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**MASTER DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS
FOR THE
SKY MOUNTAIN PROJECT, A PLANNED COMMUNITY**

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MASTER DECLARATION OF COVENANTS, CONDITIONS
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FOR THE
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MASTER DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS
FOR THE
SKY MOUNTAIN PROJECT, A PLANNED COMMUNITY

This Master Declaration of Covenants, Conditions and Restrictions for the Sky Mountain Project, a Planned Community in the City of Hurricane, County of Washington, State of Utah, is executed this 31 day of August, 1994 by the Sky Mountain Joint Venture ("Declarant"), a Utah joint venture and hereby declares and states as follows:

R E C I T A L S :

A. Declarant is owner of certain property in the City of Hurricane, Washington County, State of Utah, the same being acquired in phases from the Hurricane Redevelopment Agency, pursuant to a Mutual Development and Cooperation Agreement between the Declarant and its successors and the Hurricane Redevelopment Agency, dated November 26, 1993.

B. This Declaration is intended to apply to each approved subdivision or phase that is developed within the boundaries of the Sky Mountain Project, all of which shall be located within the following described property in Washington County, State of Utah, and more particularly described as follows:

SEE LEGAL DESCRIPTION, ATTACHMENT A

ARTICLE I
Definitions

Section 1. "Additional Land" means the following described parcels of real property situated in Washington County, State of Utah:

SEE LEGAL DESCRIPTION, ATTACHMENT B HEREIN

Section 2. "Articles" means the Articles of Incorporation of Sky Mountain Home Owner's Association, which are filed with the Utah State Department of Commerce, Division of Corporations and Commercial Code of the State of Utah.

Section 3. "Assessment" includes any Regular, Special or Special Individual Assessment made or assessed against an Owner and his Lot in accordance with the provisions of Article VII of this Declaration.

Section 4. "Association" means and refers to Sky Mountain Home Owner's Association, a Utah nonprofit corporation, its successors and assigns.

Section 5. "Board of Directors" or "Board" means the Board of Trustees of the Association.

Section 6. "Bylaws" means the Bylaws of the Association, as such Bylaws may, from time to time, be amended.

Section 7. "Capital Improvement" means any major addition to the Master Common Areas or Master Common Facilities or any new facility or improvement undertaken by the Association that is not in existence at the date of the Declaration and which is unrelated to repairs for damage, destruction or normal wear and tear of existing Master Common Areas or Master Common Facilities.

Section 8. "Common Expense" means any use of Common Expense Fund authorized by the Governing Documents, including, without limitation, use of such funds for: the maintenance, management, administration, insurance, operation, replacement, repair, addition to, alteration or reconstruction of, all or any portion of the Master Common Areas and Master Common Facilities.

Section 9. "Common Expense Fund" means the fund created or to be created pursuant to the provisions of Article VII of this Declaration and into which all monies of the Association shall be deposited. Two separate and distinct funds shall be created and maintained hereunder, one for operating expenses and one for capital expenses which together shall constitute the Common Expense Fund.

Section 10. "City" means the City of Hurricane, County of Washington, State of Utah.

Section 11. "Declarant" means and refers to the project developer of the project, namely Sky Mountain Joint Venture, a Utah Joint Venture, its successors and assigns.

Section 12. "Declaration" means this document, attachments and such amendments as shall be made hereto. It may also be referred to as the "Master Declaration."

Section 13. "Design Review Committee" shall mean the committee created by the Declarant or appointed pursuant to the provisions of the Master Declaration to review and approve all aspects of the Project's design and construction.

Section 14. "Dwelling Unit" shall mean and refer to a structure which is designed and intended for use and occupancy as a single family residence.

Section 15. "Eligible Mortgagee" shall mean and refer to a First Mortgagee which has requested notice of certain matters from the Association in accordance with Section 1 of Article XII of this Declaration.

Section 16. "Family" means one or more persons each related to the other by blood, marriage or legal adoption or a group of persons not so related who maintain a common household in a Dwelling Unit; however, in no event shall the number of persons occupying a Dwelling Unit exceed the number of persons designated as a Family in this Declaration and/or any applicable zoning ordinance, building code or other governmental regulation.

Section 17. "FHA" shall mean and refer to the Federal Housing Administration.

Section 18. "FNMA" shall mean and refer to the Federal National Mortgage Association.

Section 19. "First Mortgage" shall mean any Mortgage which is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

Section 20. "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, which First Mortgage is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

Section 21. "Governing Documents" refer collectively to this Declaration, the Articles, Bylaws, Rules and Regulations, and to any amendments to such documents. The term shall also include any Board Policies concerning governmental management, the discipline of Members, Tenants and Guests or membership rights and obligations, and Covenants, Conditions and Restrictions of private Townhomes or PUD subdivisions as they shall apply.

Section 22. "Guest and/or Invitee" means any person or persons for whom an Owner or Tenant sponsors admission to the Properties in accordance with Article II hereof.

Section 23. "Lot" means any plot of land shown upon any recorded Subdivision Map of the Properties, excluding the Master Common Areas, Townhomes or PUD common areas. When the context dictates, the reference to a "Lot" shall also include the Dwelling Unit and other improvements constructed thereon.

Section 24. "Manager" means the person, firm or company, if any, designated from time to time by the Association to manage, in whole or in part, the affairs of the Association and the Project.

Section 25. "Master Common Areas" means the real property owned by the Association for the common use and enjoyment of the Owners. The term "Master Common Areas" shall not refer to any real property acquired by the Association unless such property is for the common use and enjoyment by all Owners, nor shall it refer to real property designated as "common area" pursuant to the Covenants, Conditions and Restrictions of a

specific Townhome or PUD declaration for the exclusive use and enjoyment of the members of or residents within the private property of said Townhome or PUD subdivision.

Section 26. "Master Common Facilities" means the buildings, trails, recreation improvements, roads, trees, hedges, plantings, lawns, shrubs, landscaping, fences, utilities, berms, pipes, lighting fixtures, structures and other facilities constructed, installed or located, or to be constructed, installed or located on the Master Common Areas and owned by the Association. Master Common Facilities may include, but are not limited to:

- (a) A clubhouse consisting of a pro shop, golf cart storage facility, meeting facilities, weight room, eating area and swimming pool facility.
- (b) Various parks and greenbelt areas.

Section 27. "Member" means every person or entity who is an Owner of Record of a Lot within the Properties and whose rights, duties, obligations and privileges as a Member are not suspended pursuant to Article X, Section 6, hereof.

Section 28. "Membership" means the rights, duties, obligations and benefits possessed by an Owner by virtue of his or her Membership in the Association and as specifically provided for, delineated in and limited by the Governing Documents.

Section 29. "Mortgage" means any security device encumbering all or any portion of the Properties, including a deed of trust. "Mortgagee" means and refers to a beneficiary under a deed of trust as well as a mortgagee in the conventional sense.

Section 30. "Owner" means any person, firm, corporation or other entity which owns a recorded fee simple interest in any Lot.

Section 31. "Owner of Record" and "Member of the Association" include an Owner and mean any person, firm, corporation or other entity in which title to a Lot is vested as shown by the official records of the Washington County Recorder.

Section 32. "Plat" shall collectively mean and refer to:

- (i) The subdivision plat of Sky Mountain Single Family Phase IA, and the Courtyard Townhomes at Sky Mountain, recorded in the office of the County Recorder of Washington County, Utah.
- (ii) Any duly approved subdivision plat(s) respecting all or any portions of the Additional Land, but only after the recordation of such plat(s) and the recordation of the amendment(s) and supplement(s) in accordance with the provisions of Article XI hereof, adding the real property covered by such plat(s) to the Project and Properties and subjecting such real property to this Declaration.

Section 33. "Policies" means the governing principles established by the Association's Board of Directors in accordance with Article III, Section 9, hereof to facilitate Association operations including, without limitation, environmental, disciplinary, administration and personnel policies.

Section 34. "Project" shall mean and refer to the Property and the scheme of development and ownership of the Property created and governed by this Declaration, the Articles and the Bylaws. The Project is a Residential Development with an initial density of approximately 61 Lots and 61 Dwelling Units (without limitation as to bedroom count for such Dwelling Units) and PUD, Multifamily Development and Townhomes. The density will be increased in the event any of the Additional Land is made part of the Project, to total approximately 600 Lots and 600 Dwelling Units.

Section 35. "Property" shall mean and refer to the subdivision known as the Clubhouse Series Phase IA at Sky Mountain and the Courtyard Townhomes at Sky Mountain, Phase IB and such additional land as shall be added to the project within the South 1/2 of Section 29 and the North 1/2 of Section 29 (south of the ridge line above the Virgin River), all in Township 41 South, Range 12 West, SLB&M.

Section 36. "Properties" means all portions of the Property or Project (Master Common Areas, common areas within Townhome or PUD subdivisions, Lots and property acquired and owned by the Association) included within any recorded Subdivision Map for any phase of the Project. When the context dictates, the reference to the "Properties" shall include all Dwelling Units, buildings, structures, utilities, Master Common Facilities and other improvements located thereon located in such future subdivisions and phases of the Project, all located within Washington County, Utah.

Section 37. "Recreational Vehicle" means a motor vehicle originally designed, or permanently altered, and equipped for common habitation, or to which a camper has been permanently attached.

Section 38. "Regular Assessment" means an assessment levied on an Owner and his Lot in accordance with Article VII, Section 3, hereof.

Section 39. "Rules and Regulations" means those Rules and Regulations promulgated by the Board as specifically provided in Article III, Section 10, hereof.

Section 40. "Single Family Residential Use" means occupied use of a Dwelling Unit for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning laws or other state or County rules and regulations.

Section 41. "Sky Mountain Design Guidelines and Standards" means those design guidelines for development of all the real property within the Project. The current Sky Mountain Design Guidelines and Standards were prepared by the Declarant. The Sky Mountain Design Guidelines and Standards are subject to modification from time to time. There is no assurance that such guidelines will not be periodically modified from time to time and they may change with respect to unsold parcels of property within the Project, after one or more other such parcels have been sold by the Declarant.

Section 42. "Special Assessment" means an assessment levied on an Owner and his Lot in accordance with Article VII, Section 4, hereof.

Section 43. "Special Individual Assessment" means an assessment levied on an Owner and his Lot in accordance with Article VII, Section 5, hereof.

Section 44. "Subdivision Maps" mean the unit maps and other maps or plats prepared at the time the Project was established and recorded officially in the Office of the County Recorder of Washington County, Utah and any additional such unit maps and other maps or plats covering real property which is part of the Project.

Section 45. "Tenant" means one who temporarily holds or occupies a Dwelling Unit while the Owner is not in residence and who otherwise meets the definition of a tenant or lessee under Utah law.

Section 46. "VA" means the Veterans Administration.

ARTICLE II Property Rights and Obligations

Section 1. Owner's Non-exclusive Easements of Enjoyment. Every Owner shall have a non-exclusive right and easement of enjoyment in and to the Master Common Areas, including an unrestricted right of ingress and egress to and from the Owner's Lot. Said easement rights shall be appurtenant to and shall pass with the title to each Lot, subject to the right of the Association to:

- (a) Charge reasonable admission and other fees or to limit the number of Guests who make use of Master Common Facilities and to designate and control use of the Master Common Facilities including without limitation parking and storage spaces within the Master Common Areas.
- (b) Establish Policies, Rules and Regulations as provided in Article III, hereof, which shall become a part of the Governing Documents.
- (c) Suspend an Owner's voting rights and/or the right of an Owner or Tenant to use any of the Master Common Facilities in accordance with the notice and

hearing requirements of Article X, Section 6, hereof, for any violation of the Governing Documents.

(d) Grant permits, licenses, easements and rights of way to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Board so long as such permits, licenses, easements and rights of way are intended to benefit the Project and do not have any substantial adverse affect on the enjoyment of the Master Common Areas by the Owners.

(e) Enter on any Lot when necessary to perform its obligations under this Declaration, including, without limitation, the enforcement of restrictions applicable to the Lot or to properly repair, landscape or maintain the adjoining Master Common Areas or Master Common Facilities. The Association's right of entry for the purposes aforesated shall extend to its agents, and shall be immediate in case of an emergency originating in or threatening such Lot or any neighboring Lot or Master Common Areas, and the Association's work may be performed under such circumstances whether or not the Owner or his Tenant is present. In all non emergency situations, the Association, or its agents, shall furnish the Owner or his Tenant with at least 24 hours written notice of its intent to enter the Lot specifying the purpose of each entry, and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the Lot Owner or his Tenant.

Section 2. Persons Subject to Governing Documents. All present and future Owners and Tenants, their Guests and Invitees, shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time. The acceptance of a deed to any Lot, the entering into a lease, sublease or contract of sale with respect to any Lot shall constitute the consent and agreement of such Owner or Tenant that each and all of the provisions of this Declaration, as the same or any of them may be amended from time to time, shall be binding upon such person and such person shall observe and comply with the Governing Documents.

Section 3. Rights of Use.

(a) Right of Use by Persons Other than an Owner. Members of an Owner's family and other dependents, if any, residing with an Owner shall have the right to use and enjoy the Master Common Areas and Master Common Facilities, to the same extent as the Owner, subject to the limitations in the Governing Documents, including, without limitation, the provisions of Article III, Section 6, hereof. Tenants, Guests and Invitees shall have the right to use and enjoy the Master Common Areas and Master Common Facilities, only to the extent provided in the Governing Documents. A contract purchaser shall have the right to use and enjoy the Master Common Areas and Master Common Facilities to the same extent as the Owner.

(b) Tenants. Any rental or lease of a Dwelling Unit shall be subject to the provisions of the Governing Documents, each of which shall be deemed to be incorporated by reference in the lease or rental agreement. Any rental or lease of an Owner's Dwelling Unit shall be only to a Family as defined herein for Single Family Residential Use. Owners shall provide each Tenant with current copies of the applicable Governing Documents during the Tenant's occupancy and use of the Dwelling Unit. All leases shall be in writing and shall specifically state that the lease is subject to all the provisions of the Governing Documents.

(c) Discipline of Tenants. The principal responsibility for supervising Tenants and ensuring their compliance with the Governing Documents rests with the lessor-Owners. Nevertheless, subject to subparagraph (d) below, in the event that any Tenant fails to honor any provision of the Governing Documents, the Association shall be entitled to take appropriate corrective action if, within a reasonable time, the Owner fails to take such action with respect to the Tenant. Such corrective action may include suspension of the Tenant's privileges to use the Master Common Areas and Master Common Facilities (other than roads), the imposition of fines and penalties against the Owner and Tenant or the initiation of eviction proceedings as provided in subparagraph (e) below.

(d) Due Process Requirement for Disciplinary Action. Except for circumstances in which immediate action is necessary to prevent damage to, or destruction of, the Properties or to preserve the right of quiet enjoyment of other residents, the Association shall have no right to initiate disciplinary action against an Owner (or the Owner's Tenant) on account of the misconduct of the Owner's Tenant unless and until the following conditions have been satisfied: (i) the Owner has received written notice from the Board detailing the nature of the Tenant's alleged infraction or misconduct and advising the Owner of his right to a hearing; (ii) the Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing (conducted in accordance with Article X, Section 6, hereof), to present arguments as to why disciplinary action is unnecessary or unwarranted; and (iii) the Owner has failed to prevent or correct the Tenant's objectionable actions or misconduct. Notwithstanding the foregoing, nothing herein shall be construed to prohibit the Association from communicating directly with a Tenant in an effort to correct a condition or objectionable action in advance of the need for formal disciplinary proceedings.

(e) Association's Right to Prosecute Eviction Proceedings to Protect the Master Common Interests. In the event a Tenant's conduct involves material damage to, or misuse of, the Master Common Facilities, or constitutes an unreasonable nuisance to neighboring residents, the Association shall be entitled to maintain an eviction action against such Tenant to the same extent as the Owner of the subject Lot, the Association being deemed to be a third party beneficiary of any lease or rental agreement involving any Dwelling Unit located within the Properties. The

Association's rights hereunder shall be subject to the due process requirements of subparagraph (d), above.

Section 4. Obligations of Owners. Owners of Lots within the Properties shall be subject to the following:

(a) Owner's Duty to Notify Association of Tenants and Contract Purchasers. Each Owner shall notify the Association of the names of any contract purchaser or Tenant of the Owner's Lot.

(b) Contract Purchasers. A contract purchaser shall be considered the Owner of the Lot and the seller must delegate his voting and other Membership rights in the Association and his right to use or enjoy the Master Common Areas and Master Common Facilities to any contract purchaser in possession of a Lot; provided, however, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the property sold has been transferred to the purchaser

(c) Notification Regarding Governing Documents. In order to carry out the intent and purposes of this Declaration, the Association shall, within 10 days of the mailing or delivery of a request therefor, provide the Owner with a current copy of all Governing documents. The Association shall be entitled to impose a fee for providing the Governing Documents and billing statement equal to, but not more than, the reasonable cost of preparing and reproducing the requested materials.

(d) Payment of Assessments and Compliance with Governing Documents. Each Owner shall pay when due each Regular, Special and Special Individual Assessment levied against the Owner and his Lot and shall observe, comply with and abide by the Governing Documents for the purpose of protecting the interests of all Owners and protecting the Master Common Areas and Master Common Facilities.

(e) Discharge of Assessment Liens. Each Owner shall promptly discharge any assessment lien that may hereafter become a charge against his Lot.

(f) Joint Ownership of Lots. In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners shall be joint and several. Without limiting the foregoing, this subparagraph (f) shall apply to all obligations, duties and responsibilities of Owners as set forth in the Governing Documents, including the payment of all Assessments. The rights and privileges of a Membership in the Association as provided for herein are distinct from the obligations and liabilities of the Owners as provided for herein.

(g) Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferor shall not be liable for any Assessments with respect to such Lot that are levied after the date of recording of the deed evidencing said transfer and upon such recording all Association membership rights possessed by the transferor by virtue of the ownership of said Lot shall cease.

Section 5. Easements For Encroachments. If any part of a Dwelling Unit built in substantial accord with the boundaries for such Dwelling Unit as depicted on a Plat (or in other approved documents depicting the location of such on the Lot) encroaches or shall encroach upon the Master Common Areas, or upon an adjoining Lot, an easement for such encroachment and for the maintenance of the same shall and does exist. If any part of the Master Common Areas encroaches or shall encroach upon a Lot or a Dwelling Unit, 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.

Section 6. Transfer of Title. The Declarant agrees that it shall cause the conveyance to the Association of title to the Master Common Areas and Facilities, free and clear of all liens (other than the lien of current general taxes and the lien of any assessments, charges, or taxes imposed by governmental or quasi-governmental authorities), before the closing of the first sale of a Lot within the Project. The Association shall not lease the Master Common Area and Facilities or any portion thereof to a third party, absent consent of the Association's Board of Directors.

ARTICLE III Homeowners Association

Section 1. Membership. Each Owner shall be entitled and required to be a member of the Association. Membership will begin immediately and automatically upon becoming an Owner and shall terminate immediately and automatically upon ceasing to be an Owner. If title to a Lot is held by more than one person, the membership appurtenant to that Lot shall be shared by all such persons in the same proportionate interest and by the same type of tenancy in which title to the Lot is held. An Owner shall be entitled to one membership for each Lot owned by him. Each membership shall be appurtenant to the Lot to which it relates and shall be transferred automatically by conveyance of that Lot. Ownership of a Lot within the Project cannot be separated from the membership in the Association appurtenant thereto, and any devise, encumbrance, conveyance or other disposition of such Lot shall automatically constitute a devise, encumbrance, conveyance or other disposition of the Owner's membership in the Association and rights appurtenant thereto. No person or entity other than an Owner may be a member of the Association and membership in the Association may not be transferred except in connection with the transfer of a Lot. The Association shall make available to the Owners, Mortgagees and the holders, insurers and guarantors of the First Mortgage on any Lot current copies of the Governing Documents for the Project and other books, records and financial statements of the

Association. "Available" shall mean available for inspection, upon request, during normal business hours or under other reasonable circumstances.

Section 2. Voting Classes. The Association shall have two classes of voting memberships:

Class A. Class A memberships shall be all memberships except the Class B memberships held by the Declarant and each Owner shall be entitled to one 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.

Class B. The Class B memberships shall be held only by the Declarant. The Declarant shall be entitled to three (3) votes for each Class B membership held by the Declarant. The Class B memberships shall cease and be converted to Class A memberships, on the basis of the number of Lots owned by the Declarant, on the happening of the following events:

- (a) When the total votes outstanding in the Class A memberships equal the total votes outstanding in the Class B memberships, or
- (b) Fifteen (15) years from the date of the recording of this Declaration.

Section 3. Exercise of Voting Rights. The Declarant shall be entitled to one Class B membership for each Lot which it owns. All other Owners shall be entitled to one Class A membership for each Lot which they own. Each Member shall be entitled to the number of votes for such membership as described in Section 2 above. In the event that there is more than one Owner of a particular Lot, the vote relating to such Lot shall be exercised as such Owners may determine among themselves. No Lot shall have more than the votes described in Section 2, above, regardless of the number of persons having an ownership interest in the Lot. A vote cast at any Association meeting by any of such Owners, whether in person or by proxy, shall be conclusively presumed to be the vote attributable to the Lot concerned, unless an objection is immediately made by another Owner of the same Lot. In the event such an objection is made, the vote involved shall not be counted for any purpose whatsoever other than to determine whether a quorum exists. The Declarant shall have full voting rights with respect to each Lot which it owns.

Section 4. Professional Management. The Association may carry out through a Manager, those of its functions which are properly the subject of delegation. The Manager so engaged shall be an independent contractor and not an agent or employee of the Association and shall be responsible for managing the Project for the benefit of the Association and the Owners, and shall, to the extent permitted by law and by the terms of the agreement with the Association, be authorized to perform any of the functions or acts required or permitted to be performed by the Association itself. Any such management

agreement executed on or before the termination of the Class B membership as described in Section 2 of Article III may be terminated by the Association without cause or cost at any time after termination of such Class B membership. The above term and termination provisions shall not apply to any other types of service contracts.

Section 5. Amplification. The provisions of this Section may be amplified by the Articles and The Bylaws; provided, however, that no such amplification shall substantially alter or amend any of the rights or obligations of the Owners set forth in this Declaration.

Section 6. Restrictions on Recreation Privileges. In order to avoid an overburdening of Master Common Areas and Master Common Facilities, the membership that is appurtenant to any Lot shall entitle the Lot Owner(s) to only the following user privileges with respect to recreational Master Common Facilities.

(a) **Vacant Lots.** The membership appurtenant to a vacant Lot shall confer user privileges on no more than two adult Owners and their children.

(b) **Owner-Occupied Improved Lots.** The membership appurtenant to an Owner-occupied improved Lot shall confer user privileges only the Owner(s) and other individuals residing within the Dwelling Unit.

(c) **Rental Properties.** The membership appurtenant to any improved Lot that is rented or leased by the Owner(s) shall confer user privileges on the tenants/lessees in accordance with subparagraph (b) above; provided, however, that use of recreational Master Common Facilities by tenants/lessees shall be subject to such further rules, regulations and limitations as may be adopted by the Board from time to time. The Owner of any rented or leased Lot shall continue to have user privileges to the extent described in subparagraph (a) above.

(d) **Guests and Invitees.** Use of recreational Master Common Areas and Master Common Facilities by the Guests or Invitees of any Owner shall be subject to such rules, regulations and limitations as may be adopted by the Board from time to time.

Section 7. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale or encumbrance of the Lot to which it is appurtenant and then only to the purchaser upon recording of a deed evidencing transfer of title to the Lot, and payment of Association's transfer fee. In the case of an encumbrance of such Lot, a Mortgagee does not have Membership rights until he becomes an Owner by foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer is void.

Section 8. Powers and Authority of the Association through its Board of Directors. The Association shall have the responsibility of owning, managing and maintaining the Master Common Areas and Master Common Facilities and discharging the other duties and responsibilities imposed on the Association by the Governing Documents for the common benefit of its Members. In the discharge of such responsibilities and duties, the Association shall have all of the powers of a nonprofit corporation organized under the laws of the State of Utah, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents or by law. The Association and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety and general welfare of its Members. The specific powers of the Association and the limitations thereon shall be as set forth in Article VIII of the Bylaws.

Section 9. Association Policies.

(a) Policy Making Power. The Board may, from time to time, propose, enact, amend and/or supplement Policies of general application to the overall administration and operation of the Association's business and functions. Such Policies may concern, but shall not be limited to, personnel, administration, finance, accounting, audits, security and maintenance. Such Policies or amendments thereto shall become effective as of the date of adoption thereof by the Board or at such later date as the Board may designate in the resolution adopting the policy or amendment thereto.

Notwithstanding the foregoing grant of authority, the Association's Policies shall be consistent with the provisions of the Declaration and the Bylaws.

(b) Distribution of Policies.

(i) Board members, officers, any Manager and the staff's department heads, shall be provided with a complete policy manual.

(ii) Committee chairpersons may request and be supplied with copies of Policies that deal with the responsibilities and functions of the committee.

(iii) A complete policy manual shall be available for review by members of the administration office of the Association.

(c) Breach of Policies. Any breach of the Association Policies shall, as appropriate, give rise to the rights and remedies set forth in Article X, hereof.

Section 10. Association Rules and Regulations.

(a) Rule Making Power. The Board may enact and amend Rules and Regulations pertaining to the proper use and management of the Properties, including the Master Common Facilities, roads and other Master Common Areas located therein. Rules or amendments thereto shall be consistent with the Association's other Governing Documents and shall become effective as of the date of adoption by the Board or at such later date as the Board may designate in the resolution adopting the rule or amendment.

(b) Distribution of Rules and Regulations. A copy of the Association Rules and Regulations may be mailed or otherwise delivered to each new Owner of Record. Any amendments to the Rules and Regulations shall be mailed or otherwise made known to each Owner of Record. A copy of the Association Rules and Regulations also shall be available and open for review and inspection by an Owner or Tenant at the administration office of the Association.

(c) Breach of Rules and Regulations. Any breach of the Association Rules and Regulations shall, as appropriate, give rise to the rights and remedies set forth in Article X, hereof.

ARTICLE IV Operation and Maintenance

Section 1. Maintenance of Dwelling Units. Each Dwelling Unit and Lot shall be maintained by the Owner thereof so as not to detract from the appearance of the Properties and so as not to affect adversely the value or use of any other Dwelling Unit or Lot. The Association shall have no obligation regarding maintenance or care of the Dwelling Units or Lots, except as set forth elsewhere in this Declaration.

Section 2. Operation and Master Maintenance by Association. The Association shall provide for such maintenance and operation of the Master Common Areas and Master Common Facilities as may be necessary or desirable to make them appropriately usable in conjunction with the Lots and to keep them clean, functional, attractive and generally in good condition and repair. The Association will also maintain parkway trees, as needed. The expenses incurred by the Association for such purposes shall be paid for with funds from the Common Expense Fund.

Section 3. Utilities. The Owner shall pay for all utility services furnished to each Lot, except utility services which are not separately billed or metered to individual Lots by the utility or other party furnishing such service. The Association shall pay such bills which are not separately metered and charge an appropriate share to each Lot and Owner.

Section 4. Insurance. The Association shall at all times maintain in force insurance meeting the following requirements:

(a) Hazard Insurance. A "master" or "blanket" type policy of property insurance shall be maintained covering the Master Common Areas and Master Common Facilities and fixtures, building service equipment, personal property and supplies comprising a part of the Master Common Areas and Master Common Facilities owned by the Association and which are of a class typically encumbered by Mortgages held by FNMA or other similar institutional Mortgage investors; 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. As a minimum, such "master" or "blanket" policy shall afford protection against loss or damage by fire, or other perils normally covered by the standard extended coverage endorsement, and by all other perils which are customarily covered with respect to the common areas of projects similar to the Project 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 Project 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 a policy covering the Master Common Areas and Master Common Facilities shall be the lesser of Ten Thousand Dollars (\$10,000) or one percent (1%) of the policy face amount. Funds to cover these deductible amounts shall be included in the Association's operating reserve account.

(b) Flood Insurance. If any part of the Project 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 covering all Master Common Areas or Master Common Facilities within the Project (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 Project 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 any such policy shall be the lesser of Five Thousand Dollars (\$5,000) or one percent (1%) of the policy face amount.

(i) The name of the insured under each policy required to be maintained by the foregoing items (a) and (b) shall be the Association for the use and benefit of the individual Owners. (Said Owners shall be designated by name, if required.) Notwithstanding the requirement of the two immediately foregoing sentences, each such policy may be issued in the name of an authorized representative of the Association, including any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, or any successor to such Trustee, for the use and benefit of the individual Owners. Loss payable shall be in favor of the Association (or Insurance Trustee), as a trustee for each Owner and each such Owner's Mortgagee. Each Owner and each such Owner's Mortgagee, if any, shall be beneficiaries of such policy. Evidence of insurance shall be issued to each Owner and Mortgagee upon request.

(ii) Each policy required to be maintained by the foregoing items (a) and (b) shall contain the standard mortgage clause, or equivalent endorsement (without contribution), commonly accepted by private institutional mortgage investors in the area in which the Project is located. If FNMA is a holder of one or more Mortgages or Lots within the Project, such mortgage clause shall name FNMA or FNMA's servicer of such Mortgages as Mortgagee. If FNMA's servicer is named as mortgagee in such mortgage clause, such servicer's name shall be followed therein by the phrase "its successors and assigns." In addition, such mortgage clause or another appropriate provision of each such policy shall provide that the policy may not be canceled or substantially modified without at least ten (10) days prior written notice to the Association and to each Mortgagee which is listed as a scheduled holder of a Mortgage in the policy.

(iii) Each policy required to be maintained by the foregoing items (a) and (b) shall provide, if available, for the following: Recognition of any insurance trust agreement; a waiver of the right of subrogation against Owners individually; the insurance is not prejudiced by any act or neglect of individual Owners which is not in the control of such Owners collectively; and the policy is primary in the event the Owner has other insurance covering the same loss.

(iv) Each policy required to be maintained by the foregoing item (a) shall also contain or provide the following: (1) "Inflation Guard Endorsement," if available; (2) "Building Ordinance or Law Endorsement, if the enforcement of any building, zoning or land use law will result in loss or damage, increased cost of repairs or construction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs and increased costs of reconstruction); (3) "Steam Boiler and Machinery Coverage Endorsement," if the project has central heating or cooling, which shall provide that the

insurer's minimum liability per accident at least equals the lesser of Two Million Dollars (\$2,000,000) or the insurable value of the building containing the boiler or machinery. In lieu of obtaining this as an endorsement to the commercial package property, the Association may purchase separate and stand-alone boiler and machinery coverage.

(c) Fidelity Bonds. The Association shall, at all times, maintain in force and pay the premiums for "blanket" fidelity bonds for all officers, members and employees of the Association and for all other persons handling or responsible for funds of or administered by the Association, whether or not that individual received compensation for services. Furthermore, where the Association has delegated some or all of the responsibility for the handling of funds to a Manager the Manager shall provide "blanket" fidelity bonds, with coverage identical to such bonds required from the Association for the Manager's officers, employees and agents handling or responsible for funds of or administered on behalf of the Association. The total amount of fidelity bond coverage required shall be based upon the Association's best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association, or the Manager as the case may be, at any given time during the term of each bond. A lesser amount of fidelity insurance coverage is acceptable for the Project, so long as the Association and the Manager adhere to the following financial controls: (1) the Association or the Manager maintains separate bank accounts for the working account and the reserve account, each with the appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the Association; (2) the Manager maintains separate records and bank accounts for each Association that uses its services and the Manager does not have authority to draw checks on or to transfer funds from the Association's reserve account; or (3) two members of the Board must sign any checks written on the reserve account. Nevertheless, in no event may the amount of such bonds be less than the sum equal to three months' aggregate Assessments on all Lots. The bonds required shall meet the following additional requirements: (1) the fidelity bonds shall name the Association as obligee; (2) the bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions; (3) the premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by the Manager for its officers, employees and agents) shall be paid by the Association as part of the Common Expenses; and (4) the bonds shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days prior written notice to the Association, to any Insurance Trustee, and to each servicer of loans on behalf of FNMA.

(d) Liability Insurance. The Association shall maintain in force, and pay the premium for a policy providing comprehensive general liability insurance coverage covering all of the Master Common Areas and Master Common Facilities,

public ways in the Project, if any, all other areas of the Project that are under the Association's supervision, and commercial spaces owned by the Association, if any, whether or not such spaces are leased to some third party. The coverage limits under such policy shall be in amounts generally required by private institutional Mortgage investors for projects similar to the Project in construction, location and use. Nevertheless, such coverage shall be for at least One Million Dollars (\$1,000,000) 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 insured for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance, or use of the Master Common Areas and Master Common Facilities and legal liability arising out of lawsuits related to employment contracts of the Association. Additional coverage under such policy shall include protection against such other risks as are customarily covered with respect to projects similar to the Project in construction, location and use, including but not limited to (where economically feasible and if available), host liquor liability, contractual and all written contract insurance, employer's liability insurance, and comprehensive automobile liability insurance. If such policy does not include "severability of interest" in its terms, the policy shall include a special endorsement to preclude an insurer's denial of any Owner's claim because of negligent acts of the Association or any other Owner. Such policy shall provide that it may not be canceled or substantially modified, by any party, without at least ten (10) days prior written notice to the Association and to each Mortgagee which is listed as a scheduled holder of a Mortgage in such policy.

(e) Insurance Trustees and General Requirements Concerning Insurance.

Notwithstanding any of the foregoing provisions and requirements relating to property or liability insurance, there may be named as an insured on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement or any successor to such trustee (each of whom shall be referred to herein as the "Insurance Trustee"), who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance. Each Owner hereby appoints the Association, or any Insurance Trustee or substitute Insurance Trustee designated by the Association, as his or her attorney-in-fact for the purpose of purchasing and maintaining such insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. The Association, or any Insurance Trustee, shall receive, hold, or otherwise properly dispose of any proceeds of insurance in trust for the use and benefit of the Owners and their Mortgagees, as their interest may appear.

Each insurance policy maintained pursuant to the foregoing Sections (a), (b), (c) and (d) shall be written by an insurance carrier which is licensed to transact business in the State of Utah and which as a B general policyholders rating or a

financial performance index of 6 or better in the Best's Key Rating Guide or an A or better rating for Demotech, Inc., or which is written by Lloyd's of London. No such policy shall be maintained where: (1) under the terms of the carrier's charter, bylaws or policy, contributions may be required from, or assessments may be made against, an Owner, a Mortgagee, the Board, the Association, FNMA, or the designee of FNMA; (2) by the terms of the carrier's charter, bylaws, or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members; or (3) the policy includes any limiting clauses (other than insurance conditions) which could prevent the party entitled (including, without limitation, the Board, the Association, an Owner or FNMA) from collecting insurance proceeds. The provisions of this Section (e) and of the foregoing Sections (a), (b), (c) and (d) shall not be construed to limit the power or authority of the Association to obtain and maintain insurance coverage, in addition to any insurance coverage required hereunder, in such amounts and in such forms as the Association may deem appropriate from time to time.

(f) Annual Review of Policies. 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 Project which may have been damaged or destroyed. In addition, such policies shall be reviewed to determine their compliance with the provisions of this Declaration.

ARTICLE V Damage or Destruction

Section 1. Association as Attorney-in-Fact. All of the Owners irrevocably constitute and appoint the Association their true and lawful attorney in fact in their name, place and stead for the purpose of dealing with improvements to the Master Common Areas and Master Common Facilities upon their damage or destruction as hereinafter provided. Acceptance by any grantee of a deed from the Declarant or from any Owner shall constitute an appointment by said grantee of the Association as his or her attorney-in-fact as herein provided. As attorney-in-fact, the Association shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or other instrument with respect to the interest of an Owner which may be necessary or appropriate to exercise the powers herein granted. All insurance proceeds shall be payable to the Association except as otherwise provided in this Declaration.

Section 2. Estimate of Damages or Destruction. As soon as practical after an event causing damage to or destruction of any part of the improvements on the Master Common Areas or to the Master Common Facilities, the Association shall, unless such damage or destruction shall be minor, obtain an estimate or estimates that it deems reliable and complete the repair and reconstruction of that part of the Master Common Areas and Master Common Facilities so damaged or destroyed. "Repair and reconstruction" as used in

this Article V shall mean restoring the damaged or destroyed improvements to substantially the same condition in which they existed prior to the damage or destruction.

Section 3. Repair and Reconstruction. As soon as practical after obtaining estimates, the Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed improvements. As attorney-in-fact for the Owners, the 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 Association shall not be abated during the period of insurance adjustments and repair and reconstruction.

Section 4. Funds for Repair and Reconstruction. The proceeds received by the Association from any hazard insurance shall be used for the purpose of repair, replacement, and reconstruction. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair and reconstruction, the Association may, pursuant to Article VII, Section 4 below, 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.

Section 5. Disbursement of Funds for Repair and Reconstruction. The insurance proceeds held by the Association and the amounts received from the Special Assessments provided for in Article VII, Section 4 below 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 distributed to the Owners in proportion to the contributions each Owner made as a Special Assessment to the Association, or, if no Special Assessments were made, then in equal shares per Lot, first to the Mortgagees and then to the Owners, as their interests appear.

Section 6. Decision Not to Rebuild. If Owners representing at least sixty-seven percent (67%) of the votes of each class of Members in the Association and fifty-one percent (51%) of the First Mortgagees (based upon one vote for each Mortgage owned) of the Lots agree in writing not to repair and reconstruct and no alternative improvements are authorized, then and in that event the Master Common Areas and Master Common Facilities shall be restored to their natural state and maintained as an undeveloped portion of the Master Common Areas by the Association in a neat and attractive condition, and any remaining insurance proceeds shall be distributed in equal shares per Lot, first to the Mortgagees and then to the Owners, as their interests appear.

Section 7. Notice to First Mortgagees. The Association shall give timely written notice to any holder of any First Mortgage on a Lot who requests such notice in writing in the event of substantial damage to or destruction of any part of the Master Common Areas.

ARTICLE VI
Condemnation

Section 1. Rights of Owners. Whenever all or any part of the Master Common 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 Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

Section 2. Partial Condemnation; Distribution of Award; Reconstruction. The award made for such taking shall be payable to the Association as Trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Master Common Areas on which improvements have been constructed, then, unless within sixty days after such taking Declarant and Owners representing at least sixty-seven percent (67%) of the votes of each class of Members in the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Master Common Areas to the extent lands are available therefor, in accordance with plans approved by the Board and the Design Review Committee. If such improvements are to be repaired or restored, the provisions in Article V 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 Master Common 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 distributed in equal shares per Lot, first to the Mortgagees and then to the Owners, as their interests appear.

Section 3. Complete Condemnation. If all of the Project is taken, condemned, sold, or otherwise disposed of in lieu of or in avoidance of condemnation, then the regime created by this Declaration shall terminate, and the portion of the condemnation award attributable to the Master Common Areas shall be distributed to Owners equally.

ARTICLE VII
Assessments

Section 1. Assessments Generally.

(a) The Association shall have the power to establish, fix and levy assessments against the Owners of Lots within the Properties and to enforce payment of such assessments in accordance with this Article VII. Any Assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

(b) The Assessments for Common Expenses provided for herein shall be used for, are necessary to, and hereby declared and agreed to be for, the general purposes of promoting the recreation, health, safety, welfare, common benefit and enjoyment of the Owners and residents of the Lots and Dwelling Units within the Project.

(c) If a vote of the Members is required, pursuant to other Sections of this Declaration, to approve a Regular or Special Assessment, notice of the proposed Assessment, detailing the reasons therefor and the procedures for voting on approval of the Assessment, shall be given to all Members not less than 30 days prior to the date scheduled for a vote on the proposition. Approval of the Members may be solicited at a meeting called for that purpose or by written ballot in accordance with the Bylaws.

(d) All Assessments shall be fixed, established and collected from time to time as provided in this Article VII. In any event, all Lots shall be allocated the then applicable assessments upon conveyance of the first Lot. Notwithstanding anything contained herein to the contrary, until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum Regular Assessment shall be **Forty (40.00)** Dollars per Lot.

(i) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum Regular Assessment may be increased each year not more than ten percent (10%) above the maximum assessment for the previous year without a vote of the Membership.

(ii) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum Regular Assessment may be increased above ten percent (10%) by a vote of sixty-seven percent (67%) of the votes of Members who are voting in person or by proxy, at a meeting duly called for this purpose.

(iii) The Board may fix the Regular Assessment at an amount not in excess of the maximum.

Section 2. Personal Obligation for Assessments.

(a) Each Owner of a Lot by acceptance of a deed therefor (whether or not it shall be so expressed in such deed), covenants and agrees to pay to the Association the Assessments hereinafter provided for.

(b) The amount of any Regular or Special Assessment against any Lot shall be the personal obligation of the Owner of such Lot to the Association. Suit to recover a money judgment for such personal obligation shall be maintainable by the

Association without foreclosing or waiving the lien securing the same. In the event of any suit to recover a money judgment of unpaid assessments hereunder, the involved Owner shall pay the costs and expenses incurred by the Association in connection therewith, including reasonable attorneys' fees.

(c) The personal obligation of an Owner to pay unpaid Assessments against his Lot as described in Section 2(b) of this Article VII shall not pass to successors in title unless assumed by them. Provided, however, a lien to secure unpaid Assessments shall not be affected by the sale or transfer of the Lot, unless foreclosure by a First Mortgagee is involved, in which case, the foreclosure will extinguish the lien for any Assessments that were payable before the foreclosure sale, but shall not relieve any subsequent Owner from paying further Assessments.

(d) All Assessments levied pursuant to this Declaration, together with the late fees, interest, costs and attorneys' fees as provided in this Declaration in or the maximum amount permitted by Utah law, shall be a charge and a continuing lien upon each Lot against which each Assessment is imposed. Such amounts for the Assessments and late fees, interest, costs and attorneys' fees shall also be the personal obligation of the Record Owner(s) of such Lot at the time the Assessment is due. All unpaid portions of any Assessment shall bear interest at the rate established by the Board, not to exceed 18% per annum from the date such portions become due until paid.

(e) No Owner may exempt himself or his Lot from liability or charge for his share of any Regular, Special or Special Individual Assessment levied against the Owner and his Lot by waiving or relinquishing, or offering to waive or relinquish, his right to use and enjoy all or any portion of the Master Common Areas or Master Common Facilities or by the abandonment or nonuse of his Lot.

Section 3. Regular Assessment.

(a) Preparation of Annual Budget and Establishment of Regular Assessment. Not less than 45 nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve funds established to defray the cost of future repair or replacement of existing Master Common Facilities or to fund specific Capital Improvements) by preparing and distributing to all Association Members a proforma budget satisfying the requirements of the Bylaws. The Board of Directors shall be authorized to adopt the annual budget, thus establishing the Regular Assessment payable by the Owners, unless the percentage increase in the Regular Assessment over the previous year's Regular Assessment must receive the prior approval of the majority of a quorum of the Members. Once adopted, the Aggregate Regular

Assessment shall be allocated among and assessed against all Lots within the Properties in the manner provided in subparagraph (b) below.

Without limiting the generality of the foregoing, the budgeted Common Expenses for any fiscal year may include line items for enhancements to existing Master Common Facilities or additions to the Association's equipment inventory, the aggregate cost of which does not exceed 10 percent (10%) of the previous year's budgeted gross expenses. Any other specific Capital Improvement project or acquisition of Association property in excess of the foregoing limitation shall be funded by levy of a Special Assessment in accordance with Section 4, below or approved by the Owners or provided elsewhere in this Declaration.

(b) Allocation of Regular Assessment Among the Owners. The total Regular Assessment established in accordance with subparagraph (a) above, shall be equally allocated among and assessed against the Owners and their Lots. Each Owner's allocable share of the Regular Assessment shall be set forth and recorded upon an assessment roll which shall be maintained as part of the records of the Association and shall be open for inspection at all reasonable times by each Owner for any purpose reasonably related to the Owner's interest as an Owner or as a Member of the Association. All funds received from assessments under this Section shall be part of the Common Expense Fund.

(c) Assessment Payment. The Regular Assessment levied against each Lot and Owner shall be due and payable in accordance with the Association Policies.

(d) Failure to Establish Annual Budget. If the Board of Directors fails to prepare a budget for any fiscal year, then the Regular Assessment established for the preceding fiscal year, together with any Special Assessment made pursuant to Section 4 hereof for the year, shall be assessed against each Lot and Owner as the Regular Assessment for the fiscal year.

Section 4. Special Assessments.

(a) Special Assessments. In addition to the Regular Assessments authorized by this Article, the Board of Directors may, on behalf of the Association, levy at any time and from time to time, upon the affirmative vote of at least sixty-seven percent (67%) of each class of Members who are voting in person or by proxy at a meeting called for such purpose Special Assessments, payable over such periods as the Board of Directors may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expenses incurred or to be incurred as provided in this Declaration (including, without limitation, Common Expenses). Except as provided in Section 4(b) below, this section shall not be construed as an independent source of authority for the Association to incur expenses,

but shall be construed to prescribe the manner of assessing for expenses authorized by other sections or articles hereof. Any amount assessed pursuant hereto shall be assessed to Owners equally. Notice in writing of the amount of each such Special Assessment and the time for payment thereof shall be given promptly to the Owners; no payment shall be due less than fifteen (15) days after such notice shall have been given. All unpaid portions of any Special Assessment shall bear interest at the rate established by the Board, not to exceed eighteen percent (18%) per annum from the date such portions become due until paid. All funds received from assessments under this section shall be part of the Common Expense Fund. In connection with any such Special Assessment, Owners qualifying for paying only twenty-five percent (25%) of the Regular Assessment attributable to their Memberships pursuant to Section 6 below shall also be required to pay only twenty-five percent (25%) of the Special Assessment otherwise attributable to each such Membership. The provisions of this Section are not intended to preclude or limit the assessment, collection or use of Regular Assessments for the aforesaid purposes.

(b) Purposes for which Special Assessments may be Levied.

(i) Regular Assessment Insufficient in Amount. If, at any time, the Regular Assessment for any fiscal year is insufficient to fund the Association's Common Expenses due to emergency expenses not included in the budget prepared for the fiscal year, then the Board may levy a Special Assessment, applicable to the remainder of such year only, for the purpose of defraying, in whole or in part, any deficit which the Association might otherwise incur in the performance of its duties and the discharge of its obligations.

(ii) Capital Improvements. The Board may also levy Special Assessments for specific Capital Improvements or for the acquisition of new Association property. Where the cost of a Capital Improvement requires the accumulation of funds for a period in excess of one fiscal year, the funds may nevertheless be collected by means of a Special Assessment (subject to the limitations contained herein) and accumulated; provided, however, that any funds collected by Special Assessment to fund an undertaking in a subsequent fiscal year shall be separately identified in the financial records of the Association. In the event the Board determines, in any subsequent fiscal year, that Special Assessment funds accumulated for a specific future undertaking are not to be applied to such undertaking, or if the accumulated funds exceed the cost of the undertaking, the fund balance shall be transferred to the Association's general fund in order to serve as a credit against the Owners' Regular Assessment obligations.

Section 5. Special Individual Assessments.

(a) Circumstances giving Rise to Special Individual Assessments. In addition to Special Assessments provided for in Section 4, above, the Association may also impose Special Individual Assessments against a Lot and Owner in any of the circumstances described in subparagraphs (i) through (iv), below; provided that Special Individual Assessments may only be imposed pursuant to this Section 5 after the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Article X, Section 6, hereof, and, when appropriate, has been given a reasonable opportunity to comply voluntarily with the Association's Governing Documents. The acts and circumstances that may give rise to Special Individual Assessment liability include, without limitation, the following:

(i) Damage to Master Common Areas or Master Common Facilities. Any damage to, or destruction of, any portion of the Master Common Areas or the Master Common Facilities caused by the willful misconduct or negligent act or omission of any Owner, any member of his family, or any of his tenants, guests, servants, employees, licensees or invitees. If any such damage occurs, the Board may cause the same to be repaired or replaced and recover the cost thereof.

(ii) Expenses incurred in Gaining Member Compliance. Costs or expenses incurred by the Association, including reasonable title company, accounting or legal fees, to repair, maintain or replace any portion of the properties for which the Owner is responsible under the Governing Documents, but has failed to undertake or complete in a timely fashion or to otherwise bring the Owner and his Lot into compliance with the provisions of the Governing Documents.

(iii) Required Maintenance on Lots. As more particularly provided in Article II, Section 1 (e), (and without limiting the generality of that section), if any Lot is maintained so as to become a nuisance, fire or safety hazard for any reason, including, without limitation, the accumulation of trash, junk automobiles or improper weed or vegetation abatement and control, the Association shall have the right to enter said Lot, correct the offensive or hazardous condition and recover the cost thereof.

(iv) Maintenance of Park Strip. Each Owner shall be responsible to landscape and maintain the Park Strip fronting on each Owner's Lot. This maintenance will include, without limitation, the mowing and watering of the designated park strips, removal of weeds, cleaning of debris and other general care. Each Owner is also responsible for the removal of snow from the sidewalk, but not the removal of snow from the planted area of the Park Strip.

In the event that any Owner shall fail to landscape or maintain the Park Strip, whether such failure is caused through the failure to act or the willful or negligent act of any Owner, his family, guests or invitees, or otherwise, then, subject to the notice provisions of this Declaration, the Association shall have the right to cause such landscaping and maintenance to be performed and the cost of such maintenance or repairs, shall constitute the obligation of the Owner of the Lot so maintained and such obligation shall be subject to and shall be secured by a lien as set forth in Section 8 hereof.

(b) Levy of Special Individual Assessment and Payment. Once a Special Individual Assessment has been levied against an Owner and his Lot for any reason, such Special Individual Assessment shall be recorded on the Association's assessment rolls, notice thereof shall be mailed to the affected Owner and the Special Individual Assessment shall thereafter be due and payable in accordance with the Association's Policies.

Section 6. Uniform Rate of Assessment. The amount of any Regular or Special Assessment against each Lot shall be fixed at a uniform rate per membership, except that the Owner of a Lot shall pay only twenty-five percent (25%) of the Regular Assessment attributable to his membership until completion of the first Dwelling Unit on the Lot and occupancy of such Dwelling Unit. If the Owner of a Lot ceases to qualify for the reduced twenty-five percent (25%) rate during the period to which a Regular Assessment is attributable, 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. Regular Assessments may be collected on a monthly basis and Special Assessments may be collected as specified by the Board, unless otherwise determined by the resolution of the Members of the Association approving the Special Assessment. So long as the Declarant qualifies for the reduced assessment rate with respect to the Lots which it owns, if the assessments for any fiscal year of the Association shall fail to equal or exceed the actual expenses incurred by the Association during any such fiscal year because of the Declarant's right to pay reduced Assessments, then the Declarant shall pay to the Association a sufficient amount, up to the amount for that fiscal year, of the full assessment of each Lot owned by Declarant to meet any such deficit, so long as a written notice of such deficit is given by the Association to the Declarant within sixty (60) days following the termination of the fiscal year for which the Assessment is made.

Section 7. Notice and Quorum for Any Action Authorized Under Sections 1 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Sections 1 or 4 of this Article 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, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes (exclusive of suspended voting rights) of each class of Members 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.

Section 8. Lien for Assessments. All sums assessed to Owners of any Lot within the Project pursuant to the provisions of this Article VII, together with penalties and interest thereon as provided herein, shall be secured by a lien on such Lot in favor of the Association. To evidence a lien for sums assessed pursuant to this Article VII, the Board may prepare a written notice of lien setting forth the amount of the Assessment, the date due, the amount remaining unpaid, the name of the Owner of the Lot and a description of the Lot. Such a notice shall be signed and acknowledged by a duly authorized officer of the Association and may be recorded in the office of the County Recorder of Washington County, State of Utah. No notice of lien shall be recorded until there is a delinquency in payment of the Assessment. Such lien may be enforced by sale or foreclosure conducted in accordance with the provisions of law applicable to the exercise of power of sale or judicial foreclosure of deeds of trust or mortgages or in any other manner permitted by law. In any such foreclosure, the Owner 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 Owner shall also be required to pay the Association any Assessments against the Lot which shall become due during the period of foreclosure, and all such Assessments shall be secured by the lien being foreclosed. The Board shall have the right and power in behalf of the Association to bid at any foreclosure sale and to hold, lease, mortgage or convey the subject Lot in the name of the Association.

Section 9. Reserves and Working Capital. The Association shall establish the following funds:

(a) Reserve Fund. The Association shall establish and maintain an adequate reserve fund for periodic maintenance, repair and replacement of improvements to the Master Common Areas and Master Common Facilities the Association may be obligated to maintain, repair or replace. The reserve fund shall be maintained out of Regular Assessments for Common Expenses.

(b) Working Capital Fund. The Declarant shall establish and maintain for the Project a working capital fund equal to at least two monthly installments of the Regular Assessments for each Lot. Each Lot's share of the working capital fund must be collected and transferred to the Association at the time of closing of sale of that Lot. Notwithstanding the foregoing, the contribution to the working capital fund for each unsold Lot shall be paid by the Declarant to the Association within sixty (60) days after the date of the conveyance of the first Lot in the Project, or any phase thereof. With respect to each Lot for which the Declarant pays the contribution to the working capital fund, Declarant shall be reimbursed for such contribution, either by the purchaser of such Lot at the time of closing of the sale to such purchaser, or by the Association upon termination of the Class B memberships, whichever is earlier. The working capital fund must be maintained in a segregated account for the use and

benefit of the Association. The purpose of the working capital fund is to ensure that the Association will have cash available to meet unforeseen expenditures or to acquire additional equipment or services deemed necessary or desirable by the Association. Amounts paid into the working capital fund are not to be considered advance payments of any Regular Assessment. The working capital fund shall be transferred to the Association for a deposit to a segregated fund when control of the Association is transferred to the Owners. The Declarant shall not use the working capital fund to defray any of its expenses, reserve contributions or construction costs, or to make up any budget deficits while it is in control of the Association.

Section 10. Evidence of Payment of Regular and Special Assessments. Upon receipt of a written request by a Member or any other person, the Association, within a reasonable period of thereafter, shall issue to such Member or other person, a written certificate stating (1) that all Regular and Special Assessments (including interest, costs and attorneys' fees, if any, as provided in Section 2, above) have been paid with respect to any specified Lot as of the date of such certificate, or (2) if all Regular and Special Assessments have not been paid, the amount of such Regular and Special Assessments (including interest, costs and attorneys' fees, if any) due and payable as of such date. The 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 in question.

Section 11. Assignment of Rents. Any Owner who leases his Lot and becomes delinquent in the payment of Assessments levied hereunder does hereby presently assign to the Association, absolutely and regardless of possession of the Lot, all rents and other monies now due or hereafter to become due under any lease or agreement or otherwise for the use or occupation of any or all parts of any Lot owned by the Owner, now existing or hereafter made for the purpose of collecting all Assessments due the Association pursuant to this Declaration which are in default; provided, however, that the Association's authority hereunder shall be subordinate to the rights of any First Mortgagee pursuant to an assignment of rents provision contained in any First Mortgage on the Owner's Lot. Furthermore, the Association hereby confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable; provided, however, that the Association at its sole discretion, may revoke such authority at any time, upon written notice to the Owner of a default in the payment of any Assessment due hereunder. Upon revocation of such authority, the Association may, pursuant to court order or by court appointed receiver, collect and retain such monies, whether past due or unpaid or current until the delinquency is satisfied.

Section 12. Maintenance of Assessment Funds.

(a) Bank Account. All sums received or collected by the Association shall be deposited in a federally insured checking, savings or money market account in one or more banks or savings and loan associations selected by the Board; provided, however, that the amounts deposited in any particular financial institution shall not exceed the maximum amount covered by FDIC insurance limitations. The Board, and such officers or agents of the Association as the Board shall designate, shall have exclusive control over any Association accounts and investments and shall be responsible to the Members for the maintenance of accurate records thereof at all times. The funds contained in such accounts shall constitute the Common Expense Fund.

(b) Maintenance of Funds. The Board, in its discretion, may establish appropriate fiscal Policies regarding the maintenance of assessment funds in separate accounts as it determines to be prudent and in the best interest of the Association.

The Board, through regular detailed audits, shall confirm that all Assessments are being properly applied and accounted for, and adjustments and reallocations are being properly made. Such audits are to be not more than 12 months apart and are to be timed to coincide with newly elected directors taking office.

Section 13. Exemption of Certain of the Properties from Assessments. The following real property subject to this Declaration shall, unless devoted to the use as a Dwelling Unit, be exempt from the Assessments and the liens provided for herein:

- (a) Any portion of the Properties dedicated and accepted by a local public authority.
- (b) The Master Common Areas and Master Common Facilities.
- (c) Any Lot owned by the Association.
- (d) The common areas of any kind as designated in Townhome or PUD Subdivisions.

Section 14. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article VII, the benefit of any homestead or exemption law of Utah in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed.

Section 15. Inadequate Funds. In the event that the Common Expense Fund proves inadequate at any time for whatever reason, including nonpayment of any Owner's assessment, the Board may, on behalf of the Association, levy additional assessments in

accordance with the procedure set forth in Article VII Section 4 below, except that the vote therein specified shall be unnecessary.

Section 16. Amendment of Article. This Article VII shall not be amended unless Owners entitled to vote at least seventy-five percent (75%) of the votes of each class of Members consent and agree to such amendment and the Association reflects such consent and agreement in an instrument executed and recorded in accordance with the terms of this Declaration.

ARTICLE VIII Environmental Management

For the purposes of this Article, the term "environment" shall include all of the Properties of the Association. The environmental objective is to insure that structures, improvements and individual and collective membership activities shall be directed toward enhancement of the natural beauty and character of the Properties and the quiet enjoyment thereof. Although the principal responsibility for administration and implementation of environmental management policies shall rest with the Board and management, the Board acknowledges that membership support of these provisions is basic to their successful implementation.

Section 1. Construction or Installation of Improvements. The Board shall adopt and amend as necessary, Policies, Rules and Regulations, with appropriate addenda, which specify the guidelines, standards and restrictions which, in addition to those stated herein, will satisfy the Association's environmental objectives with respect to the construction or the installation of improvements.

(a) Owners shall be obligated to comply with the provisions of this Declaration as well as the Sky Mountain Design Guidelines and Standards when planning, constructing or installing any improvement within the Properties. The term "improvement," as used herein, shall include, but shall not be limited to, the construction, installation, alteration, remodeling and exterior color selection of buildings, walls, fences, landscaping structures, retaining walls, privacy structures, outdoor spas, antennas, television satellite reception dishes, heating or air conditioning equipment or swimming pools, including above ground pools. Prior to commencement of construction or installation of any improvement, the Owner must receive the Design Review Committee's written approval of the project. The Owner's request for approval shall include all of the information, plans and specifications required by the Association Policies.

(b) The Board may maintain, as part of its staff, personnel qualified and authorized to approve or disapprove a requested improvement in accordance with the Association's published guidelines, standards and restrictions, and to conduct

inspections until construction or installation of an approved improvement is completed.

(c) The Board may appoint a Committee, as provided in the Association's Bylaws, to which an Owner may appeal a disapproved request for construction or installation of an improvement, or petition pursuant to Article VIII Section 9, below, for a variance to any standard or restriction otherwise applicable to a proposed improvement under any Governing Document. The Committee shall have such other functions and authority as the Board may delegate.

(d) An Owner shall have the right of final appeal to the Board of any decision regarding any proposed improvement or requested variance if the Owner is dissatisfied with the decision of either the Design Review Committee's staff or the Committee.

Section 2. Land Use, Standards and Restrictions. Lots and parcels located within the Properties shall be developed and improved only in accordance with their use as designated on the Subdivision Maps or any amendment thereto. In the event a use is designated for which no such provisions are contained herein (e.g., commercial, governmental, school, etc.), such provisions may be set forth in a recorded written agreement between the Association and such Owner.

(a) The use of all residential Lots is restricted to Single Family Residential Use. No more than one Single Family Dwelling Unit and such outbuildings as usually accessory thereto, shall be permitted on one Lot.

(b) No more than one kitchen facility shall be installed or maintained in each Single Family Dwelling Unit. Occupancy of such Dwelling Unit shall not exceed restrictions established by City zoning or other governmental regulations.

(c) Each Lot shall be conveyed as a separately designated and legally described fee simple estate subject to this Declaration. No buildings or structures shall be moved from other locations onto any Lot or Lots. All Lots whether occupied or unoccupied, and the Dwelling Unit and other improvements placed thereon, shall at all times be maintained in such manner as to prevent their becoming unsightly.

(d) Master Common Areas shall be preserved and used for recreational and other purposes incidental to the use of Lots. The use and enjoyment of the Master Common Areas shall be limited to Association Members entitled to exercise their Membership rights, and Tenants and Guests subject to regulations set forth in or pursuant to the Governing Documents.

(e) Association properties and Master Common Facilities are for the primary use and enjoyment of Members, Tenants and Guests, but may be made

available by the Association to outside groups or entities provided that the Association approves any such use specifically and in advance thereof.

(f) Association streets shall not be used as play areas, or for automobile "joy riding," racing, or use of skateboards, scooters and the like.

(g) Business or commercial activities, other than such activities incidental to management of Master Common Areas and Master Common Facilities, shall not be allowed within the Properties unless all of the following conditions are satisfied: (i) the activity is compatible with residential use and environment of the Lot; (ii) there is no physical evidence of such activity apparent to neighboring residents and/or other Association Members, including but not limited to excessive noise, material storage, vehicle parking, or abnormal traffic; (iii) such activity is permitted under applicable zoning laws or governmental regulations without the necessity of obtaining a special use permit from the County or other supervisory governmental agency; and (iv) the use or activity is clearly incidental and subordinate to use of the Lot for residential purposes.

(h) No living tree over three inches in diameter may be removed from any Lot without a tree cutting permit issued by the Association.

(i) No advertising signs shall be displayed on any Lot or posted within or upon any of the Properties except that an Owner may post on his or her Lot a single "For Rent" or "For Sale" sign of reasonable dimensions and appearance as stated in the Association Policies.

(j) No drilling, refining, quarrying or mining operations of any kind shall be permitted on any Lot.

(k) Other than to those Lots owned by the Association, there shall be no access to any Lot on the perimeter of the Properties except from designated streets or roads within the Properties.

(l) Owners of Lots adjacent to the golf course shall permit entrance upon their Lots in order to permit retrieval of a player's golf ball.

Section 3. Construction Standards and Restrictions.

(a) All construction and improvements to any Dwelling Unit in the Project is subject to the Sky Mountain Design Guidelines and Standards and its Design Review Committee approval.

(i) Improvements shall include the installation or construction of any structure such as buildings, roofed structures of any kind, parking or

loading areas, fences, walls, hedges, mass plantings, poles, communications equipment, driveways, ponds, lakes, swimming pools, tennis courts, signs, painting, texturing for exterior coloration, picnic facilities, or any structure servient hereto.

(ii) Lots may also be used for the construction of typical residential amenities such as a family swimming pool, tennis court, etc. All Lots shall be used, improved and devoted exclusively for such single family residential use. No gainful occupation, profession, trade or other nonresidential use shall be conducted on any such property and no persons shall enter into any Lot for engaging in such uses or for the purpose of receiving products or services arising out of such usage without review and approval by the Board and the appropriate officials of the City of Hurricane.

(iii) Ordinary building repairs or replacements occasioned by normal use, wear and tear, and repainting or re-texturing using the same coloration, need no approval, so long as such repairs and replacements do not change exterior color or appearance.

(iv) An Owner must receive the approval of the Design Review Committee prior to formally submitting plans to City agencies. If there are changes recommended by the City agencies, an Owner must still have written approval of the Design Review Committee prior to installation or construction of any kind.

(v) Landscaping shall not be considered completed as required in Article VIII, Section 10, unless at least sixty per cent (60%) of the non-dwelling occupied portion of the lot consists of grass or lawn area.

(b) Once plans and specifications for the construction of a Dwelling Unit have been approved by the Association, construction of the Dwelling Unit shall be completed within one year unless an extension of the time in which to complete the project is given by the Association. All construction projects shall be diligently pursued to completion.

Section 4. Restrictions on Division, Severability or Joinder of Lots. No Lot, except those owned by the Association, shall be divided nor shall less than all of any such Lot be conveyed by an Owner thereof, nor shall any two or more Lots be combined so as to be reclassified as one Lot on the Subdivision Maps or Association records without the prior written approval of the Association. No easement or other similar partial ownership interest in a Lot shall be given without the prior written approval of the Association.

Section 5. Fences, Retaining Walls, Landscape and Privacy Structures. No fences, retaining walls, landscape or privacy structures shall be constructed or erected on any Lot without the prior written approval of the Association.

Section 6. Vehicle Restrictions.

(a) Vehicle use within the Properties is restricted to streets and parking areas (with the exception of golf carts on the golf course) and is further restricted to automobiles, golf carts, motor driven recreational and business vehicles of four or more wheels, and Association maintenance and construction equipment. Use of other types of motor driven vehicles including but not limited to, motorcycles, mopeds, all terrain vehicles (ATV's) and such other vehicles similar in nature (as may be defined by Association Rules and Regulations) is prohibited. In the interests of safety, use of non-motor driven recreational vehicles, with the exception of bicycles, is prohibited on streets and parking areas within the Properties.

(b) Motor homes, recreational vehicles, trailers, camper shells, boats or other similar vehicles and equipment may be stored or otherwise kept on the Owner's Lot only if screened from view of adjoining properties including streets, Association Master Common Facilities and Master Common Areas. Screening, design and construction shall be subject to prior approval by the Association.

(c) No dilapidated or inoperable vehicle or parts thereof, including vehicles without wheel(s) or an engine, shall be stored or repaired in the open within the Properties except for emergency repairs. The Association shall remove, at the Owner's expense, any vehicle parked or stored in violation of this restriction.

Section 7. Maintenance Standards.

(a) Master Common Areas. The Association shall be solely responsible for all maintenance, repair, upkeep, replacement and preservation of the Master Common Areas and Master Common Facilities. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any improvement upon the Master Common Areas, or shall make or create any excavation or fill or change the natural or existing drainage within the Master Common Areas. In addition, no person shall destroy, remove or plant any tree, shrub or other vegetation within the Master Common Areas without the prior written approval of the Association.

(b) Association Signs. The Association shall be responsible for the placement and maintenance of such signs within the Master Common Areas or its property as the Association may deem necessary for the health, welfare and safety of Owners, Tenants and guests.

(c) Owners' Lots. Each Owner shall be responsible for maintaining and keeping his Dwelling Unit and Lot in good repair, including landscaping. In the event that an Owner fails to perform maintenance and repair for which he is responsible, the Association may exercise its right under Article II, Section 1 hereof to enter the Owner's Lot and perform the maintenance or repair providing that the Association has afforded the Owner his notice and hearing rights as specified in Article X, Section 6, hereof.

(d) Drainage Structures, Ditches and Swales.

All drainage structures, culverts and canals improved by the Association and swales located on an Owner's Lot shall be maintained by such Owner free and clear of all obstructions, who shall, in cooperation with contiguous property Owners, maintain all such drainage ditches, swales, and culverts common to their Lots in good order.

Section 8. General Environmental Standards and Restrictions.

(a) Noxious Activities. No illegal, noxious or offensive activities shall be carried on or conducted upon any Lot or within any portion of the Master Common Areas, nor shall anything be done within the Properties which is or may become an unreasonable annoyance or nuisance to the neighborhood. Excessive noise levels may be determined at the discretion of the Board which may, but shall not be obligated to, rely on the standards, if any, established by Hurricane City, County Ordinance, State law or other applicable governmental regulations dealing with such matters.

(b) Garbage, Rubbish and Trash. No garbage, rubbish or trash shall be allowed to accumulate on any Lot. Any garbage, rubbish or trash located outside the exterior walls of a Dwelling Unit shall be stored entirely within appropriate covered disposal container which shall be placed and maintained in a location that is not visible from any street, lake or Master Common Area within the Properties except at times when refuse collections are made. Any accumulation of garbage, rubbish, trash, junked vehicles or debris shall be removed from the Properties by the Owner or Tenant, on a regular and timely basis, at his expense. The Association shall be entitled to assess reasonable fines and penalties for the collection or disposal of garbage, rubbish and trash in any manner inconsistent herewith.

(c) Sanitary Waste. No outside toilet shall be constructed on any Lot. All plumbing fixtures, toilets, dishwashers, garbage disposal systems shall be connected to the central sanitary sewer system servicing the Properties.

(d) Diseases and Pests. No Owner or Tenant shall permit any condition to exist upon his Lot which shall induce, breed, or harbor infectious plant diseases, rodents, or noxious insects. Each Owner or Tenant shall cooperate fully with any mosquito or rodent control program instituted by the Association.

(e) Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual or customary in connection with the use, maintenance or construction of a private Dwelling Unit or appurtenant structures within the Properties.

(f) Household Pets. A maximum of two (2) common household pets may be kept on a Lot provided that the same are reasonably confined and are not kept, bred or maintained for commercial purposes. No other animals, livestock or poultry of any kind shall be kept, bred or raised on any Lots. Dogs shall not be allowed on the golf course, parks or beaches, but shall be allowed on other Master Common Areas so long as they are leashed and thus under the supervision and restraint of their Owners. Such animals as are permitted shall be strictly controlled and kept pursuant to City ordinances.

(g) Screening of Equipment Servicing Dwelling Units. Storage tanks, antennas and television satellite reception dishes must be screened from view from the street or adjoining properties.

Section 9. Variances. The Committee appointed by the Board pursuant to the Bylaws shall be entitled to allow reasonable variances in any procedures or restrictions specified in this Article VIII in order to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships, provided the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a property use restriction that would otherwise be applicable under this Declaration, the Committee must conduct a public hearing on the proposed variance after giving at least 20 days prior written notice to the Board and to all Owners residing within 300 feet of the subject Lot. Said notice shall also be posted in the Association office on the Properties. The Owners receiving notice of the proposed variance shall have 15 days in which to submit to the Committee written comments or objections with respect to the variance. No decision shall be made with respect to the proposed variance until the 15-day comment period has expired.

(b) The Committee must make a good faith written determination that: (i) the requested variance does not constitute a material deviation from any restriction contained herein or that the proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) the variance pertains to a requirement hereunder that is unnecessary or burdensome under the circumstances; or (iii) the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance, with respect to any other Lot, Master Common Area Townhome or PUD subdivision or Owner within the Properties.

Section 10. Construction Time. The time within which construction must be completed shall be as follows:

(a) The construction time for completion of the exterior and heated living area interior (unfinished basements excluded) and garage portion of any structure shall not exceed twelve (12) months from the date of close of escrow on the lot.

(b) The time for commencement of construction shall be no later than six (6) months following the date of close of escrow.

(c) The date for removal of all building debris, excavation, dirt, etc., associated with the building process shall be twelve (12) months from the date of the close of escrow.

(d) The completion time for complete lot landscaping of front yard, back yard and side yard on all lots which are adjacent to golf course property shall be twelve (12) months from the date of close of escrow.

(e) The completion time for landscaping on lots which are not adjacent to golf course property shall be twelve (12) months from the date of close of escrow as to front and side yard areas and eighteen (18) months from the close of escrow as to all back yard areas.

(f) If completion deadlines are not met, a penalty of One Hundred Dollars (\$100.00) per day for each day beyond the aforementioned completion deadlines may be imposed by the Association and assessed as a liability and charge against the lot in violation and its owner, as provided in Article VII above.

Section 11. Enforcement of Environmental Standards and Restriction.

(a) The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and Tenants with the environmental standards and restrictions contained herein. Accordingly, in the event that the Association becomes aware of an infraction that does not necessitate immediate corrective action under Article VIII hereof, the Owner or Tenant responsible for the violation shall receive written notice thereof and shall describe the noncomplying condition, request that the Owner or Tenant correct the condition within a reasonable time specified in the notice, and advise the Owner or Tenant of his appeal rights.

(b) If an Owner does not correct a noncomplying condition within the specified time, the Board shall be entitled to pursue and enforce the rights and remedies accorded the Association in the Governing Documents.

ARTICLE IX
Easements

The following easements are reserved within the Properties for the benefit of the Association, the Owners and the providers of utility services for purposes incidental to the use and maintenance of the real property subject to this Declaration. Said easements shall include rights of ingress and egress to the extent reasonably necessary to exercise such easements.

Section 1. Easements and Assumption of Risk for Golf Course Lots.

(a) Stray Ball Easement. Each Owner hereby expressly assumes the risk relating to the proximity of their Lot to the Golf Course and each Owner agrees that it shall take their Lot subject to the following stray ball license and/or easement:

(i) License to Enter Upon Golf Course Lot Prior to Construction of a Dwelling Unit. Until such time as a Dwelling Unit is constructed upon a Lot, the Golf Course Owner shall have a license to permit and authorize its agents, and registered golf course players and their caddies to enter upon said Lot to recover a ball or play a ball, subject to the official rules of the Golf Course, without such entering and playing being deemed to be a trespass thereon.

(ii) Stray Ball Easement Upon Lot Subsequent to Construction of Dwelling Unit. After a Dwelling Unit has been constructed upon a Lot, the Owner of said Lot acknowledges and agrees that, due to the proximity of the Lot to the Golf Course, stray golf balls might enter upon the Lot and some of the players playing upon the Golf Course might enter upon said Lot to retrieve said stray golf balls. In the event that a golf ball enters upon said Lot or any player enters upon said Lot to retrieve or play a stray golf ball, the Owner of said Lot agrees that neither the Declarant, the Association nor the Golf Course Owner shall be responsible or liable for: (a) any damages caused by the stray balls or players; or (b) any claim of trespass that the Owner of said Lot may assert or be entitled to assert resulting therefrom.

(b) Assumption of Risk by Owner and Indemnification. Each Owner hereby expressly assumes the risk relating to the proximity of their Lot to the Golf Course and each Owner agrees that neither the Association, the Golf Course Owner, nor its guests, invitees, or clients nor any entity responsible for the design, construction, ownership, management or operation of the Golf Course shall be liable to Owner or any other person claiming any loss or damage, including, without limitation, indirect, special or consequential loss or damage arising from personal injury, destruction of property, loss of view, noise pollution, or other visual or audible offenses, or trespass or any other alleged wrong or entitlement to remedy

based upon, due to, arising from or otherwise related to the proximity of the Lot to the Golf Course, including, without limitation, any claim arising in whole or in part from the negligence of the Declarant, Association or any entity responsible for the design construction, ownership, management or operation of the Golf Course. Owner hereby agrees to indemnify and hold harmless the Declarant, the Association and any entity responsible for the design, construction, ownership, management or operation of the Golf Course, including the Golf Course Owner, against any and all claims by Owner or Owner's Invitees or Guests.

(c) Restricted Access to Golf Course. Notwithstanding the proximity of any Subdivision to the Golf Course, each Owner acknowledges that ownership of any Lot, does not convey to said Owner or create in favor of said Owner, any interest in or rights to the use of the Golf Course. Use of the Golf Course shall be strictly limited and controlled by the Golf Course Owner, at its sole and absolute discretion.

Section 2. Utilities. There shall be an easement over, under and on each Lot consisting of a 7-1/2' wide strip running along the inside of all Lot lines, for the installation, maintenance and operation of all utilities such as gas, water, sewer, telephone and electrical facilities, including radio and TV transmission cables, and the right to locate guy wires, braces or anchors or to cut, trim or remove trees and plantings thereon whenever necessary in connection with such installation, maintenance and operations.

Section 3. Streets. Each Owner and the Association shall have a nonexclusive easement on, over and under all streets within the Properties for street roadway and vehicular traffic purposes in order to install, maintain and operate all utilities; for access to any Lot or parcel; and for drainage and maintenance of all said streets.

Section 4. Slope and Drainage. There shall be an easement over, under and on each applicable Lot consisting of a 30-foot wide easement running along the inside of all Lot lines coincident with street right-of-way lines, where topographically necessary, for the purpose of cutting, filling, drainage and slope maintenance.

Section 5. Priority. Wherever easements granted to governmental agencies are, in whole or in part, coterminous with any other easements, such governmental easements shall have priority over other easements in all respects.

Section 6. Owner Responsibility. The areas of all Lots or parcels affected by the easements reserved herein, shall be maintained continuously by the Owner of such Lot or parcel, and no structure, planting or other material shall be placed or permitted to remain thereon which may damage or interfere with the use of said easements for the purposes herein set forth. Improvements within such areas shall be maintained by the Owner, except those for which a public authority or utility company is responsible. Furthermore, Owner is responsible to maintain the public sidewalk and all parkways, and planting in such parkways, from the edge of the street right of way to the back of curb. If Owner does not maintain

these easements, planting, parkways, and sidewalk, the Association shall perform such maintenance and charge Owner for such work.

ARTICLE X
Breach and Default

Section 1. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that if the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration are inadequate, the failure of any Owner, Tenant, or user of any Lot or any portion of the Master Common Areas or Master Common Facilities, to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board,

Section 2. Nuisance. Without limiting the generally of the foregoing, the result of every act or omission violating any covenant contained in this Declaration, in whole or in part, is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 3. Cost and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this Declaration, the Court may award to the prevailing party in any such action such attorneys' fees and other costs as it may deem just and reasonable.

Section 4. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, or any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.

Section 5. Failure not a Waiver. The failure of any Owner, the Board or the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its officers or agents.

Section 6. Enforcement Rights and Remedies of the Association: Limitations Thereon.

(a) Rights Generally. In the event of a breach or violation of any of the restrictions contained in any of the Governing Documents by an Owner, his family, or

the Owner's Tenant's Guests, Invitees, employees or licensees, the Board, for and on behalf of all other Owners, shall enforce the obligations of each Owner to obey such restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use the Master Common Areas (other than roads) or Master Common Facilities or suspension of the Owner's voting rights as a member of the Association; provided, however, the Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this Section 6. Furthermore, the decision of whether it is appropriate or necessary for the Association to take enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board. If the Association declines to enforce or take disciplinary action in any instance, any Owner shall have such rights of enforcement as exist under the laws of the State of Utah and its political subdivisions.

(b) Schedule of Fines and Penalties. The Board may implement schedules of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine and penalty schedule is appropriate, such as, but not limited to, fines for late payment of assessments or illegally parked vehicles. Once imposed, a fine or penalty may be collected as a Special Individual Assessment pursuant to Article VII, Section 5 hereof.

(c) Definition of Violation. A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one component for the violation and, according to the Board's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association may take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Properties at the sole cost of the responsible Owner.

(d) Limitation on Disciplinary Rights.

(i) The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his Lot due to a failure by the Owner (or his family members, Tenants or invitees) to comply with any provision of the Governing Documents or of any duly enacted Association Policy, Rule or Regulation except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction as a decision arising out of arbitration or on account of a foreclosure or sale for failure of the Owner to pay Assessments levied by the Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a

Member of the Association or the imposition of monetary penalties for failure to comply with any Governing Documents so long as the Association's actions satisfy the due process requirements of subparagraph (ii) below.

(ii) No penalty or temporary suspension of the rights shall be imposed unless the Owner alleged to be in violation is given at least 15 days prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard by the Board or appropriate committee established by the Board with respect to the alleged violation(s) either orally or in writing at least 5 days before the effective date of the proposed disciplinary action. Notwithstanding the foregoing, under circumstances involving conduct that constitutes (a) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners, (b) a traffic or fire hazard, (c) a threat of material damage to, or destruction of, the Master Common Areas or Master Common Facilities, or (d) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of assessments or fines), the Board, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association in writing within 5 days following the Association's disciplinary action), conduct a hearing as soon thereafter as reasonably possible, but in no event more than 25 days after the disciplinary action is imposed or 15 days following receipt of the Owner's request for a hearing, whichever is later. Under such circumstances, any fine imposed pursuant to an established fine schedule shall be due and payable only if affirmed at the hearing.

(e) Notices. Any notice required by this article shall, at a minimum, set forth the date and time for an oral hearing or written response, a brief description of the action or inaction constituting the alleged violation and a reference to the specific Governing Document provisions alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice; provided that if notice is given by mail, it shall be sent by first-class or registered mail to the last known address of the Member shown on the records of the Association.

ARTICLE XI Expansion of Project

Section 1. Right to Expand and State of Title to New Lots. There is hereby granted unto Declarant, and Declarant hereby reserves, the absolute right and option to expand the Project at any time (within the limits herein prescribed) and from time to time by adding to the Project 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 given portion of the Additional Land shall be deemed added to the Project at such time as a duly approved Plat and a Declaration of Annexation containing the information required by Section 3 below have been recorded with respect to the portion of the Additional Land concerned. After the recordation of such Declaration of Annexation, title to each Lot thereby created within the portion of the Additional Land concerned and its appurtenant right and easement of use and enjoyment in and to the Master Common Areas shall be vested in and held by Declarant, and none of the other Owners or the Association shall have any claim or title or interest in such Lot or its appurtenant right and easement of use and enjoyment to the Master Common Areas.

Section 2. Rights and Statements Respecting Additional Land. Declarant hereby furnishes the following information and statements respecting the Additional Land and Declarant's right and option concerning expansion of the Project by the addition thereto of the Additional Land or a portion or portions thereof:

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

(b) There are no limitations or requirements relative to the size, location, or configuration of any given portion of the Additional Land which can be added to the Project or relative to the order in which particular portions of the Additional Land can be added to the Project. Provided, however, future improvements shall be consistent with the initial improvements in structure type and quality of construction.

(c) Assuming that the entirety of the Additional Land is added to the Project, the maximum number of Lots which may be created on the Additional Land is Six Hundred (600).

(d) All improvements with respect to portions of the Additional Land which are added to the Project shall be substantially complete prior to annexation.

Section 3. Procedure for Expansion. Each Declaration of Annexation by which addition to the Project of any portion of the Additional Land is accomplished shall be executed by Declarant, shall be in recordable form, must be filed for record in the office of the County Recorder of Washington County, Utah on or before fifteen (15) years from the date that this Declaration is recorded, and shall contain the following information for that portion of the Additional Land which is being added:

(a) Data sufficient to identify this Declaration and the Plat respecting that portion of the Additional Land being added.

(b) The legal description of the portion of the Additional Land being added.

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

(d) A conveyance to the Association of good and marketable fee title, free and clear of all liens and encumbrances, to all common areas situated in that portion of the Additional Land being added.

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

Upon the recordation of any supplement contemplated above, it shall automatically supplement this Declaration and any supplements previously recorded. At any point in time, the Declaration for the Project shall consist of this Declaration, as amended and expanded by all supplements theretofore recorded pursuant to the terms hereof.

Section 4. Allocation of Assessments and Voting Rights Following Expansion.
Each Lot created shall be apportioned a share of the Common Expenses attributable to the Project, as provided in Article VII. Each Lot and Owner shall be entitled to votes in the Association as provided for in Article III. Assessments and voting rights shall commence as of the date the Declarant executes a Declaration of Annexation.

Section 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 the Project of any or all of the Additional Land; (ii) The creation or construction of any Lot or other improvement; (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. Except to the extent specifically indicated herein, no covenant, restriction, limitation, representation, or commitment in this Declaration concerning anything that is or is not to occur, apply, or be done on or relative to the Additional Land or any portion thereof shall be binding as to such of the Additional Land as is never added to the Project.

ARTICLE XII Mortgagee Protection

Section 1. Notice of Action. Upon written request made to the Association by a First Mortgagee or an insurer or governmental guarantor of a First Mortgage, which written request shall identify the name and address of such First Mortgagee, insurer or governmental

guarantor and Lot number or address of the Dwelling Unit, any such First Mortgagee, insurer or governmental guarantor shall be entitled to timely written notice of:

- (a) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Lot on which there is a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or governmental guarantor;
- (b) Any delinquency in the payment of Assessments or charges owed by an Owner, whose Lot is subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or governmental guarantor, which default remains uncured for a period of sixty (60) days;
- (c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- (d) Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as specified in Section 2, below, or elsewhere herein.

Section 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 each class of Members in the 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 Association is required, in which case such specific provisions shall control), and Eligible Mortgagees holding First Mortgages on Lots having at least fifty-one percent (51%) of the votes of the Lots subject to First Mortgages held by Eligible Mortgagees shall be required to:

- (a) Abandon or terminate the legal status of the Project after substantial destruction or condemnation occurs.
- (b) Add or amend any material provision of the Declaration, Articles, Bylaws or plat, which establishes, provides for, governs or regulates any of the following (an addition or amendment to such documents shall not be considered material if it is for the purpose of correcting technical errors or for clarification only):
 - (i) Voting rights.
 - (ii) Increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens.
 - (iii) Reductions in reserves for maintenance, repair and replacement of Master Common Areas and Facilities.

- (iv) Responsibility for maintenance and repairs.
- (v) Reallocation of interests in the Master Common Areas and Master Common Facilities, or rights to their use.
- (vi) Redefinition of any Lot boundaries.
- (vii) Convertibility of Lots into Master Common Areas or vice versa.
- (viii) Expansion or contraction of the Project, or the addition, annexation, or withdrawal of property to or from the Project.
- (ix) Hazard or fidelity insurance requirements.
- (x) Imposition of any restriction on leasing Lots and Dwelling Units.
- (xi) Imposition of any restrictions on an Owner's right to sell or transfer his or her Lot or Dwelling Unit.
- (xii) A decision by the Association of the Project that consists of 50 or more units to establish self-management if professional management had been required previously by the Declaration or by an Eligible Mortgagee.
- (xiii) Restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Declaration.
- (xiv) Any provisions that expressly benefit Mortgagees, insurers or guarantors.

Any Mortgagee, insurer or governmental guarantor who receives a written request from the Association to approve additions or amendments to the constituent documents and who fails to deliver or post to the 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.

Section 3. Availability of Project Documents and Financial Statements. The Association shall maintain and have current copies of the Declaration, Articles, Bylaws and other rules concerning the Project as well as its own books, records and financial statements available for inspection by Owners or by holders, insurers and guarantors of First Mortgages that are secured by Lots in the Project. Generally, these documents shall be available during normal business hours.

In the event the Project comes to contain 50 or more Dwelling Units, the Association shall make an audited financial statement for the preceding fiscal year (if the Project has been established for a full fiscal year) available to the holder, insurer, or guarantor of any First Mortgage on submission of a written request for it. The audited financial statement shall be made available within 120 days of the Association's fiscal year-end. If the Project consists of fewer than 50 units and there is no audited statement available, any First Mortgagee shall have the right to have an audited financial statement prepared at its own expense.

Section 4. Subordination of Lien. The lien or claim against a Lot for unpaid assessments or charges levied by the Association pursuant to this Declaration shall be subordinate to the First Mortgage affecting such Lot if the First Mortgage was recorded before the delinquent assessment was due, and the First Mortgagee thereunder which comes into possession of or which obtains title to the Lot shall take the same free of such lien or claim for unpaid Assessments or 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, 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 Association from or against a First Mortgagee, a successor in title to a First Mortgagee, or the Lot affected or previously affected by the First Mortgage concerned.

Section 5. Payment of Taxes. In the event any taxes or other charges which may or have become a lien on the Master Common Areas are not timely paid, or in the event the required hazard insurance described in Paragraph (a) of Section 4 of Article IV lapses, is not maintained, or the premiums therefore are not paid when due, any Mortgagee or any combination of Mortgagees may jointly or singly, pay such taxes or premiums or secure such insurance. Any Mortgagee which expends funds for any of such purposes shall be entitled to immediate reimbursement therefore from the Association.

Section 6. 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 or the Master Common Areas.

ARTICLE XIII Miscellaneous

Section 1. Notices. Any notice required or permitted to be given to any Owner under the provisions of this Declaration shall be deemed to have been properly furnished if mailed postage prepaid to the person who appears as an Owner, at the latest address for such person, appearing in the records of the Association at the time of mailing.

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

Section 3. Term. This Declaration shall be effective upon the date of recordation hereof and, as amended from time to time shall continue in full force and effect for a term of forty (40) 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 seventy-five percent (75%) of the votes of each class of Members within six (6) months prior to the expiration of the initial effective period hereof or any ten (10) year extension.

Section 4. Amendment. Except as provided elsewhere in this Declaration, any amendment to this Declaration shall require the affirmative vote of at least sixty-seven percent (67%) of the votes of each class of Members present in person or represented by proxy entitled to be cast at a meeting duly called for such purpose or otherwise approved in writing by such Members. Any amendment authorized pursuant to this Section shall be accomplished through the recordation in the office of the Washington County Recorder of an instrument executed by the Association. In such instrument, an officer or member of the Board of the Association shall certify that the vote required by this Section for amendment has occurred. 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 FHA, VA, the Federal Home Loan Mortgage Corporation or FNMA and to further amend to the extent requested by any other federal, state or local government agency which requests such an amendment as a condition precedent to such agency's approval of the Declaration, or by any federal chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or any portions thereof. Any such amendment shall be effected by the recordation by Declarant of an amendment duly signed by or on behalf of the authorized officers of Declarant with their signatures acknowledged, 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. Recordation of such an amendment shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such amendment, when recorded, shall be binding upon all of the Project and all persons having an interest therein. It is the desire of Declarant to retain control of the Association and its activities during the anticipated period of planning and development. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, Declarant alone shall have the right to amend this Declaration to restore such control. Within Twenty-five (25) years from the date of recording this Declaration and so long as the Declarant is the Owner of any Lot in the Project, this Declaration may be amended or terminated only with the written approval of the Declarant. The Declarant alone may amend or terminate this Declaration prior to the closing of a sale of any Lot.

Section 5. Rights of Action. The Association and any aggrieved Owner shall have a right of action against Owners who fail to comply with the provisions of the Declaration or the decisions of the Association. Owners shall have a similar right of action against the Association.

Section 6. Declarant's Rights Assignable. The rights of Declarant under this Declaration or in any way relating to the Project may be assigned, whereupon the assignee of Declarant shall have all the rights of Declarant hereunder.

Section 7. Interpretation. The captions which precede the Articles and Sections of this Declaration are for convenience only and in no way affect the manner in which any provision hereof is construed. Whenever the context so requires, the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof, and any gender shall include both other genders. The invalidity or unenforceability of any portion of this Declaration shall not affect the validity or enforceability of the remainder thereof. This Declaration shall be liberally construed to effect all of its purposes.

Section 8. Covenants to Run with Land. This Declaration and all of the provisions hereof shall constitute covenants to run with the land or equitable servitudes, as the case may be, and shall be binding upon and shall inure to the benefit of Declarant, all parties who hereafter acquire any interest in a Lot or in the Master Common Areas and Master Facilities, and their respective grantees, transferees, heirs, devisees, personal representatives, successors and assigns. Each Owner or occupant of a Lot or Dwelling Unit shall comply with, and all interests in all Lots or in the Master Common Areas shall be subject to, the terms of this Declaration and the provisions of any rules, regulations, agreements, instruments and determinations contemplated by this Declaration. By acquiring any interest in a Lot or in the Master Common Areas, the party acquiring such interest consents to, and agrees to be bound by, each and every provision of this Declaration.

Section 9. Lists of Owners and Eligible Mortgagees. 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 which is owned by him.

(ii) The name of each person or entity who is an Eligible Mortgagee, the address of such person or entity and the Lot which is encumbered by the Mortgage held by such person or entity.

(iii) The name of each person or entity who is an insurer or governmental guarantor, the address of such person or entity, and the Lot which is encumbered by the Mortgage insured or guaranteed by such person or entity. In the event of any transfer of a fee or undivided fee interest in a Lot, either the transferor or 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 Washington County, Utah. The Board may for all purposes act and rely on the information concerning Owners and Lot ownership which is thus acquired by it or, at its option, the Board may act and rely on current ownership information respecting any Lot or Lots which is obtained from the office of the County Recorder of Washington County, Utah. The address of an Owner shall be deemed to be the address of the Lot owned by such person unless the Board is otherwise advised.

Section 10. FHA/VA Approval. If the Declarant applies for approval of FHA or VA mortgage financing, then in that event, so long as there is a Class B membership, the following actions will require the prior approval of FHA or VA: Annexation of Additional Land, dedication of Master Common Areas, and amendment of this Declaration.

SKY MOUNTAIN JOINT VENTURE,
A UTAH JOINT VENTURE

By Edward L. Kay
Edward L. Kay, President
Sky Mountain Golf Villas, Inc.
A Utah corporation, Managing
Partner of the Sky Mountain Joint Venture

STATE OF NEVADA)
: ss.
COUNTY OF CLARK)

On the 10 day of August, 1994, personally appeared before me Edward L. Kay, who, being by me duly sworn, did say that he is the President of Sky Mountain Golf Villas, a Utah corporation, Managing Partner of Sky Mountain Joint Venture, that said instrument was signed in behalf of said corporation by authority of its Bylaws or a resolution of its Board of Directors, and said Edward L. Kay acknowledged to me that said executed the same.

Jackie L. Gillerman
NOTARY PUBLIC



JACKIE L. GILLERMAN
Notary Public - Nevada
Clark County
My appt. exp. Mar. 27, 1996

ATTACHMENT A

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ATTACHMENT A

SKY MOUNTAIN GOLF COURSE
August 17, 1994

ALL THAT PORTION SECTION 29, TOWNSHIP 41 SOUTH, RANGE 13 WEST, SLB&M,
WASHINGTON COUNTY, UTAH DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 29;
SAID SOUTHEAST CORNER ALSO BEING **POINT OF BEGINNING**;
THENCE N 89°40'47" W, 5,286.60 FEET ALONG THE SOUTH LINE OF SAID SECTION
29 TO THE SOUTHWEST CORNER OF SAID SECTION 29;
THENCE N 0°02'20" E, 1319.71 FEET ALONG THE SECTION LINE;
THENCE N 0°02'07" E, 1319.05 FEET ALONG THE SECTION LINE TO THE WEST
QUARTER CORNER OF SAID SECTION 29;
THENCE N 0°02'07" E, 418.59 FEET ALONG THE SECTION LINE;
THENCE S 76°19'57" E, 537.82 FEET;
THENCE N 77°38'32" E, 247.95 FEET;
THENCE N 45°11'13" E, 301.96 FEET;
THENCE N 38°10'04" E, 122.66 FEET;
THENCE N 79°52'37" E, 183.48 FEET;
THENCE S 75°01'26" E, 202.99 FEET;
THENCE S 85°16'25" E, 209.92 FEET;
THENCE S 76°01'33" E, 714.25 FEET;
THENCE N 63°52'22" E, 315.95 FEET;
THENCE S 58°15'06" E, 207.01 FEET;
THENCE S 41°51'44" E, 306.82 FEET;
THENCE N 86°11'02" E, 183.43 FEET;
THENCE S 80°37'49" E, 341.66 FEET;
THENCE S 36°54'26" E, 425.27 FEET;
THENCE S 66°23'58" E, 543.83 FEET;
THENCE S 32°30'13" E, 232.26 FEET;
THENCE S 72°45'41" E, 363.99 FEET;
THENCE N 86°05'58" E, 259.21 FEET;
THENCE S 63°21'42" E, 316.98 FEET TO THE EAST LINE OF SAID SECTION 29;
THENCE S 0°03'39" W, 1884.43 FEET ALONG SAID EAST LINE TO THE **POINT OF
BEGINNING**.

SUBJECT TO ANY RIGHTS-OF-WAY OF RECORD.

A PARCEL OF 341.29 ACRES MORE OR LESS.

00478053 Bk0848 Pg0683

ATTACHMENT B

00478053 BR0848 Pg0684

ATTACHMENT B
ADDITIONAL LAND

SKY MOUNTAIN GOLF COURSE
August 17, 1994

ALL THAT PORTION SECTION 29, TOWNSHIP 41 SOUTH, RANGE 13 WEST, SLB&M,
WASHINGTON COUNTY, UTAH DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 29;
SAID SOUTHEAST CORNER ALSO BEING **POINT OF BEGINNING**;
THENCE N 89°40'47" W, 5,286.60 FEET ALONG THE SOUTH LINE OF SAID SECTION
29 TO THE SOUTHWEST CORNER OF SAID SECTION 29;
THENCE N 0°02'20" E, 1319.71 FEET ALONG THE SECTION LINE;
THENCE N 0°02'07" E, 1319.05 FEET ALONG THE SECTION LINE TO THE WEST
QUARTER CORNER OF SAID SECTION 29;
THENCE N 0°02'07" E, 418.59 FEET ALONG THE SECTION LINE;
THENCE S 76°19'57" E, 537.82 FEET;
THENCE N 77°38'32" E, 247.95 FEET;
THENCE N 45°11'13" E, 301.96 FEET;
THENCE N 38°10'04" E, 122.66 FEET;
THENCE N 79°52'37" E, 183.48 FEET;
THENCE S 75°01'26" E, 202.99 FEET;
THENCE S 85°16'25" E, 209.92 FEET;
THENCE S 76°01'33" E, 714.25 FEET;
THENCE N 63°52'22" E, 315.95 FEET;
THENCE S 58°15'06" E, 207.01 FEET;
THENCE S 41°51'44" E, 306.82 FEET;
THENCE N 86°11'02" E, 183.43 FEET;
THENCE S 80°37'49" E, 341.66 FEET;
THENCE S 36°54'26" E, 425.27 FEET;
THENCE S 66°23'58" E, 543.83 FEET;
THENCE S 32°30'13" E, 232.26 FEET;
THENCE S 72°45'41" E, 363.99 FEET;
THENCE N 86°05'58" E, 259.21 FEET;
THENCE S 63°21'42" E, 316.98 FEET TO THE EAST LINE OF SAID SECTION 29;
THENCE S 0°03'39" W, 1884.43 FEET ALONG SAID EAST LINE TO THE **POINT OF
BEGINNING**.

LESS AND EXCEPTION THE FOLLOWING:

(Pages 2 and 3 herein)

00478053 Bk0848 Pg0685

LEGAL DESCRIPTION

August 17, 1994

ALL THAT PORTION OF SECTION 29, TOWNSHIP 41 SOUTH, RANGE 13 WEST, SALT LAKE BASE & MERIDIAN, WASHINGTON COUNTY, UTAH LYING SOUTH OF THE SOUTH RIM OF THE VIRGIN RIVER LESS AND EXCEPTING THE FOLLOWING:

COMMENCING AT THE SOUTH 1/4 CORNER OF SAID SECTION 29;
THENCE S 89°40'47" E, 391.23 FEET ALONG THE SOUTH LINE OF SAID SECTION 29 TO THE **POINT OF BEGINNING**;
THENCE N 00°19'13" E, 40.00 FEET TO A CURVE CONCAVE NORTHWESTERLY AND HAVING A 30.00 FOOT RADIUS;
THENCE NORTHEASTERLY, 47.08 FEET ALONG THE ARC OF SAID CURVE FROM A RADIAL LINE WHICH BEARS N 00°19'13" E THROUGH A CENTRAL ANGLE OF 89°55'17";
THENCE N 00°23'56" E, 40.09 FEET TO A CURVE CONCAVE SOUTHEASTERLY AND HAVING A 283.00 FOOT RADIUS;
THENCE NORTHEASTERLY, 132.45 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 26°48'57";
THENCE N 27°12'53" E, 16.83 FEET TO A CURVE CONCAVE NORTHWESTERLY AND HAVING A 167.00 FOOT RADIUS;
THENCE NORTHERLY, 60.13 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 20°37'48";
THENCE N 89°40'47" W, 149.05 FEET;
THENCE N 00°04'06" W, 61.63 FEET;
THENCE N 20°57'20" E, 163.91 FEET TO A CURVE CONCAVE WESTERLY AND HAVING A 37.24 FOOT RADIUS;
THENCE NORTHWESTERLY, 49.16 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 75°38'25";
THENCE N 56°18'03" W, 54.86 FEET;
THENCE N 00°04'06" W, 61.51 FEET;
THENCE N 89°41'33" W, 140.70 FEET;
THENCE N 62°37'58" W, 213.15 FEET;
THENCE N 00°05'13" W, 79.01 FEET;
THENCE N 37°58'00" E, 121.11 FEET;
THENCE N 47°19'09" W, 153.48 FEET TO A CURVE CONCAVE NORTHEASTERLY AND HAVING A 533.00 FOOT RADIUS;
THENCE NORTHWESTERLY, 75.78 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 08°08'46";
THENCE S 47°42'29" W, 160.34 FEET TO A CURVE CONCAVE SOUTHEASTERLY AND HAVING A 229.00 FOOT RADIUS;
THENCE SOUTHWESTERLY, 25.98 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 06°29'58";
THENCE N 53°05'01" W, 130.37 FEET;

THENCE N 00°04'17" W, 358.31 FEET;
THENCE N 76°17'45" E, 109.31 FEET;
THENCE N 13°42'15" W, 364.35 FEET TO A CURVE CONCAVE NORTHEASTERLY AND
HAVING A 233.00 FOOT RADIUS CURVE;
THENCE NORTHWESTERLY, 32.95 FEET ALONG THE ARC OF SAID CURVE
THROUGH A CENTRAL ANGLE OF 08°06'07";
THENCE N 05°36'09" W, 148.68 FEET;
THENCE N 84°23'51" E, 428.11 FEET;
THENCE S 21°08'21" E, 178.37 FEET;
THENCE S 15°08'32" E, 332.66 FEET;
THENCE S 04°31'17" E, 400.61 FEET TO A CURVE CONCAVE NORTHEASTERLY AND
HAVING A 91.53 FOOT RADIUS;
THENCE SOUTHEASTERLY, 96.66 FEET ALONG THE ARC OF SAID CURVE
THROUGH A CENTRAL ANGLE OF 60°30'21";
THENCE S 00°04'06" E, 51.92 FEET;
THENCE S 89°41'56" E, 118.23 FEET;
THENCE S 64°12'28" E, 58.00 FEET;
THENCE S 25°47'32" W, 28.36 FEET;
THENCE S 89°40'47" E, 189.18 FEET;
THENCE S 02°22'19" E, 270.30 FEET;
THENCE N 89°40'47" W, 28.25 FEET;
THENCE S 00°03'00" E, 540.01 FEET;
THENCE N 89°40'47" W, 170.18 FEET TO A CURVE CONCAVE SOUTHEASTERLY AND
HAVING A 217.00 FOOT RADIUS;
THENCE SOUTHWESTERLY, 20.08 FEET ALONG THE ARC OF SAID CURVE FROM A
RADIAL LINE WHICH BEARS S 84°18'02" E THROUGH A CENTRAL ANGLE OF
05°18'02";
THENCE S 00°23'56" W, 39.91 FEET TO A CURVE CONCAVE NORTHEASTERLY AND
HAVING A 30.00 FOOT RADIUS;
THENCE SOUTHEASTERLY, 47.17 FEET ALONG THE ARC OF SAID CURVE
THROUGH A CENTRAL ANGLE OF 90°04'43";
THENCE S 00°19'13" W, 40.00 FEET TO THE SOUTH LINE OF SAID SECTION 29;
THENCE N 89°40'47" W, 126.00 FEET ALONG SAID SOUTH LINE TO **THE POINT OF
BEGINNING**.