

AFTER RECORDING PLEASE RETURN TO:

Castillo de las Rocas Owner's Assoc.
P.O. Box 873
Moab, UT 84532

**2005 AMENDMENT TO THE AMENDED AND RESTATED
DECLARATION OF COVENEANTS, CONDITIONS AND
RESTRICITONS OF
CASTILLO DE LAS ROCAS
*A PLANNED UNIT DEVELOPMENT***

E 470811 B 0663 P 166 -
Date 10-FEB-2006 14:44pm
Fee: 32.00 Check 168
MERLENE MOSHER, Recorder
Filed By MM
For SONDRA HODSON-ROSIER
GRAND COUNTY CORPORATION

This 2005 AMENDMENT TO THE AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CASTILLO DE LAS ROCAS is executed this 31 day of January, 2006, by Stacey Walker, President of the CASTILLO DE LAS ROCAS OWNER'S ASSOCIATION, INC., a Utah nonprofit corporation, and is based on the vote in favor of more than 67% of the membership of the Association at its annual meeting on March 19, 2005:

ARTICLE 4.1.8 To keep and complete accurate books and records of the receipts and expenditures of the Association (relating to the Common Area and otherwise), specifying and itemizing the maintenance and repair expenses incurred, and to prepare budgets and financial statements for the Association as required in these Bylaws in accordance with good accounting procedures.

ARTICLE 7.1 Budgets and Financial Statements. Financial statements and pro forma operating budgets for the Association shall be regularly prepared (at least annually) and copies shall be distributed to each Member of the Association at their request.

IN WITNESS WHEREOF, THE SAID President of the Association, Stacey Walker, has caused these presents to be signed by its duly authorized officer on the day and year first above mentioned.

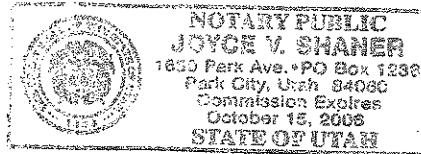
Stacey Walker
Stacey Walker, President of the
Castillo de las Rocas Owner's Assoc.

State of Utah
County of Summit

The foregoing document was acknowledged before me this 31 day of January, 2006 by Stacey Walker, President of the Castillo de las Rocas Owner's Assoc.

Joyce V Shaner
Notary Public (Signature)

Joyce V Shaner
Notary Public (Printed Name)



AFTER RECORDING, PLEASE RETURN TO:

Castillo de las Rocas Owner's Assoc.
P.O. Box 873
Moab, UT 84532

E 463836 B 0625 P 290 -
Date 24-MAY-2004 11:45am 293
Fee: 31.00 Check
MERLENE MOSHER, Recorder
Filed By JAC
For LISA ALBERT
GRAND COUNTY CORPORATION

**2003 AMENDMENT TO THE AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS OF
CASTILLO DE LAS ROCAS
A PLANNED UNIT DEVELOPMENT**

(Handwritten note)

02 SCU-00201 - 02 SCU-0019
A1-A3 - C1-C3 E1-E2
B1-B3 D1-D3 F1-F3

This 2003 AMENDMENT TO THE AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CASTILLO DE LAS ROCOS is executed this 20th day of April, 2004, by Michelle Harlow, President of the CASTILLO DE LAS ROCAS OWNER'S ASSOCIATION, INC., a Utah nonprofit corporation, and is based on the vote in favor of more than 67% of the membership of the association at its annual meeting on May 17, 2003:

ARTICLE X. GENERAL USE RESTRICTIONS

16. Animals. No animals of any kind shall be raised, bred, or kept on the Property provided, however, that up to a maximum of **two (2)** dogs, cats or other traditional household pets may be kept on each Lot, so long as they are not kept, bred or maintained for any commercial purpose, unless otherwise determined by the Board in its sole and exclusive subjective discretion. Such animals as are permitted shall be strictly controlled and kept pursuant to the ordinances and regulations of the City of Moab, Grand County, or other governmental subdivision having jurisdiction over the Property.

IN WITNESS WHEREOF, the said President of the association, Michelle Harlow has caused these presents to be signed by its duly authorized officer on the day and year first above written.

Michelle Harlow
Michelle Harlow, President of
Castillo de las Rocas Owner's Assoc.

State of Colorado
County of La Plata

The foregoing instrument was acknowledged before me this 5/6/04 (date) by Michelle Harlow, President of The Castillo de las Rocas Owner's Assoc.

[Signature]
Notary Public (Signature)

Luan L. Dody
Printed Name of Notary



E 463836 B 0625 P 292

BOUNDARY DESCRIPTION

DESCRIPTION OF A PARCEL OF LAND IN THE SE1/4 SECTION 15, T 26 S, R 22 E, SLB & M, GRAND COUNTY, UTAH, MORE PARTICULARLY DESCRIBED AS FOLLOWS:
BEGINNING AT THE SE CORNER OF THE SOLANO VALLEJO VILLAS, SAID CORNER BEARS S 89° 34'E 993.4 FT. FROM THE CENTER SOUTH 1/16 CORNER SECTION 15, T 26 S, R 22 E, SLB & M, AND PROCEEDING THENCE N 0° 06'E 341.0 FT. TO A CORNER, THENCE EAST 185.5 FT. TO A CORNER, THENCE ALONG A 316.0 FT. RADIUS CURVE TO THE RIGHT 261.7 FT. (SAID CURVE HAS A CHORD WHICH BEARS S 66° 16'E 254.2 FT.) TO A CORNER, THENCE S 42° 33'E 221.9 FT. TO A CORNER, THENCE ALONG A 250.0 FT. RADIUS CURVE TO THE LEFT 205.2 FT. (SAID CURVE HAS A CHORD WHICH BEARS S 66° 03'E 199.4 FT.) TO A CORNER, THENCE N 89° 34'W 751.1 FT. TO THE POINT OF BEGINNING AND CONTAINING 3.78 ACRES, MORE OR LESS.
BEARINGS ARE BASED ON THE EAST LINE OF SOLANO VALLEJO ESTATES (BEARING OF RECORD= N 0° 06'E).

E 463836 B 0625 P 293

AFTER RECORDING, PLEASE RETURN TO:

ROBERTSON/KNIGHT, L.C.
3517 S. WEST TEMPLE
SALT LAKE, UTAH 84115

Entry No. 437725
Recorded 9-13-96 2:30 PM
Bk. 491 Pg. 311 Fee 96.00
354
Mollane Masher
Recorder of Grand County JAC

AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF
CASTILLO DE LAS ROCAS
A PLANNED UNIT DEVELOPMENT

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**AMENDED AND RESTATED
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
CASTILLO DE LAS ROCAS**

A Planned Unit Development

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF CASTILLO DE LAS ROCAS is executed this 13TH day of SEPTEMBER, 1996 by ROBERTSON/KNIGHT DEVELOPMENT, L.C. ("Declarant").

RECITALS:

A. The Declarant holds legal title to a certain tract of real property located in Grand County, Utah, and more particularly described in Article II of this Declaration (the "Property").

B. Declarant has previously executed a Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Castillo De Las Rocas dated April 17, 1996, which was filed for record in the Office of the Grand County Recorder on 4/17, 1996, as Entry No. 436461, in Book 486, Page 117-143 (the "Original Declaration"), for the purpose of establishing a common plan for the possession, use, enjoyment, repair, maintenance and improvement of the Property, and to establish thereon a planned unit development with individual lots and common areas.

C. As the sole owner of all of the Property, Declarant is entitled to exercise 100% of the voting power of the Castillo De Las Rocas Owners Association. In accordance with the provisions of Section 13.2 of the Original Declaration, Declarant desires now to amend the Original Declaration, in its entirety, as set forth herein.

NOW, THEREFORE, it is hereby declared that the Property shall be held, sold, conveyed, leased, rented, encumbered and used, subject to the following Declaration and its covenants, restrictions, limitations, and conditions, all of which shall constitute covenants which run with the land and shall be binding on and be for the benefit of the Declarant, its successors and assigns and all owners of all or any part of the Property, together with their grantees, successors, heirs, executors, administrators, devisees and assigns, all as set forth herein.

ARTICLE I. DEFINITIONS

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

1. Articles or Articles of Incorporation shall mean and refer to the Articles of Incorporation of the Association which shall be filed with the Utah State Department of Commerce, Division of Corporations and Commercial Code at or about the time this Declaration is filed for record.

2. Association shall mean and refer to CASTILLO DE LAS ROCAS OWNERS ASSOCIATION, INC. a Utah nonprofit corporation.

3. Board of Trustees or Board shall mean and refer to the governing board of the Association which shall be appointed or elected in accordance with the Declaration, the Articles of Incorporation and Bylaws of the Association.

4. Bylaws shall mean and refer to the Bylaws of the Association as amended from time to time.

5. Common Elements shall mean and refer to that part of the Property which is not included within the Lots, including all private roadways within the Project, the swimming pool and all other improvements (other than utility lines owned by utility suppliers) now or hereafter constructed or located thereon. The Common Elements shall be owned by the Association and described as follows:

A parcel of land in the Southeast 1/4 of Section 15, Township 26 South, Range 22 East, S.L.B. & M., beginning at the Southeast corner of the Solano Vallejo Villas, said corner bears South 89° 34' East 993.4 feet from the center South 1/16 corner of Section 15, Township 26 South, Range 22 East, S.L.B. & M., and proceeding thence North 0° 06' East 341.0 feet to a corner, thence East 185.5 feet to a corner, thence along a 316.0 foot radius curve to the right 261.7 feet (said curve has a chord which bears South 66° 16' East 254.2 feet) to a corner, thence South 42° 33' East 221.9 feet to a corner, thence along a 250.0 foot radius curve to the left 205.2 feet (said curve has a chord which bears South 66° 03' East 199.4 feet) to a corner, thence North 89° 34' West 751.1 ft. to the point of beginning.

LESS AND EXCEPTING THEREFROM all of Lots A-1 through F-3 of CASTILLO DE LAS ROCAS, a Planned Unit Development, according to the official plat thereof, on file and of record in the Office of the Grand County Recorder.

6. Common Expenses shall mean and refer to those costs and expenses arising out of or connected with the maintenance and operation of the Project and Association as described in Article V hereof and which determine the assessments made to Owners.

7. Common Expense Fund shall mean and refer to the fund created or to be created pursuant to the provisions of Article V 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.

8. Declaration shall mean and refer to this Declaration of Covenants, Conditions and Restrictions of Castillo De Las Rocas, as the same may hereafter be modified, amended and supplemented.

9. Declarant shall mean and refer to Robertson/Knight Development, L.C., a Utah limited liability company, and/or any successor thereof which, either by operation of law or through a voluntary conveyance, transfer, or assignment, comes to stand in the same relation to the Property (or a portion thereof) as did its predecessor.

10. 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.

11. FNMA shall mean and refer to the Federal National Mortgage Association.

12. 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.

13. 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.

14. Limited Common Elements shall mean any Common Elements designated as reserved for use by the Owner of a certain Lot or Lots to the exclusion of the other Owners in the Project. Certain parking areas, walkways and the patios attached to each Lot are permanently assigned to specific Lots, as an appurtenance to such Lots, for the exclusive use of such Lots. The Plat permanently designates the Lot or Lots to which each of the Limited Common Elements is reserved and appurtenant. [or designated here on an exhibit?]

15. Lot shall mean and refer to any of the separately numbered and individually described parcels of land now or hereafter shown on the Plat. Except where the context specifically otherwise requires, reference to a Lot shall include reference to the Townhome thereon.

16. Manager shall mean and refer to 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 Project.
17. Member shall mean and refer to every person who holds membership in the Association.
18. Mortgage shall mean any mortgage, deed of trust, or other document pledging any portion of a Lot or interest therein as security for the payment of a debt or obligation.
19. Mortgagee shall mean a beneficiary of a Mortgage as well as a named Mortgagee.
20. Owner shall mean the person or persons, including the Declarant, owning in fee simple a Lot in the Project, as such ownership is shown by the records of the County Recorder of Grand County, State of Utah. The term "Owner" shall not refer to any Mortgagee (unless such Mortgagee has obtained title in fee simple to a Lot pursuant to a judicial or nonjudicial action, including, without limitation, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure) or to any person or persons purchasing a Lot under contract (until such contract is fully performed and legal title conveyed of record).
21. Plat shall mean and refer to the subdivision plat map for Castillo De Las Rocas, a Planned Unit Development, recorded in the office of the County Recorder of Grand County, Utah, and all amendments thereto.
22. Project shall mean and refer to the Property and the plan of development and ownership of the Property created and governed by this Declaration, the Articles and the Bylaws.
23. Property shall mean and refer to the entire tract of real property now or hereafter covered by the Plat. A description of the real property covered by the Plat on the effective date of this Declaration is set forth in Article II of this Declaration.
24. Townhome shall mean and refer to a structure or portion of a structure which is designed and intended for use and occupancy as a single-family residence, together with all improvements located on the Lot concerned which are used in conjunction with such residence.
25. Townhome Building shall mean and refer to a structure containing three Townhomes, constituting a portion of the Project.
26. Townhome Building Exteriors shall mean and refer to those portions of the Townhome Buildings which are open to the elements such as roofs, exterior walls, exterior doors, footings, foundations, basement walls and window wells.

ARTICLE II. PROPERTY DESCRIPTION

The Property initially associated with the Project which is and shall be held, transferred, sold, conveyed, and occupied subject to the provisions of this Declaration consists of the following described real property situated in Grand County, State of Utah:

A parcel of land in the Southeast 1/4 of Section 15, Township 26 South, Range 22 East, S.L.B. & M., beginning at the Southeast corner of the Solano Vallejo Villas, said corner bears South 89° 34' East 993.4 feet from the center South 1/16 corner of Section 15, Township 26 South, Range 22 East, S.L.B. & M., and proceeding thence North 0° 06' East 341.0 feet to a corner, thence East 185.5 feet to a corner, thence along a 316.0 foot radius curve to the right 261.7 feet (said curve has a chord which bears South 66° 16' East 254.2 feet) to a corner, thence South 42° 33' East 221.9 feet to a corner, thence along a 250.0 foot radius curve to the left 205.2 feet (said curve has a chord which bears South 66° 03' East 199.4 feet) to a corner, thence North 89° 34' West 751.1 ft. to the point of beginning.

Bearings are based on the East line of Solano Vallejo Estates (Bearing of Record = North 0° 06' East).

ARTICLE III. THE ASSOCIATION

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 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 Declaration, Articles, Bylaws and other rules governing 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.

2. Board of Trustees. Until such time as the responsibility for electing the Board of Trustees of the Association is turned over to the Owners, the Declarant shall have the exclusive right to appoint and remove all such Trustees. This exclusive right of the Declarant to appoint the Trustees shall terminate after the first to occur of the following:

A. Three years from the date on which the first Lot in the Project is conveyed; or

B. Four months after 75% of the Lots have been conveyed by Declarant.

3. Votes. Each Member shall be entitled to the number of votes appurtenant to his or her Lot, as set forth on Exhibit "A", which is attached hereto and incorporated herein by this reference. The number of votes appurtenant to each Lot is determined by the approximate relative values of the different size Townhomes at the time this Declaration is recorded. Owners of Lots improved with two-bedroom Townhomes shall be entitled to five (5) votes for each such Lot owned, and Owners of Lots improved with three-bedroom Townhomes shall be entitled to six (6) votes for each such Lot owned. The number of votes appurtenant to each Lot shall be permanent, and shall not change in the event an Owner modifies a Townhome to increase or decrease the number of bedrooms therein. In the event that there is more than one Owner of a particular Lot, the votes relating to such Lot shall be exercised as such Owners may determine among themselves. No Lot shall have more than the number of votes shown on Exhibit "A", regardless of the number of persons having an ownership interest in the Lot. The votes cast at any Association meeting by any of such Owners, whether in person or by proxy, shall be conclusively presumed to be the votes 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 votes 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.

4. Maintenance of Townhome Building Exteriors. The Association shall maintain all Townhome Building Exteriors as follows: paint, repair, replacement and care of roofs, gutters, downspouts, foundations, window wells, fences, exterior building surfaces, exterior doors and other exterior improvements, as well as all trees, shrubs, grass, walkways and outside steps. Such exterior maintenance shall not include glass surfaces and window screens, or patios included on any Lot. The Association shall have a right of entry to any Townhome to perform emergency repairs or do other work necessary for maintenance of the Townhouse Building Exteriors.

In the event that the need for maintenance or repair of the Townhome Building Exteriors is caused through the willful or negligent acts of its Owner, or through the willful or negligent acts of the family, guests, tenants or invitees of the Owner of the Lot needing such maintenance or repair, the cost of such exterior maintenance shall be added to and become a part of the assessment to which such Lot is subject.

5. Professional Management. The Association may carry out through the Manager those of its functions which are properly the subject of delegation. The Manager so engaged shall be an independent contractor, and not an employee of the Association, 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 Declarant control of the appointment of the Board of Trustees as described in Section 2 of Article III may be terminated by the Association without cause at any time after termination of such control. The above term and termination provisions shall not apply to any other types of service contracts.

6. 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.

ARTICLE IV. PROPERTY RIGHTS IN COMMON ELEMENTS AND LOTS

1. Easement of Enjoyment. Each Member shall have a right and easement of use and enjoyment in and to the Common Elements. Each Owner shall have an unrestricted right of ingress or egress to and from its Lot over and across such Common Elements. Each Owner shall also have the exclusive right to use and enjoy any Limited Common Elements that may be designated for exclusive use by such Owner. Such rights and easements shall be appurtenant to and shall pass with title to each Lot and in no event shall be separated therefrom. Any Member may delegate the right and easement of use and enjoyment described herein to any family members, household guests, tenants, lessees, contract purchasers, or other persons who reside on such Member's Lot.

2. Easements for Encroachments. In the event the construction, reconstruction, repair, shifting, settlement or any other movement of any portion of the improvements causes any part of a Townhome built in substantial accord with the boundaries for such Townhome as depicted on the Plat to encroach upon the Common Elements, or upon an adjoining Lot, or if any part of the Common Elements encroaches or shall encroach upon a Lot or Townhome for any such reasons, an easement for such encroachment and for the maintenance of the same shall and does exist. There is also hereby created an easement for any encroachment by any roof overhang upon an adjoining Lot or any part of the Common Elements.

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

A. The right of the Association to suspend a Member's voting right in the Association and a Member's right to the use of any recreational facilities included in the Common Elements for any period during which (i) an assessment on such

Member's Lot remains unpaid; (ii) for a period not exceeding sixty (60) days for any infraction by such Member of the provisions of this Declaration or of any rule or regulation promulgated by the Association; and (iii) for successive 60-day periods if any such infraction is not corrected during any prior 60-day suspension period;

B. The right of the Association to impose reasonable limitations on the number of guests per Member who at any given time are permitted to use the Common Elements;

C. The right of the Association to dedicate or transfer all or any part of the Common Elements to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Association. No such dedication or transfer shall be effective unless an instrument signed by Members holding sixty-seven percent (67%) or more of the total votes of the Association agreeing to such dedication or transfer has been recorded, except that the Board shall have authority to transfer to such public agencies, authorities or utilities, permits, licenses, easements and rights-of-way which are intended to benefit the Project and which do not have any substantial adverse affect on the enjoyment of the Common Elements by the Members;

D. The right of Grand County or any other governmental or quasi-governmental body having jurisdiction over the Property to access and rights of ingress and egress over and across any street, parking area, walkway, or open area contained within the Property for purposes of providing police and fire protection, transporting school children; and providing other governmental or municipal service.

4. Party Walls. Each wall which is built as part of the original construction (or reconstruction) of the Townhomes upon the Lots and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. The cost of reasonable repair and maintenance of a party wall shall be shared equally by the Owners who make use of the wall. If a party wall is destroyed or damaged by fire or other casualty, the provisions of Article VII hereof shall apply. Notwithstanding any other provision of this Section, an Owner who by his negligent or willful act causes a party wall to be damaged shall bear the entire cost of furnishing repairs to the party wall. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors in title.

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

"Lot No. _____ of Castillo De Las Rocas, a Planned Unit Development, together with all improvements located thereon, as said Lot is identified in the Plat of said development and in the Declaration of Covenants, Conditions and Restrictions of Castillo De Las Rocas, both recorded in the Recorder's Office of Grand County, State of Utah. TOGETHER WITH a right and easement of use and enjoyment in and to the Common Elements described, and as provided for, in said Declaration of Covenants, Conditions and Restrictions."

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

6. Transfer of Title. The Declarant agrees to cause the conveyance to the Association of title to the Common Elements 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 first conveyance of a Lot from Declarant to a third-party purchaser.

ARTICLE V. ASSESSMENTS

1. Agreement to Pay Assessments. The Declarant for each Lot owned by it within the Project and each Owner of any Lot by the acceptance of instruments of conveyance and transfer therefor, whether or not it be so expressed in said instruments, shall be deemed to covenant and agree with each other and with the Association to pay to the Association all assessments made by the Association for the purposes provided in this Declaration. Such assessments shall be fixed, established and collected from time to time as provided in this Article V. 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 annual assessment shall be \$125.75 and No/100 Dollars (\$ 125.75) per month for each Lot improved with a three-bedroom Townhome and \$106.00 and No/100 Dollars (\$ 106.00) per month for each Lot improved with a two-bedroom Townhome.

A. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year by up to fifteen percent (15%) above the maximum assessment for the previous year without a vote of the membership.

B. From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above fifteen percent (15%) by a vote of sixty-seven percent (67%) of the

votes (determined in accordance with Section 3 of Article III) of Members who are voting in person or by proxy, at a meeting duly called for this purpose.

C. The Board may fix the annual assessment at an amount not in excess of the maximum.

2. Annual Assessments. Annual assessments shall be computed and assessed against all Lots in the Project as follows:

A. Common Expense. Annual assessments shall be based upon advance estimates of the Association's cash requirements to provide for payment of all estimated expenses arising out of or connected with the maintenance and operation of the Common Elements, the Townhome Building Exteriors, and furnishing common utility services and other common items to the Townhomes. Such estimated expenses may include, without limitation, the following: expenses of management; real property taxes and special assessments on the Common Elements (and the Lots until the Lots are separately assessed); premiums for all insurance that the Association is required or permitted to maintain hereunder; repairs and maintenance of the Common Elements and Townhome Building Exteriors; landscaping; wages of Association employees, if any, including fees for a Manager; utility charges, including charges for utility services to the Townhomes to the extent not separately metered or billed; legal and accounting fees; any deficit remaining from a previous period; creation of an adequate contingency reserve, major maintenance reserve and/or sinking fund; creation of an adequate reserve fund for maintenance, repairs, and replacement of those Common Elements and Townhome Building Exteriors that must be replaced on a periodic basis; and any other expenses and liabilities which may be incurred by the Association for the benefit of the Owners under or by reason of this Declaration. The aggregate of all such items shall constitute the Common Expenses, and all funds received from assessments under this Section 2.A shall be part of the Common Expense Fund. 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.

B. Apportionment. Common Expenses shall be apportioned among and assessed to all Lots and their Owners in accordance with each Lot's assessment percentage, as set forth on Exhibit "A", which is attached hereto and incorporated herein by this reference. The Declarant shall be liable for the amount of any assessments against Lots owned by it.

C. Annual Budget. Annual assessments shall be determined on the basis of a fiscal year beginning January 1 and ending December 31 next following, provided the first fiscal year shall begin on the date of the conveyance of the first Lot by Declarant. On or before December 1 of each year thereafter, the Board of Trustees shall prepare and furnish to each Owner, or cause to be prepared and furnished to each Owner, an

operating budget for the upcoming fiscal year. The budget shall itemize the estimated expenses of Common Expense for such fiscal year, anticipated receipts (if any) and any deficit or surplus from the prior operating period. The budget shall serve as the supporting document for the annual assessment for the upcoming fiscal year and as the major guideline under which the Project shall be operated during such annual period.

D. Notice and Payment. Except with respect to the first fiscal year, the Board of Trustees shall notify each Owner in writing as to the amount of the annual assessment against his or her Lot on or before December 1 each year for the fiscal year beginning on January 1 next following. Except as otherwise provided by the Board, each annual assessment shall be payable in twelve equal monthly installments, one such installment due on the first day of each calendar month during the fiscal year to which the assessment relates; provided, however, the annual assessment for the first fiscal year shall be based upon such portion of the first fiscal year. All unpaid installments of any annual assessment shall bear interest at the rate established by the Board, not to exceed eighteen percent (18%) per annum, from fifteen (15) days after the date each such installment became due until paid. The Board of Trustees shall also have the right to assess a late fee of up to five percent (5%) of any assessment installment not paid within fifteen (15) days following the due date thereof. In addition, in the event that any installment of the annual assessment is not paid within fifteen (15) days of the date such installment becomes due, the Association may, at its option, and upon fifteen (15) days prior written notice to the Owner, accelerate the due date for all remaining unpaid installments of the annual assessment for the remainder of the fiscal year and all accrued but unpaid interest thereon. Payment of the annual assessment installments so accelerated shall be due at the expiration of said fifteen (15) day notice period and interest shall accrue on the entire sum at the rate established by the Board, not to exceed eighteen percent (18%) per annum, from such date until paid in full. The failure of the Board of Trustees to give timely notice of any annual assessment as provided herein shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of any Owner from the obligation to pay such assessment or any other assessment.

E. 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 of Trustees may, on behalf of the Association, levy additional assessments in accordance with the procedure set forth in Article V Section 3 below, except that the vote therein specified shall be unnecessary.

3. Special Assessments. In addition to the annual assessments authorized by this Article, the Board of Trustees 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 the voting power of the Association in person or by proxy at a meeting called for such purpose, special assessments, payable over such periods as the Board of Trustees 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). 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 amounts assessed pursuant hereto shall be assessed to Owners in accordance with the assessment percentages allocated to each Lot, as set forth on Exhibit "A". 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, if the Declarant is only obligated to pay twenty-five percent (25%) of the annual assessment attributable to Lots it owns pursuant to Section 4 below, it shall only be required to pay twenty-five percent (25%) of the special assessment otherwise attributable to each such Lot. The provisions of this Section are not intended to preclude or limit the assessment, collection or use of annual assessments for the aforesaid purposes.

4. Uniform Rate of Assessment. The amount of any annual or special assessment against each Lot shall be fixed at a uniform rate based on the approximate square footage of each Townhome, as set forth on Exhibit "A", except that Declarant shall pay only twenty-five percent (25%) of the annual assessment attributable to each Lot which it owns until the conveyance by Declarant of such Lot to a third-party purchaser. If the Declarant ceases to qualify for the reduced twenty-five (25%) rate during the period to which an annual assessment is attributable, the assessment attributable to the membership shall be prorated between the applicable rates on the basis of the number of days in the period that the Owner qualified for each rate. Annual assessments may be collected on a monthly 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 for 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.

5. Notice and Quorum for Any Action Authorized Under Sections 1 and 3. Written notice of any meeting called for the purpose of taking any action authorized under Sections 1 or 3 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, if any) 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.

6. Lien for Assessments. All sums assessed to Owners of any Lot within the Project pursuant to the provisions of this Article V, 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 V, the Board of Trustees 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 Grand 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 powers of sale or judicial foreclosure of deeds of trust or mortgages or in any other manner permitted by law. In order to facilitate the foreclosure of any such lien in the manner provided at law for the foreclosure of deeds of trust, Declarant hereby designates Southeast Utah Title Company, as trustee and grants and conveys the Project, IN TRUST, to Southeast, Utah Title Company, as trustee, with full power of sale, to foreclose any such liens as directed by the Board of Trustees. The Board of Trustees may, at any time, designate one or more successor trustees, in the place of Southeast, Utah Title Company, in accordance with provisions of Utah law for the substitution of trustees under deeds of trust. Such trustee, and any successors, shall not have any other right, title or interest in the Project beyond those rights and interests necessary and appropriate to foreclose any liens against Condominiums arising pursuant to this Article V Section 6. 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 to 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 of Trustees shall have the right and power in behalf of the Association to bid in at any foreclosure sale and to hold, lease, mortgage or convey the subject Lot in the name of the Association.

7. Personal Obligation of Owner. The amount of any annual 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. No Owner may avoid or diminish any such personal obligation by waiver of the use and enjoyment of any of the Common Elements or by abandonment of his Lot or by waiving any services or amenities

provided for in this Declaration. 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.

8. Personal Liability of Purchaser. The personal obligation of an Owner to pay unpaid assessments against his Lot as described in Section 7 of this Article V 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.

9. Reserves and Working Capital. In addition to its day-to-day operating funds, the Association shall establish the following funds:

A. Reserve Fund. The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Elements and Townhome Building Exteriors the Association is 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 annual assessment for each Lot. Each Lot's share of the working capital fund must be collected and transferred to the Association at the time of the 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. 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 the closing of the sale to such purchaser or by the Association upon termination of the Declarant control of the Association as described in Section 2 of Article III hereof, 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 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.

10. Evidence of Payment of Annual and Special Assessments. Upon receipt of a written request by a Member or any other person, the Association within a reasonable period of time thereafter shall issue to such Member or other person a written certificate stating (a) that all annual 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 (b) if all annual and special assessments have not been paid, the amount of such annual 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.

ARTICLE VI. OPERATION AND MAINTENANCE

1. Maintenance of Townhomes. Each Townhome and Lot shall be maintained by the Owner thereof so as not to detract from the appearance of the Property and so as not to affect adversely the value or use of any other Townhome or Lot. The Association shall have no obligation regarding maintenance or care of Townhomes or Lots except as set forth in Section 2 of this Article VI or elsewhere in this Declaration.

2. Operation and Maintenance by Association. The Association shall provide for such maintenance and operation of the Common Elements as may be necessary or desirable to make them appropriately usable in conjunction with the Lots and to keep them clean, functional, attractive and generally in good condition and repair. The Association shall also provide for the maintenance of all Townhome Building Exteriors. The expenses incurred by the Association for such purposes shall be paid for with funds from the Common Expense Fund.

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 as part of the Common Expenses.

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 entire Project, including: Common Elements; all Townhome Buildings (other than the interior content thereof); fixtures, building service equipment, personal property and supplies comprising a part of the

Common Elements or 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, by other perils normally covered by the standard extended coverage endorsement, and by all other perils which are customarily covered with respect to projects similar to 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 Common Elements shall be the lesser of Ten Thousand Dollars (\$10,000) or one percent (1%) of the policy face amount. However, for losses related to individual Townhomes that are covered by such a policy, the deductible related to each individual Townhome shall be One Thousand Dollars (\$1,000.00). 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 the Townhome Buildings, any machinery and equipment that are not part of a Townhome Building and all Common Elements 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 Townhome Buildings and 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 lessor of Five Thousand Dollars (\$5,000.00) 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 on 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 reconstruction, 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); and (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 (\$2,000,000.00) or the insurable value of the Townhome Building containing the boiler or machinery. In lieu of obtaining this as an endorsement to the commercial package property, the Association may purchase separate 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 receives 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 of 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 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 cancelled 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 Common Elements, Townhome Building Exteriors, public ways in the Project, and all other areas of the Project that are under the Association's supervision. 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 insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance, or use of the Common Elements, Townhome Building Exteriors, and legal liability arising out of lawsuits related to employment contracts of the Association. Additional coverages 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, employers 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 interests 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 has a B general policyholder's rating or a financial performance index of 6 or better in the Best's Key Rating Guide or an A or better rating from 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 VII. DAMAGE OR DESTRUCTION

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 the Project upon its 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.

2. Definition of Repair and Reconstruction. Repair and reconstruction of the improvements as used herein means restoring the Project to substantially the same condition in which it existed prior to the damage or destruction, with each Townhome and the Common Elements having substantially the same vertical and horizontal boundaries as before.

3. Procedure. In the event all or any part of the Project is damaged or destroyed, the Association shall proceed as follows:

A. 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 Common Elements or a Townhome subject to such First Mortgage.

B. Estimate of Costs. As soon as practicable after an event causing damage to or destruction of any part of the Project, the Association shall obtain complete and reliable estimates of the costs to repair and reconstruct the part of the Project damaged or destroyed.

C. Sufficient Insurance. If the proceeds of the insurance maintained by the Association equal or exceed the estimated costs to repair and reconstruct the damaged or destroyed part of the Project, such repair and reconstruction shall be carried out.

D. Insufficient Insurance-Less than Seventy-Five Percent (75%) Destruction. If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and if less than seventy-five percent (75%) of the Project is damaged or destroyed, such repair and reconstruction shall nevertheless be carried out. The Association shall levy a special assessment sufficient to provide funds to pay the actual costs of such repair and reconstruction to the extent that such insurance proceeds are insufficient to pay such costs. Such special assessment shall be allocated and collected as provided in Article V Section 3 hereof, except that the vote therein specified shall be unnecessary. Further levies may be made in like manner if the amounts collected (together with the proceeds of insurance) are insufficient to pay all actual costs of such repair and reconstruction.

E. Insufficient Insurance--Seventy-Five Percent (75%) or More Destruction. If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and if seventy-five percent (75%) or more of the Project is damaged or destroyed, such damage or destruction shall be repaired and reconstructed, but only if within one hundred (100) days following the damage or destruction, Owners entitled to vote at least seventy-five percent (75%) of the votes of the Members vote to carry out such repair and reconstruction. If, however, the Owners do not, within one hundred (100) days after such damage or destruction, elect by a vote of at least seventy-five percent (75%) of the votes of the Members to carry out such repair and reconstruction but rather elect to terminate the Project and if Eligible Mortgagees who represent at least fifty-one percent (51%) of the votes of Lots subject to Mortgages held by Eligible Mortgagees approve such termination, the Association shall record in the office of the

County Recorder of Grand County, State of Utah, a notice setting forth such facts. Upon the recording of such notice, the following shall occur:

(i) the Project shall be deemed to be owned in common by the Owners;

(ii) Each Owner shall own an undivided interest in the Project equal to such Owner's Common Expense allocation percentage as set forth on Exhibit "A";

(iii) Any liens affecting any of the Lots shall be deemed to be transferred, in accordance with the existing priorities, to the undivided interest of the respective Owner in the Project; and

(iv) The Project shall be subject to an action for partition at the suit of any Owner, in which event the net proceeds of any sale resulting from such suit for partition, together with the net proceeds of the insurance of the Project, if any, shall be considered as one fund and shall be divided among all Owners after first paying out of the respective share of each Owner, to the extent sufficient for the purposes, all liens on the undivided interest in the Project owned by such Owner. The division of funds shall be based on the fair market values of the Lots and Townhomes immediately prior to the damage or destruction, and the Owners shall divide said fund based upon the relative value of the Lots and Townhomes prior to the damage or destruction.

F. Priority. In no event shall an Owner of a Lot or any other party have priority over the holder of any First Mortgage on such Lot with respect to the distribution to such Lot of any insurance proceeds.

4. Repair or Reconstruction. If the damage or destruction is to be repaired or reconstructed as provided above, the Association shall, as soon as practicable after receiving the said estimate of costs, commence and diligently pursue to completion the repair and reconstruction of that part of the Project damaged or destroyed. The Association may take all necessary or appropriate action to effect repair and reconstruction, as attorney in fact for the Owners, and no consent or other action by any Owner shall be necessary in connection therewith, except as otherwise expressly provided herein. The Project shall be restored or repaired to substantially the same condition in which it existed prior to the damage or destruction, with each Townhome and the Common Elements having the same vertical and horizontal boundaries as before. Any restoration or repair of the Project, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with the Declaration and the original architectural plans and specifications.

5. Disbursement of Funds for Repair and Reconstruction. If repair or reconstruction is to occur, the insurance proceeds held by the Association and any amounts received from assessments made pursuant to Section 3.D of this Article VII shall constitute a fund for the payment of costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for costs of repair and reconstruction shall be made from insurance proceeds; if there is a balance after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners equally.

6. 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 the Members consent and agree to such amendment and such consent and agreement is reflected in an instrument duly executed by the Association and recorded in accordance with the provisions of this Declaration.

ARTICLE VIII. CONDEMNATION

1. Condemnation. If at any time or times all or any part of the Project shall be taken or condemned by any public authority under power of eminent domain, the provisions of this Article shall apply. A voluntary sale or conveyance of all or any part of the Project in lieu of condemnation, but under threat of condemnation, shall be deemed to be a taking by power of eminent domain. If any Lot or portion thereof or the Common Elements or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, the Board of Trustees shall give prompt written notice of any such proceeding or proposed acquisition to each Owner in the Project and to any First Mortgagee who has requested in writing notice thereof. The Association shall represent the Owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the Common Elements, or any part thereof, and each Owner hereby appoints the Association as such Owner's attorney-in-fact for the purposes of such representation.

2. Proceeds. All compensation, damages and other proceeds from any such taking by power of eminent domain (hereinafter the "condemnation award") shall be made payable to the Association and shall be distributed by the Board of Trustees, on behalf of the Association as herein provided.

3. Complete Taking. In the event the entire Project is taken by power of eminent domain, ownership pursuant hereto shall terminate and the condemnation award shall be allocated among and distributed to the Owners and the Owners shall divide the condemnation award based upon the relative values of the Lots and Townhomes immediately prior to the condemnation. Such distribution shall be made by check payable joint to the respective Owners and their respective Mortgagees, as appropriate.

4. Partial Taking. In the event less than the entire Project is taken by power of eminent domain, the following shall occur:

A. Allocation of Award. As soon as practicable, the Board of Trustees shall, on behalf of the Association, reasonably and in good faith, apportion the condemnation award between compensation, severance damages or other proceeds and shall allocate such apportioned amounts and pay the same to the Owners as follows:

(i) The total amount apportioned to taking of or injury to the Common Elements shall be allocated among and distributed to all Owners (including Owners whose entire Lots have been taken), in accordance with each Owner's assessment percentage as set forth in Exhibit "A".

(ii) The total amount apportioned to severance damages shall be allocated among and distributed equally to the Owners of those Lots that have not been taken.

(iii) The respective amounts apportioned to the taking of or injury to a particular Lot shall be allocated and distributed to the Owner of such Lot.

(iv) The total amount apportioned to consequential damages and any other takings or injuries shall be allocated and distributed as the Association determines to be equitable under the circumstances;

(v) If apportionment or allocation is already established by negotiation, judicial decree, statute or otherwise, the Association shall employ such apportionment and allocation to the extent it is relevant and applicable;

(vi) Distribution of allocated proceeds shall be made by check payable jointly to individual Owners and their respective Mortgagees, as their interests may appear; and

(vii) No provision of this Article VIII or any other provision of this Declaration, the Articles or the Bylaws shall entitle the Owner of a Lot or other party to priority over any First Mortgagee holding such Lot with respect to the distribution to such Lot of the proceeds of any award, settlement or proceeds from any eminent domain or condemnation proceeding.

B. Continuation and Reorganization. If less than the entire Project is taken by power of eminent domain, ownership pursuant hereto shall not terminate but shall continue. In such event the Project shall be reorganized as follows:

(i) If any partial taking results in the taking of an entire Lot, then the Owner thereof shall cease to be a member of the Association and all voting rights shall terminate;

(ii) If any partial taking results in the taking of a portion of a Lot, the voting rights appertaining to such Lot shall continue.

(iii) If any partial taking results in the taking of a portion of a Lot and if there is a determination made by the Board of Trustees, after duly considering any recommendations, proposals, or other input from the Owners, that such taking makes it impractical to use the remaining portion of such Lot, then all voting rights terminate and the remaining portion of such Lot shall thenceforth be part of the Common Elements;

(iv) The Board of Trustees, after duly considering any recommendations, proposals or other input from the Owners, shall have the duty and authority to make all determinations and to take all actions necessary or appropriate to effectuate reorganization of the Project under the provisions of this Section VIII.4.B; provided, however, that if any such determination shall have been or such action take by judicial decree, the Board of Trustees shall defer thereto and proceed in accordance therewith.

C. Repair and Reconstruction. Any repair and reconstruction necessitated by condemnation shall be governed by the provisions specified in Article VII hereof for cases of Damage or Destruction; provided, however, that the provisions of said article dealing with sufficiency or insufficiency or insurance proceeds shall not be applicable.

ARTICLE IX. TERMINATION

1. Required Vote. Except as otherwise provided in Article VII and Article VIII, the Project may be terminated only by agreement of Owners entitled to vote at least sixty-seven percent (67%) of the votes attributable to all Lots.

2. Termination Agreement. An agreement to terminate shall be evidenced by the execution or ratification of a termination agreement, in the same manner as a deed, by the requisite number of Owners. Such an agreement to terminate shall also be approved by Eligible Mortgagees who represent at least sixty-seven percent (67%) of the votes of Lots subject to First Mortgages held by Eligible Mortgagees. Such approval (and any other approval related to an amendment to this Declaration) shall be deemed given if an Eligible Mortgagee fails to submit a response within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested. The termination agreement shall specify a date after which the agreement will be void unless it is recorded before that date. A termination agreement, including all

ratifications of such termination agreement, shall be recorded in Grand County, Utah and is effective only on recordation.

3. Sale of Project. A termination agreement may provide that all the Project shall be sold following termination. If, pursuant to the agreement, any real estate in the Project is to be sold following termination, the termination agreement shall set forth the minimum terms of the sale.

4. Association Duties. The Association, on behalf of the Owners, may contract for the sale of real estate in the Project, but the contract is not binding on the Owners until approved pursuant to Sections 1 and 2, above. If any real estate in the Project is to be sold following termination, title to that real estate on termination vests in the Association as trustee for all Owners. Thereafter, the Association has all powers necessary and appropriate to effect the sale. Until the sale has been concluded and the proceeds of the sale distributed, the Association continues in existence with all powers it had before termination. Proceeds of the sale shall be distributed to Owners and Mortgagees as their interests may appear, based on the relative value of each Lot and Townhome immediately prior to termination. Unless otherwise specified in the termination agreement, as long as the Association holds title to the real estate, each Owner and their successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted their Lot and Townhome in accordance with the terms of this Declaration. During the period of that occupancy right, each Owner and their successors in interest remain liable for all assessments and other obligations imposed on Owners by this Declaration.

5. Proceeds of Sale. Following termination of the Project, the proceeds of any sale of real estate, together with the assets of the Association, shall be held by the Association as trustee for Owners and Mortgagees as their interests may appear. Following termination, Mortgagees holding Mortgages on the Lots which were recorded before termination may enforce those liens in the same manner as any lienholder.

ARTICLE X. GENERAL USE RESTRICTIONS

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

2. Use of Common Elements. The Common Elements shall be used only in a manner consistent with their community nature and with the rules, regulations and use restrictions applicable to Lots and Townhomes. No admission fees, charges for use, leases, or other income generating arrangement of any type shall be employed or entered into with respect to any portion of the Common Elements. Provided, however, vending machines and similar devices approved by the Board may be made available within the Common Elements.

3. Use of Lots and Townhomes. All Lots are improved with Townhomes and are restricted to such use. Each Townhome shall be used only as a single-family residence. No Lot or Townhome shall be used, occupied, or altered in violation of law, so as to jeopardize the support of any other Townhome, so as to create a nuisance or interfere with the rights of any Owner, or in any way which would result in an increase in the cost of any insurance covering the Common Elements or Townhomes. No timeshare interests (as defined in Utah Code §57-19-2(17)) may be created in the Project, or any Lot or Townhome therein.

4. Exception for Declarant. Notwithstanding the restrictions contained in this Article X, for the five (5) year period following the date on which this Declaration is filed for record in the office of the County Recorder of Grand County, Utah, Declarant shall have the right to use any Lot or Townhome owned by it, and any part of the Common Elements reasonably necessary or appropriate, in furtherance of any activities designed to accomplish or facilitate improvement and sale of all Lots owned by Declarant. Declarant shall have the right to maintain one or more sales offices and model Townhomes. Such offices and model Townhomes may be located in any Townhome owned or leased by Declarant, or in one or more separate structures or facilities placed upon the Property for the purpose of aiding the Declarant's sales efforts, or any combination of the foregoing. Declarant shall also have the right to maintain a reasonable number of promotional, advertising, or directional signs, banners, or similar devices at any place or places on the Property. Declarant shall have the right from time to time to locate or relocate any of its sales offices, model Townhomes, signs, banners or similar devices.

5. Leases. Any lease agreement between an Owner and a lessee for a Townhome shall be subject in all respects to the provisions of this Declaration, the Articles and Bylaws, and any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All such lease agreements shall be in writing. Other than the foregoing, there is no restriction on the right of any Owner to lease his Lot or Townhome. An Owner shall be responsible and liable for any damage to the Project caused by its tenant.

6. Easements. Easements for installation and maintenance of utilities are reserved as shown on the Plat. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities. Easements for the installation and maintenance of utilities are also reserved within each Townhome. It is contemplated that telephone, gas, electricity and other utilities may originate in one Townhome and terminate in another Townhome. A right of access to all such utilities is reserved to the Association and to all utility suppliers.

7. Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon the Property and no odors shall be permitted to arise therefrom so as to render any part of the Property unsanitary or unsightly or which would be offensive or detrimental to any other part of the Property or to the occupants thereof. No noise or other nuisance shall be permitted to exist or operate upon any part of the Property so as to be

offensive or detrimental to any other part of the Property, or to the occupants thereof. Without limiting the generality of any of the foregoing, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes) shall be located, used or placed on the Property without the prior written approval of the Board.

8. Temporary and Other Structures. No structures of a temporary nature, trailer, basement house, tent, shack, garage, barn or other outbuildings shall be used at any time as a residence either temporarily or permanently, nor shall said structures be permitted on the Property at any time. No old or secondhand structures shall be moved onto any Lot, it being the intention hereof that all Townhomes erected on Lots or within the Property shall be new construction of good quality, workmanship and material.

9. Unsightly Articles. No unsightly articles shall be permitted to remain on a Lot so as to be visible from any other Lot or the Common Elements. Without limiting the generality of the foregoing, trailers, mobile homes, trucks other than pickups, tractors, vehicles other than automobiles, campers not on a truck, snowmobiles, snow removal equipment and garden or maintenance equipment shall be kept at all times, except when in actual use, in an enclosed structure or screened from view. Refuse, garbage and trash shall be kept at all times in a covered container and any such container shall be kept within an enclosed structure or appropriately screened from view. Service areas, storage piles, compost piles and facilities for hanging, drying or airing clothing or household fabrics shall be appropriately screened from view. No lumber, grass, shrub or tree clippings or plant waste, metals, bulk materials or scrap or refuse or trash shall be kept, stored or allowed to accumulate on any Lot except within an enclosed structure or when appropriately screened from view.

10. No Further Subdividing. No Lot or Common Elements may be further subdivided, nor may any easement or other interest therein less than the whole be conveyed by the Owner thereof without the prior written approval of the Association; provided, however, that nothing herein shall be deemed to prevent or require the approval of the Association for the transfer or sale of any Lot or Townhome to more than one person to be held by them as tenants in common, joint tenants, or otherwise.

11. Signs. No sign of any kind shall be displayed to the public view without the approval of the Association, except such signs as may be used by Declarant in connection with the development of the Project and the sale of Townhomes and/or Lots and except such signs of customary and reasonable dimensions as may be displayed on a Lot advertising a Lot or Townhome for sale or lease. Display of any "for sale" or "for lease" sign more than three (3) feet by two (2) feet shall require the prior written approval of the Association. A residential identification sign is permitted but should not exceed one (1) square foot in surface area. Numbers on residences shall be located in a position clearly legible from the street, but not more than six (6) feet above main floor level.

12. No Hazardous Activities. No activities shall be conducted on the Property and no improvements constructed on the Property which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon the Property and no open fires nor incinerators shall be lighted or permitted on the Property except in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed interior fireplace.

13. Repair of Buildings. No improvement upon the Property shall be permitted to fall into disrepair, and each such improvement shall at all times be kept in good condition and repair and adequately painted or otherwise finished by the Owner thereof or the Association as applicable.

14. Improvements and Alterations. There shall be no excavation, construction or alteration which in any way alters the exterior appearance of any improvement within the Property nor removal of any Townhome or other improvement within the Property (other than repairs or rebuilding) without the prior approval of the Association.

15. Rooftop Antennas. No television, ham radio, citizens band or radio antenna, satellite receiving or other similar electronic receiving or sending device shall be permitted upon the rooftop or side of any home or elsewhere if exposed to view from any other Lot. Such antennas, if used, must be of the type that are installed within the natural building structure. In no case will any such receiving or sending antenna or other device be allowed to interfere with the peace and quiet enjoyment of any neighboring Lot Owner's premises or home entertainment facilities or equipment. Provided, however, Declarant and the Association reserve the right and option to install cable service lines and antennas as needed throughout the Project in connection with its development.

16. Animals. No animals of any kind shall be raised, bred or kept on the Property; provided, however, that up to a maximum of one (1) dog, cat or other traditional household pet may be kept on each Lot, so long as they are not kept, bred or maintained for any commercial purpose, unless otherwise determined by the Board in its sole and exclusive subjective discretion. Such animals as are permitted shall be strictly controlled and kept pursuant to the ordinances and regulations of the City of Moab, Grand County, or other governmental subdivision having jurisdiction over the Property.

17. Architectural Control. Except for improvements constructed by Declarant, no building, fence, wall or other structure shall be commenced, erected or maintained upon the Property, nor shall any exterior addition to or change or alteration therein be made unless and until the plans and specifications showing the color, nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing by the Board.

18. General Obligations. Each Owner shall enjoy and be subject to all rights and duties assigned to Owners pursuant to this Declaration. With respect to unsold Lots, the

Declarant shall enjoy the same rights and assumes the same duties with respect to each unsold Lot.

ARTICLE XI. MORTGAGEE PROTECTION

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 Townhome, 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; and

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.

2. Matters Requiring Prior Eligible Mortgagee Approval. Except as provided elsewhere in this Declaration, the prior written consent of Owners entitled to vote at least sixty-seven percent (67%) of the votes of the Lots 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 Common Elements;
- (iv) responsibility for maintenance and repairs;
- (v) reallocation of interests in the Common Elements, or rights to their use;
- (vi) redefinition of any Lot boundaries;
- (vii) convertibility of Lots into Common Elements 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 restrictions on the leasing Lots and Townhomes;
- (xi) imposition of any restrictions on Owner's right to sell or transfer his or her Lot or Townhome;
- (xii) a decision by the Association 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; or
- (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.

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.

The Association shall make a 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 financial statement shall be made available within 120 days of the Association's fiscal year-end.

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, or other purchaser of a Lot through foreclosure, which comes into possession of or which obtains title to the Lot shall take the same free of such lien or claim for unpaid assessment or charges, but only to the extent of 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.

5. Payment of Taxes. In the event any taxes or other charges which may or have become a lien on the Common Elements are not timely paid, or in the event the required hazard insurance described in paragraph A of Section 4 of Article VI 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 therefor from the Association.

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 Common Elements.

ARTICLE XII. MISCELLANEOUS

1. Notices. Any notice required or permitted to be given to any Owner under the provisions of this Declaration shall be deemed to have been properly furnished if 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.

2. 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 the Members cast at an election held for such purpose or otherwise approved in writing by such Members within six (6) months prior to the expiration of the initial effective period hereof or any ten (10) year extension.

3. Amendment. Except as provided elsewhere in this Declaration, any amendment to this Declaration shall require the affirmative vote or written approval of at least sixty-seven percent (67%) of the total votes of the Association. Any amendment authorized pursuant to this Section shall be accomplished through the recordation in the office of the Grand County Recorder of an instrument executed by the Association. In such instrument an officer or Trustee 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 FNMA, and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of the Declaration, or by any federally 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 ten (10) 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.

4. 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.

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

6. 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.

7. 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 Common Elements, and their respective grantees, transferees, heirs, devisees, personal representatives, successors and assigns. Each Owner or occupant of a Lot or Townhome shall comply with, and all interests in all Lots or in the Common Elements 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 Common Elements, the party acquiring such interest consents to, and agrees to be bound by, each and every provision of this Declaration.

8. 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; and (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 Grand 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 Grand 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.

9. Effective Date. This Declaration and any amendment or supplement hereto shall take effect upon its being filed for record in the office of the County Recorder of Grand County, Utah.

ROBERTSON/KNIGHT DEVELOPMENT, L.C.,
a Utah limited liability company


By Ron Robertson
Ron Robertson, Manager

By Joyce Robertson
Joyce Robertson, Manager

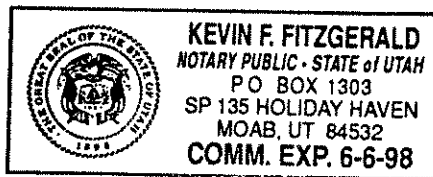
By Roger Knight
Roger Knight, Manager

STATE OF UTAH)
: ss.
COUNTY OF GRAND)

The foregoing instrument was acknowledged before me this 13th day of Sept., 1996 by Ron Robertson, a Manager of Robertson/Knight Development, L.C., a Utah limited company.

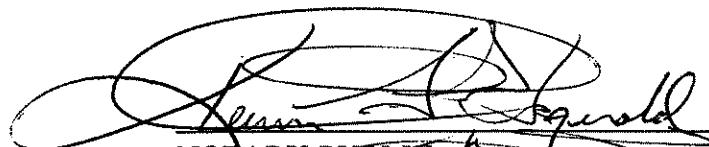

NOTARY PUBLIC
Residing at: 550 No Main #c
Moab, Ut. 84532

My Commission Expires:
6-6-98

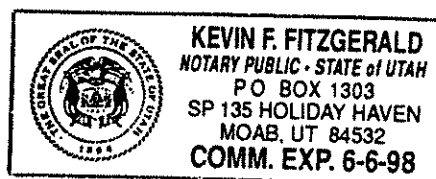


STATE OF UTAH)
: ss.
COUNTY OF GRAND)

The foregoing instrument was acknowledged before me this 13th day of Sept., 1996 by Joyce Robertson, a Manager of Robertson/Knight Development, L.C., a Utah limited company.

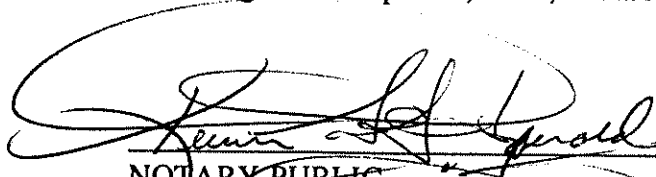

NOTARY PUBLIC
Residing at: 550 No Main #c
Moab, Ut. 84532

My Commission Expires:
6-6-98



STATE OF UTAH)
 : ss.
COUNTY OF GAARD)

The foregoing instrument was acknowledged before me this 13th day of Sept., 1996 by Roger Knight, a Manager of Robertson/Knight Development, L.C., a Utah limited company.



NOTARY PUBLIC
Residing at: 550 W. Main #2
MOAB, UT 84532

My Commission Expires:

6-6-98

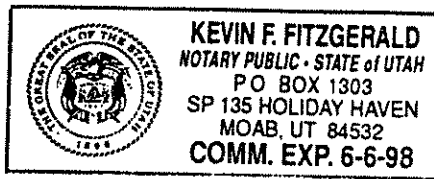


EXHIBIT "A"
List of Lots, Votes and Assessment Percentages

<u>Townhouse Lot</u>	<u>Bedrooms</u>	<u>Votes</u>	<u>Assessment Percentages</u>
A-1	3	6	5.8608
A-2	2	5	4.945
A-3	3	6	5.8608
B-1	3	6	5.8608
B-2	2	5	4.945
B-3	3	6	5.8608
C-1	3	6	5.8608
C-2	2	5	4.945
C-3	3	6	5.8608
D-1	3	6	5.8608
D-2	2	5	4.945
D-3	3	6	5.8608
E-1	3	6	5.8608
E-2	2	5	4.945
E-3	3	6	5.8608
F-1	3	6	5.8608
F-2	2	5	4.945
F-3	3	6	<u>5.8608</u>
TOTAL			100.00%