of subrogation against Owners individually; a provision that the insurance is not prejudiced by any act or neglect of individual Owners which is not in the control of such Owners collectively, and a provision that the policy is primary in the event the Owner has other insurance covering the same loss.

13.4 Fidelity Bonds or Insurance. The Master Association shall at all times maintain in force and pay the premiums for "blanket" fidelity bonds or insurance, including but not limited to, directors' and officers' insurance for the benefit of all members of the Board, officers and members of committees and subcommittees appointed by the Board or otherwise established pursuant to the provisions of this Declaration, for all officers, agents, and employees of the Master Association and for all other persons handling or responsible for funds of or administered by the Master Association. Furthermore, where the Master Association has delegated some or all of the responsibility for the handling of funds to a Manager, the Manager shall provide "blanket" fidelity bonds or insurance, with coverage identical to such bonds required of the Master Association, for the Manager's officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Master Association. The total amount of fidelity coverage required shall be based upon the Master Association's best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Master Association, or the Manager, as the case may be, at any given time during the term of coverage.

13.5 Liability Insurance. The Master Association shall maintain in force, and pay the premium for a policy providing commercial general liability insurance coverage covering all of the Community Areas, public ways in Skye Estates, if any, all other areas of Skye Estates that are under the Master Association's supervision. The coverage limits under such policy shall be in amounts generally required by private institutional Mortgage investors for projects similar to Skye Estates in construction, location, and use. Nevertheless, such coverage shall be for at least Two Million Dollars (\$2,000,000) for bodily injury, including deaths of persons, and property damage arising out of a single occurrence. Coverage under such policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance, or use of the Community Areas, and legal liability arising out of lawsuits related to employment contracts of the Master Association. Such policy shall provide that it may not be cancelled or substantially modified by any party without at least thirty (30) days' prior written notice to the Master Association and to each Mortgagee which is listed as a scheduled holder of a Mortgage in such policy.

13.6 Annual Review of Policies and Coverage. All insurance policies shall be reviewed at least annually by the Board in order to ascertain whether the coverage contained in the policies is sufficient to make any necessary repairs or replacement of the Community Areas and Improvements thereon which may have been damaged or destroyed. In addition, such policies shall be reviewed to determine their compliance with the provisions of this Declaration. In the event any of the insurance coverage provided for in this Article XIII is not available at a reasonable cost or is not reasonably necessary to provide the Master Association with adequate insurance protection, as determined by the Board, the Board shall have the right to obtain different insurance coverage or insurance coverage which does not meet all of the requirements of this Article XIII so long as, at all times, the Board maintains insurance coverage on a basis which is consistent with the types and amounts of insurance coverage obtained for projects similar to Skye Estates.

ARTICLE XIV DAMAGE OR DESTRUCTION

14.1 Master Association as Attorney in Fact. Each and every Owner hereby irrevocably constitutes and appoints the Master Association as such Owner's true and lawful attorney-in-fact in such Owner's name, place, and stead for the purpose of dealing with personal property owned by the Master Association on behalf of the Owners and the Improvements on the Community Areas upon damage or destruction as provided in this Article or a complete or partial taking as provided in Article XV below. Acceptance by any grantee of a Deed or other instrument of conveyance from the Declarant or from any Owner shall constitute, appointment of the attorney-in-fact as herein provided. As attorney-in-fact, the Master Association shall have full and complete authorization, right, and power to make, execute, and deliver any contract, assignment, Deed, waiver, or other instrument with respect to the interest of any Owner which may be necessary or appropriate to exercise the powers granted to the Master Association as attorney-in-fact. All proceeds from the insurance required hereunder shall be payable to the Master Association except as otherwise provided in this Declaration.

14.2 Estimate of Damages or Destruction. As soon as practical after an event causing damage to or destruction of any part of the personal property owned by the Master Association

and Improvements on the Community Areas, the Master Association shall, unless such damage or destruction shall be minor, obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction of that part thereof so damaged or destroyed. "Repair and reconstruction" as used in this Article XIV shall mean restoring the damaged or destroyed Improvements to substantially the same condition in which they existed prior to the damage or destruction.

14.3 Repair and Reconstruction. As soon as practical after obtaining estimates, the Master Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed Improvements. As attorney-in-fact for the Owners, the Master Association may take any and all necessary or appropriate action to effect repair and reconstruction, and no consent or other action by any Owner shall be necessary. Assessments of the Master Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

14.4 Funds for Repair and Reconstruction. The proceeds received by the Master Association from any hazard insurance shall be used for the purpose of repair, replacement, and reconstruction of such affected personal property and Improvements on the Community Areas. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair and reconstruction, the Master Association may, pursuant to Section 7.6 above, levy, assess, and collect in advance from all Owners, without the necessity of a special vote of the Owners, a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair and reconstruction.

14.5 Disbursement of Funds for Repair and Reconstruction. The insurance proceeds held by the Master Association and the amounts received from the Special Assessments provided for in Section 14.4 above constitute a fund for the payment of the costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and reconstruction, such balance shall be retained by the Master Association to pay for future Community Expenses.

14.6 Notice to First Mortgagees. The Master Association shall give timely written notice to any holder of any First Mortgage on a Lot, Unit or Parcel who requests such notice in writing in the event of substantial damage to or destruction of a material part of the personal property owned by the Master Association and/or Improvements on the Community Areas.

ARTICLE XV CONDEMNATION

15.1 Rights of Owners. Whenever all or any part of the Community Areas shall be taken or conveyed in lieu of and under threat of condemnation, each Owner shall be entitled to notice of the taking, but the Master Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

15.2 Partial Condemnation Distribution of Award; Reconstruction. The award made for such taking shall be payable to the Master Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Community Areas on which Improvements have been constructed, then, unless within sixty (60) days after such taking the Declarant and Owners representing at least sixty-seven percent (67%) of the votes of the Members in the Master Association shall otherwise agree, the Master Association shall restore or replace such Improvements so taken on the remaining land included in the Community Areas to the extent lands are available therefor, in accordance with plans approved by the Board. If such Improvements are to be repaired or restored, the provisions in Article XIV above regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any Improvements on the Community Areas, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be retained by the Master Association to pay for future Community Expenses.

ARTICLE XVI MORTGAGEE REQUIREMENTS

16.1 Notice of Action. Upon written request made to the Master Association by a Mortgagee, or an insurer or governmental guarantor of a Mortgage, which written request shall identify the name and address of such Mortgagee, insurer or governmental guarantor and the Lot, Unit or Parcel number or the address of the Dwelling Unit, any such Mortgagee, insurer or governmental guarantor shall be entitled to timely written notice of:

16.1.1 Any condemnation loss or any casualty loss which affects a material portion of Skye Estates or any Lot, Unit or Parcel on which there is a Mortgage held, insured or guaranteed by such Mortgagee, insurer or governmental guarantor;

16.1.2 Any delinquency in the payment of Assessments or Maintenance Charges owed by an Owner, whose Lot, Unit or Parcel is subject to a Mortgage held, insured or guaranteed by such Mortgagee, insurer or governmental guarantor, which default remains uncured for a period of sixty (60) days;

16.1.3 Any lapse, cancellation or material modification of any insurance policy or fidelity bond or insurance maintained by the Master Association; and

16.1.4 Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as specified in Section 16.2 below or elsewhere herein.

16.2 Matters Requiring Prior Eligible Mortgagee Approval. Except as provided elsewhere in this Declaration, the prior written consent of Owners entitled to vote at least sixty-seven percent (67%) of the votes of the Members in the Master Association (unless pursuant to a specific provision of this Declaration the consent of Owners entitled to vote a greater percentage of the votes in the Master Association is required, in which case such specific provisions shall control) and of Eligible Mortgagees holding Mortgages on Lots, Units or Parcels having at least

fifty-one percent (51%) of the votes of the Lots, Units or Parcels subject to Mortgages held by Eligible Mortgagees shall be required to:

16.2.1 Dissolve the Master Association after substantial destruction or condemnation occurs. Dissolution of the Master Association for any other reason shall require the affirmative vote or authorization of Eligible Mortgagees holding Mortgages on Lots, Units or Parcels having at least sixty-seven percent (67%) of the votes of the Lots, Units or Parcels subject to Mortgages held by Eligible Mortgagees.

16.2.2 Amend this Article XVI.

16.3 Mortgagee Approval. Any Mortgagee, insurer or governmental guarantor who receives a written request from the Master Association to approve additions or amendments to the Governing Documents and who fails to deliver or post to the Master Association a negative response within thirty (30) days shall be deemed to have approved such request, provided the written request was delivered by certified or registered mail, with a "return receipt" requested.

16.4 Availability of Documents and Financial Statements. The Master Association shall maintain and have current copies of the Governing Documents and other rules concerning Skye Estates as well as its own books, records, and financial statements available for inspection by Owners or by holders, insurers, and guarantors of Mortgages that are secured by Lots, Units or Parcels. Generally, these documents shall be available during normal business hours by prior appointment.

16.5 Subordination of Lien. The lien or claim against a Lot, Unit or Parcel for unpaid Assessments or Maintenance Charges levied by the Master Association pursuant to this Declaration shall be subordinate to the First Mortgage affecting such Lot, Unit or Parcel, and the First Mortgagee thereunder which comes into possession of or which obtains title to the Lot, Unit or Parcel shall take the same free of such lien or claim for unpaid Assessments or Maintenance Charges, but only to the extent of Assessments or Maintenance Charges which accrue prior to foreclosure of the First Mortgage, exercise of a power of sale available thereunder, or taking of a Deed or assignment in lieu of foreclosure. No Assessment, Maintenance Charge, lien, or claim which is described in the preceding sentence as being subordinate to a First Mortgage or as not to burden a First Mortgagee which comes into possession or which obtains title shall be collected or enforced by the Master Association from or against a First Mortgagee, a successor in title to a First Mortgagee, the purchaser at the mortgage foreclosure or deed of trust sale, or any grantee taking by Deed in lieu of foreclosure, of the Lot, Unit or Parcel affected or previously affected by the First Mortgage concerned.

16.6 Payment of Taxes. In the event any taxes or other charges which may or have become a lien on the Community Areas are not timely paid, or in the event the required hazard-insurance described in Section 13.1 lapses, is not maintained, or the premiums therefor are not paid when due, any First Mortgagee or any combination of First Mortgagees may jointly or singly, pay such taxes or premiums or obtain such insurance. Any First Mortgagee which expends funds for any of such purposes shall be entitled to immediate reimbursement therefor from the Master Association.

16.7 Priority. No provision of this Declaration or the Articles gives or may give an Owner or any other party priority over any rights of Mortgagees pursuant to their respective Mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for loss to or taking of all or any part of the Lots, Units or Parcels or the Community Areas.

ARTICLE XVII
TERM: AMENDMENTS: TERMINATION

17.1 Term; Method of Termination. This Declaration shall be effective upon the date of the Recording hereof and, as amended from time to time, shall continue in full force and effect for a term of fifty (50) years from the date this Declaration is Recorded. From and after said date, this Declaration, as amended, shall be automatically extended for successive periods of ten (10) years each, unless there is an affirmative vote to terminate this Declaration by the then Members casting eighty percent (80%) of the total votes of all of the Members cast at an election held for such purpose (or otherwise approved for such purpose in writing) within six (6) months prior to the expiration of the initial effective period hereof or any ten (10) year extension. This Declaration may be terminated at any time, if Members casting at least eighty percent (80%) of the votes of all of the Members shall be cast in favor of termination at an election held for such purpose. Anything in the foregoing to the contrary notwithstanding, no vote to terminate this Declaration shall be effective unless and until written consent to such termination or amendment has been obtained, within a period from six (6) months prior to such vote to six (6) months after such vote, from Eligible Mortgagees on fifty-one percent (51%) of the Lots, Units and Parcels upon which there are such Eligible Mortgages. If the necessary votes and consents are obtained, the Board shall cause to be Recorded with the County Recorder of Utah County, Utah a "certificate of termination," duly signed by the President or Vice President attested by the Secretary or Assistant Secretary of the Master Association, with their signatures acknowledged. Thereupon these Covenants shall have no further force and effect, and the Master Association shall be dissolved pursuant to the terms set forth in its Articles.

17.2 Amendments. This Declaration may be amended by Recording with the County Recorder of Utah County, Utah, a Certificate of Amendment, duly signed and acknowledged by and on behalf of the Master Association. The Certificate of Amendment shall set forth in full the amendment adopted, and, except as provided in Sections 17.3 and 17.4 hereof or elsewhere in this Declaration, shall certify that at a meeting duly called and held pursuant to the Articles and Bylaws or by separate written consent without a meeting, the Members casting at least sixty-seven percent (67%) of the votes of the Members voted affirmatively for the adoption of the amendment or approved such amendment by separate written consent. Except as provided in Sections 17.3 and 17.4 hereof or elsewhere in this Declaration, a Neighborhood Declaration or Supplemental Declaration may be amended in the same manner as this Declaration, with the approval of Members casting at least sixty-seven percent (67%) of the votes of the Members subject to the Neighborhood Declaration or Supplemental Declaration. Within twenty-five (25) years from the date of Recording this Declaration and so long as the Declarant is the Owner of any Lot, Unit or Parcel in Skye Estates, this Declaration and any Neighborhood Declaration and any Supplemental Declaration may be amended or terminated only with the written approval of the Declarant.

17.3 Unilateral Amendments. Notwithstanding anything contained in this Declaration to the contrary, this Declaration, a Neighborhood Declaration or Supplemental Declaration may be amended unilaterally at any time and from time to time by Declarant (a) if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule, or regulation or judicial determination which shall be in conflict therewith, to make technical corrections, to correct mistakes or to remove/clarify ambiguities; or (b) if such amendment is reasonably necessary to enable any reputable title insurance company to issue title insurance coverage with respect to the Lots, Units or Parcels subject to this Declaration; provided, however, any such amendment shall not adversely affect the title to any Owner's property, unless any such Owner shall consent thereto in writing. Further, during the Period of Declarant Control Declarant may unilaterally amend this Declaration, a Neighborhood Declaration or Supplemental Declaration for any other purpose; provided, however, any such amendment shall not materially adversely affect the substantive rights of any Owner hereunder, nor shall it adversely affect title to any property without the consent of the affected Owner. Any such amendment hereunder shall be effected by the Recording by Declarant of a Certificate of Amendment duly signed by the Declarant.

17.4 Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions. Anything in this Article or Declaration to the contrary notwithstanding, Declarant reserves the unilateral right to amend all or any part of this Declaration to such extent and with such language as may be requested by a State Department of Real Estate (or similar agency), FHA, VA, the FHLMC or FNMA and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration or such agency's approval of the sale of property within Skye Estates, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s), Unit(s) or Parcel(s) or any portions thereof. Any such amendment shall be effected by the Recording by Declarant of a Certificate of Amendment duly signed by the Declarant, specifying the federal, state or local governmental agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. The Recording of such a Certificate of Amendment shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate of Amendment, when Recorded, shall be binding upon all of Skye Estates and all persons having an interest therein.

17.5 Declarant's Control. It is the desire and intent of Declarant to retain control of the Master Association and its activities during the anticipated period of planning and development of Skye Estates. If any amendment requested pursuant to the provisions of this Article XVII deletes, diminishes or alters such control, Declarant alone shall have the right to amend this Declaration to restore such control.

ARTICLE XVIII DECLARANT'S RIGHTS

18.1 Transfer of Declarant's Rights. Any or all of the special rights and obligations of the Declarant may be assigned and transferred to other persons or entities, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained herein, and

provided further, no such transfer shall be effective, unless it is in a written instrument signed by the Declarant and duly Recorded in the Office of the Recorder of Utah County, Utah. Without limiting the generality of the foregoing, Declarant may by such Recorded instrument establish that Declarant and such Person or Persons be co-Declarants under this Declaration, in which event such Persons shall be deemed collectively the Declarant for all purposes under this Declaration, and any ownership of portions of the Property by any such Persons shall be considered owned by Declarant. So long as Declarant continues to have rights under this Article XVIII, no person or entity shall Record any declaration of covenants, conditions and restrictions, or similar instrument affecting any portion of Skye Estates without Declarant's review and written consent thereto, and any attempted Recording without compliance herewith shall result in such declaration of covenants, conditions and restrictions or similar instrument being void and of no force and effect, unless subsequently approved by a Recorded consent signed by Declarant.

18.2 Sales Material. So long as Declarant continues to have rights under this Article XVIII, all sales, promotional, and advertising materials, and all forms for deeds, contracts for sale, and other closing documents for the platting, development and sale of property in Skye Estates by any Merchant Builder shall be subject to the prior approval of Declarant, which approval shall not be unreasonably withheld. Declarant shall deliver notice to any Merchant Builder of Declarant's approval or disapproval of all such materials and documents within thirty (30) days of receipt of such materials and documents and, if disapproved, the specific changes requested. If Declarant fails to so notify any Merchant Builder within such thirty (30) day period, Declarant shall be deemed to have waived any objections to such materials and documents and to have approved the foregoing. Upon disapproval, the foregoing procedure shall be repeated until approval is obtained or deemed to be obtained.

18.3 Modifications. Declarant reserves for itself and its assigns the right to vary the timing, mix, type, use, style, and numbers of Lots, Units and Parcels, and other such details of construction or modifications in adding phases to this Declaration. If additional Land Use Classifications, are subsequently permitted by zoning, Declarant shall have the right to add such Land Use Classifications to this Declaration. Notwithstanding any other provision of this Declaration to the contrary, Declarant, without obtaining the consent of any other Owner or Person, shall have the right to make changes or modifications to its development plan with respect to any property owned by Declarant in any way which Declarant desires including, but not limited to, changing the density of all or any portion of the Property owned by Declarant or changing the nature or extent of the uses to which such Property may be devoted.

18.4 Amendment. This Article XVIII may not be amended without the express written consent of Declarant; provided, however, the rights contained in this Article XVIII shall terminate upon the earlier of (a) December 31, 2040, or (b) the Recording by Declarant of a written statement that all sales activity has ceased.

ARTICLE XIX ADDITIONAL LAND

19.1 Right to Expand and State of Title to New Lots, Units and Parcels. There is hereby granted unto Declarant, and Declarant hereby reserves, the absolute right and option to expand Skye Estates at any time (within the limits herein prescribed) and from time to time by

adding to Skye Estates the Additional Land or a portion or portions thereof. Notwithstanding any provision of this Declaration which might be construed to the contrary, such right and option may be exercised without obtaining the vote or consent of any other person (including any Owner or Mortgagee) and shall be limited only as specifically provided in this Declaration. Any specifically described portion of the Additional Land shall be deemed added to Skye Estates at such time as a Supplemental Declaration containing the information required by Section 19.3 below have been Recorded with respect to the portion of the Additional Land concerned. After the date such Supplemental Declaration is Recorded, title to each Unit and Parcel thereby created within the portion of the Additional Land concerned and its appurtenant right and easement of use and enjoyment in and to the Community Areas shall be vested in and held by Declarant, and none of the other Owners or the Master Association shall have any claim or title to or interest in such Lot, Unit and Parcel or its appurtenant right and easement of use and enjoyment to the Community Areas.

19.2 Rights and Statements Respecting Additional Land. Declarant hereby furnishes the following information and statement respecting the Additional Land and Declarant's right and option concerning expansion of Skye Estates by the addition thereto of the Additional Land or a portion or portions thereof.

19.2.1 All of the Additional Land need not be added to Skye Estates, if any of such Additional Land is added. Rather, a portion or portions of the Additional Land may be added to Skye Estates at any time (within the limits herein prescribed) and from time to time.

19.2.2 There are no limitations or requirements relative to the size, location or configuration of any given portion of the Additional Land which may be added to Skye Estates or relative to the order in which particular portions of the Additional Land may be added to Skye Estates. Future Improvements on the Additional Land added to Skye Estates shall be subject to compliance with this Declaration and the Design Guidelines.

19.3 Procedure for Expansion. Each Supplemental Declaration by which an addition to Skye Estates of any portion of the Additional Land is accomplished shall be executed by Declarant, shall be in recordable form, must be Recorded in the Office of the County Recorder of Utah County, Utah, on or before December 31, 2040, and shall contain the following information for that portion of the Additional Land which is being added:

19.3.1 Data sufficient to identify this Declaration with respect to that portion of the Additional Land being added.

19.3.2 The legal description of the portion of the Additional Land being added.

19.3.3 A statement that such portion of the Additional Land shall thereafter be held, transferred, sold, conveyed, occupied, improved and developed subject to the covenants, restrictions, easements, charges, and liens set forth in this Declaration.

19.3.4 Such other matters as may be necessary, desirable, or appropriate and as are not inconsistent with any limitation imposed by this Declaration.

Upon the date any Supplemental Declaration contemplated above is Recorded, it shall automatically supplement this Declaration and any Supplemental Declarations previously Recorded. At any point in time, this Declaration for Skye Estates shall consist of this Declaration, as amended and expanded by all Supplemental Declarations theretofore Recorded pursuant to the terms hereof.

19.4 Allocation of Assessments and Voting Rights Following Expansion. Each Lot, Unit or Parcel created that is or shall become Assessable Property shall be apportioned a share of the Community Expenses attributable to Skye Estates, as provided in Article VII. Each Owner of a Lot, Unit or Parcel that is or shall become Assessable Property shall be entitled to Memberships and votes in the Master Association to the extent provided for in Article VI. Assessments and voting rights shall commence as of the date the Declarant Records a Supplemental Declaration.

19.5 No Obligation to Expand. Except to the extent specifically indicated herein, this Declaration is not intended, and shall not be construed so as, to impose upon Declarant any obligation respecting, or to restrict Declarant in any way with regard to: (i) the addition to Skye Estates of any or all of the Additional Land; (ii) the creation or construction of any Dwelling Unit or other Improvements; (iii) the carrying out in any particular way or within any particular time of any development or addition which may be undertaken; or (iv) the taking of any particular action with respect to any portion of the Additional Land.

ARTICLE XX MISCELLANEOUS

20.1 Interpretation of the Covenants. Except for judicial construction, the Master Association, by its Board, shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Master Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all Persons and property benefited or bound by the Covenants and provisions hereof.

20.2 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

20.3 Change of Circumstances. Except as otherwise expressly provided in this Declaration, no change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this Declaration.

20.4 Rules and Regulations. In addition to the right to adopt Skye Estates Rules on the matters expressly mentioned elsewhere in this Declaration, the Master Association (through its Board) shall have the right to adopt rules and regulations with respect to all other aspects of the Master Association's rights, activities and duties, provided said rules and regulations are not inconsistent with the provisions of this Declaration.

20.5 Declarant's Disclaimer of Representations. Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth on a Plat or

other instrument Recorded in the Office of the County Recorder of Utah County, Utah, Declarant makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of Skye Estates can or will be carried out, or that any land now owned or hereafter acquired by it is or will be subjected to this Declaration, or that any such land (whether or not it has been subjected to this Declaration) is or will be committed to or developed for a particular (or any) use, or if that land is once used for a particular use, such use will continue in effect. Not as a limitation of the generality of the foregoing, the Declarant expressly reserves the right at any time and from time to time to amend the Master Land Use Plan.

20.6 References to the Covenants in Deeds. Deeds or any instruments affecting any Lot, Unit or Parcel or any part of Skye Estates may contain the Covenants herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any Deed or instrument, each and all of the Covenants shall be binding upon the grantee-Owner of all Lots, Units and Parcels within Skye Estates or other person claiming an interest in any Lot, Unit or Parcel through any instrument and his or her heirs, executors, administrators, successors and assigns.

20.7 List of Owners and Eligible Members. The Board shall maintain up-to-date records showing: (i) the name of each Person who is an Owner, the address of such Person, and the Lot, Unit or Parcel which is owned by him or her; and (ii) the name of each Person who is an Eligible Mortgagee, and the address of such person or entity and the Lot, Unit or Parcel which is encumbered by the Mortgage held by such Eligible Mortgagee. In the event of any transfer of a fee or undivided fee interest in a Lot, Unit or Parcel, the transferee shall furnish the Board with evidence establishing that the transfer has occurred and that the Deed or other instrument accomplishing the transfer is of Record in the Office of the County Recorder of Utah County, Utah. The Board may for all purposes act and rely on the information concerning Owners and Lot, Unit or Parcel ownership which is thus acquired by it or, at its option, the Board may act and rely on current ownership information respecting any Lot, Unit or Parcel or Lots, Units or Parcels which is obtained from the Office of the County Recorder of Utah County, Utah. The address of an Owner shall be deemed to be the address of the Lot, Unit or Parcel owned by such person, unless the Board is otherwise advised. The list of Owners shall be made available by the Board to any Owner for noncommercial purposes upon such Owner's written request and such Owner's payment of any copying charges and such Owner's execution of a privacy and nondisclosure statement prepared by the Board.

20.8 General Obligations. Each Owner shall enjoy and be subject to all rights and duties assigned to Owners pursuant to this Declaration. With respect to unsold Lots, Units and Parcels, the Declarant shall enjoy the same rights and assumes the same duties with respect to each unsold Unit and Parcel, unless otherwise expressly provided herein.

20.9 Rights of Action. Subject to the provisions of this Declaration, the Master Association and any aggrieved Owner shall have a right of action against Owners who fail to comply with the provisions of this Declaration or the decisions of the Master Association. Owners shall have a similar right of action against the Master Association.

20.10 Successors and Assigns of Declarant. Any reference in this Declaration to Declarant shall include any successors or assigns of Declarant's rights and powers hereunder.

20.11 Gender and Number. Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders; words used in the neuter gender shall include the masculine and feminine genders; words in the singular shall include the plural; and words in the plural shall include the singular.

20.12 Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.

20.13 Notices. Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to such person at the address given by that person to the Master Association for the purpose of service of such notice or to the address of the Lot, Unit or Parcel of such person, if no address has been given. Such address may be changed from time to time by notice in writing received by the Master Association. Notice to the Board shall also be delivered or mailed to Declarant or such other address as the Board may designate after the expiration of the Period of Declarant Control.

20.14 Number of Days. In computing the number of days for purposes of any provision of this Declaration or the Articles or Bylaws, all days shall be counted including Saturdays, Sundays, and holidays; provided however, that if the final day of any time period falls on a Saturday, Sunday, or legal holiday, then the final day shall be deemed to be the next day which is not a Saturday, Sunday, or legal holiday.

20.15 Notice of Violation. The Master Association shall have the right to Record a written notice of a violation by any Owner or Resident of any restriction or provision of this Declaration. The notice shall be executed and acknowledged by an officer of the Master Association and shall contain substantially the following information: (a) the name of the Owner or Resident; (b) the legal description of the Lot, Unit or Parcel against which the notice is being Recorded; (c) a brief description of the nature of the violation; (d) a statement that the notice is being Recorded by the Master Association pursuant to this Declaration; and (e) a statement of the specific steps which must be taken by the Owner or Resident to cure the violation. Recordation of a notice of violation shall serve as a notice to the Owner and Resident, and to any subsequent purchaser of the Lot, Unit or Parcel, that there is such a violation. If, after the Recordation of such notice of violation, it is determined by the Master Association that the violation referred to in the notice does not exist or that the violation referred to in the notice has been cured, the Master Association shall Record a notice of compliance which shall state the legal description of the Lot, Unit or Parcel against which the notice of violation was recorded, the Recording data of the notice of violation, and shall state that the violation referred to in the notice of violation has been cured or, if such be the case, that it did not exist. Notwithstanding the foregoing, failure by the Master Association to Record a notice of violation shall not constitute a waiver of any existing violation or evidence that no violation exists.

20.16 Use of Skye Estates Term. No Person shall use the term "Skye Estates" or any derivative thereof in any printed or promotional material without the prior written consent of the Declarant.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the day first above written.

D.R. HORTON, INC.,
a Delaware corporation

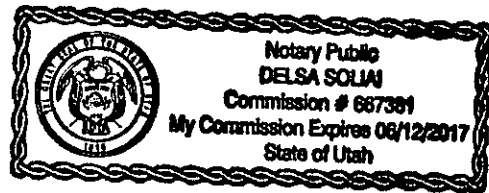
By: B.A. Martin
Name: B.A. MARTIN
Title: V.P. & DIVISION PRESIDENT

STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

The foregoing instrument was acknowledged to me this 7th day of January, 2014, by B.A. Martin, in his capacity as a V.P. and Division President of D.R. Horton, Inc., a Delaware corporation.

Delisa Solari
NOTARY PUBLIC
Residing at: Utah County

My commission expires:
06/12/2017



**EXHIBIT A
TO
MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
SKYE ESTATES**

(Legal Description of the Property)

The Property referenced in the foregoing instrument is located in Highland City, Utah County, State of Utah, and is more particularly described as:

SKYE ESTATES PHASE I AND STIRLING POINTE

BEGINNING AT THE SOUTHEAST CORNER OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 1 EAST, SALT LAKE BASE AND MERIDIAN AND RUNNING THENCE SOUTH 89°52'52" WEST, ALONG THE SECTION LINE, 1230.93 FEET TO THE EAST RIGHT OF WAY LINE OF HIGHLAND BOULEVARD; THENCE ALONG SAID EAST RIGHT OF WAY LINE NORTH 00°07'27" EAST 709.90 FEET; THENCE LEAVING SAID RIGHT OF WAY LINE, SOUTHEASTERLY 23.60 FEET ALONG THE ARC OF A 15.00 FOOT NON-TANGENT RADIUS CURVE TO THE LEFT (CHORD BEARS SOUTH 44°58'27" EAST 21.24 FEET; THENCE SOUTH 89°52'27" EAST 35.06 FEET; THENCE SOUTH 83°29'07" EAST 40.44 FEET; THENCE SOUTH 89°52'27" EAST 32.06 FEET; THENCE SOUTHEASTERLY 107.39 FEET ALONG THE ARC OF A 1926.00 FOOT RADIUS CURVE TO THE RIGHT (CHORD BEARS SOUTH 88°16'37" EAST 107.38 FEET); THENCE NORTH 00°00'38" EAST 270.95 FEET; THENCE NORTH 30°02'42" WEST 16.12 FEET; THENCE NORTH 89°59'22" WEST 221.05 FEET TO A POINT ON THE EAST RIGHT OF WAY LINE OF HIGHLAND BOULEVARD; THENCE ALONG SAID EAST RIGHT OF WAY LINE THE FOLLOWING TWO (2) COURSES; (1) NORTH 00°07'27" EAST 141.03 FEET; (2) NORTHWESTERLY 45.37 FEET ALONG THE ARC OF A 697.00 FOOT RADIUS CURVE TO THE LEFT (CHORD BEARS NORTH 01°44'27" WEST 45.36 FEET); THENCE LEAVING SAID EAST RIGHT OF WAY LINE NORTH 66°45'51" EAST 112.53 FEET; THENCE SOUTH 47°23'09" EAST 82.22 FEET; THENCE SOUTH 35°24'56" EAST 123.18 FEET; THENCE SOUTH 29°46'33" EAST 81.14 FEET; THENCE SOUTH 24°18'49" EAST 81.05 FEET; THENCE SOUTH 17°53'21" EAST 78.87 FEET; THENCE SOUTH 24°10'29" EAST 73.42 FEET; THENCE SOUTH 40°54'44" EAST 130.47 FEET; THENCE SOUTHEASTERLY 235.05 FEET ALONG THE ARC OF A 1926.00 FOOT NON-TANGENT RADIUS CURVE TO THE RIGHT (CHORD BEARS SOUTH 76°38'05" EAST 234.91 FEET; THENCE NORTHEASTERLY 23.25 FEET ALONG THE ARC OF A 15.00 RADIUS CURVE TO THE LEFT (CHORD BEARS NORTH 62°27'06" EAST 20.99 FEET); THENCE NORTH 18°02'33" EAST 92.98 FEET; THENCE NORTHWESTERLY 27.07 FEET ALONG THE ARC OF A 15.00 FOOT RADIUS CURVE TO THE LEFT (CHORD BEARS NORTH 27°32'57" WEST 24.29 FEET); THENCE NORTH 73°15'01" WEST 7.84 FEET; THENCE NORTH 16°38'25" EAST 146.12 FEET; THENCE NORTH 79°19'16" EAST 52.73 FEET; THENCE NORTH 66°45'51" EAST 344.83 FEET; THENCE SOUTHEASTERLY 12.46 FEET ALONG THE ARC OF A 525.00 FOOT NON-TANGENT RADIUS CURVE TO THE RIGHT (CHORD

BEARS SOUTH 26°21'15" EAST 12.46 FEET); THENCE SOUTH 27°02'03" EAST 39.74 FEET; THENCE NORTH 62°57'57" EAST 173.00 FEET; THENCE SOUTH 27°02'03" EAST 454.09 FEET; THENCE NORTH 64°05'21" EAST 334.09 FEET; THENCE SOUTH 25°54'39" EAST 52.00 FEET; THENCE SOUTH 35°30'39" EAST 93.31 FEET; THENCE SOUTH 34°53'16" EAST 85.33 FEET; THENCE SOUTH 26°20'41" EAST 73.85 FEET; THENCE SOUTH 11°21'04" EAST 70.96 FEET; THENCE SOUTH 03°37'51" WEST 69.71 FEET; THENCE SOUTH 04°41'59" WEST 85.26 FEET; THENCE SOUTH 00°13'46" WEST 103.00 FEET; THENCE SOUTH 89°46'14" EAST 85.16 FEET; THENCE SOUTH 00°13'46" WEST 203.00 FEET TO A POINT ON THE SOUTH LINE OF SECTION 23; THENCE NORTH 89°46'14" WEST ALONG THE SOUTH LINE OF SAID SECTION 23, 816.14 FEET TO THE SOUTHEAST CORNER OF SAID SECTION 22 AND THE POINT OF BEGINNING.

CONTAINS 37.10 ACRES MORE OF LESS

**EXHIBIT B
TO
MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
SKYE ESTATES**

(Legal Description of the Additional Land)

SKYE ESTATES PHASE 2

BEGINNING AT A POINT SOUTH 89°46'14" EAST, ALONG THE SECTION LINE, 816.14 FEET FROM THE SOUTHEAST CORNER OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 1 EAST, SALT LAKE BASE AND MERIDIAN AND RUNNING THENCE NORTH 00°13'46" EAST 203.00 FEET; THENCE NORTH 89°46'14" WEST 85.16 FEET; THENCE NORTH 00°13'46" EAST 103.00 FEET; THENCE NORTH 04°41'59" EAST 85.26 FEET; THENCE NORTH 03°37'51" EAST 69.71 FEET; THENCE NORTH 11°21'04" WEST 70.96 FEET; THENCE NORTH 26°20'41" WEST 73.85 FEET; THENCE NORTH 34°53'16" WEST 85.33 FEET; THENCE NORTH 35°30'39" WEST 93.31 FEET; THENCE NORTH 25°54'39" WEST 52.00 FEET; THENCE SOUTH 64°05'21" WEST 334.09 FEET; THENCE NORTH 27°02'03" WEST 454.09 FEET; THENCE SOUTH 62°57'57" WEST 173.00 FEET; THENCE NORTH 27°02'03" WEST 39.74 FEET; THENCE NORTHWESTERLY 12.46 FEET ALONG THE ARC OF A 525.00 FOOT NON-TANGENT RADIUS CURVE TO THE RIGHT (CHORD BEARS NORTH 26°21'15" WEST 12.46 FEET); THENCE SOUTH 66°45'51" WEST 344.83 FEET; THENCE SOUTH 79°19'16" WEST 52.73 FEET; THENCE SOUTH 16°38'25" WEST 146.12 FEET; THENCE SOUTH 73°15'01" EAST 7.84 FEET; THENCE SOUTHEASTERLY 27.07 FEET ALONG THE ARC OF A 15.00 FOOT RADIUS CURVE TO THE RIGHT (CHORD BEARS SOUTH 27°32'57" EAST 24.29 FEET); THENCE SOUTH 18°02'33" WEST 92.98 FEET; THENCE SOUTHWESTERLY 23.25 FEET ALONG THE ARC OF A 15.00 RADIUS CURVE TO THE RIGHT (CHORD BEARS SOUTH 62°27'06" WEST 20.99 FEET); THENCE NORTHWESTERLY 235.05 FEET ALONG THE ARC OF A 1926.00 FOOT NON-TANGENT RADIUS CURVE TO THE LEFT (CHORD BEARS NORTH 76°38'05" WEST 234.91 FEET; THENCE NORTH 40°54'44" WEST 130.47 FEET; THENCE NORTH 24°10'29" WEST 73.42 FEET; THENCE NORTH 17°53'21" WEST 78.87 FEET; THENCE NORTH 24°18'49" WEST 81.05 FEET; THENCE NORTH 29°46'33" WEST 81.14 FEET; THENCE NORTH 35°24'56" WEST 123.18 FEET; THENCE NORTH 47°23'09" WEST 82.22 FEET; THENCE SOUTH 66°45'51" WEST TO THE EAST RIGHT OF WAY LINE OF HIGHLAND BOULIVARD 112.53 FEET; THENCE NORTHWESTERLY 46.68 FEET ALONG THE ARC OF A 697.00 FOOT NON-TANGENT RADIUS CURVE TO THE LEFT (CHORD BEARS NORTH 05°31'27" WEST 46.67 FEET; THENCE NORTH 66°30'00" EAST 338.68 FEET; THENCE SOUTH 89°40'45" WEST 32.77 FEET; THENCE NORTH 66°18'37" EAST 1056.54 FEET; THENCE SOUTH 00°21'21" WEST 419.10 FEET; THENCE NORTH 89°47'39" EAST 1329.76 FEET; THENCE SOUTH 00°17'34" WEST 1352.52 FEET TO A POINT ON THE SOUTH LINE OF SECTION 23; THENCE NORTH 89°46'14" WEST ALONG THE SOUTH LINE OF SAID SECTION 23, 515.05 FEET TO THE POINT OF BEGINNING.

CONTAINS 44.73 ACRES MORE OF LESS

Together with:

LOT B OFFICE PARCEL:

BEGINNING AT A POINT ON THE EAST RIGHT OF WAY LINE OF SUNCREST DRIVE, SAID POINT BEING SOUTH 89°52'52" WEST, ALONG THE SECTION LINE, 1230.93 FEET TO THE EAST RIGHT OF WAY LINE OF SUNCREST DRIVE; THENCE NORTH 00°07'27" EAST, ALONG SAID EAST RIGHT OF WAY LINE, 709.90 FEET FROM THE SOUTHEAST CORNER OF SECTION 22, TOWNSHIP 4 SOUTH, RANGE 1 EAST, SALT LAKE BASE AND MERIDIAN AND RUNNING THENCE NORTH 00°07'27" EAST, ALONG SAID EAST RIGHT OF WAY LINE, 261.96 FEET; THENCE SOUTH 89°59;22" EAST 221.05 FEET; THENCE SOUTH 30°02'42" EAST 16.12 FEET; THENCE SOUTH 00°00'38" WEST 270.95 FEET; THENCE 107.39 FEET ALONG THE ARC OF 1926.00 FOOT NON-TANGENT RADIUS CURVE TO THE LEFT (CHORD BEARS NORTH 88°16'37" WEST 107.38 FEET); THENCE NORTH 89°52'27" WEST 32.06 FEET; THENCE NORTH 83°29'07" WEST 40.44 FEET; THENCE NORTH 89°52'27" WEST 35.06 FEET; THENCE 23.60 FEET ALONG THE ARC OF A 15.00 FOOT RADIUS TANGENT CURVE TO THE RIGHT (CHORD BEARS NORTH 44°58'27" WEST 21.24 FEET) TO THE EAST RIGHT OF WAY LINE OF SUNCREST DRIVE AND THE POINT OF BEGINNING.

CONTAINS 1.48 ACRES OR 64,305 SF MORE OR LESS

**EXHIBIT C
TO
MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
SKYE ESTATES**

(Land Use Classifications, Neighborhoods, Density Allocations)

1. Land Use Classifications. The Land Use Classifications for the Property are as follows:

Single Family Residential Use, Active Living Residential Use, Professional Office/Retail Use.

The Land Use Classifications established by Declarant for the Property pursuant to this Declaration shall not obviate the need for compliance with: (i) the Design Guidelines and the Declaration; (ii) all codes, rules, regulations and requirements of Highland City; (iii) the requirements of the Development Agreement; and (iv) Highland City's approvals for such property.

2. Neighborhood Designation. The Property is made a part of the following Neighborhoods:

The Skye Estates Single Family Residential Use Neighborhood

The Sterling Pointe Active Living Residential Use Neighborhood

3. Density Allocation. The maximum density allocated to the Property is as follows:

74.19 acres of Single Family Residential Use at 2.37 units to the acre for a total of 176 units

7.50 acres of Active Living Residential Use at 8.00 units to the acre for a total of 60 units

**EXHIBIT D
TO
MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
SKYE ESTATES**

Bylaws of the Master Association

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**BYLAWS
OF
SKYE ESTATES MASTER OWNERS ASSOCIATION, INC.**

**ARTICLE 1
DEFINITIONS**

1.01 Declaration.

As used herein, "Declaration" means the Master Declaration of Covenants, Conditions, Easements and Restrictions of Skye Estates, as recorded in the Official Records of Utah County, Utah, and as may be amended from time to time. The Declaration is that same Declaration referenced in the Articles of Incorporation of Skye Estates Master Owners Association, Inc.

1.02 Other Definitions.

Unless otherwise defined herein, all capitalized terms used herein shall have the meanings given to them in the Declaration.

**ARTICLE 2
OFFICES**

Skye Estates Master Owners Association, Inc. (the "Association") is a Utah nonprofit corporation, with its principal office located at 1099 West South Jordan Parkway, South Jordan, Utah 84095.

**ARTICLE 3
VOTING, QUORUM, AND PROXIES**

3.01 Voting.

As more fully set forth in the Articles and in the Declaration, the Association shall have two classes of membership, Class A and Class B.

Class A Memberships shall be all Memberships except the Class B Memberships held by the Declarant. Each Owner shall be entitled to one (1) vote for each Class A Membership held by the Owner, subject to the authority of the Board to suspend the voting rights of the Owner for

violations of the Declaration in accordance with the provisions hereof. Notwithstanding the foregoing, no vote shall be cast or counted for any Class A Membership not subject to Assessment; and

The Class B Memberships shall be held only by the Declarant. The Declarant shall initially be entitled to 1,200 votes. The Class B Memberships shall cease and shall be converted to Class A Memberships, on the basis of the number of Lots and Parcels owned by the Declarant, on the happening of the first of the following events:

- (i) When the total votes outstanding in the Class A Memberships equal or exceed 1,200; or
 - (ii) Twenty Five (25) years from the date the Declaration is Recorded;
- or
- (iii) when, in its discretion, the Declarant so determines.

Additional provisions governing the voting of the members of the Association are set forth in the Declaration.

3.02 Quorum.

Subject to and except as otherwise required by law, the Declaration, or the Articles, as amended, the presence in person or by proxy of one or more Owners entitled to vote shall constitute a quorum.

3.03 Proxies.

Votes may be cast in person or by proxy. Every proxy must be executed in writing by the Owner or such Owner's duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the Association before or at the time of the meeting. No proxy shall be valid after the expiration of eleven months from the date of its execution unless otherwise provided in the proxy.

3.04 Majority Vote.

At any meeting of the Owners, if a quorum is present, the affirmative vote of a majority of the votes represented at the meeting, in person or by proxy, shall be the act of the Owners, unless the vote of a greater number is required by law, the Articles, the Declaration, or these Bylaws.

ARTICLE 4 ADMINISTRATION

4.01 Annual Meeting.

The annual meeting of the Owners shall be held at a time designated by the Board in the month of February in each year, or at such other date designated by the Board, for the purpose of electing trustees and for the transaction of such other business as may come before the meeting. If the election of trustees shall not be held on the date designated herein for the annual meeting

of the Owners, or at any adjournment thereof, the Board shall cause the election to be held at a special meeting of the Owners to be convened as soon thereafter as may be convenient. The Board may from time to time by resolution change the date and time for the annual meeting of the Owners.

4.02 Special Meetings.

Except as otherwise prescribed by statute or the Declaration, special meetings of the Owners, for any purpose, may be called by the president or by a majority of the trustees and shall be called by the president at the written request of Owners entitled to vote twenty percent (20%) or more of the total votes of all Owners, such written request to state the purpose or purposes of the meeting and to be delivered to the Board or to the president.

4.03 Place of Meetings.

The Board may designate the Association's principal offices or any place within Utah County, Utah, as the place for any annual meeting or for any special meeting called by the Board.

4.04 Notice of Meeting.

Written or printed notice of any meeting of the Owners, stating the place, day, and hour of the meeting and the purpose or purposes for which the meeting is called, shall be delivered personally, by mail, or by electronic means (i.e. e-mail, text messaging or another similar manner) to each Owner entitled to vote at such meeting not less than thirty (30) nor more than sixty (60) days before the date of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Owner at such Owner's address as it appears in the office of the Association, with postage thereon prepaid. For the purpose of determining Owners entitled to notice of or to vote at any meeting of the Owners, the Board may set a record date for such determination of Owners, in accordance with the laws of the State of Utah. If requested by the person or persons lawfully calling such meeting, the secretary shall give notice thereof at the expense of the Association.

4.05 Informal Action by Owners.

Any action required or permitted to be taken at a meeting of the Owners may be taken with or without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by the Owners having not less than the minimum voting power that would be necessary to authorize or take the action at a meeting at which all Owners entitled to vote on the action were present and voted.

ARTICLE 5 **BOARD OF TRUSTEES**

5.01 Number and Election of Trustees.

The Board of Trustees (the "Board") shall consist of no less than three (3) and no more than five (5) trustees.

There shall be three (3) initial trustees. The term of one of the initial trustees expires at the first annual meeting after incorporation, the term of a second initial trustee expires at the second annual meeting after incorporation, and the term of a third initial trustee expires at the third annual meeting after incorporation. The initial trustees shall have the term of office as respectively set forth in Exhibit A, attached hereto and incorporated herein, and until their successors are duly elected and qualified or until their prior removal, death, or resignation.

Upon the expiration of each initial staggered term, trustees shall be elected by the Owners entitled to vote at the annual meetings for any number of terms of three (3) years to succeed those whose terms expire. Despite the expiration of a trustee's term, the trustee shall continue to serve until the election and qualification of a successor or until there is a decrease in the number of trustees, or until such trustee's earlier death, resignation, or removal from office.

5.02 Removal of Trustees. Each trustee may be removed, with or without cause, by a majority vote of all Owners of the Lots entitled to vote.

5.03 Replacement of Trustees.

(i) A vacancy on the Board created by the removal, resignation, or death of a trustee appointed or elected by the Owners shall be filled by the remaining trustees until the next annual meeting of Owners, at which time the Owners shall elect a trustee to fulfill the then-remaining term of the replaced trustee.

(ii) Any trustee elected or appointed pursuant to this Section 5.03 shall hold office for the remainder of the unexpired term of the trustee who was replaced.

5.04 Resignations.

Any trustee may resign at any time by giving written notice to the president or to the secretary of the Association. Such resignation shall take effect at the time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5.05 Regular Meetings.

Regular meetings of the Board may be held without call or formal notice at such places within or outside the State of Utah, and at such times as the Board from time to time by vote may determine. Any business may be transacted at a regular meeting. The regular meeting of the Board for the election of officers and for such other business as may come before the meeting may be held without call or formal notice immediately after, and at the same place as, the annual meeting of Owners, or any special meeting of Owners at which a Board is elected.

5.06 Special Meetings.

Special meetings of the Board may be held at any place within the State of Utah or by telephone, provided that each trustee can hear each other trustee, at any time when called by the president, or by two or more trustees, upon the giving of at least three (3) days' prior notice of the time and place thereof to each trustee by leaving such notice with such trustee or at such trustee's residence or usual place of business, or by mailing it prepaid and addressed to such trustee at such trustee's address as it appears on the books of the Association, or by telephone.

Notices need not state the purposes of the meeting. No notice of any adjourned meeting of the trustees shall be required.

5.07 Quorum.

A majority of the number of trustees fixed by these Bylaws, as amended from time to time, shall constitute a quorum for the transaction of business, but a lesser number may adjourn any meeting from time to time. When a quorum is present at any meeting, a majority of the trustees in attendance shall, except where a larger number is required by law, by the Articles, by the Declaration, or by these Bylaws, decide any question brought before such meeting.

5.08 Waiver of Notice.

Before, at, or after any meeting of the Board, any trustee may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a trustee at any meeting of the Board shall be a waiver of notice by such trustee except when such trustee attends the meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

5.09 Informal Action by Trustees.

Any action required or permitted to be taken at a meeting of the trustees may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the trustees entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of the trustees.

ARTICLE 6
OFFICERS AND AGENTS

6.01 General.

The officers of the Association shall be a president, a secretary, and a treasurer. The Board may appoint such other officers, assistant officers, committees, and agents, including assistant secretaries and assistant treasurers, as they may consider necessary or advisable, who shall be chosen in such manner and hold their offices for such terms and have such authority and duties as from time to time may be determined by the Board. One person may hold any two offices, except that no person may simultaneously hold the offices of president and secretary. In all cases where the duties of any officer, agent, or employee are not prescribed by the Bylaws or by the Board, such officer, agent, or employee shall follow the orders and instructions of the president.

6.02 Removal of Officers.

The Board may remove any officer, either with or without cause, and elect a successor at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

6.03 Vacancies.

A vacancy in any office, however occurring, shall be filled by the Board for the unexpired portion of the term.

6.04 President.

The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Association and of the Board. The president shall have the general and active control of the affairs and business of the Association and general supervision of its officers, agents, and employees. The president of the Association is designated as the officer with the power to prepare, execute, certify, and record amendments to the Declaration on behalf of the Association.

6.05 Secretary.

The secretary shall:

- (i) keep the minutes of the proceedings of the Owners meetings and of the Board meetings;
- (ii) see that all notices are duly given in accordance with the provisions of these Bylaws, the Declaration, and as required by law;
- (iii) be custodian of the corporate records and of the seal of the Association and affix the seal to all documents when authorized by the Board;
- (iv) maintain at the Association's principal offices a record containing the names and registered addresses of all Owners, the designation of the Lot owned by each Owner, and, if such Lot is mortgaged, the name and address of each mortgagee; and
- (v) in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to it by the president or by the Board. Assistant secretaries, if any, shall have the same duties and powers, subject to supervision by the secretary.

6.06 Treasurer.

The treasurer shall be the principal financial officer of the Association and shall have the care and custody of all funds, securities, evidences of indebtedness, and other personal property of the Association and shall deposit the same in accordance with the instructions of the Board. The treasurer shall receive and give receipts and acquittances for moneys paid in on account of the Association and shall pay out of the funds on hand all bills, payrolls, and other just debts of the Association of whatever nature upon maturity. The treasurer shall perform all other duties incident to the office of the treasurer and, upon request of the Board, shall make such reports to it as may be required at any time. The treasurer shall, if required by the Board, give the Association a bond in such sums and with such sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of his/her duties and for the restoration to the Association of all books, papers, vouchers, money, and other property of whatever kind in his/her possession or under his/her control belonging to the Association. The treasurer shall have such other powers and perform such other duties as may be from time to time prescribed by the Board or the president. The assistant treasurers, if any, shall have the same powers and duties, subject to the supervision of the treasurer.

ARTICLE 7
EVIDENCE OF OWNERSHIP, REGISTRATION OF
MAILING ADDRESS, AND LIEN HOLDERS

7.01 Proof of Ownership.

Any person on becoming an Owner shall furnish to the Association a photocopy or a certified copy of the recorded instrument vesting that person with an ownership interest in the Lot or Parcel. Such copy shall remain in the files of the Association.

7.02 Registration of Mailing Address.

If a Lot or Parcel is owned by two or more Owners, such Owners shall designate one address as the registered address. The registered address of an Owner or Owners shall be furnished to the secretary of the Association within ten (10) days after transfer of title, or after a change of address. Such registration shall be in written form and signed by all of the Owners of the Lot or Parcel or by such persons as are authorized to represent the interests of all Owners of the Lot or Parcel. If no address is registered or if all of the Owners cannot agree, then the address of the Lot or Parcel shall be deemed the registered address of the Owner(s), and any notice shall be deemed duly given if delivered to the Lot or Parcel.

7.03 Liens.

Any Owner who mortgages or grants a deed of trust covering such Owner's Lot or Parcel shall give the Association written notice of the name and address of the holder of such mortgage or deed of trust and shall file true, correct, and complete copies of the note and security instrument with the Association.

7.04 Address of the Association.

The address of the Association shall be 1099 West South Jordan Parkway, South Jordan, Utah 84095. Such address may be changed by the Board from time to time upon written notice to all Owners and all listed mortgagees.

ARTICLE 8
SECURITY INTEREST IN MEMBERSHIP

Owners shall have the right irrevocably to constitute and appoint a holder of a mortgage or deed of trust their true and lawful attorney-in-fact to vote their membership in the Association at any and all meetings of the Association in which such Owner is entitled to vote and to vest in such holder any and all rights, privileges, and powers that they have as Owners under the Articles and these Bylaws or by virtue of the Declaration. Unless otherwise expressly provided in such proxy, such proxy shall become effective upon the filing of notice by such holder with the secretary of the Association. A release of the mortgage or deed of trust covering the subject Lot shall operate to revoke such proxy. Nothing herein contained shall be construed to relieve Owners, as mortgagors or grantors of a deed of trust, of their duties and obligations as Owners or to impose upon the holder of a mortgage or deed of trust the duties and obligations of an Owner.

ARTICLE 9
AMENDMENTS

9.01 By Trustees.

Except as limited by law, the Articles, the Declaration, or these Bylaws, the Board shall have power to make, amend, and repeal the Bylaws of the Association at any regular meeting of the Board or at any special meeting called for that purpose at which a quorum is represented. If, however, the Owners shall make, amend, or repeal any Bylaw, the trustees shall not thereafter amend the same in such manner as to defeat or impair the object of the Owners in taking such action. Notwithstanding the foregoing, unanimous approval of the trustees shall be required to amend or repeal Sections 5.02 through 5.04 hereof.

9.02 Owners.

Subject to any rights conferred upon holders of a security interest in the Declaration, the Owners may, by the vote of the holders of at least sixty-seven percent (67%) of the votes of the Owners entitled to vote, unless a greater percentage is expressly required by law, the Articles, the Declaration, or these Bylaws, make, alter, amend, or repeal the Bylaws of the Association at any annual meeting or at any special meeting called for that purpose at which a quorum shall be represented. Notwithstanding the foregoing, unanimous approval of the Owners shall be required to amend or repeal Sections 5.02 through 5.04 hereof.

ARTICLE 10
MISCELLANEOUS

10.01 Fiscal Year.

The fiscal year of the Association shall be such as may from time to time be established by the Board.

10.02 Other Provisions.

The Declaration contains certain other provisions relating to the administration of Skye Estates, which provisions are hereby incorporated herein by reference.

10.03 Officer/Trustee Qualifications.

No individual who is a Class A Member (as defined in the Declaration) may serve as an officer or trustee of the Association if that individual, or if such individual is associated with a Class A Member, the Class A Member associated with that individual, is delinquent in the payment of any dues, fees, assessments, or the like arising out of the Declaration, these Bylaws, or the Association's Articles of Incorporation, or is otherwise in material default of any of the covenants within such Declaration, Bylaws, or the Articles of Incorporation. Provided, that nothing in the previous sentence shall require an officer or trustee of the Association to also be an Owner.

EXHIBIT A

Trustees and Initial Terms

One Year

Krisel Travis

Two Years

D. Grant Lefgren

Three Years

Boyd A. Martin

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