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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
OF WOLF STAR
A PLANNED UNIT DEVELOPMENT
WEBER COUNTY, UTAH

20-00-0000-0000
Pt. 20-016-0014
Pt. 20-016-0004

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
OF WOLF STAR

RECITALS

This Declaration, made on the date hereinafter set forth by WOLF STAR INC., a Nevada Corporation ("Declarant"), is made with reference to the following facts:

A. Declarant is the owner of a certain tract of real property located in Weber County, Utah and more particularly described as:

Lots 1 through 14, inclusive, and lot A, as shown on that certain map entitled "WOLF STAR, PHASE I, PLAT A" filed in the Office of the Recorder of Weber County, Utah, on _____, 198__ in Book _____ of Maps at Page _____.

All of the property described above and all of the improvements thereon shall be referred to herein as the "Project".

B. Declarant has improved or intends to improve the Project by subdividing and constructing it into residential lots improved with dwellings ("Lots") and one common area lot with improvements ("Common Area").

C. Each Owner shall receive fee title to his Lot, a membership in the Wolf Star Homeowners Association ("Association"), which shall hold title to the Common Area, a non-exclusive easement for use, enjoyment, ingress and egress over the Common Area, and such other interests as are provided herein.

D. The Property is subject to the Master Declaration of Covenants, Conditions, and Restrictions of Wolf Creek Resort (the "Master Declaration"), filed in the Office of the County Recorder of Weber County, Utah, on _____, 198__, in Book _____ of Official Records at Page _____, as Document No. _____.

E. By this Declaration, Declarant intends to establish a common scheme and plan for the possession, use, enjoyment, repair, maintenance, restoration and improvement of the Project and the interests therein conveyed and to establish thereon a Planned Unit Development.

NOW THEREFORE, it is hereby declared that the Project shall be held, sold, conveyed, leased, rented, encumbered and used subject to the following Declaration as to division, easements, rights, Assessments, liens, charges, covenants, servitudes, restrictions, limitations, conditions and uses to which the Project may be put, hereby specifying that such Declaration shall operate for the mutual benefit of all Owners of the Project and shall constitute covenants to run with the land and shall be binding on and for the benefit of Declarant, its successors and assigns, the Association, its successors and assigns, and all subsequent Owners of all or any part of the Project, together with their grantees, successors, heirs, executors, administrators, devisees and assigns, for the benefit of the Project, and shall, further, be imposed upon all of the Project as a servitude in favor of each and every other Owner thereof as the dominant tenement.

ARTICLE 1

DEFINITIONS

In addition to other definitions provided for herein, the following terms shall have the following meanings.

1.1 "Articles" shall mean the Articles of Incorporation of the Association as amended from time to time.

1.2 "Assessments" shall mean the Regular and Special Assessments levied against each Lot and its Owner as determined by the Association.

1.3 "Association" shall mean the Wolf Star Homeowners Association, a Utah nonprofit corporation, the Members of which shall be the Owners.

1.4 "Board" shall mean the Board of Trustees of the Association.

1.5 "Bylaws" shall mean the Bylaws of the Association as amended from time to time.

1.6 "Common Area" shall mean lot A so designated on the Map, all improvements erected thereon, and any Common Area annexed to the Project pursuant to the annexation provisions of the Project Documents. The Common Area shall not include the residential lots. Title to the Common Area shall be held by the Association.

1.7 "Declarant" shall mean WOLF STAR, INC., a Nevada Corporation, or any successor-in-interest by merger or by express assignment of the rights of, or a portion of the rights of Declarant hereunder by an instrument executed by Declarant and (i) recorded in the Office of the Weber County Recorder, and (ii) filed with the Secretary of the Association.

1.8 "Declaration" shall mean this instrument as amended from time to time.

1.9 "Lot" shall mean one of the fourteen (14) residential lots of the Project designated on the Map as Lots 1 through 14, inclusive, and each of which is or may be improved with a dwelling structure and any Lots annexed to the Project pursuant to the annexation provisions of the Project Documents. The Lots do not include the Common Area.

1.10 "Individual Charges" shall mean those charges levied against an Owner by the Association as provided in subarticle 6.5.

1.11 "Map" shall mean that subdivision map entitled: "WOLF STAR, PHASE I, PLAT A" filed in the Office of the Recorder of Weber County, on _____, 19____, in Book _____ of Maps, Page _____, incorporated herein by this reference.

In addition, "Map" shall include any recorded map for a Phase of the Project.

1.12 "Master Board" shall mean the Board of Trustees of the Wolf Creek Resort Master Homeowners Association.

1.13 "Member" shall mean a person entitled to membership in the Association as provided herein.

1.14 "Mortgage" shall mean a mortgage or deed of trust encumbering a Lot or other portion of the Project. A "Mortgagee" shall include the beneficiary under a deed of trust. An "Institutional" Mortgagee is a Mortgagee that is a bank or savings and loan association or Mortgage company or other entity chartered or licensed under federal or state laws whose principal business is lending money on the security of real property, or any insurance company or any federal or state agency. A "First Mortgage" or "First Mortgagee" is one having priority as to all other Mortgages or holders of Mortgages encumbering the same Lot or other portions of the Project. A "First Mortgagee" shall include any holder, insurer, or guarantor of a First Mortgage on a Lot or other portion of the Project. Any and all Mortgagee protections contained in the Project Documents shall protect Declarant as the holder of a Mortgage or other security interest in any Lot or Timeshare Interest in the Project.

1.15 "Owner" shall mean each person or entity holding a record fee simple ownership interest in a Lot, including Declarant, and contract sellers. "Owner" shall not include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation.

1.16 "Permit" shall mean the permit, if any, issued by the California Department of Real Estate or any successor state agency pursuant to the California Out-of-State Land Promotions Law (Business and Professions Code Section 10249 et seq) as it may be amended from time to time. The Declarant

may, but shall not be obligated to, sell Lots in the Project to purchasers in California. References in the Project Documents to a Permit shall not be construed as a representation by Declarant that such a Permit has been applied for, will be applied for, has been issued or will be issued for the Project but are included for the sole purpose of assisting the Declarant in qualifying the Project for a Permit when and if he chooses to do so. Where any right contained in the Project Documents is limited by an event which is defined in relation to the issuance of a Permit, and no such Permit has been issued, such limiting event shall be deemed to have not yet occurred and such right shall continue to exist unlimited by such event.

Under no circumstances shall "Permit" be interpreted to mean a land use or building permit as issued by Weber County, Utah.

1.17 "Phase" shall mean that real property included within the Project on the date of recordation of this Declaration as the first Phase and any parcel of real property which becomes part of the Project pursuant to the annexation provisions of the Project Documents as a subsequent Phase.

1.18 "Project" shall mean the real property located in Weber County, Utah, and more particularly described as:

Lots 1 through 14, inclusive, and Lot A, as shown on that certain map entitled "WOLF STAR, PHASE I, PLAT A" filed in the Office of the Recorder of Weber County, on _____, 198____ in Book _____ of Maps at Page _____; and all improvements erected or to be erected thereon.

In addition, "Project" shall include any Phases or real property annexed pursuant to the annexation provisions of the Project Documents.

1.19 "Project Documents" shall mean the Articles, Bylaws, Declaration, Rules and Regulations of the Association, and any Declaration of Annexation recorded pursuant to the annexation provisions of the Project Documents.

1.20 "Rules and Regulations" shall mean the rules and regulations promulgated by the Association to further govern the possession, use and enjoyment of the Project as amended from time to time.

1.21 "Timeshare Interest(s)" shall mean that portion of a Lot resulting from the division of that Lot into fractional interests which entitle the owner thereof to the recurring exclusive annual possessions of the Lot for a fixed period of less than one year. A Lot which has been further subdivided into Timeshare Interests shall nonetheless constitute one Lot for the purposes of the Project Documents.

ARTICLE 2

DESCRIPTION OF PROJECT RIGHTS OF OWNERS, DECLARANT

2.1. Description of Project

2.1.1 Project

The Project shall consist of all of the real property described in subarticle 1.18, and all of the improvements thereon.

2.1.2 Lots

The Project consists of fourteen (14) residential lots designated on the Map as Lots 1 through 14, inclusive. Each Lot is or may be improved with a dwelling structure. The Lots do not include the Common Area.

2.1.3 Common Area

That portion of the Project designated on the Map as lot A and the improvements thereon is the Common Area and shall be owned by the Association for the use and benefit of the Owners. The Common Area does not include the residential lots.

The Common Area shall be conveyed to the Association free of money encumbrances prior to or concurrently with the closing of the escrow for the first sale of a Lot.

Additional Common Area may be annexed to the Project pursuant to the annexation provisions of the Project Documents.

2.1.4 Incidents of Lot Ownership, Inseparability

Every Lot shall have appurtenant to it the following interests:

- (i) a Membership in the Association, and
- (ii) a non-exclusive easement for use, enjoyment, ingress and egress over the Common Area subject to such restrictions and limitations as are contained in the Project Documents and subject to other reasonable regulation by the Association.

Such interests shall be appurtenant to and inseparable from ownership of the Lot. Any attempted sale, conveyance, hypothecation, encumbrance or other transfer of these interests without the Lot shall be null and void. Any sale, conveyance, hypothecation, encumbrance or other transfer of a Lot shall automatically transfer these interests to the same extent.

2.1.5 Owner's Obligation to Maintain the Lot

The Association shall provide exterior maintenance of each Lot as provided in subarticle 5.3.1. Except for those areas of his Lot to be maintained by the Association, each Owner shall, at his sole cost and expense, maintain, repair and replace his Lot keeping the same in a safe, sanitary and attractive condition. In the event an Owner fails to maintain his Lot as provided herein in a manner which the Board reasonably deems necessary to preserve the appearance and/or value of the Project, the Board may notify the Owner of the work required and demand that it be done within a reasonable and specified period. In the event that the Owner fails to carry out such maintenance within said period, the Board shall, subject to the notice and hearing requirements of subarticle 7.2.1.2, have the right to enter upon the Lot to cause such work to be done and Individually Charge the cost thereof to such Owner. Notwithstanding the foregoing, in the event of an emergency arising out of the failure of an Owner to maintain his Lot, the Board shall have the right to enter upon the Lot to abate the emergency and Individually Charge the cost thereof to such Owner.

2.1.6 Encroachment Easements

Each Owner is hereby declared to have an easement appurtenant to this Lot, over all adjoining Lots and the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of a building, or any other cause. The Association is hereby declared to have an easement appurtenant to the Common Area over all adjoining Lots for the purpose of accommodating any Common Area encroachment due to engineering errors, errors in original construction, settlement, or shifting of a building or any other cause. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots or Common Area or by Common Area over Lots shall be permitted and that there shall be a valid easement for the maintenance of said encroachments so long as they shall exist.

2.1.7 Party Walls

Each wall which is built as a part of the original construction and placed on the dividing line between the Lots shall constitute a party wall.

The Owner of any Lot which shares a party wall with any other Lot shall own an undivided fee interest in one-half of the original thickness of the party wall nearest his Lot, regardless of the location of the actual boundary line between the affected Lots and shall have a perpetual easement of support over the other one-half thickness.

The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Notwithstanding any other provisions of this subarticle, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

The right of any Owner to contribution from any other Owner under this subarticle shall be appurtenant to the land and shall pass to such Owner's successors in title.

In the event of any dispute arising concerning a party wall the dispute shall be submitted to the Board for arbitration.

To the extent not inconsistent with the Project Documents, the general rules of law regarding party walls shall apply thereto.

2.1.8 Delegation of Use; Contract Purchasers, Lessees, Tenants

Any Owner may temporarily delegate his rights of use and enjoyment in the Project to the members of his family, his guests, and invitees, and to such other persons as may be permitted by the Project Documents, subject however, to the Project Documents. However, if an Owner of a Lot has sold his Lot to a contract purchaser, leased or rented it, the Owner, members of his family, his guests and invitees shall not be entitled to use and enjoy the Project while the Owner's Lot is occupied by such contract purchaser or tenant. Instead, the contract purchaser or tenant, while occupying such Lot, shall be entitled to use and enjoy the Project and may delegate the rights of use and enjoyment in the same manner as if such contract purchaser, lessee or tenant were an Owner during the period of his occupancy. During the period of time that an Owner's Lot is occupied by a contract purchaser such contract purchaser may be given proxies to exercise such Owner's voting rights (as to such Lot) in the Association. Each Owner shall notify the secretary of the Association of the names of any contract purchasers or tenants of such Owner's Lot. Each Owner, contract purchaser, lessee or tenant also shall notify the secretary of the Association of the names of all persons to whom such Owner, contract purchaser, lessee or tenant has delegated any rights of use and enjoyment in the Project and the relationship that each such person bears to the Owner, contract purchaser, lessee or tenant. Any delegated rights of use and enjoyment are subject to suspension to the same extent as are the rights of Owners.

2.1.9 Responsibility for Common Area Damage

The cost and expense of repair or replacement of any portion of the Common Area resulting from the willful or negligent act of an Owner, his contract purchasers, his lessees, tenants, family, guests or invitees shall be the responsibility of such Owner to the extent that it is not covered by insurance maintained by the Association. The Association shall cause such repairs and replacements to be made and the cost thereof may be levied as an Individual Charge against such Owner and his Lot.

2.2 Rights of Declarant

2.2.1 Reservation of Easements to Complete, Sell

Declarant hereby reserves in itself and its successors and assigns the following easements over the Project to the extent reasonably necessary to complete and sell, lease, rent or otherwise dispose of the Lots;

(i) easements for ingress and egress, drainage, encroachment, maintenance of temporary structures, operation and storage of construction equipment and vehicles, for doing all acts reasonably necessary to complete or repair the Project, or develop subsequent Phases, or to discharge any other duty of Declarant under the Project Documents or sales contracts or otherwise imposed by law.

(ii) easements for activity reasonably necessary to sell, lease, rent or otherwise dispose of the Lots.

These easements shall exist until the earlier of (i) the date on which the last Lot is sold by Declarant or (ii) three (3) years from the original issuance of the most-recently-issued Permit for a Phase of the Project.

Declarant covenants to use the above easements in a manner that will reasonably minimize any adverse impact upon the possession, use and enjoyment of the Project by the Owners.

2.2.2 Declarant's Right to Time Share

It is acknowledged that Declarant may, subject to the approval of Weber County, develop and/or convert future Phases of the Project into Timeshare Interests. Subject to Section 22-F-3 of the Weber County Zoning Ordinance Declarant shall have the right to convert (and sell, lease or rent the interests created therein) any Lot that he owns (other than Lots 1 through 14) into Timeshare Interests, including, but not limited to their appurtenant interests in the Common Area. Declarant's right to develop and/or convert future Phases of the Project into Timeshare Interests shall be subject to the approval of any governmental agency having jurisdiction over such conversion. Notwithstanding the foregoing, no person shall have the right to develop and/or convert Lots 1 through 14 of the Project into Timeshare Interests. This subarticle 2.2.2 shall not be amended or deleted without the express written consent of the Weber County Planning Commission.

2.3 Utilities

2.3.1 Rights and Duties

Whenever sanitary sewer, water, electric, gas, television receiving, telephone lines or other utility connections are located or installed within the Project, the Owner of each Lot served by said connections shall be entitled to the use and enjoyment of such portions of said connections as service his Lot. Every Owner shall pay all utility charges which are separately metered or billed to his Lot. Every Owner shall maintain all utility installations located in or upon his Lot except for those installations maintained by utility companies, public, private, or municipal. Utility companies shall have the right, at reasonable times after reasonable notice to enter upon the Lots and Common Area to discharge its duty to maintain Project utilities.

Whenever sanitary sewer, water, electric, gas, television receiving, telephone lines or other utility connections, are located within the Project, the Owner of a Lot served by said connections shall have the right, and is hereby granted an easement to the full extent necessary therefore, to at reasonable times after reasonable notice enter upon the Project Lots or Common Area or to have his agents or the utility companies enter upon the Project Lots or Common Area to maintain said connections.

In the event of a dispute between Owners with respect to the maintenance, repair or rebuilding of said connections, or with respect to the sharing of the cost thereof, then the matter shall be submitted to the Master Board for arbitration.

2.3.2 Easements for Utilities and Maintenance

Easements over and under the Project for the installation, repair, and maintenance of sanitary sewer, water, electric, gas, and telephone lines, cable or master television antenna lines, and drainage facilities, as shown on the Map of the Project, and as may be hereafter required to serve the Project, are hereby reserved for Declarant and the Association, together with the right to grant and transfer the same.

2.3.3 Association's Duties

The Association shall maintain all utility installations located in or upon the Common Area except for those installations maintained by utility companies, public, private, or municipal.

ARTICLE 3

USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the Project and each Lot therein is subject to the following:

3.1 Golf Course Lots

The Project is adjacent to the Wolf Creek Country Club, a privately owned facility. Certain of the Lots adjoin the fairways of the golf course operated by such country club. It is accepted that the golf course may expand in the future and that additional Lots may come to adjoin the fairways of the golf course. It is accepted that such Lots are subject to golf balls unintentionally passing on, over and across said Lots.

3.2 Use of Individual Lots

No Lot shall be occupied and used except for single family residential purposes by the Owners, their contract purchasers, lessees, tenants, or guests, and no trade or business shall be conducted therein, except that Declarant, its successors or assigns, may use any Lot in the Project owned by Declarant for a model home site and sales office and except that Declarant shall have the right to time share some or all of the Project as provided in subarticle 2.2.2.

3.3 Nuisances

No noxious, illegal, or offensive activities shall be carried on on any Lot, or on any part of the Project, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each of the Owners of his respective Lot, or which shall in any way increase the rate of insurance for the Project or for any other Lot, or cause any insurance policy to be cancelled or cause a refusal to renew the same.

3.4 Parking

Unless otherwise permitted by the Master Board, no motor vehicles shall be parked or left on any portion of the Project other than within a Lot's, driveway or garage or carport or parking place or Common Area parking place.

No truck larger than three-quarter (3/4) ton, nor trailer, nor motor home, nor camper shell (other than attached to a pickup truck regularly used by an Owner), nor vehicles designed and operated as off the road equipment for racing, dragging and other sporting events, shall be permitted on the Project for longer than twenty-four hours without the consent of the Master Board.

3.5 Signs

No sign of any kind shall be displayed to the public view from any Lot or from the Common Area without the approval of the Master Board except (i) one sign of customary and reasonable dimensions advertising a Lot for sale, lease or rent displayed from a Lot, and (ii) such signs as may be used by Declarant or its assignees for the purpose of selling Lots as permitted by subarticle 2.2.1.

3.6 Animals

Unless expressly authorized by the Master Board, no animals of any kind shall be raised, bred, or kept on any portion of the Project; except that

no more than two (2) usual and ordinary household pets such as dogs, cats, or birds, may be kept on a lot, provided that they are not kept, bred or maintained for any commercial purposes, and provided that they are kept under reasonable control at all times. No animal shall be permitted outside of the lot of the Owner of such animal unless such animal is under the control of a responsible person by means of a leash or other reasonable restraint. The Master Board may enact reasonable rules respecting the keeping of animals within the Project and may designate certain areas in which animals may not be taken or kept.

3.7 Garbage and Refuse Disposal

All rubbish, trash and garbage and other waste shall be regularly removed from the Project, and shall not be allowed to accumulate thereon. Rubbish, trash, garbage and other waste shall be kept in sanitary containers. All equipment, garbage cans, woodpiles, or storage piles shall be kept screened and concealed from the view of other portions of the Project, except for the scheduled day for trash pick-up.

3.8 Radio and Television Antennas

No Owner may construct, use, or operate his own external radio, television or other electronic antenna without the consent of the Master Board. No Citizens Band or other transmission shall be permitted from the Project without the consent of the Master Board.

3.9 Right to Lease, Rent

Nothing in this Declaration shall prevent an Owner from leasing or renting his lot. However, any lease or rental agreement shall be in writing and be expressly subject to the Project Documents and any lease or rental agreement must specify that failure to abide by such provisions shall be a default under the lease or rental agreement.

3.10 Clothes Lines

No exterior clothes lines shall be erected or maintained and there shall be no outside laundering or drying of clothes without the consent of the Master Board.

3.11 Power Equipment and Car Maintenance

No power equipment, work shops, or car maintenance of any nature, other than emergency repair, shall be permitted on the Project without the consent of the Master Board. In deciding whether to grant approval, the Master Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception, and similar objections.

3.12 Drainage

No Owner shall do any act or construct any improvement which would interfere with the natural or established drainage systems or patterns within the Project without the approval of the Master Board.

3.13 Mineral Exploration

No portion of the Project shall be used in any manner to explore for or to remove any oil or other hydrocarbons, minerals of any kind, gravel, or earth substance. No drilling, exploration, refining, quarrying, or mining operations of any kind shall be conducted or permitted to be conducted thereon; nor shall wells, tanks, tunnels, mineral excavations, shafts, derricks, or pumps used to mine or drill for any substances be located on the Project. No drilling for water or geothermal resources or the installation of such wells shall be allowed unless specifically approved in the Declaration of Annexation for that Phase.

3.14 Mailboxes

There shall be no exterior newspaper tubes or freestanding mailboxes except those approved by the Master Board.

3.15 Barbeques

There shall be no exterior fires, except barbeque fires contained within receptacles designed for such purpose or outside fireplaces approved by the Master Board. No Lot Owner shall allow the condition of his Lot to be such as to constitute a fire hazard.

3.16 Sports Equipment

No basketball, standard or other fixed sports apparatus shall be erected or attached to any structure if such apparatus would be visible from other portions of the Project, unless approved by the Master Board.

3.17 Diseases and Insects

No Owner shall permit any thing or condition to exist upon his Lot that shall induce, breed, or harbor infectious plant or tree diseases or noxious insects.

3.18 Water Use

No stream or body of water within the Project shall be used for swimming or boating without the approval of the Master Board. No docks, piers, or floats shall be allowed in any stream or body of water without the approval of the Master Board.

No Owner of a Lot contiguous to a stream or body of water shall have any rights over or above those of other Members with respect to use of the water, the land thereunder, or the water therein. No person shall acquire or be divested of title to any land adjacent to or beneath such water within the Project due to accretion, erosion, or change in water levels. No Lot shall be contoured or sloped, nor may drains be placed upon any Lot, so as to encourage drainage of water from such Lot into any body of water without the approval of the Architectural Control Committee of Wolf Creek Resort Master Homeowners Association.

3.19 Fair Housing

No Owner shall either directly or indirectly forbid or restrict the conveyance, encumbrance, lease, mortgaging or occupancy of his Lot to any person of a specified race, color, religion, ancestry or national origin.

3.20 Compliance with Project Documents

Each Owner, contract purchaser, lessee, tenant, guest, invitee, or other occupant of a Lot or user of the Common Area shall comply with the provisions of the Project Documents.

ARTICLE 4

THE ASSOCIATION MEMBERSHIP AND VOTING

4.1 Association

Wolf Star Homeowners Association, a Utah nonprofit corporation, shall be the Association.

4.2 Management of Project

The management of the Project shall be vested in the Association in accordance with the Project Documents and all applicable laws, regulations and ordinances of any governmental or quasi governmental body or agency having jurisdiction over the Project.

4.3 Membership

Each Owner shall be a Member of the Association and shall remain a Member thereof until such time as his ownership ceases for any reason at which time his membership in the Association shall automatically cease.

4.4 Transferred Membership

Membership in the Association shall not be transferred, pledged, or alienated in any way except upon the transfer of ownership of the Lot to which it is appurtenant, and then only to the new Owner. Any attempt to make a prohibited transfer is void. Any transfer of title to a Lot or interest in it shall operate automatically to transfer the appurtenant membership rights in the Association to the new Owner.

4.5 Voting

The Association shall have two (2) classes of voting membership established according to the following provisions:

4.5.1 Class A Membership

Class A Members shall be all Owners, except Declarant and Developers, and shall be entitled to one vote for each Lot owned. When more than one person or entity owns a Lot, all such persons and entities shall be Members and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

4.5.2 Class B Membership

The Class B Member shall be Declarant and Developers, who shall be entitled to three votes for each Lot owned. Said Class B Membership shall be automatically converted to Class A memberships and said Class B membership shall cease to exist on the occurrence of whichever of the following is first in time:

(A) when the total votes held by Class A Members equal the total votes held by the Class B Members, or

(B) the second anniversary of the original issuance of the most-recently-issued Permit for a Phase of the Project; or

(C) the fourth anniversary of the original issuance of the Permit for the first Phase of the Project to receive a Permit.

"Developer" shall mean any person, other than Declarant, who owns five or more Lots in the Project for the purpose of selling or leasing them to members of the general public. For the purposes of this subarticle the term "leasing" shall relate to a lease for a period of greater than one (1) year.

Each Developer covenants to cooperate with Declarant in developing Wolf Star into a cohesive community. Each Developer acknowledges that in order for Declarant to properly develop the Project into a cohesive community Declarant must maintain certain minimal control over the Association. In order to secure each Developer's duty of cooperation each Developer shall give to Declarant, upon demand, as necessary in the opinion of Declarant to secure such rights, irrevocable (to the extent permitted by Utah law) and revocable proxies to exercise all of each Developer's voting rights in the Association. Such proxies shall be expressly terminable as to a given Lot, no later than the conveyance of that Lot to a member of the general public.

4.6 Voting Requirements

Any action by the Association which must have the approval of the Membership before being undertaken shall require the vote or written assent of the Members as follows.

4.6.1 Generally

Except as provided in subarticles 4.6.2 and 4.6.3, the specified percentage (or if not specified a majority) of the voting power of each class of the Members who are present at a properly noticed meeting at which a quorum is present, shall be required.

4.6.2 Exception: Approval of Members other than Declarant

Except as provided in subarticle 4.6.3, where a provision of the Project Documents requires the approval of the Members other than Declarant it shall be read to require, at a properly noticed meeting at which a quorum is present:

(A) while there are two (2) outstanding classes of Membership, the vote of the prescribed percentage (or if not prescribed a majority) of the voting power present of each class; or

(B) after conversion of the Class B to Class A Membership the vote of a majority of the voting power of the Members present as well as the vote of the prescribed percentage (or if not prescribed a majority) of the voting power of Members present other than Declarant.

4.6.3 Exception: Special Director Election; Completion Enforcement

Provisions in the Project Documents which provide for (i) the election or removal of Special Directors as provided at Bylaws subarticle 4.2 and 4.3 (3), or (ii) the enforcement of Declarant's completion bond, if any, as provided at Declaration Article 10; shall be read to require the vote of a majority of the voting power of Members present other than Declarant at a properly noticed meeting at which a quorum is present.

4.7 Co-Owner Votes

The vote for each Lot may not be cast on a fractional basis. If the Co-Owners of a Lot are unable to agree among themselves as to how their vote shall be cast, they shall forfeit the vote on the matter in question. If only one Owner exercises the vote of a particular Lot, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other Co-Owners of the same Lot. If more than one Co-Owner exercises the vote for a particular Lot, their votes shall not be counted and shall be deemed void.

4.8 Record Date

The Association shall fix, in advance, a date as a record date for the determination of the Members entitled to notice of and to vote at any meeting of the Association and entitled to cast written ballots. The record date shall be not less than ten (10) days nor more than ninety (90) days prior to any meeting or taking action.

4.9 Commencement of Voting Rights

Voting rights attributable to any Lot shall not vest until Assessments have been levied against that Lot.

4.10 Membership Meetings

Regular and special meetings of Members of the Association shall be held with the frequency, at the time and place and in accordance with the provisions of the Bylaws.

4.11 Board of Trustees

The affairs of the Association shall be managed by a Board of Directors, which shall be established, and which shall conduct regular and special meetings according to the provisions of the Articles and Bylaws.

ARTICLE 5

ASSOCIATION POWERS, RIGHTS, DUTIES, LIMITATIONS

5.1 Generally

The Association shall have the power to perform any action reasonably necessary to exercise any right or discharge any duty enumerated in this Article 5 or elsewhere in the Project Documents or reasonably necessary to operate the Project. In addition, the Association shall have all the powers and rights of a nonprofit corporation under the laws of the State of Utah.

The Association shall act through its Board of Trustees and the Board shall have the power, right and duty to act for the Association except that actions which require the approval of the Members of the Association shall first receive such approval.

The powers, rights, duties and limitations of the Association set forth in this Article 5 and elsewhere in the Project Documents shall vest in and be imposed on the Association concurrently with the close of escrow for the first sale of a Lot in the Project.

5.2 Enumerated Rights

In addition to those Association rights which are provided elsewhere in the Project Documents the Association shall have the following rights:

5.2.1 Delegation

To elect, employ, appoint, to assign and to delegate the rights and duties of the Association to officers, employees, agents and independent contractors.

5.2.2 Enter Contracts

To enter contracts with third parties to furnish goods or services to the Project subject to the limitations of subarticle 5.4.

5.2.3 Borrow Money

To borrow money and with the approval by vote or written assent of a majority of the voting power of each class of Members, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

5.2.4 Dedicate and Grant Easements

To dedicate or transfer all or any part of the Common Area to any public agency, authority or utility or any other entity for such purposes and subject to such conditions as may be agreed to by the Association; provided, however, that no such dedication or transfer shall be effective unless (i) such dedication or transfer is approved by a majority of the voting power of each class of Members, and (ii) an instrument in writing is signed by the Secretary of the Association certifying that such dedication or transfer has been approved by the required vote or written assent.

5.2.5 Establish Rules

To adopt reasonable rules not inconsistent with this Declaration, any Declaration of Annexation for a Phase of the Project, the Articles, or the Bylaws relating to the use of the Common Area and all facilities thereon, and the conduct of Owners and their contract purchasers, lessees, tenants and guests with respect to the Project and other Owners. Pursuant to those Rules and Regulations, the Association shall have the right to limit the number of guests of an Owner utilizing the Common Area and the right to charge reasonable admission and other fees for the use of any recreational facility situated on the Common Area. A copy of the Rules shall be mailed or otherwise delivered to each Owner and a copy shall be posted in a conspicuous place within the Common Area.

5.2.6 Entry

To enter upon any portion of the Common Area, or upon any Lot after giving reasonable notice to the Owner thereof, for any purpose reasonably related to the performance by the Association of its duties under this Declaration. In the event of an emergency such right of entry upon any Lot shall be immediate.

5.2.7 Common Area Control

The Association shall have the right to assign, rent, license, or otherwise designate and control use of parking and storage spaces within the Common Area.

5.3 Enumerated Duties

In addition to those Association duties which are imposed elsewhere in the Project Documents the Association shall have the following duties:

5.3.1 Manage, Maintain Common Area

To manage, operate, improve, maintain, and repair the Common Area and all its facilities, improvements, and landscaping including any private parking, private streets, open space and ponds located on the Common Area, and any other property acquired by or subject to the control of the Association, including personal property, in a safe, sanitary and attractive condition and in a good state of repair.

In addition to maintenance of the Common Area, the Association shall provide exterior maintenance upon each Lot as follows: paint, repair, replace, and care for roofs, gutters, downspouts, exterior building surfaces, fixtures, fences, walks, other exterior improvements and unimproved portions of the exteriors of Lots. The exterior maintenance responsibilities of the Association shall include maintenance of that unimproved portion of each Lot which lies between the exterior of the dwelling improvement and the boundary lines of the lot. Such exterior maintenance shall not include any glass surfaces. The Association shall have an easement over each Lot to the extent reasonably necessary to discharge its Lot maintenance duties. The Association shall have the exclusive right and duty to provide exterior maintenance upon each Lot and no Owner shall interfere with the Association in the performance of those duties.

In the event that the need for maintenance or repair to the exterior of a Lot is caused by the willful or negligent act of an Owner, his contract purchasers, lessors, tenants, family, guests, or invitees, such maintenance or repair shall be the responsibility of such Owner to the extent that it is not covered by Association maintained insurance. The Association shall cause such maintenance or repair to be made and the cost thereof shall be levied as an Individual Charge against such Owner.

5.3.2 Enforce Project Documents

To enforce the provisions of the Project Documents by appropriate means as provided at Article 7.

5.3.3 Levy and Collection of Assessments and Individual Charges

To fix, levy and collect Assessments and Individual Charges in the manner provided in Articles 6 and 7.

5.3.4 Taxes and Assessments

To pay all real and personal property taxes and assessments and all other taxes levied against the Common Area, personal

property owned by the Association or against the Association. Such taxes and assessments may be contested or compromised by the Association; provided, that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

To prepare and file annual tax returns with the federal government and the State of Utah and to make such elections as may be necessary to reduce or eliminate the tax liability of the Association.

5.3.5 Water and Other Utilities

To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other utility services as necessary for the Common Area.

5.3.6 Legal and Accounting

To obtain and pay the cost of legal and accounting services necessary or proper to the maintenance and operation of the Project and the enforcement of the Project Documents.

5.3.7 Insurance

To obtain and pay the cost of insurance for the Project as provided in subarticle 8.1.

5.3.8 Bank Accounts

To deposit all funds collected from Owners pursuant to Articles 6 and 7 hereof and all other amounts collected by the Association as follows:

(A) All funds shall be deposited in a separate bank account ("General Account") with a bank located in the State of Utah. The Association shall keep accurate books and records regarding such account. Funds deposited in such account may be used by the Association only for the purposes for which such funds have been collected.

(B) Funds which the Association shall collect for reserves for capital expenditures relating to the repair and maintenance of the Common Area, and for such other contingencies as are required by good business practice shall, within ten (10) days after deposit in the General Account, be deposited into an interest bearing account with a bank or savings and loan association selected by the Association, or invested in Treasury Bills or Certificates of Deposit or otherwise prudently invested which shall all herein be collectively referred to as the "Reserve Account". Funds deposited into the Reserve Account shall be held in trust and may be used by the Association only for the purposes for which such amounts have been collected.

5.3.9 Annual Report of Domestic Nonprofit Corporation

To make timely filings of the annual report required by Section 16-6-97 et seq. of the Utah Nonprofit Corporation and Cooperative Association Act. Such annual report shall be made on forms prescribed and furnished by the Secretary of State of Utah and shall be delivered to the Secretary of State between the first day of January and the first day of April of each year, except that the first annual report shall be filed between the first day of January and the first day of April of the year next succeeding the calendar year in which its certificate of incorporation was issued by the Secretary of State.

5.3.10 Preparation and Distribution of Financial Information

To regularly prepare budgets and financial statements and to distribute copies to each Member as follows:

(A) A pro-forma operating statement (budget) for each fiscal year shall be distributed not less than sixty (60) days before the beginning of the fiscal year;

(B) A balance sheet (as of an accounting date which is the last day of the month closest in time to six (6) months from the date of close of escrow for the first sale of a Lot in the Project) and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of Assessments received and receivable identified by the number of the Lot and the name of the Owner assessed;

(C) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year as defined below:

- (1) A balance sheet as of the last day of the fiscal year;
- (2) An operating (income) statement for said fiscal year;
- (3) A statement of changes in financial position for said fiscal year; and

For any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00) the annual report referred to above shall be prepared by an independent accountant; if the annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized Officer of the Association that the statements were prepared without an audit from the books and records of the Association.

5.3.11 Maintenance and Inspection of Books and Records

To cause to be kept adequate and correct books of account, a register of Members, minutes of Member and Board meetings, a record of all corporate acts, and other records as are reasonably necessary for the prudent management of the Project and to present a statement thereof to the Members at the annual meeting of Members, or at any special meeting when requested in writing by twenty-five percent (25%) of the voting power of Members other than Declarant.

The Membership register (including names, addresses and voting rights), books of account and minutes of meetings of the Members, of the Board, and of committees shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the principal office of the Association or at such other place within the Project as the Board of Trustees shall prescribe. The Board shall establish reasonable rules with respect to:

- (A) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (B) Hours and days of the week when such an inspection may be made;
- (C) Payment of the cost of reproducing copies of the documents requested by a Member.

Every Trustee shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Trustee includes the right to make extracts and copies of documents.

5.3.12 Statements of Status

To provide, upon the request of any Owner or Mortgagee a written statement setting forth the amount, as of a given date, of any unpaid Assessments or Individual Charges chargeable against any Owner or Lot. Such statement, for which a reasonable fee may be charged, shall be binding upon

the Association in favor of any person who may rely thereon in good faith. Such statement shall be provided within ten (10) days of the request.

5.4 Enumerated Limitations

Except with the approval of a majority of the total voting power of Members other than Declarant, the Board shall be prohibited from taking any of the following actions:

(1) Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or to the Association for a term longer than one (1) year with the following exceptions:

(A) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(B) A contract with a public utility company if the rates charged for the materials or services are regulated by a public utilities entity provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(C) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration provided that the policy permits short rate cancellation by the insured.

(D) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(2) Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(3) Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(4) Paying compensation to Trustees or to Officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may reimburse a Trustee or Officer for expenses incurred in carrying on the business of the Association;

(5) Filling a vacancy on the Board created by the removal of a Trustee.

ARTICLE 6

ASSESSMENTS

6.1 Agreement to Pay Assessments and Individual Charges; Vacant Lot Exemption

Declarant for each Lot owned by it, hereby covenants and agrees, and each Owner, by acceptance of a deed for a Lot, is deemed to covenant and agree for each Lot owned, to pay to the Association all Regular Assessments and all Special Assessments (collectively "Assessments"), and all Individual Charges, to be established and collected as provided in this Declaration and in the other Project Documents. Notwithstanding the foregoing, the Declarant and any other Owner of a Lot which does not include a structural improvement for human occupancy shall be exempted from the payment of that portion of any Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and the use of the structural improvements. The exemption may include, but shall not necessarily be limited to:

- (1) Roof replacment;
- (2) Exterior maintenance;
- (3) Walkway and carport lighting;
- (4) Refuse disposal;
- (5) Cable television; and
- (6) Domestic water supplied to a dwelling unit.

Any such exemption from the payment of Assessments shall be in effect only until a notice of completion of the structural improvement has been recorded or until 120 days after the issuance of a building permit for the structural improvement, whichever first occurs.

6.2 Purpose of Assessments

The purpose of Assessments is to raise funds necessary to operate the Project. Assessments shall be used exclusively to promote the recreation, health, safety and welfare of all the Owners and for the improvement, maintenance and administration of the Project and other expenditures incurred in the performance of the duties of the Association as set forth in the Project Documents.

6.3 Regular Assessments

The purpose of Regular Assessments is to raise funds necessary to pay the anticipated costs of operating the Project during the fiscal year and to accumulate reserves to pay costs anticipated in future years. Not less than ninety (90) days before the beginning of each fiscal year, the Board shall prepare or cause to be prepared, and distribute to each Owner, a proposed pro forma operating statement or budget for the forthcoming fiscal year. Any Owner or Mortgagee may make written comments to the Board with respect to said pro forma operating statement. The pro forma operating statement shall be prepared consistently with the prior fiscal year's operating statement and shall include adequate reserves for contingencies and for maintenance, repairs and replacement of the Common Area improvements or Association personal property likely to need maintenance, repair or replacement in the future.

Not more than ninety (90) days nor less than sixty (60) days before the beginning of each fiscal year, the Board shall meet for the purpose of establishing the Regular Assessment for the forthcoming fiscal year. At such meeting the Board shall review the proposed pro forma operating statement or budget, and written comments received and any other information available to it and, after making any adjustments that the Board deems appropriate, shall establish the Regular Assessment for the forthcoming fiscal year; provided, however, that the Board may not establish a Regular Assessment for any fiscal year which is more than twenty percent (20%) greater than the Regular Assessment for the immediately preceding fiscal year without the approval of a majority of the voting power of the Association residing in Members other than Declarant. Notwithstanding the preceding sentence, that portion of a Regular Assessment increase which is attributable to the annexation of a Phase pursuant to subarticle 11.1.1 shall not be counted in determining whether or not membership approval of the Assessment increase is required. Not less than sixty days before the beginning of each fiscal year the Board shall distribute to each Owner a final copy of the pro forma operating statement or budget for the forthcoming fiscal year. Regular Assessments shall be payable in equal monthly installments due on the first day of each month, unless the Board adopts some other basis for collection.

6.4 Special Assessments

6.4.1 General

If the Board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason, including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repairs or replacements of capital improvements on the Common Area, the Board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by the Board it shall become a Special Assessment. The Board may, in its discretion, provide for

the payment in installments of such Special Assessment over the remaining months of the fiscal year or levy the Assessment immediately against each Lot. Special Assessments shall be due on the first day of the month following notice of their levy.

6.4.2 Limitation on Special Assessments

Any Special Assessment which singly or in the aggregate with previous Special Assessments for the fiscal year would amount to more than five percent (5%) of the budgeted gross expense of the Association for the fiscal year, shall require approval of a majority of the voting power of the Association residing in Members other than Declarant. Notwithstanding the foregoing, that portion of a Special Assessment(s) increase which is attributable to the annexation of a Phase pursuant to subarticle 11.1.1 shall not be counted in determining whether or not membership approval of the Assessment(s) is required.

6.5 Individual Charges

Individual Charges may be levied against an Owner (i) as a monetary penalty imposed by the Association as a disciplinary measure for the failure of a Member to comply with the Project Documents, or (ii) as a means of reimbursing the Association for costs incurred by the Association for repair of damage to Common Areas and facilities for which the Member was responsible, or to otherwise bring the Owner and his Lot into compliance with the Project Documents. Such Individual Assessments are not enforceable through the lien provisions of the Project Documents.

6.6 Allocation of Regular and Special Assessments

Regular and Special Assessments shall be levied against each Lot and its Owner unequally as set forth in Exhibit B attached hereto and incorporated herein by this reference.

6.7 Commencement of Assessments and Individual Charges

The right to levy Assessments and Individual Charges shall commence as to all Lots in the Project or any Phase thereof on the close of escrow for the first sale of a Lot in the Project or Phase Thereof. Regular Assessments shall commence as to all Lots in any Phase of the Project on the first day of the month following the date of close of escrow for the first sale of a Lot in that Phase. Thereafter, Regular Assessments shall be levied on the first day of the first month of the fiscal year.

6.8 Creation of the Assessment Lien; Personal Obligation for Assessments and Individual Charges

The Assessments, together with late charges, interest, costs and reasonable attorney's fees, shall be a charge and a continuing lien upon the Lot against which each Assessment is made, the lien to become effective upon recordation of a Notice of Delinquent Assessment. If an installment of any Assessment is unpaid when due, the entire Assessment shall become immediately due and payable.

All Assessments and Individual Charges, together with late charges, interest, costs, and reasonable attorneys' fees incurred in collecting delinquent Assessments and Individual Charges, shall be the personal obligation of the Owner of such Lot at the time when the Assessments or Individual Charges fell due. If more than one person or entity was the Owner of a Lot at the time the Assessments or Individual Charges fell due, the personal obligation to pay each Assessment and Individual Charge shall be joint and several. The personal obligation for delinquent Assessments and Individual Charges shall not pass to any transferee unless expressly assumed by him. No Owner may exempt himself from liability for his Assessments or Individual Charges obligation by waiver of the use or enjoyment of any of the Project.

ARTICLE 7

ENFORCEMENT OF RESTRICTIONS

7.1 General

The Association or any Owner shall have the right to enforce compliance with the Project Documents in any manner provided by law or in equity, including without limitation, the right to enforce the Project Documents by bringing an action for damages, an action to enjoin the violation or specifically enforce the provisions of the Project Documents, to enforce the liens provided for herein (except that no Owner shall have the right to enforce independently of the Association any Assessment, Individual Charge, or Assessment lien created herein) and any statutory lien provided by law, including the foreclosure of any such lien and the appointment of a receiver for an Owner and the right to take possession of the Lot in the manner provided by law. In the event the Association or any Owner shall employ an attorney to enforce the provisions of the Project Documents, against any Owner, the prevailing party shall be entitled to reasonable attorneys' fees and costs in addition to any other amounts due as provided for herein. All sums payable hereunder by an Owner shall bear interest at eighteen percent (18%) per annum from the due date, or if advanced or incurred by the Association, or any other Owner pursuant to authorization contained in the Project Documents, commencing fifteen (15) days after repayment is demanded. All enforcement powers of the Association shall be cumulative. Failure by the Association or any Owner, to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

7.2 Specific Enforcement Rights

In amplification of, and not in limitation of, the general rights specified in subarticle 7.1 above, the Association shall have the following rights:

7.2.1 Enforcement by Sanctions

7.2.1.1 Limitation

The Association shall have no power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Lot on account of a failure by the Owner to comply with provisions of the Project Documents except where the loss or forfeiture is the result of the judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association.

7.2.1.2 Disciplinary Action

The Association may impose reasonable monetary penalties, temporary suspensions of reasonable duration (not to exceed thirty (30) days per violation) of an Owner's rights as a Member of the Association or other appropriate discipline for failure to comply with the Project Documents. Notwithstanding the foregoing, the Association shall have no right to interfere with an Owner's right of ingress or egress to his Lot.

Before disciplinary action authorized under this subarticle can be imposed by the Association the Owner against whom such action is proposed to be taken shall be given notice and the opportunity to be heard as follows:

(a) The Board shall give written notice to the Owner at least fifteen (15) days prior to the meeting at which the Board will consider imposing disciplinary action. Such notice shall set forth those facts which the Board believes justify disciplinary action, and the time and place of the meeting;

(b) At such meeting the Owner shall be given the opportunity to be heard, including the right to present evidence, either orally or in writing, and to question witnesses;

(c) The Board shall notify the Owner in writing of its decision within three (3) days of the decision. The effective date of any disciplinary action imposed by the Board shall not be less than eight (8) days after the date of said decision.

7.2.2 Suit to Collect Delinquent Assessments or Individual Charges

A suit to recover a money judgment for unpaid Assessments or unpaid Individual Charges, together with late charges, interest, costs, and reasonable attorneys' fees shall be maintainable by the Association. In the case of unpaid Assessments such suit shall be maintainable without foreclosing or waiving the lien securing such unpaid Assessments.

7.2.3 Enforcement of Lien

If there is a delinquency in the payment of any Assessment or installment on a Lot, any amounts that are delinquent together with the late charges, interest (eighteen percent (18%) per annum), costs of collection and reasonable attorneys' fees, shall be a lien against that Lot upon the recordation in the office of the County Recorder of a Notice of Delinquent Assessment. The Notice of Delinquent Assessment shall be signed by an authorized representative of the Association and shall state the amount of the delinquent Assessment, a description of the Lot assessed, and the name of the record Owner(s). Such lien shall be prior to all other liens and encumbrances, recorded or unrecorded, except only:

(A) Tax and special assessment liens on the Lot in favor of any assessing agency or special district; and

(B) First Mortgages on the Lot recorded prior to the date that the Notice of Delinquent Assessment was record.

The Notice of Delinquent Assessment shall not be recorded unless and until the Board or its authorized representative has delivered to the delinquent Owner, not less than fifteen (15) days before the recordation of the Notice of Delinquent Assessment, a written demand for payment, and unless the delinquency has not been cured within said fifteen (15) day period.

After the recording of the Notice of Delinquent Assessment, the Board or its authorized representative may cause the Lot with respect to which a Notice of Delinquent Assessment has been recorded to be sold in the same manner as a sale is conducted under Utah law for the exercise of powers of sale, or through judicial foreclosure. In connection with any sale under Utah law for the exercise of a power of sale, the Board is authorized to appoint its attorney, any officer or Trustee, or any title insurance company authorized to do business in Utah as trustee for purposes of conducting the sale. If a delinquency including Assessments and other proper charges is cured after recordation of the Notice of Delinquent Assessment but before sale, or before completing a judicial foreclosure, the Board or its authorized representative shall cause to be recorded in the office of the County Recorder a certificate setting forth the satisfaction of such claim and release of such lien. The Association, acting on behalf of the Owners, shall have the power to bid upon the Lot at foreclosure sale and to acquire, hold, lease, mortgage and convey the Lot.

7.2.4 Transfer by Sale or Foreclosure

In a sale or transfer of the Lot, the personal obligation for delinquent Assessments or Individual Charges shall not pass to the Transferee unless expressly assumed by him. The sale or transfer of any Lot shall not effect the Assessments lien. However, the sale or transfer of any Lot pursuant to the exercise of a power of sale or judicial foreclosure involving a default under a First Mortgage shall extinguish the lien for Assessments which became due prior to such sale or transfer. No transfer of the Lot as the result of a foreclosure or exercise of a power of sale shall relieve the new Owner, whether it be the former beneficiary of the First Mortgage or another person, from liability for any Assessments or Individual Charges thereafter becoming due or from the lien thereof.

ARTICLE 8

INSURANCE, DESTRUCTION, CONDEMNATION

8.1 Insurance

In addition to other insurance required to be maintained by the Project Documents, the Association shall maintain in effect at all times the following insurance:

8.1.1 Liability Insurance

The Association shall obtain and maintain comprehensive public liability insurance insuring the Association, the Board, the Declarant, Owners, occupants of Lots, their respective family members, guests, invitees, and the agents and employees of each, against any liability incident to the ownership, use or maintenance of the Common Area and maintenance of the exterior of Lots and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than One Million Dollars (\$1,000,000) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against any liability customarily covered with respect to projects similar in construction, location, and use.

8.1.2 Fire, Casualty and Extended Coverage Insurance

The Association also shall obtain and maintain a policy of fire, casualty and extended coverage insurance for the full replacement value (without deduction for depreciation) of all of the improvements within the Project (including the Common Area and all Lots). Such insurance shall include coverage against any risk customarily covered with respect to projects similar in construction, location and use. The form, content, term of the policy, its endorsements and the issuing company must meet the standards of and be satisfactory to all First Mortgagees. The policy shall name as insured the Association for the benefit of the Owners and Declarant, as long as Declarant is the Owner of any Lot, and all Mortgagees as their respective interests may appear, and may contain a loss payable endorsement in favor of any trustee described in subarticle 8.1.3.

8.1.3 Individual Fire Insurance Limited

Except as provided in this subarticle, no Owner shall separately insure his Lot against loss by fire or other casualty covered by any insurance carried under Section 8.1.2. If any Owner violates this provision, any diminution in insurance proceeds otherwise payable under policies described in Section 8.1.2 that results from the existence of such other insurance shall be chargeable to the Owner who acquired other insurance, and such Owner shall be liable to the Association to the extent of any such diminution. An Owner may insure his personal property against loss. In addition, any improvements made by an Owner to his Lot may be separately insured by the Owner, but the insurance is to be limited to the nature of coverage commonly known as "tenant's improvements". All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other Owners, the Association, Declarant and the First Mortgagee of such Lot.

8.1.4 Trustee

All fire, casualty and extended coverage insurance proceeds payable under Sections 8.1.2 for losses to real property and improvements may be paid to a trustee, to be held and expended for the benefit of the Owners, Mortgagees, and others, as their respective interests shall appear. Said trustee shall be a commercial bank or trust company in the County in which the Project is located that agrees in writing to accept such trust.

8.1.5 Other Insurance

The Board may and, if required by any First Mortgagee, shall purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction of the Common Area and a decision not to rebuild, and a policy of flood insurance covering the Common Area. The Board also shall purchase and maintain worker's compensation insurance, to the extent that it is required by law, for all employees or uninsured contractors of the Association. The Board also shall purchase and maintain fidelity bonds or insurance (which shall be in an amount not less than one hundred fifty percent (150%) of each year's estimated annual operating expenses and reserves and shall contain an endorsement of coverage of any person who may serve without compensation) sufficient to meet the requirements of any First Mortgagee. The Board shall purchase and maintain insurance on personal property owned by the Association, any other insurance that it deems necessary is required by any First Mortgagee or is customarily obtained for projects similar in construction, location and use.

8.1.6 Owner's Liability Insurance

An Owner may carry whatever personal and property damage liability insurance with respect to his Lot that he desires.

8.1.7 Adjustment of Losses

The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 8.1.1, 8.1.2 and 8.1.5. The Board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

8.1.8 Officer and Trustee Insurance

The Association may purchase and maintain insurance on behalf of any Trustee, Officer, Member of a committee of the Association (collectively the "agents") against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under applicable law.

8.1.9 Waiver of Subrogation

All property and liability insurance carried by the Association, or the Owners shall contain provisions whereby the insurer waives rights of subrogation as to the Association, Trustees, Officers, Declarant, Owners, their family, guests, agents and employees.

8.1.10 Notice of Cancellation

All insurance carried by the Association shall require the insurer to notify any First Mortgagee requesting such notice at least fifteen (15) days in advance of the effective date of any reduction or cancellation of the policy.

8.1.11 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 adequate.

8.1.12 Payment of Premiums

Premiums on insurance maintained by the Association shall be a common expense funded by Assessments levied by the Association.

8.2 Destruction

8.2.1 Minor Destruction Affecting the Common Area

Notwithstanding subarticle 8.2.2, the Board shall have the duty to repair and reconstruct the Common Area without the consent of Members and irrespective of the amount of available insurance proceeds, in all instances of partial destruction where the estimated cost of repair and reconstruction does not exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

8.2.2 Major Destruction Affecting the Common Area

8.2.2.1 Destruction; Proceeds Exceed 85% of Reconstruction Costs

If there is a total or partial destruction of the Common Area, and if the available proceeds of the insurance carried pursuant to subarticle 8.1 are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction, the Common Area shall be promptly rebuilt unless, within forty-five (45) days from the date of destruction, Members then holding at least seventy-five (75%) percent of the voting power of each class determine that repair and reconstruction shall not take place.

8.2.2.2 Destruction; Proceeds Less than 85% of Reconstruction Costs

If the proceeds of insurance carried pursuant to subarticle 8.1 are less than eighty-five percent (85%) of the costs of repair and reconstruction, repair and reconstruction of the Common Area shall not take place unless, within forty-five (45) days from the date of destruction, Members then holding at least a majority of the voting power of Members other than Declarant determine that repair and reconstruction shall take place.

8.2.2.3 Special Assessment to Rebuild

If the determination is made to rebuild, pursuant to Sections 8.2.1.1 or 8.2.1.2, the Association may levy a Special Assessment against all Lot Owners to cover the cost of rebuilding not covered by insurance proceeds.

8.2.2.4 Rebuilding Contract

If the determination is made to rebuild, the Board shall obtain bids from at least two (2) reputable contractors, and shall award the repair and reconstruction work to the most reasonable bidder in the opinion of a majority of the Board. The Board shall have the authority to enter into a written contract with the contractor for the repair and reconstruction, and the insurance proceeds shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

8.2.2.5 Rebuilding Not Authorized

If the determination is made not to rebuild, then, any insurance proceeds and any other funds held for rebuilding of the Common Area shall be distributed among the Lots on the same basis as their Regular Assessment obligation, and between the Lot Owner and his Mortgagee(s) as their interests shall appear.

8.2.3 Destruction Affecting Lots

8.2.3.1 Duty to Rebuild

If there is a total or partial destruction of a Lot, the affected Lot shall be promptly rebuilt unless the Association is relieved of the obligation to rebuild by the approval of Members holding at

least seventy-five percent (75%) of the voting power of the Members of each class, including all Owners of Lots within the cluster of Lots (connected by common walls) including the affected Lot.

8.2.3.2 Rebuilding Procedure

All insurance proceeds shall be paid to the Board as trustee or to any insurance trustee provided for in subarticle 8.1.4, to be held for the benefit of the Owner and Mortgagee(s) of the affected Lot as their interests shall appear.

If the Lot is to be rebuilt the Board may levy a Special Assessment against all Lot Owners to cover the cost of rebuilding not covered by insurance proceeds.

The Lot shall be rebuilt or repaired with substantial conformity to the exterior appearance, design and structural integrity of the Lot as preceding the date of destruction. Notwithstanding the foregoing, any Owner of an affected Lot may apply to the Association for reconstruction of his Lot in a manner which will provide for an exterior appearance and/or design which is different from that which existed prior to the date of the destruction. Application for such approval shall be made in writing together with full and complete plans, specifications, maps and working drawings showing the proposed reconstruction and the end result thereof. The Board shall grant such approval only if it finds that the reconstructed Lot will be compatible in exterior appearance and/or design with the other Lots in the Project and provides the structural support required to fulfill the Owners party wall and roof support obligations. Failure of the Board to approve or reject any such proposed change within sixty (60) days after the date of submission thereof shall be conclusively deemed an approval thereof. In the event that the Association approves such proposed change, the Owner, within fifteen (15) days thereafter, shall deposit with the Board, or any insurance trustee, cash or other acceptable security in an amount sufficient to pay the difference between the cost of rebuilding the Lot as it was prior to destruction and the cost of rebuilding it as proposed.

When the amount held by the Association or insurance trustee is sufficient to pay the costs of repair and reconstruction, the Board shall obtain bids from at least two (2) reputable contractors, and shall award the repair and reconstruction work to the most reasonable bidder in the opinion of a majority of the Board. The Board shall have the authority to enter into a written contract with the contractor for the repair and reconstruction, and the insurance proceeds held by the trustee shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board to take all steps necessary to assure the commencement and completion of the authorized reconstruction at the earliest possible date.

8.2.3.3 Lot Not to be Rebuilt

If the determination is made not to rebuild a Lot (subject to any agreement among the Owner and Mortgagee(s) of the affected Lot, the Association and other Owners of Lots relieving the Association from the obligation to rebuild it), the insurance proceeds and other funds held for rebuilding the Lot together with any portion of the reserve funds of the Association reserved for the Lot, shall be distributed to the Owner of the affected Lot and his Mortgagee(s) as their interests shall appear.

8.3 Condemnation

8.3.1 Condemnation Affecting Common Area

8.3.1.1 Sale in Lieu

If an action for condemnation of all or a portion of the Common Area is proposed or threatened by any entity having the right of eminent domain, then on the unanimous written consent of seventy-five percent (75%) of the Owners and subject to the rights of Mortgagees, the Common Area, or any portion of it may be sold by the Board. The proceeds of the sale shall be distributed among the Lots on the same basis as their Regular Assessment

obligations and between the Lot Owners and their Mortgagees as their respective interests shall appear.

8.3.1.2 Award

If the Common Area, or a portion of it, is not sold but is instead taken, the judgment of condemnation shall by its terms apportion the award among the Owners and their respective Mortgagees. If the judgment of condemnation does not apportion the award then the award shall be distributed as provided in subarticle 8.3.1.1.

8.3.2 Condemnation Affecting Lots

If an action for condemnation of all or a portion of, or otherwise affecting a Lot is proposed or threatened, the Owner and the Mortgagees of the affected Lot, as their respective interests shall appear, shall be entitled to the proceeds of any sale or award relating to the affected Lot.

If any Lot is rendered irreparably uninhabitable as a result of such a taking, the Lot shall be deemed deleted from the Project and the Owners and Mortgagees of the affected Lot, upon receiving the award and any portion of the reserve funds of the Association reserved for the Lot, shall be released from the applicability of the Project Documents and deemed divested of any interest in the Common Area.

ARTICLE 9

MORTGAGEE PROTECTIONS

9.1 Mortgages Permitted

Any Owner may encumber his Lot with Mortgages.

9.2 Subordination

Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of any First Mortgage that encumbers any Lot or other portion of the Project, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such First Mortgage unless the First Mortgagee expressly subordinates his interest, in writing, to such lien.

9.3 Effect of Breach

No breach of any provision of this Declaration shall invalidate the lien of any Mortgage made in good faith and for value, but all of the covenants, conditions and restrictions shall be binding on any Owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

9.4 Non-Curable Breach

No Mortgagee who acquires title to a Lot by foreclosure or by deed in lieu of foreclosure or assignment-in-lieu of foreclosure shall be obligated to cure any breach of this Declaration that is non-curable or of a type that is not practical or feasible to cure.

9.5 Right to Appear at Meetings

Any Mortgagee may appear at meetings of the Members and the Board.

9.6 Right to Furnish Information

Any Mortgagee may furnish information to the Board concerning the status of any Mortgage.

9.7 Right to Examine Books and Records, Etc.

The Association shall make available to Owners, prospective purchasers and First Mortgagees, current copies of the Project Documents and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances.

Any First Mortgagee shall be entitled, upon written request, to an audited financial statement for the immediately preceding fiscal year, free of charge. Such financial statement shall be furnished by the Association within a reasonable time following such request.

9.8 Owners Right to Ingress and Egress

There shall be no restriction upon any Owners' right of ingress and egress to his Lot, which right shall be perpetual and appurtenant to his Lot ownership.

9.9 Notice of Intended Action

Upon written request to the Association, any First Mortgagee shall be entitled to timely written notice of:

- a. Any proposed amendment to the Project Documents effecting a change in (i) the boundaries of any Lot or the exclusive easement rights appertaining thereto, if any, (ii) the interests in the general or limited common elements appertaining to any Lot or the liability for common expenses appertaining thereto, (iii) the number of votes in the Association appertaining to any Lot or (iv) the purposes to which any Lot or the common elements are restricted;
- b. Any proposed termination of the legal status of the Project as a Planned Unit Development.
- c. Any condemnation loss or 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 requesting party.
- d. Any delinquency in the payment of Assessments or Individual Charges owed by an Owner of a Lot subject to a First Mortgage held, insured, or guaranteed by such requesting party which remains uncured for a period of sixty (60) days.
- e. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.
- f. Any proposed action which would require the consent of a specified percentage of First Mortgagees as specified in subarticles 9.10, 9.11, 9.12, 9.13, 9.14, and 9.15.

9.10 "Eligible First Mortgagee"

The term "Eligible First Mortgagee" shall mean a First Mortgagee (as defined in subarticle 1.13) who has requested notice in accordance with the provisions of subarticle 9.9 above.

9.11 Approval by First Mortgagees

Any provision in this Article 9 or elsewhere in the Project Documents which requires approval by Eligible First Mortgagees shall be read to require the approval of the specified percentage (or if not specified a majority) of the votes cast by Eligible First Mortgagees, based on one (1) vote for each First Mortgage held, insured or guaranteed.

9.12 Restoration Conformity

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 plans and

specifications for the Project, unless other action is approved by fifty-one percent (51%) of the Eligible First Mortgagees.

9.13 Termination Generally

Except as provided in subarticle 9.12, any election to terminate the legal status of the Project as a planned unit development must be approved by sixty-seven percent (67%) of the voting power of the Association and sixty-seven percent (67%) of the Eligible First Mortgagees.

9.14 Termination after Destruction or Taking

Any election to terminate the legal status of the Project after substantial destruction or a substantial taking in condemnation of the Project must be approved by fifty-one percent (51%) of the Eligible First Mortgagees.

9.15 Reallocation of Interest in the Common Area

No reallocation of interests in the Common Area resulting from a partial condemnation or partial destruction of the Project shall be effected without the approval of fifty-one percent (51%) of the Eligible First Mortgagees.

9.16 Termination of Professional Management

When professional management has been previously required by any First Mortgagee, any decision to establish self management by the Association shall require the approval of sixty-seven percent (67%) of the voting power of the Association and fifty-one percent (51%) of the Eligible First Mortgagees.

9.17 Approval of Material Changes

The approval of sixty-seven percent (67%) of the voting power of the Association and fifty-one percent (51%) of the Eligible First Mortgagees shall be required to materially amend any provisions of the Project Documents or to add any material provisions thereto which establish, provide for, govern or regulate any of the following:

- a. Voting;
- b. Assessments, Assessment liens or subordination of such liens;
- c. Reserves for maintenance, repair and replacement of the Common Areas, or any other portions of the Project which the Association has a duty to maintain, repair and replace;
- d. Insurance or Fidelity Bonds;
- e. Rights to use the Common Areas;
- f. Responsibility for maintenance and repair of the several portions of the Project;
- g. Expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project. Notwithstanding the foregoing, this provision shall not be read to require membership or Mortgagee approval of annexation pursuant to plan as provided in subarticle 11.1.1;
- h. Boundaries of any Lot;
- i. The interests in the general or limited Common Areas, if any;
- j. Convertibility of Lots into Common Areas or Common Areas into Lots.

- k. Leasing of Lots;
- l. Imposition of any right of first refusal or similar restriction on the right of a Lot Owner to sell, transfer, or otherwise convey his Lot;
- m. Any provisions which are for the express benefit of First Mortgagees.

An addition or amendment to the Project Documents shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. A First Mortgagee who receives a written request to approve additions or amendments who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

Notwithstanding the foregoing, subarticle 9.17 shall not be read to require membership or Mortgagee approval of annexation pursuant to plan as provided in subarticle 11.1.1

9.18 Inapplicability of Right of First Refusal

The right of an Owner to sell, transfer, or otherwise convey his Lot shall not be subject to any right of first refusal or similar restriction.

No "right of first refusal" contained in the Project Documents shall impair the rights of a First Mortgagee to:

- a. Foreclose or take title to a Lot pursuant to the remedies provided in the Mortgage, or
- b. Accept a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor, or
- c. Sell or lease a Lot acquired by the Mortgagee.

9.19 First Mortgagee Assessment Liability

Any First Mortgagee who obtains title to a Lot pursuant to the remedies provided in the Mortgage or foreclosure of the Mortgage shall not be liable for such Lot's unpaid Assessments or Individual Charges which accrue prior to the acquisition of title to such Lot by the Mortgagee.

9.20 Restriction on Certain Changes

Unless at least sixty-six and two-thirds percent (66 2/3%) of the First Mortgagees (based on one vote for each First Mortgage owned) or sixty-six and two-thirds percent (66 2/3%) of the Owners other than Declarant have given their prior written approval, the Association shall not:

- a. By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area (the granting of easements for public utilities or for other public purposes consistent with the intended use of such Common Area by the Association shall not be deemed a transfer within the meaning of this clause); or
- b. Change the method of determining the Assessments, or other charges which may be levied against a Lot Owner; or
- c. By act or omission change, waiver or abandon any scheme or regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of Lots, the exterior maintenance of Lots, the maintenance of the Common Area party walks or common fences and driveways, or the upkeep of lawns and plantings in the Project; or
- d. Fail to maintain fire and extended coverage on insurable Common Area and other portions of the Project which the Association has a duty to insure on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost); or

e. Use hazard insurance proceeds for losses to any Common Area or other Project improvements for other than the repair, replacement or reconstruction of such Common Area or improvements.

9.21 Distribution; Insurance and Condemnation Proceeds

No provision of the Project Documents shall give a Lot Owner, or any other party, priority over any rights of the First Mortgagee of the Lot pursuant to its Mortgage in the case of a distribution to such Lot Owner of insurance proceeds or condemnation awards for losses to or a taking of the Lot and/or Common Area.

9.22 Taxes

First Mortgagees of Lots may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Common Areas and First Mortgagees making such payments shall be owed immediate reimbursement therefore from the Association. Entitlement to such reimbursement shall be reflected in an agreement in favor of all First Mortgagees of Lots duly executed by the Association, and an original or certified copy of such agreement shall be possessed by Declarant.

9.23 Maintenance Reserves

Association Assessments or charges shall include an adequate reserve fund for maintenance, repairs, and replacement of those elements of the Project that must be replaced on a periodic basis and shall be payable in regular installments rather than by special assessments.

9.24 Notice of Default

A First Mortgagee, upon request, shall be entitled to written notification from the Association of any default in the performance by the affected Lot Owner of any obligation under the Project Documents which is not cured within sixty (60) days.

9.25 Contracts

Any agreement for professional management of the Project or any other contract providing for services of the Declarant shall not exceed three (3) years. Any such agreement must provide for termination by either party without cause and without payment of a termination fee on ninety (90) days or less written notice.

9.26 Subsequent Phases

Improvements to the Project in subsequent Phases shall be consistent with first Phase improvements in terms of quality of construction. All Common Area improvements in subsequent Phases shall be substantially completed or otherwise satisfactorily provided for prior to annexation.

All taxes and other assessments relating to subsequent Phases, covering any period prior to the annexation, shall be paid or otherwise satisfactorily provided for prior to annexation.

No subsequent Phase shall be annexed to the Project without the prior written consent of each of FHA, VA and FNMA that holds, insures or guarantees any Mortgage on a Lot in the Project at the time of such annexation. Notwithstanding the foregoing, this provision shall not be read to require FHA, VA or FNMA approval of annexation pursuant to plan as provided in subarticle 11.1.1. Any of FHA, VA and FNMA who receives a written request to approve annexation of a subsequent Phase who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such Phasing.

9.27 Working Capital Fund

If required by FHA, VA, FNMA or FHLMC as a condition of qualifying the Project for any mortgage purchase, guarantee, insurance or other related program, a working capital fund shall be established for the Project by the contribution to such fund, by the Owners and Declarant, of a sum equal to two monthly Regular Assessment installments for each Lot owned.

9.28 Compliance with FHA/VA, FHLMC and FNMA Requirements

Declarant intends that the Project shall comply with all of the requirements of the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), and the Federal National Mortgage Association ("FNMA"). All casualty and liability insurance covering any portion of the Project encumbered by a Mortgage held by the FHLMC or FNMA or insured or guaranteed by FHA/VA shall therefore conform to the FHA/VA, FHLMC and FNMA requirements. Declarant and all Lot Owners also agree that in the event the Project or the Project Documents do not comply with the FHA/VA, FHLMC, or FNMA requirements, the Board and each Owner shall take any action or adopt any resolutions required by Declarant or any First Mortgagee to conform such Project Documents, or the Project, to the FHA/VA, FHLMC, or FNMA requirements.

9.29 Conflicts

In the event of a conflict between any of the provisions of this Article 9 and any other provisions of this Declaration, the provisions of this Article 9 shall control.

ARTICLE 10

ENFORCEMENT OF DECLARANT'S DUTY TO COMPLETE THE PROJECT

Where any Common Area improvements in the Project have not been completed prior to the issuance of a Permit, and where the Association is obligee under a bond or other arrangement ("Bond") to secure performance of the commitment of Declarant to complete such improvements, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension. A special meeting of Members of the Association for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting signed by Members representing five percent (5%) or more of the total voting power of the Association. At such special meeting a vote of a majority of the voting power of the Association residing in Members present other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE 11

ANNEXATION

11.1 Annexing Additional Property

Additional real property may be annexed to the Project and become subject to the Project Documents and subject to the rights, powers and duties of the Association by either of the following methods:

11.1.1 Annexation Pursuant to Plan

The real property described in Exhibit A ("Annexable Property"), or any portion thereof, may be annexed by its Owner to and become a part of the Project, subject to the Project Documents, and subject to the rights, powers and duties of the Association without the assent of the Association or its Members.

Where a subsequent phase includes Timeshare Interests, a Lot which has been further subdivided into Timeshare Interests shall nonetheless constitute one Lot for the purposes of the Project Documents. The declaration of covenants, conditions and restrictions converting Lots into Timeshare Interests or the Declaration of Annexation annexing Timeshare Interests to the Project may make reasonable arrangements regarding (i) the exercise by Owners of Timeshare Interests of voting rights in the Association provided that no Lot shall exercise more than one vote (except as Class B treble voting), and (ii) the payment of Assessments hereunder provided that a full Assessment allocation shall be paid for each Lot except that provisions may be made to guarantee the ownership, use and enjoyment of the owner of a Timeshare Interest who has paid his proportionate share of a full Assessment allocation notwithstanding the fact that another owner of the Timeshare Interest has not.

11.1.1.1 Any annexation pursuant to this subarticle shall be made with the written consent of Declarant and no later than three (3) years from the date of the original issuance of the most-recently-issued Permit for any Phase of the Project; provided, however, that Declarant shall be under no obligation to develop or annex said additional Phases and real property and Declarant makes no representation with respect to whether or not such additional real property will even be developed or annexed.

11.1.1.2 Any annexation pursuant to this subarticle shall not result in an unreasonable diminution of the benefits to, nor an unreasonable increase in the burdens upon, existing Owners in the Project and shall be consistent with the phasing plan presented with the application for the original Permit for the sale of Lots in the Project. Declarant intends that the total number of Lots annexed pursuant to this subarticle 11.1.1 will be approximately two hundred (200) Lots.

11.1.1.3 A Declaration of Annexation shall be recorded by Declarant and the property owner covering the applicable portion of the real property to be annexed. Said Declaration shall incorporate this Declaration by reference and may contain such complimentary additions to and modifications of the covenants and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added real property, and as are not inconsistent with the scheme of this Declaration.

11.1.2 Annexation Pursuant to Approval

Upon the approval of sixty-six and two-thirds percent (66 2/3%) of the voting power of the Association residing in Members other than Declarant, the owner of any real property who desires to annex it to the Project and to subject it to the Project Documents and to subject it to the rights, powers and duties of the Association may record a Declaration of Annexation in the manner described in the preceding subarticle 11.1.1.3 (except that no approval of Declarant shall be required other than that required as part of the Membership approval).

11.2 Effect of Annexation

Upon annexation of a new Phase, the annexed parcel shall become part of the Project, subject to the Project Documents and subject to the rights, powers and duties of the Association to the same extent as the first Phase of the Project. Without limiting the foregoing, the Owners of Lots in pre-existing Phase(s) shall continue to have the same rights with respect to the use of the Common Area located within their Phase(s), and shall acquire a non-exclusive easement for use, enjoyment, ingress and egress over any Common Area located within the new Phase, provided, however, that such rights shall be subject to the same conditions regarding use, enjoyment, ingress and egress as governs the pre-existing Phase(s). Upon the same conditions, the Owners of Lots in the new Phase shall acquire non-exclusive easements for use,

enjoyment, ingress and egress in both the Common Area located within the pre-existing Phase(s) and the Common Area located within the new Phase. Assessments shall commence as to all Lots in the new Phase on the first day of the month following the date of close of escrow for the first sale of a Lot in such new Phase. The above described easements over the Project are hereby reserved for the benefit of the Owners in subsequent Phases.

ARTICLE 12

GENERAL PROVISIONS

12.1 Notices

Notices provided for in the Project Documents shall be in writing and shall be deemed sufficiently given when delivered personally or 48 hours after deposit in the United States mail, postage prepaid, addressed to an Owner at the last address such Owner designates to the Association for delivery of notices, or in the event of no such designation, at such Owner's last known address, or if there be none, at the address of the Owner's Lot. Notices to the Association shall be addressed to the address designated by the Association by written notice to all Owners.

12.2 Notice of Transfer

No later than five (5) days after the sale or transfer of any Lot under circumstances whereby the transferee becomes the Owner thereof, the transferee shall notify the Association in writing of such sale or transfer. Such notice shall set forth: (i) the Lot involved; (ii) the name and address of the transferee and transferor; and (iii) the date of sale. Unless and until such notice is given, the Association shall not be required to recognize the transferee for any purpose, and any action taken by the transferor as an Owner may be recognized by the Association. Prior to receipt of any such notification by the Association, any and all communications required or permitted to be given by the Association shall be deemed duly given and made to the transferee if duly and timely made and given to such transferee's transferor.

12.3 Headings

The headings used in this Declaration are for convenience only and are not to be used to interpret the meaning of any of the provisions of this Declaration.

12.4 Severability

The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provision or provisions shall not invalidate any other provisions.

12.5 Exhibits

All exhibits referred to are incorporated herein by such reference.

12.6 Easements Reserved and Granted

Any easements referred to in this Declaration shall be deemed reserved or granted, or both reserved and granted, by reference to this Declaration in a deed to any Lot.

12.7 Binding Effect

This Declaration shall inure to the benefit of and be binding on the successors and assigns of the Declarant, and the heirs, personal representatives, grantees, tenants, successors and assigns of any Owner.

12.8 Conflict of Project Documents

If there is any conflict among or between the Project Documents, the provisions of this Declaration shall prevail; thereafter, priority shall be given to Project Documents in the following order: Any recorded Declaration of Annexation for a subsequent Phase, Articles, Bylaws; and Rules and Regulations of the Association.

12.9 Termination of Declaration

This Declaration shall run with the land, and shall continue in full force and effect for a period of fifty (50) years from the date on which this Declaration is executed. After that time, this Declaration and all its covenants and other provisions shall be automatically extended for successive ten (10) year periods unless this Declaration is revoked by an instrument executed by Owners of not less than three-fourths (3/4) of the Lots in the Project, and recorded in the Office of the County Recorder within one year prior to the end of said 50-year period or any succeeding 10-year period.

ARTICLE 13

AMENDMENT

13.1 Amendment Prior to First Sale

Until sale of the first Lot Declarant shall have the right to amend this Declaration.

13.2 Amendment After the First Sale

After the first sale of a Lot this Declaration shall be amended as follows:

13.2.1 Two Class

So long as Class A and Class B Memberships exist, upon the vote or written assent of a majority of the voting power of each class.

13.2.2 Single Class

After conversion of Class B to Class A Memberships, upon the vote or written assent of a majority of the total voting power of the Association including a majority of the voting power of Members other than Declarant.

13.2.3 Specific Provisions

The percentage of the voting power necessary to amend a specific clause or provision herein shall not be less than the percentage of affirmative votes prescribed for action to be taken under said clause or provision.

13.3 Amendment to Satisfy Other State Laws

Declarant may sell Lots in the Project to purchasers in several states including California. In the event that the Project Documents do not comply with the requirements of any state in which Declarant intends to sell Lots, Declarant shall have the unilateral right, without the approval of the Board or of the Members, to amend the Project Documents as necessary to conform to the requirements of the applicable state including California. In the event of conflict between this subarticle 13.3 and any other provision of Article 13, this subarticle 13.3 shall control.

13.4 Amendment Instrument

An amendment shall become effective when it has received the required approvals and the Board has executed, acknowledged and recorded in the Office of the County Recorder, an instrument expressing the amendment and certifying that the required approvals were received.

13.5 County of Weber Approval; Subarticle 2.2.2

Notwithstanding the foregoing, subarticle 2.2.2 shall not be amended or deleted without the express written consent of the Weber County Planning Commission.

The undersigned, being the Declarant herein, has executed this Declaration on August 23, 1982.

Declarant: WOLF STAR, INC., a Nevada Corporation

By: John H. Laub

Title: President

By: Roger H. Elton

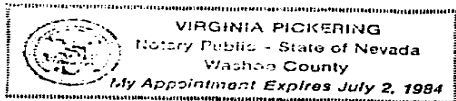
Title: Secretary

Acknowledgements

STATE OF Nevada)
COUNTY OF Washoe) SS

On August 23, 1982, before me, the undersigned, a Notary Public in and for said County and State, personally appeared John H. Laub, known to me to be the President of WOLF STAR, INC., a Nevada Corporation, whose name is subscribed to the within Declaration, and acknowledged to me that said corporation executed the within instrument pursuant to its Bylaws or a Resolution of its Board of Directors.

WITNESS my hand and official seal.

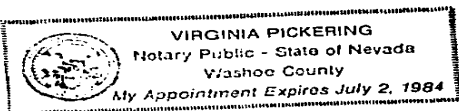


Virginia Pickering
Notary Public in and for said
County and State

STATE OF Nevada)
COUNTY OF Washoe) SS

On August 23, 1982, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Roger H. Elton, known to me to be the Secretary of WOLF STAR, INC., a Nevada Corporation, whose name is subscribed to the within Declaration, and acknowledged to me that said corporation executed the within instrument pursuant to its Bylaws or a Resolution of its Board of Directors.

WITNESS my hand and official seal.



Virginia Pickering
Notary Public in and for said
County and State

EXHIBIT A

A part of the East Half of Section 22, Township 7 North, Range 1 East, Salt Lake Base & Meridian, U.S. Survey:

Beginning at a point on the Easterly line of Wolf Creek Drive being 402.96 feet South 89°28'07" East along the Quarter Section Line from the Center of said Section 22, and running thence Northwesterly along the arc of a 207.59 foot radius curve to the left a distance of 67.40 feet (Long Chord bears North 30°20'31" West 67.11 feet) along said Easterly line of Wolf Creek Drive; thence Northeasterly along the arc of a 633 foot radius curve to the right a distance of 158.54 feet (Long Chord bears North 73°32'38" East 158.12 feet); thence North 10°00' East 190.00 feet; thence North 22°30' West 366.72 feet; thence North 54°00' East 322.44 feet; thence East 303.68 feet; thence South 51°00' East 365.00 feet; thence South 38°00' West 292.63 feet; thence South 19°15' West 360.00 feet; thence South 49°30' West 435.00 feet; thence North 66°00' West 245.00 feet to the Easterly line of Wolf Creek Drive; thence Northerly along said Easterly line the following two courses: Northeasterly along the arc of a 751.74 foot radius curve to the left a distance of 80.04 feet (Long Chord bears North 6°01'45" East 80.00 feet) and Northwesterly along the arc of a 207.59 foot radius curve to the left a distance of 87.03 feet (Long Chord bears North 9°01'51" West 86.39 feet) to the point of beginning.

Contains 13.10 Acres

22-985-00175, 00176
Pt. 22-016-0014
Pt. 22-016-00041

and

A part of the East one-half of Section 22, Township 7 North, Range 1 East, Salt Lake Base & Meridian, U.S. Survey:

Beginning at a point 1068.14 feet South 89°28'07" East along the quarter section line from the center of said Section 22; and running thence North 29°30' East 186.97 feet; thence North 59°58'40" East 427.80 feet; thence South 51°00' East 722.49 feet; thence South 62°15' East 373.66 feet; thence South 35°15' West 748.68 feet; thence North 66°00' West 1332.80 feet; thence North 43°37'40" East 404.02 feet; thence North 29°20' East 33.04 feet to the point of beginning.

Contains 24.10 acres

EXHIBIT "B"

ALLOCATION OF ASSESSMENTS

OBLIGATION OF EACH LOT FOR WOLF STAR

- A. All budget items except Insurance, Pain Reserve and Roof Reserve are prorated equally among the lots.
- B. Insurance, Paint Reserve and Roof Reserve are prorated based on percentage of total square footage as indicated below.

<u>UNIT</u>	<u>SQUARE FOOTAGE</u>	+	<u>TOTAL SQUARE FOOTAGE</u>	=	<u>PERCENTAGE OF TOTAL PRORATABLE ITEMS</u>
C outside	1,142		19,830		.0576
C inside	1,070		19,830		.0540
D	1,456		19,830		.0734
E	1,416		19,830		.0714
F	2,249		19,830		.1134
G	1,126		19,830		.0568

TOTAL SQUARE FOOTAGE: 19,830

<u>UNIT TYPE</u>	<u>Lots</u>
C outside	5,8
C inside	6,7
D	11,12,13,14
E	2,3
F	1,4
G	9,10