

DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS OF
LAVA FALLS AT ENTRADA
A Planned Unit Development

This Declaration is made and executed this 27th day of September, 2001, by SUN REALTY CORPORATION (hereinafter referred to as "Declarant").

RECITALS:

A. Declarant is the record owner of that certain parcel of real property (the Property) described in Exhibit "A" of this Declaration. Declarant desires to create on the Property a planned unit development with certain Common Areas for the benefit of the Development and the Owners of Lots therein.

B. Declarant desires to provide for the preservation and enhancement of the property values and for maintenance of the Common Areas. To this end and for the benefit of the Property and of the Owners thereof, the Declarant desires to subject the Property described in Exhibit "A" of this Declaration to the covenants, restrictions, easements, charges, and liens hereinafter set forth, each and all of which are for the benefit of the property and each owner thereof.

C. Declarant deems it desirable, for the efficient preservation of the values and amenities of the Property, to create an entity which possesses the power to maintain and administer the Common Areas, to collect and disburse the assessments and charges hereinafter provided for, and otherwise to administer and enforce the provisions of this Declaration. For such purpose Declarant has, in conjunction with recordation of this Declaration, caused or will cause to be incorporated under the laws of the State of Utah as a nonprofit corporation, LAVA FALLS AT ENTRADA HOMEOWNERS ASSOCIATION.

D. Declarant reserves the right to annex Phase II Land whose Owners will become Members of the Association and will be entitled and subject to all rights, powers, privileges, covenants, restrictions, easements, charges, and liens hereinafter set forth.

NOW, THEREFORE, for the foregoing purposes, Declarant declares that the Property is and shall be held, transferred, sold, conveyed and occupied subject to the covenants, conditions, and restrictions, easements, charges and liens hereinafter set forth, and as set forth in the plat recorded concurrently herewith.

GALLIAN, WESTFALL, WILCOX & WELKER
ATTORNEYS AND COUNSELORS AT LAW

I. DEFINITIONS

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

1. Declaration shall mean and refer to this instrument as the same may hereafter be modified, amended, supplemented, or expanded in accordance with the provisions hereof (and in particular in accordance with the provisions of Article XI) concerning amendments or supplements to this Declaration which are to occur in conjunction with the expansion of the Development.

2. Plat shall mean and refer to the Phase I portion of the plat of the "Lava Falls at Entrada" consisting of 1 page, executed and acknowledged by Declarant, prepared and certified by Mark L. Brown of Bulloch Brothers Engineering, Inc., a registered Utah Land Surveyor, and recorded in the office of the County Recorder of Washington County, Utah, concurrently herewith, also as the same may hereafter be modified, amended, supplemented or expanded in accordance with the provisions of Article XI concerning amendments or supplements to this Declaration which are to occur in conjunction with the expansion of the Development as herein provided.

3. Property shall mean and refer to all of the real property which is covered by the Plat, a description of which is stated in Exhibit "A" of this Declaration, and such portions of Phase II Land which are annexed to the Development as provided herein. The land upon which such expansion may occur is described at Exhibit B hereto designated as "Phase II" land.

4. Lot shall mean and refer to any of the separately numbered and individually described plots of land shown as Phase I on the Plat. Upon recordation of Supplementary Declaration(s) for Phase II, Lot shall include the separately numbered and individually described plots of land shown in the additional Phases of the Plat.

5. Common Areas shall mean and refer to that portion of the property which is not included within the Lots, including all improvements other than utility lines now or hereafter constructed or located thereon.

6. Limited Common Areas shall mean those common areas designated on the Plat which are for the exclusive use of the owners of adjacent lots, or their invitees, tenants or guests.

7. Living Unit shall mean and refer to a structure which is designed and intended for use and occupancy as a single family residence, together with all improvements located on the Lot concerned which are used in conjunction with such residence.

8. Owner shall mean and refer to the person who is the owner of record (in the office of the County Recorder of Washington County, Utah) of a fee or an undivided fee interest in a Lot. Notwithstanding any applicable theory relating to a mortgage, deed of trust, or like instrument, the term Owner shall not mean or include a Mortgagee or a beneficiary or trustee under a deed of trust unless and until such party has acquired title pursuant to foreclosure or any arrangement or proceeding in lieu thereof.

9. Association shall mean and refer to the LAVA FALLS AT ENTRADA HOMEOWNERS ASSOCIATION, INC., a Utah non-profit corporation.

10. Articles and By-Laws shall mean and refer to the Articles of Incorporation and the By-Laws of the Association.

11. Board of Trustees and the Board shall mean and refer to the Board of Trustees of the LAVA FALLS AT ENTRADA HOMEOWNERS ASSOCIATION.

12. Member shall mean and refer to every person who holds membership in the Association.

13. Mortgage shall mean any person named as a first mortgagee or beneficiary under or holder of a first deed of trust.

14. Development shall mean and refer to Lava Falls at Entrada created by this Declaration as it exists at any given time.

15. Declarant shall mean and refer to Sun Realty Corporation, or its successors and assigns, or with any successor or assign to whom all or substantially all of its interest in the development of the Property is conveyed.

16. Front Yard Area shall mean and refer to the yard area of each Living Unit, between the unit and the street.

17. Phase II Land shall mean and refer to the property described in Exhibit "B" attached hereto and made a part hereof, which sets forth the property upon which Declarant may expand the project in one or more additional phases.

18. Supplementary Declaration shall mean and refer to any supplementary declaration of covenants, conditions, and restrictions, or similar instrument, which extends the provisions of this Declaration to all or any portion within Phase II lands and may contain such complementary or amended provisions for such additional land as are herein required by the Declaration.

II. DESCRIPTION OF PROPERTY

The property which is initially associated with the Development and which is and shall be held, transferred, sold, conveyed and occupied subject to the provisions of this Declaration consists of the real property situated in Washington County, State of Utah, and more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference.

Phase 1 of the property shall consist of 14 lots and living units. The units shall be of such construction as is approved by Declarant, or the Architectural Control Committee, as the case may be.

TOGETHER WITH all easements, rights-of-way, and other appurtenances and rights incident to, appurtenant to, or accompanying the above-described parcel of real property

ALL OF THE FOREGOING IS SUBJECT TO: all liens for current and future taxes, assessments, and charges imposed or levied by governmental or quasi-governmental authorities; all Patent reservations and exclusions; any mineral reservations of record and rights incident thereto; all instruments of record which affect the above-described land or any portion thereof, including without limitation, any mortgage or deed of trust; all visible easements and rights-of-way; all easements and rights-of-way of record; any easements, rights-of-way, encroachments, or discrepancies otherwise existing; an easement for each and every pipe, line, cable, wire, utility line, or similar facility which traverses or partially occupies the above-described land at such time as construction of all Project improvements is complete; and all easements necessary for ingress to, egress from, maintenance of, and replacement of all such pipes, line, cables, wires, utility lines, and similar facilities.

RESERVING UNTO DECLARANT, however, such easements and rights of ingress and egress over, across, through, and under the above-described land and any improvements now or hereafter constructed thereon as may be reasonably necessary for Declarant or for any assignee or successor of Declarant (in a manner which is reasonable and not inconsistent with the provisions of this Declaration):

(i) To construct and complete the improvements as Declarant deems to be appropriate, and to do all things reasonably necessary or proper in connection therewith;

(ii) To construct and complete on the Phase II Land or any portion thereof such improvements as Declarant or said assignee or successor shall determine to build in its sole discretion. Declarant specifically reserves the right to have access for itself or its assigns to the roads for ingress and egress and to all utility systems in order to develop Phase II Property, whether or not the Phase II Property is added to the Association.

(iii) To improve portions of the Property with such other or additional improvements, facilities, or landscaping designed for the use and enjoyment of all the Owners or Declarant or as such assignee or successor may reasonably determine to be appropriate.

If, pursuant to the foregoing reservations, the above-described land or any improvement thereon is traversed or partially occupied by a permanent improvement or utility line, a perpetual easement for such improvement or utility line shall exist. Such easement shall be in favor of the City of Santa Clara or such utility as is providing the service. All sewer, water and electric lines shall be owned by the City of Santa Clara. With the exception of such perpetual easements, the reservations hereby effected shall, unless sooner terminated in accordance with their terms, expire seven (7) years after the date on which this Declaration is filed for record in the Office of the County Recorder of Washington County, Utah.

III. MEMBERSHIP AND VOTING RIGHTS

1. **Membership.** Every Owner shall be a Member of the Association. Membership in the Association shall be mandatory, shall be appurtenant to the Lot in which the Owner has the necessary interest, and shall not be separated from the Lot to which it appertains.

2. **Voting Rights.** The Association shall have the following described two classes of voting membership:

Class A. Class A Members shall be all the Owners other than the Declarant. Class A Members shall be entitled to one vote for each Lot in which the interest required for membership in the Association is held. In no event, however, shall more than one Class A vote exist with respect to any Lot.

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each Lot in which it holds the interest required for membership in the Association. The Class B membership shall automatically cease and be converted to Class A membership on the first to occur of the following events.

(a) When the total number of votes held by all Class A members equals the total number of votes held by the Class B Member.

(b) The expiration of seven (7) years after the first lot is conveyed.

3. **Multiple Ownership Interests.** In the event there is more than one Owner of a particular Lot, the vote relating to such Lot shall be exercised as such Owners may determine among themselves. A vote cast at any Association meeting by any of such Owners, whether in person or by proxy, shall be conclusively presumed to be the vote attributable to the Lot concerned unless an objection is immediately made by another Owner of the same Lot. In the event such an objection is made, the vote involved shall not be counted for any purpose whatsoever other than to determine whether a quorum exists.

IV. PROPERTY RIGHTS IN COMMON AREAS

1. **Easement of Enjoyment.** Each Member shall have a right and easement of use and enjoyment including, but not limited to, the right of ingress and egress to and from his Lot and in and to the Common Areas, except for limited Common Areas as explained in paragraph 6 below. Such right and easement shall be appurtenant to and shall pass with title to each Lot and in no event shall be separated therefrom. Any Member may grant the use and enjoyment described herein to any tenant, lessee, or contract purchaser who resides on such Member's Lot.

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

All of Lot ____ of Lava Falls at Entrada, according to the official plat thereof, subject to the Declaration of Covenants, Conditions & Restrictions, all on file in the office of the Washington County Recorder.

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

3. Transfer of Title. Declarant agrees that it shall, on or prior to the first conveyance of a Lot, convey to the Association title to all Common Areas of the Development, and Declarant further agrees that it will discharge all liens and encumbrances on said Common Areas on or before the sale and closing of the last Lot in the Development.

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

(a) The right of the Association to suspend a Member's right to the use of any amenities included in the Common Areas for any period during which an assessment on such Member's Lot remains unpaid and for the period not exceeding ninety (90) days for any infraction by the Association;

(b) The right of the Association to impose reasonable limitations on the number of guests per Member who at any given time are permitted to use the Common Areas;

(c) The right of the City of Santa Clara and any other governmental or quasi-governmental body having jurisdiction over the property to access and rights of ingress and egress over and across any street, parking area, walkway, or open spaces contained within the Property for purposes of providing police and fire protection and providing any other governmental or municipal service; and

(d) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency or authority for such purposes and subject to such donations as may be agreed to by the Association. Any such dedication or transfer must, however, be assented to by two-thirds (2/3) of the vote of each class of membership which Members present in person or by proxy are entitled to cast at a meeting duly called for the purpose. Written or printed notice setting forth the purpose of the meeting and the action proposed shall be sent to all Members at least ten (10) days but not more than thirty (30) days prior to the meeting date.

5. Encroachments. If any portion of a Living Unit or improvement constructed by Declarant, or if any portion of a Living Unit reconstructed so as to substantially duplicate the Living Unit originally constructed by Declarant, encroaches upon the Common Areas or other Lots, as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the

development, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

6. Limited Common Areas. As shown on the Plat, Limited Common Areas are reserved exclusively for the use of adjacent unit owners, their tenants, guests or invitees. The Association reserves the right of entry on such areas for any necessary maintenance upon giving reasonable notice or in an emergency. Such areas are generally described as follows:

Back yard areas (bisected by centerline between units and/or centerline of side yards where limited common areas connect) and side yard areas shown on the Plat, are limited common area appurtenant to the adjacent unit, as shown on the plat. Some back yard areas will be divided by fence. Where there is question as to the location of the limited common area in back yards, the fenceline shall control. Side yard limited common areas between units shall be divided equally between the two units.

7. Reservation for Declarant. Declarant reserves unto itself or it assigns the right to convey to others the right of ingress and egress through the road and gate of the project and the right to connect to all utilities which are or will be placed in the project. Specifically Declarant is in the process of developing other projects adjacent or nearby to the Project, and Declarant therefor reserves the right unto itself or it assigns to coordinate the future development of other portions of nearby or adjacent property, including the right of expansion of Lava Falls at Entrada, and the right of use of common area roadways and utilities in Lava Falls at Entrada for the benefit such future projects.

8. Reserved Public Easement - City of Santa Clara. The City of Santa Clara and all public utilities, are reserved the right to utilize the roads of the project for ingress and egress to service all utilities and for fire and police protection (including the right of traffic enforcement).

V. ASSESSMENTS

1. Personal Obligation and Lien. Declarant, for each Lot owned by it, (subject to the express reservation contained in paragraph 3 below of this section V) and each Owner, shall, by acquiring, or in any way becoming vested with an interest in a Lot, be deemed to covenant and agree to pay to the Association the monthly and the special assessments described in this Article, together with the hereinafter provided for interest and costs of collection. All such amounts shall be, constitute, and remain: (a) a charge and continuing lien upon the Lot with respect to which such assessment is made; and (b) the personal obligation of the person who is the owner of such Lot at the time the assessment falls due. No Owner may exempt himself or his Lot from liability for payment of assessments by waiver of his rights concerning the Common Areas or by abandonment of his Lot. Any such liens, however, shall be subordinate to the lien or equivalent security interest of any first Mortgage on the unit recorded prior to the date any such common expense assessments become due.

2. Purpose of Assessments. Assessments levied by the Association shall be used exclusively for the purpose of promoting the maintenance, health, safety, and welfare of residents of the

Property. The use made by the Association of funds obtained from assessments may include payment of the cost of: taxes and insurance on the Common Areas; utility bills commonly billed; maintenance, repair, replacement, and improvement of the Common Areas; management and supervision of the Common Areas; establishing and funding a reserve to cover major repair or replacement of improvements within the Common Areas; and any expense necessary or desirable to enable the Association to perform or fulfill its obligations, functions, or purposes under this Declaration or its Articles of Incorporation.

3. Base for Assessment. Each Living Unit which is certified for occupancy and each unimproved Lot which has been conveyed to an Owner shall be assessed at a same and equal rate. For the purpose of assessment, the term "Owner" shall exclude the Declarant, and shall also exclude any builder, contractor, investor, or other person or entity who purchases a Lot for the purpose of constructing improvements thereon for resale to an Owner, who shall pay no assessment for 6 months after the lot is conveyed, or when the unit is substantially completed and occupied, whichever first occurs, provided that the Declarant or its assigns shall have the obligation to subsidize the association until control of the association passes to unit owners. Subsidization shall be defined as the payment of the reasonable cash needs of the association for ordinary and necessary maintenance expenses (not including reserves or capital replacement). The determination of the reasonable cash needs for ordinary and necessary maintenance expenses shall be within the sole discretion of the Board of Trustees and Declarant shall have no liability to the Association if subsequent Boards of Trustees shall disagree with the determination of the Board which it is under the control of Declarant. In no event, however, shall the subsidy exceed the monthly assessments.

4. Special Assessments. In addition to the monthly assessments authorized above, the Association may levy special assessments for the purpose of defraying, in whole or in part: (a) any expense or expenses not reasonably capable for being fully paid with funds generated by monthly assessments; or (b) the cost of any construction, reconstruction, or unexpectedly required repair or replacement in connection with the Common Areas. Any such special assessment must be assented to by more than fifty percent (50%) of all votes which Members present in person or represented by proxy are entitled to cast at a meeting duly called for the purpose. Written notice setting forth the purpose of the meeting shall be sent to all Members at least ten (10) days but not more than thirty (30) days prior to the meeting date.

5. Special City Assessment. In addition to the annual assessments and special assessments for capital improvements authorized herein, the Association shall levy such assessments as may be necessary from time to time for the purpose of repairing and restoring the damage or disruption resulting to streets or other common or limited common areas from the activities of the City of Santa Clara in maintaining, repairing or replacing utility lines and facilities thereon, it being acknowledged that the ownership of utility lines, underground or otherwise is in the City up to and including the meters for individual units, and that they are installed and shall be maintained to City specifications.

6. Quorum Requirements. The quorum required for any action authorized by Section 4 above shall be as follows: at the first meeting called the presence of Members or of proxies entitled to cast fifty percent (50%) of all outstanding votes shall constitute a quorum. If a quorum is not present at the first meeting or any subsequent meeting, another meeting may be called (subject to the

notice requirements set forth in Section 4) at which a quorum shall be one-half of the quorum which was required at the immediately preceding meeting. No such subsequent meeting shall be held more than forty-five (45) days following the immediately preceding meeting.

7. Equal Rate of Assessment. Both monthly and special assessments shall be fixed at a uniform (equal) rate for all Lots, subject to the provision of paragraph 3 above regarding the Declarant, or his assigns.

8. Monthly Assessment Due Dates. The monthly assessments provided for herein shall commence as to all Lots on the date a deed is delivered to the first purchaser of a Lot (or contract of sale) or the date of occupancy under an occupancy agreement whichever first occurs. The first monthly assessment shall be adjusted according to the number of days remaining in the month of conveyance, contract or occupancy, as the case may be. At least 15 days prior to the effective date of any change in amount of the monthly assessment, the Association shall give each Owner written notice of the amount and the first due date of the assessment concerned.

9. Certificate Regarding Payment. Upon the request of any Owner or Prospective purchaser or encumbrancer of a Lot the Association shall issue a certificate stating whether or not all assessments respecting such Lot are current and, if not, the amount of the delinquency. Such certificate shall be conclusive in favor of all persons who in good faith rely thereon.

10. Effect of Non-payment -- Remedies. Any assessment not paid when due shall, together with the hereinafter provided for interest and costs of collection, be constitute, and remain a continuing lien on the Lot, provided, however, that any such lien will be subordinate to the lien or equivalent security interest of any first mortgage on the Lot recorded prior to the date any such assessments become due. The person who is the Owner of the Lot at the time the assessment falls due shall be and remain personally liable for payments. Such personal liability shall not pass to the Owner's successors in title unless expressly assumed by them. If the assessment is not paid within thirty (30) days after the date on which it becomes delinquent, the amount thereof shall bear interest from the date of delinquency at the rate of eighteen percent (18%) per annum plus a late payment service charge equal to five (5) percent of each delinquent amount due, and the Association may, in its discretion, bring an action either against the Owner who is personally liable or to foreclose the lien against the Lot. Any judgment obtained by the Association shall include reasonable attorney's fees, court costs, and each and every other expense incurred by the Association in enforcing its rights.

11. Tax Collection From Lot Owners by Washington County Authorized. It is recognized that under the Declaration the Association will own the Common Areas and that it will be obligated to pay property taxes to Washington County. It is further recognized that each Owner of a Lot is a Member of the Association and as part of his monthly assessment will be required to pay to the Association his prorata share of such taxes. Notwithstanding anything to the contrary contained in this Declaration, or otherwise, Washington County shall be, and is, authorized to collect such prorata share (on equal basis) of taxes directly from each Owner by inclusion of said share with the tax levied on each Lot. To the extent allowable, Washington County is hereby directed so to do. In the

event that the assessor shall separately assess Common Areas to the Association, the Board of Trustees may require, in its discretion a special assessment to pay such taxes, or they may be included in the regular assessment budget.

VI. OPERATION AND MAINTENANCE

1. Maintenance of Lots and Living Units. Each Lot and Living Unit and related Limited Common Area shall be maintained by the Owner thereof so as not to detract from the appearance of the Property and so as not to affect adversely the value or use of any other Lot or Living Unit. The Association shall have no obligation regarding maintenance or care of Lots or Living Units except as provided in Paragraph 2 of this Article VI.

2. Operation and Maintenance by Association. The Association, by its duly delegated representative, shall provide for such maintenance and operation of the Common Areas as may be necessary or desirable to make them appropriately usable in conjunction with the Lots and to keep them clean, functional, attractive and generally in good condition and repair. Notwithstanding the provisions regarding Lot and Living Unit and Limited Common Area maintenance by Owners, the Association shall maintain landscaping of the front yard, side yard and landscaped portions of back yard areas of each unit (whether or not designated as Limited Common Area) (back to fenced areas). Damage to units not caused by ordinary wear and tear and the elements shall be paid by insurance proceeds (if available) or if uninsured, by unit owners. Damage shall be promptly repaired. In the event an Owner of any Lot in the Property shall fail to maintain his Lot or repair damage, or to maintain the exterior appearance of the unit in a manner satisfactory to the Architectural Control Committee or the Board, the Association, after approval by 2/3 vote of the Board, shall have the right, through its agent, employees, or through an independent contractor to enter upon such Lot and repair, maintain and restore the portion of the Lot maintainable by the Owner and any other improvements erected thereon (but not the interior of his Living Unit). The costs incurred by the Association in maintaining, repairing or restoring those portions of a lot maintainable by the Owner shall then be added to and become an assessment and lien against the lot as described in Section V. 1. and subject to collection as described in Section V. 9. of this Declaration.

3. Utilities. Each Lot Owner shall pay for all utility services which are separately billed or metered to individual Lots by the utility or other party furnishing such service. Any utilities not chargeable to a unit shall be paid by the Association.

4. Insurance. The Association shall secure and at all times maintain the following insurance coverages:

(a) A policy or policies of fire and casualty insurance, with extended coverage endorsement, for the full insurable replacement value of all improvements comprising a part of the Common Areas. The name of the insured under each such policy shall be in form and substance similar to: "Lava Falls at Entrada Homeowners Association, for the use and benefit of the individual Lot Owners and Mortgagees, as their interests may appear."

(b) A comprehensive policy or policies insuring the Owners, the Association, and its directors, officers, agents, and employees against any liability incident to the ownership, use or operation of the Common Areas which may arise among themselves, to the public, and to any invitees or tenants of the Property or of the Owners. Limits of liability under such insurance shall not be less than \$1,000,000.00 for all claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against water damage, liability for non-owned or hired automobile, liability for property of others, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use. Such policies shall be issued on a comprehensive liability basis, shall provide a cross-liability endorsement pursuant to which the rights of the named insureds as between themselves are not prejudiced, and shall contain "a severability of interest" clause or endorsement to preclude the insurer from denying the claim of an Owner in the Development because of negligent acts of the Association or other Owners.

(c) A fidelity policy or policies to protect against dishonest acts on the part of Trustees, Officers, Manager, Employees of the Association and all others (including volunteers) who handle or are responsible for handling funds of the Association. This fidelity coverage shall name the Association as the obligee or insured and shall be written in an amount sufficient to offer the protection reasonably required, but in no event less than one-hundred percent (100%) of the Association's estimated annual operating expenses including reserves. The fidelity bond or insurance shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression. Said policy shall also provide that it may not be canceled or substantially modified (including cancellation for non-payment of premiums) without at least thirty (30) days prior written notice to all first mortgagees of Lots.

The following additional provisions shall apply with respect to insurance:

(1) In addition to the insurance described above, the Association shall secure and at all times maintain insurance against such risks as are or hereafter may be customarily insured against in connection with developments similar to the Property in construction, nature and use.

(2) All policies shall be written by a company holding a rating of Class IV or better from Best's Insurance Reports or equivalent rating. Each insurer must be specifically licensed in the State of Utah.

(3) The Association shall have the authority to adjust losses.

(4) Insurance secured and maintained by the Association shall not be brought into contribution with insurance held by the individual Owners or their Mortgagees.

(5) Each policy of insurance obtained by the Association shall, if reasonably possible, provide: A waiver of the insurer's subrogation rights with respect to the

Association, the Owners, and their respective directors, officers, agents, employees, invitees, and tenants; that it cannot be canceled, suspended, or invalidated due to the conduct of any particular Owner or Owners; that it cannot be canceled, suspended, or invalidated due to the conduct of the Association or of any director, officer, agent or employee of the Association without a prior written demand that the defect be cured; that any "no other insurance" clause therein shall not apply with respect to insurance held individually by the Owners.

(6) Notwithstanding any provision to the contrary herein, so long as the Mortgagee or its designee holds a mortgage or beneficial interest in a trust deed on a Lot in the Development or owns a Lot, insurance policies shall meet all requirements and contain such other coverage and endorsements as may be required from time to time by the Mortgagee or its designee.

(7) Mortgagee Clause. All policies of hazard insurance must contain or have attached the standard mortgage clause commonly accepted by private institutional mortgage investors in the area in which the mortgaged premises are located. The mortgagee clause must provide that the insurance carrier shall notify the first Mortgagee (or trustee) named at least ten (10) days in advance of the effective date of any reduction in or cancellation of the policy.

(8) Review of Insurance. The Board shall periodically, and whenever requested by twenty percent (20%) or more of the Owners, review the adequacy of the Association's insurance program and shall report in writing the conclusions and action taken on such review to the Owner of each Lot and to the holder of any mortgage on any Lot who shall have requested a copy of such report. Copies of every policy of insurance procured by the Board shall be available for inspection by the Owner.

(9) Lots and Living Units Not Insured by Association. The Association shall have no duty or responsibility to procure or maintain any fire, liability, extended coverage or other insurance covering any Lot or Living Unit and acts and events occurring thereon. Accordingly, each Owner shall secure and keep in force at all times fire and extended coverage insurance which shall be equal to or greater than fire and extended coverage and shall be at least equal to that commonly required by private institutional mortgage investors in the area in which the Mortgaged premises are located. The policy shall provide as a minimum, fire and extended coverage insurance on a replacement cost basis in an amount not less than that necessary to comply with any co-insurance percentage stipulated in the policy. The amount of coverage shall be sufficient so that in the event of any damage or loss to the Mortgaged premises of a type covered by the insurance, the insurance proceeds shall provide at least the lesser of: (i) compensation equal to the full amount of damage or loss, or (ii) compensation to the first Mortgagee under the Mortgage equal to the full amount of the unpaid principal balance of the Mortgage Loan. However, the Board may choose to obtain a master policy of insurance. If the Board elects so to do, such policy shall be in an amount equal to full replacement value of all Living Units on the Lots with a co-insurance clause and each Owner of such Lots shall be designated as additional insureds. The cost of such

insurance shall be part of the assessment for such Lot and may vary by lot if the Board shall find that the cost of insuring a unit under the Blanket Policy is materially different.

(10) Unacceptable Policies. Policies are unacceptable where: (i) under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against the Lot Owner or Mortgagee or Mortgagee's designee; or (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by carrier's board of directors, policyholders, or members; or (iii) the policy includes any limiting clauses (other than insurance conditions) which could prevent the Lot Owner, Mortgagee or Mortgagee's Designee from collecting insurance proceeds.

(11) Flood Insurance. The Development is not located in an area identified by the Housing and Urban Development as an area having special flood hazards. In the event that at some future time the Development should be declared to be in such flood area, a blanket policy of flood insurance on the Project shall be maintained in the amount of the aggregate of the outstanding principal balances of the mortgage loans on the Living Units comprising the Development or the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less. The name of the insured under each required policy must be in form and substance as that required by the Federal Home Loan Mortgage Corporation at any given time.

5. Manager. The Association may carry out through a Manager any of its functions which are properly the subject of delegation. Any Manager so engaged may be an independent contractor of an agent or employee of the Association, shall be responsible for managing the Property for the benefit of the Association and the Owners, and shall, to the extent permitted by law and the terms of the agreement with the Association, be authorized to perform any of the functions or acts required or permitted to be performed by the Association itself.

6. Terms of Management Agreement. Any agreement for professional management of the Development, or any other contract providing for services of the Declarant, sponsor, or builder, may 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.

VII. USE RESTRICTIONS

1. Use of Common Areas. The Common Areas shall be used only in a manner consistent with their community nature and with the use restrictions applicable to Lots and Living Units. No admission fees, charges for use, leases, or other income-generating arrangement of any type shall be employed or entered into with respect to any portion of the Common Areas.

2. Use of Lots and Living Units. Each Lot has been or shall be improved with a Living unit, each to be used only as a single-family residence. Nightly rental of units are allowed. No Lot or Living Unit shall be used, occupied, or altered in violation of law, so as to create a nuisance or interfere with the rights of any Owner or in a way which would result in an increase in the cost of any

insurance covering the Common Areas.

3. Fences. No fences will be allowed unless installed by the Declarant, or approved by the Architectural Control Committee.

4. Landscaping. Front yards, side yards and back yards and fenced areas (if any) shall be landscaped by the Declarant (if built by Declarant) or owner within sixty (60) days of an owner taking occupancy, and shall be maintained by the Association.

5. Non-residential Use. No part of the Property shall be used for any commercial, manufacturing, mercantile, commercial storing, vending, (except as may be installed as a convenience by the Declarant or Association) or other such non-residential purposes, provided that a home occupation may be allowed upon approval of the Board and by obtaining a Home Occupation Permit from the City of Santa Clara. Declarant, its successors or assigns, may use the Property for a model home site display, and as a sales and construction office during the construction and sales period.

6. Signs. No sign or billboard of any kind shall be displayed to the public view on any portion of the Property or any Lot advertising the property for sale or rent except signs used by Declarant, its successor or assigns, to advertise the property during the construction and sales period and except for one professionally prepared for sale or for rent sign placed in the front window. The Board shall have the right to regulate the size and appearance of the signs.

7. Quiet Enjoyment. No noxious or offensive trade or activity shall be carried on upon any Lot or any part of the Property, nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the owners of his respective Living Unit or which shall in any way increase the rate of insurance.

8. Temporary Structures, Equipment, Motor Vehicles, Etc. No structure of a temporary character, trailer, basement, tent, shack, garage, barn, or other out building shall be used on any lot at any time except as may be needed for construction purposes by the Declarant or Owner. Storage sheds may be allowed in the back yard areas upon approval of the Architectural Control Committee. Any temporary structure utilized during construction shall be immediately removed at the completion of construction activities. No trailer, boat, truck larger than 3/4 ton, or similar equipment shall be permitted to be parked on the Project unless written approval is given by the Board. No motor vehicle whatsoever may be parked on the project except in designated parking areas.

9. Animals. No animals of any kind shall be raised, bred or kept on any Lot, except that cats, small dogs kept generally inside, or other quiet household pets may be kept on the Lots provided that they are not kept, bred or maintained for any commercial purpose or kept in unreasonable numbers. It shall be deemed unreasonable if an owner maintains more than two dogs and/or cats. Notwithstanding the foregoing, no animals or fowl may be kept on the Property which result in an annoyance or are obnoxious, by noise, smell, or otherwise, to Lot Owners. All pets must be kept

inside, in a fenced yard of the Lot, or on a leash in the Common Areas.

10. Garbage Removal. All rubbish, trash and garbage shall be regularly removed from the Property, and shall not be allowed to accumulate thereon. All clothes lines, refuse containers, woodpiles, storage areas, machinery and equipment shall be prohibited upon any Lot unless obscured from view of adjoining Lots in the patio areas or in the unit.

11. Electronic Antennas. No television, radio, or other electronic antenna or device of any type shall be erected, constructed, placed or permitted to remain on the exterior of any Living Units or structures on the Lots in said tract. Satellite dishes or antennas may be placed in back yard areas obscured from public view, provided it is approved by the Declarant or the Association in writing.

12. Exception for Declarant. Notwithstanding the restrictions contained in this Article VII, for the seven-year period following the date on which this Declaration is filed for record in the office of the County Recorder of Washington County, Utah, Declarant shall have the right to use any Lot or Living Unit owned or leased by it and any part of the Common Areas reasonably necessary or appropriate, in furtherance of any construction, marketing, sales, management, promotional, or other activities designed to accomplish or facilitate improvement of the Common Areas or improvement and/or sale of all Lots owned by Declarant. Declarant may also conduct collateral business activity on the Project.

VIII. ARCHITECTURAL CONTROL

1. Architectural Control Committee. The Board of Trustees of the Association shall appoint a three-member Committee the function of which shall be to insure that all exteriors of Living Units and landscaping within the Property harmonize with existing surroundings and structures. The Committee need not be composed of Owners. If such a Committee is not appointed the Board itself shall perform the duties required of the Committee.

2. Submission to Committee. No Living Unit, accessory or addition to a Living Unit, landscaping, or other improvement of a Lot which is visible from the Common Areas shall be constructed, maintained, or accomplished, and no alteration, repainting, or refurbishing of the exterior of any Living Unit shall be performed, unless complete plans and specifications therefor have first been submitted to and approved by the Architectural Control Committee.

3. Standard. In deciding whether to approve or disapprove plans and specifications submitted to it, the Committee shall use its best judgment to insure that all improvements, construction, landscaping, and alterations on Lots within the Property conform to and harmonize with existing surroundings and structures. The Board will formulate architectural guidelines and procedures. The adopted guidelines and procedures shall be incorporated in the Book of Resolutions and the Architectural Control Committee, or the Board, as the case may be, shall act in accordance with such guidelines and procedures.

4. Approval Procedure. Any plans and specifications submitted to the Committee shall be

approved or disapproved by it in writing within thirty (30) days after submission. In the event the Committee fails to take any action within such period it shall be deemed to have approved the material submitted.

5. Construction. Once begun, any improvements, construction, landscaping, or alterations approved by the Committee shall be diligently prosecuted to completion. If reasonably necessary to enable such improvement, construction, landscaping, or alteration, the person or persons carrying out the same shall be entitled to temporary use and occupancy of unimproved portions of the Common Areas in the vicinity of the activity.

6. Disclaimer of Liability. Neither the Architectural Committee, nor any member thereof acting in good faith shall be liable to the Association or to any Owner for any damage, loss, or prejudice suffered or claimed on account of (a) the approval or rejection of, or the failure to approve or reject, any plans, drawings or specifications, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development or manner of development of any of the Property, or (d) any engineering or other defect in approved plans and specifications.

7. Nonwaiver. The approval by the Architectural Committee of any plans and specifications for any work done or proposed shall not constitute a waiver of any right of the Architectural Committee to disapprove any similar plans and specifications.

8. Exception for Declarant. The foregoing provisions of this Article VIII shall not apply to any improvement, construction, landscaping, or alteration which is carried out by Declarant on any Lot or on any part of the Common Areas and which occurs at any time during the seven-year period following the date on which this Declaration is filed for record in the office of the County Recorder of Washington County, Utah. Declarant shall further have the right to designate the location and design of any common area amenities including, but not limited to clubhouse, pool or other recreational amenities or green areas, provided that the Declarant shall not be required to provide any such amenities by virtue of this paragraph.

9. Declarant's Obligation. Declarant hereby covenants in favor of each Owner: (a) that all Living Units erected by it, or caused to be erected by it, and all improvement of the Common Areas accomplished by it shall be architecturally compatible with respect to one another and (b) that on or before seven years from the date on which this Declaration is filed for record in the office of the County Recorder of Washington County, Utah, there shall be substantially completed and useable as part of the Common Areas all open spaces in the locations shown on the Plat.

IX. CONDEMNATION

If at any time or times the Common Areas or any part thereof shall be taken or condemned by any authority having the power of eminent domain, the Association shall represent the lot owners in these proceedings, negotiations, settlements or agreements. All compensation and damages shall be payable to the Association and shall be used promptly by Association to the extent necessary for

restoring or replacing any improvements on the remainder of the Common Areas. Upon completion of such work and payment in full therefor, any proceeds of condemnation then or thereafter in the hands of the Association which are proceeds for the taking of any portion of the Common Areas shall be disposed of in such manner as the Association shall reasonably determine; provided, however, that in the event of a taking in which any Lot(s) or portion(s) thereof is eliminated, the Association shall disburse the portion of the proceeds of the condemnation award allocable to the interest of the Owner(s) of such Lot(s) or portion(s) thereof to such Owner(s) and any first Mortgagee(s) of such Lot(s), as their interests shall appear, after deducting the proportionate share of said Lot in the cost of debris removal.

X. RIGHTS OF FIRST MORTGAGEES

Notwithstanding any other provisions of this Declaration, the following provisions concerning the rights of first Mortgagee shall be in effect:

1. Preservation of Regulatory Structure and Insurance. Unless the holders of 75% of all first Mortgagees and 75% of the Lot Owners shall have given their prior written approval, the Association shall not be entitled:

(a) by act or omission to change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the Architectural design of the exterior appearance of Living Units, the exterior maintenance of Living Units under certain conditions provided in Section 2 of Article VI, or the upkeep of the Common Areas of the Property;

(b) to fail to maintain fire and extended coverage on insurable portions of the Common Areas on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs); or

(c) to use hazard insurance proceeds for losses to the Common Areas for other than the repair, replacement or reconstruction of improvements on the Common Areas.

2. Preservation of Common Area; Change in Method of Assessment. Unless the Association shall receive the prior written approval of (1) at least 75% of all first mortgagees (based on one vote for each Mortgagee) of the Lots and (2) the Owners of at least seventy-five percent (75%) of the Lots (not including Lots owned by Declarant) the Association shall not be entitled:

(a) by act or omission to seek to abandon, partition, subdivide, encumber, sell or transfer the Common Areas, except to grant easements for utilities and similar or related purposes, as herein elsewhere reserved; or

(b) to change the ratio or method of determining the assessments or dues which may be levied against a Lot or the Owner thereof.

Neither this Article X nor the insurance provision contained in Article VI may be amended without

the prior approval of all first Mortgagees.

3. Notice of Matters Affecting Security. The Association shall give written notice to any first Mortgagee of a Lot requesting such notice wherever:

(a) there is any default by the Owner of the Lot subject to the first mortgagee in performance of any obligation under this Declaration or the Articles or Bylaws of the Association which is not cured within thirty (30) days after default occurs; or

(b) there occurs any substantial damage to or destruction of any Living Unit or any part of the Common Areas involving an amount in excess of, or reasonably estimated to be in excess of \$15,000. Said notice shall be given within ten (10) days after the Association learns of such damage or destruction; or

(c) there is any condemnation proceedings or proposed acquisition of a Living Unit or of any portion of the Common Areas within ten (10) days after the Association learns of the same; or

(d) any of the following matters come up for consideration or effectuation by the Association:

(i) abandonment or termination of the Planned Unit Development established by this Declaration;

(ii) material amendment of the Declaration or the Articles or Bylaws of the Association; or

(iii) any decision to terminate professional management of the Common Areas and assume self-management by the Owners.

4. Notice of Meetings. The Association shall give to any first Mortgagee of a Lot requesting the same, notice of all meetings of the Association; and such first Mortgagee shall have the right to designate in writing a representative to attend all such meetings.

5. Right to Examine Association Records. Any first Mortgagee shall have the right to examine the books, records and audit financial statements of the Association.

6. Right to Pay Taxes and Charges. First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any portion of the Common Areas and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Areas; and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association. Declarant, for the Association as owner of the Common Areas, hereby covenants and the Association by acceptance of the conveyance of the common Areas, whether or not it shall be so expressed in such

conveyance, is deemed to covenant and agree to make such reimbursement.

7. Exemption from any First Right of Refusal. Any first Mortgagee and any purchaser therefrom who obtains title to the Lot pursuant to the remedies provided in the first Mortgage, or by foreclosure of the first Mortgage, or by deed or assignment in lieu of foreclosure, or by sale pursuant to any power of sale or otherwise shall be exempt from any "right of first refusal" which would otherwise affect the Lot.

8. Rights Upon Foreclosure of Mortgage. Each holder of a first Mortgage (or Deed of Trust) on a Lot and any purchaser from it who comes into possession of the Lot by virtue of foreclosure of the Mortgage, or by deed or assignment in lieu of foreclosure, or pursuant to a power of sale or otherwise will take the Lot free of, and shall not be liable for, any claims for unpaid assessments and charges against the Lot which accrue prior to the time such holder comes into possession of the Lot.

9. Restrictions Without Approval of Mortgagees. Except as to the Association's right to grant easements for utilities and similar or related purposes, the Development's Common Areas may not be alienated, released, transferred, hypothecated, or otherwise encumbered without the approval of 75% of first Mortgage liens on the Lots.

10. Mortgagees Rights Concerning Amendments. Except as concerns the right of Declarant to amend the Declaration and related documents as contained in Article XII of the Declaration, no material amendment to the Declaration, By-Laws of the Articles of Incorporation of the Association shall be accomplished or effective unless at least 75% of the Mortgagees (based on one vote for each Mortgagee) of the individual Lots have given their prior written approval to such amendment.

XI. ANNEXATION OF ADDITIONAL LAND

1. Annexation by Declarant. Declarant may expand the Property subject to this Declaration by the annexation of all Phase II Land. (See Exhibit "B" hereto for description of Phase II land.) The annexation of such land shall become effective and extend the plan of this Declaration to such property upon the recordation in the office of the County Recorder of Washington County, Utah, of a Supplementary Declaration or similar instrument which:

- (i) describes the land to be annexed or incorporated by reference within the description contained in Phase II portion of the Plat;
- (ii) declares that the annexed land is to be held, sold, conveyed, encumbered, leased, occupied and improved as part of the Property subject to the Declaration; and
- (iii) sets forth such additional limitations, restrictions, covenants, conditions complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property and as are not inconsistent with the plan of this Declaration.

When such annexation becomes effective, said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter all of the owners of Lots in said real property shall automatically be members of the Association.

Such annexation may be accomplished in one or more annexations or phases without limitation as to size or location within Phase II property.

2. Limitation on Annexation. Declarant's right to annex said land to the Property shall be subject to the following limitations, conditions and rights granted to the Declarant:

(a) The annexed land must be part of the land which is Phase II Land as of the date of this Declaration, as described at Exhibit "B" hereto. However, Declarant reserves the right to expand the borders of Phase II land to contiguous land within 1,000 feet of exterior borders, but with no obligation to do so and no claim as to right, title or interest to said land.

(b) Declarant's right to annex land to the Property shall expire seven (7) years after this Declaration is filed for record in the office of the County Recorder of Washington County, Utah.

(c) All Lots added shall be for residential purposes as provided for in this Declaration.

(d) Additional Living Units when constructed shall be consistent with the initial improvements in terms of quality of construction and compatible with existing structures on the Property (with respect to Living Units or common area improvements built by Declarant or their assigns), (or as approved by the Architectural Control Committee if not built by Declarant or its assigns.)

(e) The configuration of annexed land as to lot size, common areas and the nature, quantity or quality of improvements shall be in discretion of the Declarant or its assigns. Additional amenities may (in the discretion of Declarant) be added to future common areas of the Project. No assurances can therefore be given.

(f) Declarant reserves unto itself and its assigns the right to create limited common areas and facilities within any portion of the annexed land. No assurances can therefore be made with respect to such items.

3. Declarant's Right to Amend. Until all portions of the Phase II Land are included in the Development, or until the right to enlarge the Development through the addition of tracts or subdivisions terminates, whichever event first occurs, Declarant shall have, and is hereby vested with, the right to unilaterally amend the Declaration and/or the Plat as may be reasonably necessary or desirable:

(i) to adjust the boundaries of the Lots, including adding or deleting common areas

(by filing an appropriate amended Plat) to accommodate design changes or changes in type of units or adjustment to lot configuration;

(ii) to more accurately express the intent of any provisions of the Declaration in the light of then-existing circumstances or information;

(iii) to better insure, in light of the existing circumstances or information, workability of the arrangement which is contemplated by the Declaration;

(iv) to facilitate the practical, technical, administrative or functional integration of any additional tract or subdivision into the Development; or

(v) to conform to the underwriting guidelines of major secondary market investors in order to facilitate the availability of financing.

4. Expansion of Definitions. In the event the Property is expanded, the definitions used in this Declaration automatically shall be expanded to encompass and refer to the Property as so expanded e.g., "Property" shall mean the real property described in Article II of this Declaration plus any additional real property added by a Supplementary Declaration or by Supplementary Declarations, and reference to this Declaration shall mean this Declaration as so supplemented.

XII. MISCELLANEOUS

1. Notices. Any notice required or permitted to be given to any Owner under the provisions of this Declaration shall be deemed to have been properly furnished if delivered or mailed, postage prepaid, to the person named as the Owner, at the latest address for such person as reflected in the records of the Association at the time of delivery or mailing. Any notice required or permitted to be given to the Association may be given by delivering or mailing the same to the Managing Agent or the President of the Association. Any notice required or permitted to be given to the Architectural Control Committee may be given by delivering or mailing the same to the Chairman or any member of such Committee.

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

3. Amendment. Any amendment to this Declaration shall require:

(a) the affirmative vote of at least two-thirds (2/3) of all Class A membership votes which Members present in person or represented by proxy are entitled to cast at a meeting duly called for such purpose; and,

(b) so long as the Class B membership exists, the written consent of Declarant.

Written notice setting forth the purpose of the meeting and the substance of the amendment proposed shall be sent to all Members at least ten (10) but not more than thirty (30) days prior to the meeting date. The quorum required for any such meeting shall be as follows: At the first meeting called the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of the Class A membership shall constitute a quorum. If a quorum is not present at the first meeting or any subsequent meeting, another meeting may be called (subject to the notice requirement set forth in the foregoing portion of this Section 3) at which a quorum shall be one-half of the quorum which was required at the immediately preceding meeting. No such subsequent meeting shall be held more than forty-five (45) days following the immediately preceding meeting. Any amendment authorized pursuant to this Section shall be accomplished through the recordation of an instrument executed by the Association (and by the Declarant if the Class B membership then exists). In such instrument an officer or director of the Association shall certify that the vote required by this Section for amendment has occurred. Notwithstanding anything herein contained to the contrary, until eighty percent (80%) of the Lots in the Development have been sold to purchasers, Declarant shall have, and is hereby vested with, the right to unilaterally amend this Declaration as may be reasonably necessary or desirable;

(a) to more accurately express the intent of any provision of this Declaration in light of then existing circumstances, information or mortgage requirements, or

(b) to better insure, in light of then existing circumstances or information, workability of the Arrangement which is contemplated by this Declaration.

(c) to dissolve the Lava Falls at Entrada Homeowners Association and to cancel the effects of this Declaration, and cause the project to be added to the effects of the Second Amended and Restated Declaration of Entrada at Snow Canyon, recorded as Entry No. 687892, Book 1371, Pages 1039-1070, of Official Washington County Records. It is contemplated that this shall be accomplished upon obtaining the authority to do so from the Entrada Property Owners Association, Inc. Until this occurs, this Declaration shall be in full force and effect.

4. Consent in Lieu of Vote. In any case in which this Declaration requires for authorization or approval of a transaction the assent or affirmative vote of a stated percentage of the votes present or represented at a meeting, such requirement may be fully satisfied by obtaining, with or without a meeting, consents in writing to such transaction from Members entitled to cast at least the stated percentage of all membership votes outstanding in connection with the class of membership concerned. The following additional provisions shall govern any application of this Section 4:

(a) All necessary consents must be obtained prior to the expiration of ninety (90) days after the first consent is given by any Member.

(b) The total number of votes required for authorization or approval under this Section 4 shall be determined as of the date on which the last consent is signed.

(c) Except as provided in the following sentence, any change in ownership of a Lot which occurs after consent has been obtained from the Owners thereof shall not be considered or taken into account for any purpose. A change in ownership which would otherwise result in an increase in the total number of Class A votes outstanding shall, however, be effective in that regard and shall entitle the new Owner to give or withhold his consent.

(d) Unless the consent of all Members whose memberships are appurtenant to the same Lot are secured the consent of none of such Members shall be effective.

5. Reserve Fund. The Association shall establish an adequate reserve to cover the cost of reasonably predictable and necessary major repairs and replacements of the Common Areas and exterior maintenance and shall cause such reserve to be funded by regular monthly or other periodic assessments against the Lot Owners rather than by special assessments.

6. Lease Provisions. Any Owner may lease his Lot or Living Unit, provided, however, that any lease agreement between a Lot Owner and a Lessee must be in writing and must provide, inter alia, that:

(a) The terms of the Lease shall in all respects be subject to the provisions of the Declaration, Articles of Incorporation of the Association and the By-Laws; and

(b) Any failure by the Lessee to comply with the terms of such documents shall constitute a default under the lease.

(c) The lease of any Unit may be nightly.

7. Declarant's Covenant to Construct Common Areas. Declarant hereby covenants to construct all Common Areas and amenities thereto indicated on the Plat.

8. Declarant's Rights Assignable. All or any portion of the rights of Declarant under this Declaration or in any way relating to the Property may be assigned.

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

10. Covenants to Run With Land. This Declaration and all the provisions hereof shall constitute covenants to run with the land or equitable servitudes, as the case may be, and shall be binding upon and shall inure to the benefit of Declarant, all parties who hereafter acquire any interest in a Lot or in the Common Areas shall be subject to, the terms of this Declaration and the provisions

of any rules, regulations, agreements, instruments, and determinations contemplated by this Declaration and failure to comply with any of the foregoing shall be ground for an action by the Association or any aggrieved Owner for the recovery of damages, or for injunctive relief, or both. By acquiring any interest in a Lot or in the Common Areas, the party acquiring such interest consents to, and agrees to be bound by, each and every provision of this Declaration.

II. Effective Date. This Declaration and any amendment hereof shall take effect upon its being filed for record in the office of the County Recorder of Washington County, Utah.

EXECUTED the day and year first above written.

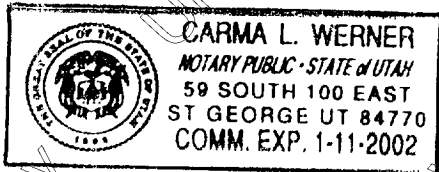
DECLARANT:

SUN REALTY CORPORATION

By: Henry Isaksen, Jr.
Henry Isaksen, Jr.
President

STATE OF UTAH)
) ss.
COUNTY OF WASHINGTON)

On the 27th day of September, 2001, personally appeared before me Henry Isaksen, Jr., who being by me duly sworn did say that he is the President of Sun Realty Corporation, that the Declaration was signed on behalf of said Corporation and said person acknowledged to me that said Corporation executed the same by authority of a resolution of the Board of Directors.



Carma L. Werner
Notary Public

EXHIBIT "A" - LEGAL DESCRIPTION

A Parcel of land which lies within the Southwest Quarter (SW ¼) of Section 10, Township 42 South, Range 16 West, Salt Lake Base and Meridian; said parcel being more particularly described as follows:

Beginning at a point on the South right of way line of Pioneer Parkway, said point being North 89°18'30" East, 1345.68 feet along the Center Section Line from the West Quarter Corner of said Section 10, Township 42 South, Range 16 West, Salt Lake Base and Meridian, to the 1/16 Corner, a found brass cap and South 00°24'12" East, 1369.54 feet along the 1/16 line said point of beginning being on a 467.00 foot radius curve to the left (radius point bears South 00°47'31" East) and running thence South 00°24'12" East, 395.70 feet to the Northeast Corner of LAVA COVE AT ENTRADA (AMENDMENT NO. 2) FORMERLY KNOWN AS LAVA COVE PHASE I AMENDED; thence South 89°40'48" West 455.00 feet; thence South 56°26'20" West, 129.99 feet to a point on a 1483.19 foot non-tangent curve to the left (radius point bears South 55°37'37" West); thence 3.31 feet along the arc of said curve through a central angle of 00°07'40" to a point of reverse curvature of a 360.00 foot radius curve to the right; thence 112.43 feet along the arc of said curve through a central angle of 17°53'35" to a point of compound curvature of a 20.00 foot radius curve to the right; thence 30.62 feet along the arc of said curve through a central angle of 87°43'38" to the South right of way line of Pioneer Parkway being a point of reverse curvature of a 533.00 foot radius curve to the left; thence 298.62 feet along the arc of said curve through a central angle of 32°06'03" to a point of reverse curvature of a 467.00 foot radius curve to the left; thence 409.08 feet along the arc of said curve through a central angle of 50°11'23" to the point of beginning.

* * *

EXHIBIT "B"
LEGAL DESCRIPTION

Phase II Expandable Property

All property within 2,000 feet of the borders of this project. (Note that Declarant makes no claim of right, title, or interest in said property unless owned by Declarant of record.)

GALLIAN, WESTFALL, WILCOX & WELKER
ATTORNEYS AND COUNSELORS AT LAW