

Sunset Cliffs Incorporated Annual Meeting

22 April 2017

Richard's cabin at Wilson Canyon

Conducting and Financial Report: Richard Wilson

The 13 children of Jesse and Lilith were represented with the exception of Hugh, Wayne and Helen. Robert was on the phone.

SCI current revenue is \$40,230 at the end of March 2017

Richard made the motion there be no assessment for 2017. Motion carried.

Big Hill: Report by Marv Wilson

In mid 2000 the idea was proposed to develop and subdivide Big Hill. Phase I included 14-20 lots. They were at least 10 years out. A recession ensued and property prices dropped. Nothing happened.

Decision was made to not continue investment. There was a 7-year agreement with the town of Hatch.

When the 7 years ended, the town ended the contract and refunded the money with the exception of some minor expenses. Dave Lazenby fronted most of the money and Marv Wilson also contributed. The refund will go to them.

The town of Hatch has an easement on Big Hill as well as the Irrigation Company.

Discussion as to what to do with Big Hill:

1. Put up entire property to sell.
2. Leave as is in the Big Hill Properties LLC
3. Disband Big Hill LLC and revert property to SCI.

Tax ramifications need to be understood and researched as to whether an S Corporation (Big Hill LLC as it currently is) or a C Corporation (SCIs as it currently is) would be the best way to go.

There was discussion on the 3 above points. Big Hill could be put back into SCI and available to sell anytime. All present, with the exception of Richard and Karl, voted to sell Big Hill. Virginia was uncertain. Eventually, Marv Wilson made the motion it be left as it currently is until the tax ramifications are better understood. Also, if a buyer can be found for the entire property, Big Hill LLC currently has property description, survey information an aerial description and other materials that could be helpful to an interested buyer. The motion carried.

The new LLC Trust: Report by David Lazenby

A condensed version of the LLC was created by Dave in as much 'English language' as he could make it.

That document is included at the end of these minutes. Dave went over each point of the principal terms. Clarification was given to several of the terms:

- The final entity owned by trust will be the newly created LLC. It will likely be an S corporation for taxation, but Dave will need to research that some more. It is a pass through corporation, meaning that it will produce K-1 tax forms and taxes will occur at the shareholder level. If a taxable event should occur, the managers can transfer money to shareholders to pay on their personal taxes. If shareholders already have a personal trust, or if they create one in the future, the LLC can be included into your personal trust as an addendum and should not affect other parts of the personal trust.
- Cabin owners will include their cabins in their own personal trusts. The property the cabin sits on belongs to the LLC.
- Under Sale of Property, a cabin site does not include saleable property unless a cabin is built on it. Those sites are mapped out on the PUD filed with Garfield County. Each of the 13 children will

have a cabin site into perpetuity. (In Virginia's case, upon her death, her cabin site remains with the LLC.)

- Under Classes of Equity, initially units will be essentially equal, but over time that could change depending on a class losing units for negligence or non payment of assessments etc., or their desire to sell units. (Those units are acquired under Right of First Refusal terms.)
- Under Indemnification it was clarified that in case of a lawsuit, the cabin owner who invited the unhappy suer is solely responsible for that lawsuit. The other cabin owners and the LLC are exempt.
- Under Right of First Refusal, this is a simple clarification of the protection layer in the event a third party outside the Wilson family should be given the opportunity to acquire property at Wilson Canyon.

If a person wants to sell his units (shares), the LLC has the first right to purchase, then any of the other Classes have the right to acquire the purchase. If both refuse their right, an outside party may purchase. However, that third party becomes a transferee, not a member. He can only become a member with a Super Majority Vote (75%) of the members. Therefore, as a transferee, he has no voting rights, no use rights, only economic rights. So he would be paying money for something he owns but cannot use. That is a big deterrent to wanting to purchase property at Wilson Canyon.

The motion was made that David be given permission to go forward with legalizing the document. The motion carried. As to date, David has paid and agreed to continue to pay the cost of the legalization. Whether he will receive remuneration at some future point, is currently undecided.

Service Project: Report by Ferrell Lazenby

Ferrell reminded us that families should give service of some kind to the canyon. A list of suggested service projects was given out in 2016. Families should go forth with their chosen projects and they should be finished by the sibling reunion in July of this year. Families may choose their service project, but it should be submitted to the board for approval.

Ferrell and Marba asked if there was interest in preserving some of the old farm equipment, by bringing it into a central place or places, painting or cleaning up the equipment and preserving it as well as making it look nice. There was some discussion but no decisions made.

Sibling Reunion 2017: Report by Kent Wilson

The Wilson siblings have been asked to provide family pictures and a family group sheet to Lloyd for the sibling reunion in 2017. To date, Kent and Karl have submitted pictures. A family picture consists of a family picture of each head of a family in each of the 13 sibling's families.

Elections: by Richard Wilson

Board terms for David Lazenby and Marvin Wilson have ended. Two new board members need to be elected. Richard, Karl and Mike (serving as interim board member until Hugh returns from his mission) will stay in their positions. Nominees included: Lucas Parker, Scott Davis, Marvin Wilson, Justin Poulson and Jared Wilson.

A silent (written) vote was taken by each of the 13 siblings represented. Newly elected board members are Lucas Parker and Scott Davis.

The meeting was adjourned.

WILSON CANYON, LLC — PRINCIPAL TERMS

PROPERTY Approximately 439 acres commonly known as Wilson Canyon and SCI's interest in Big Hill, LLC.

PURPOSE The LLC will be the primary vehicle used to manage the Property, enabling the Wilson Children and their descendants to use and enjoy the Property in perpetuity. The LLC's Operating Agreement will govern the management and ownership of the Property.

CLASSES OF EQUITY The LLC's equity will be comprised of 13 different classes of Units – one Class for each Wilson Child. Each Class will be comprised of 100 Units and initially will have equal voting rights and use rights.

FAMILY TRUSTS Each Wilson Child will contribute its Units to a family trust. Each Trust Agreement will govern that Wilson Child's ownership of its Units, including the process for appointing a Class Representative and paying Assessments. Each Wilson Child may amend its Trust Agreement so long as the Trust Agreement enables the trustee of each respective Trust to operate in accordance with the terms of the Operating Agreement of the LLC. Each Wilson Child's Class Representative will have authority to bind the Class on all matters related to the management and control of the LLC, including the voting of that Class's Units.

MANAGEMENT OF THE LLC The LLC will be managed by five managers appointed by the majority vote of the Class Representatives. The Managers' duties will include, among others, managing, operating, maintaining, and improving the Property, the payment of property taxes and insurance premiums, the establishment and enforcement of rules and regulations applicable to the use of the Property, the collection of Assessments, and scheduling use of the Property. Certain actions require a Super Majority (75%) Vote, including the sale, encumbrance, development, or subdivision of the Property.

ASSESSMENTS Each Class will pay an annual assessment if/when issued to provide for expenses of managing the Property. The Managers may also require special Assessments, provided, however, that all Special Assessments must be approved by a Super Majority Vote.

FORFEITURE OF UNITS Each Class will forfeit 10 Units for each annually Assessment it fails to pay. A Class may reacquire any forfeited Units by paying a sum equal to all previously unpaid Assessments plus five percent (5%) interest per annum.

RIGHT OF FIRST REFUSAL If a Class desires to transfer its Units to a third party, the LLC has the right to acquire the Units on the same terms as the Class proposes to transfer to a Transferee. If the LLC fails to exercise its Refusal Right, the remaining Classes have the right to acquire the Transferred Units, on a pro rata basis. If both the LLC and the remaining Classes fail to acquire the Transferred Units, the transferring Class may then transfer any remaining Transferred Units. In the case of such a transfer, the Transferee will not

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become a member of the LLC without 1) the consent of Members holding not less than 75% of the Units, 2) written agreement to abide by the terms of the LLC and 3) payment of unpaid back assessments and interest due. A Transferee that is not a member has no voting rights or use rights, only economic rights, i.e. in the event of a sale of the property.

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USE OF THE PROPERTY

Use of the Property will be limited to the Wilson Children and invitees and will be based upon a schedule or other means established by the Managers, or delegated to the Wilson Cabin Association (WCA, the HOA). In general, each Class will have equal rights to use the Property; provided, however, that if a Class forfeits any of its Units, that Class may have a lower priority. Each Class may continue to use the Property (subject to availability), even if such Class has forfeited all of its Units. The Managers will (a) restrict use of the Property to the Wilson Children on all holidays and (b) generally will give priority use of the Property to the Wilson Children over non-family groups such as scout groups and church groups at all times.

CABINS

Each Wilson Child is entitled to build one cabin. Cabin sites have been designated in the planned unit development (PUD). The Wilson Child that owns such cabin will be responsible for the payment of all real property taxes associated with such cabin. A decision to add cabin sites would require approval by a Super Majority of Units.

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RULES AND REGULATIONS

The Managers will adopt rules and regulations that govern use of the Property. Each user of the Property will be required to adhere to the Regulations, determined in the discretion of the Managers. Failure to adhere to the Regulations may subject users to restrictions on use of the Property and other penalties or Assessments as reasonably determined by the Managers.

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SALE OF THE PROPERTY

The Property may not be sold without the vote of 75% of the outstanding Units. In the event of a sale, the Managers will either 1) subdivide the Property so that each Wilson Child that has built a cabin may retain the cabin, or 2) will cause each Class to receive the fair market value of its cabin from the proceeds, or 3) a hybrid version of 1) & 2).

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All remaining proceeds from the sale of the Property will first be used to repay each Class for all Assessments paid by such Class, plus accrued interest at a rate of 5% per annum. Thereafter, any remaining funds shall be used to establish a family missionary fund to pay expenses of any descendant of Jesse S. and Lilith P. Wilson to serve a full-time mission for The Church of Jesus Christ of Latter-day Saints.

INDEMNIFICATION

In the event a claim is brought against the LLC or any of the Classes resulting from the willful actions or negligence of a Class or any member thereof, including claims from invitees or other third parties, that Class shall indemnify the LLC and other Classes for all such costs that result from such claim(s).

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