

DESERT ILLUSION, INC.
RULES AND REGULATIONS
REVISED AUGUST 18, 2003
REVISED JANUARY 1, 2007
REVISED JANUARY 1, 2008
REVISED JANUARY 1, 2013
REVISED JANUARY 25, 2020

ARTICLE A
-- IDENTIFICATION --

1. ORGANIZATION. Desert Illusion, Inc. is a not-for-profit corporation chartered in the State of Utah for the purpose of owning and maintaining a houseboat or houseboats at Lake Powell, Utah for the benefit and enjoyment of its stockholders.
2. OFFICES. Principal offices of the corporation shall be at 1231 Alice Lane., Farmington Utah 84025. The Board of Directors, in its discretion, may change the location of the principal offices and/or the mailing address as the business of the corporation may require.

ARTICLE B
-- OWNERSHIP --

1. OWNERSHIP. Ownership in the corporation shall be limited to 21 shares, each of which shall correspond to a specific numbered (20 through 40 inclusive) week on the calendar of the corporation. Week 20 shall **START** on the **THIRD** Sunday **before** Memorial Day (Observed). Each share may be owned by a natural person or a partnership; however, all members of such a partnership must be listed in the records of the corporation and on the face of the stock certificate to be considered owners or stockholders. Regardless of the ownership, each share in good standing shall have one vote in the affairs of the corporation requiring a vote of the owners or stockholders.
2. OWNERSHIP RIGHTS. The owner(s) of each share in good standing shall be entitled to the use of the houseboat during their week. Scheduling use of the houseboat among the partners owning any share shall be the responsibility of the partners.
3. HOLDING OFFICE. Any owner of a share or a part thereof in good standing shall be eligible to serve as an Officer/Director of the Corporation.

ARTICLE C
-- ASSESSMENTS --

1. ANNUAL MAINTENANCE ASSESSMENTS. Annual Maintenance Assessments shall mean assessments approved at the annual meeting of the owners, for administrative expenses and for yearly maintenance of the houseboat due to anticipated normal wear and tear. The Annual Maintenance Assessment will be due and payable within **thirty (30) days** after the invoice is mailed.
2. SPECIAL MAINTENANCE ASSESSMENTS. Special Maintenance Assessments shall mean assessments, approved at the annual meeting of the owners or at any special meeting of the owners or by a simple majority of the shares giving written consent, for specific improvements

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or modifications or for required maintenance that exceeds the expected yearly maintenance due to normal wear and tear. Special Assessments shall be due and payable within **thirty (30) days** after the invoice mailed.

3. SUPPLEMENTAL MAINTENANCE ASSESSMENTS. Supplemental Maintenance Assessments shall mean assessments levied by the Board of Directors for required maintenance which exceeds the expected yearly maintenance due to normal wear and tear and the urgency of which precludes submitting a Special Maintenance Assessment to the owners for approval. Supplemental Maintenance Assessments shall be due and payable within **thirty (30) days** after the invoice is mailed.
4. DAMAGE ASSESSMENTS. Damage Assessments shall mean assessments levied by the Board of Directors against the owner(s) of a specific share for loss or damage to the houseboat and/or any of the corporation owned property included therein or attached thereto. Corporation owned property included or attached to the houseboat includes, but is not limited to, the engines, props, generator, appliances, pumps and interior or exterior furnishings. Damage Assessments shall be due and payable **thirty (30) days** after billing notice is mailed.
5. PENALTY ASSESSMENTS. Penalty Assessments shall mean assessments levied by the Board of Directors against the owner(s) of a specific share for failing to surrender the boat to the next scheduled user at the time and in the condition specified herein, or for failing to comply with other provisions of these Rules and Regulations. Penalty Assessments shall be due and payable **thirty (30) days** after billing notice is mailed.
6. DELINQUENCIES. All owners of a share shall be jointly and severally responsible for all assessments due from that share and none of the owners of a share which is delinquent in payment of any assessment will be allowed use of the houseboat or be considered in good standing for purposes of voting or holding office as an Officer/Director of the corporation.
 - A. Interest on any and all delinquencies shall accrue with an annual percentage rate of twenty four percent (24%) compounded monthly beginning on the date the assessment was originally due. Additionally, compounded late fees of \$25.00 for the first month, \$50.00 for the second month and \$75.00 for each and every month thereafter shall accrue beginning on the date the assessment was originally due.
 - B. Upon ten (10) days written notice to the owner(s) of the delinquent share, the corporation may offer the week corresponding to the delinquent share to the other owners of the corporation and the first owner to pay the delinquent assessment and interest or an amount equal to the Annual Maintenance Assessment, whichever is smaller, shall be entitled to the use thereof. If another owner of the corporation does not pay the full amount of the delinquent assessment and interest, the delinquent owner(s) shall remain liable for the same.
 - C. If any assessment or interest due remains unpaid at the next annual meeting of the owners, the corporation may offer up the delinquent share and it's associated week for sale to all other owners. If a current owner does not purchase the share, the corporation may then offer the share for sale to the public. Any balance remaining unpaid after sale of the share and recovery of all assessments and interest due and any expenses incurred therein remains the responsibility of the delinquent owner(s).

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- D. In the event suit becomes necessary to collect the outstanding assessment and/or interest, the delinquent owner(s) shall be liable for all costs of said collection including reasonable attorney fees.

ARTICLE D
-- OPERATING RULES --

1. MISCELLANEOUS

- A. The 31 unassigned weeks (numbered 1 through 19 and 41 through 52 inclusive) on the calendar of the corporation shall be retained by the corporation and made available to the owners on a first come / first served basis upon payment of an additional fee as set annually by the Board of Directors. These fees must be received within three (3) business days of scheduling with the President of the corporation. If fees are not received within three (3) business days, scheduling is null and void.
- B. The maximum number of passengers allowed shall be in accordance with the Coast Guard Rules and Regulations, not to exceed the number of adequate floatation devises on board.
- C. No owner shall loan or rent the houseboat to a non-owner and an owner of record must be on board and in full control of the houseboat at all times to ensure the proper care of the houseboat and so that the authorities do not confiscate the boat on suspicion of it having been rented.
- D. Weekly units are scheduled to commence on Sunday at 12:00 noon. The houseboat is to be returned to **slip L-36**, or such other place as previously agreed to by the parties, with all maintenance completed and ready for the oncoming owner(s) no later than 12:00 noon the following Sunday. Failure to transfer use to the oncoming owner will result in a fine of **\$500.00** per hour late, payable to the oncoming owner.
- E. No owner shall be given access to the houseboat until they certify that they have read and understand 1) US Coast Guard Inland Navigation Rules and Regulations; 2) Utah Boating Laws and Rules; and 3) Lake Powell Navigation Aides.
- F. The off-going owner(s) shall surrender the houseboat to the on-coming owner(s) no later than the specified time or as previously agreed to by the parties, cleaned and ready for use including, but not limited to:
- All personal items, food and trash removed.
 - The houseboat completely cleaned, inside and out.

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- All required repairs and maintenance completed.
 - All missing items replaced.
 - All gasoline and water tanks filled.
 - The waste holding tanks emptied and the proper amount of ~~chemical~~ **product** added to each tank. Each tank has a 100-gallon capacity.
1. If item cannot be replaced or repaired at the marina and is not needed for the safe operation of the boat, the off-going owner shall repair and/or replace the item and mail to the next owner prior to the next commencing week. Overnight shipping may be necessary.
 2. Failure to have all personal items, food and trash removed and houseboat cleaned requiring the oncoming owner(s) to do such cleaning or removal shall result in a fine of \$500.00, payable to the oncoming owner.
 3. Failure to have fresh water filled or holding tanks emptied and the proper amount of chemical added resulting in the oncoming owner(s) to do such, shall result in a fine of \$250.00, payable to the oncoming owner.
 4. Failure to have all 3 gasoline tanks properly filled to the FULL lines on one of the gas measuring sticks shall result in the off going owner(s) paying the oncoming owner(s) a fee of the current price of gasoline per gallon at the rate of 5 gallons per inch.
- G. The on-coming owner(s) shall complete a check-on form. Both owners shall walk thru the boat noting any and all damage and needed repairs. Upon completion of the walk thru, both owners shall sign the check-on form. Each owner(s) shall retain one copy, one copy shall be kept on the boat in the proper binder, and one copy shall be sent to the Chairman of the Board of Directors as soon as possible. Failure to properly complete the check-on form shall make the off-going owner(s) responsible for all damage or missing items discovered and reported by the on-coming owner(s).
- H. It is the responsibility of the on-coming owner(s) to inspect and verify the condition of the boat at check-on. Any damage not initially found at check-in shall be the responsibility of the on-coming owner(s). If damage is found when the on-coming owner(s) checks-in and the off-going owner(s) are no longer available, the on-coming owner(s) MUST call the President or a member of the Board to inform the corporation of the problem. Failure to do so will result in the oncoming owner(s) accepting responsibility for the problem(s). The corporation will bill back any offending owner(s) for damage to the boat for which the corporation has to pay. The offending owner(s) will have thirty (30) days to reimburse the corporation fully. Failure to reimburse the corporation will result in the owner's account becoming delinquent and the owner subject to the rules of delinquencies mentioned in article C-6.
- I. All owners shall give full cooperation to the Arizona, Utah and U.S. National Park Service authorities at all times.
- J. Any dispute that may arise among the owners that cannot be resolved by the President or Board of Directors will be settled by a simple majority vote of the owners.

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- K. There shall be NO PETS ALLOWED AT ANY TIME, **except for dog(s) as outlined below in Section L.** Smoking in the cabin, near fuel tanks or on the rear deck is strictly prohibited. Violators may be subject to a fine by the Board of Directors.
- L. DOG(S) ONLY shall be allowed on board but shall NOT be allowed in the cabin of the boat. Dog(s) shall be restricted to the forward deck and upper deck areas only. Members who bring a dog(s) on-board are highly encouraged to bring a travel kennel. Members who desire to bring a dog(s) on-board shall pay a fee of \$50.00 per dog per week, to the general fund. A maximum of 2 dogs per share week will be allowed. Each member who desires to take a dog(s) on-board shall notify the President, Vice President or Board Member, in writing, of their intent to take a dog(s) on-board, with fee included, at least 2 weeks (14 days) prior to their scheduled trip. Required information shall be: number of dog(s), breed and approximate weight. Owners shall make an entry on the Check On sheet indicating the number of dog(s) which is on-board. Failure to report a dog(s) is considered a rule violation and is subject to a fine of \$500.00 per dog as well as additional penalties as specified in the Rules and Regulations. AT NO TIME shall a dog(s) be allowed in any part of the cabin area. The Board of Directors reserves the right to write specific rules and regulations concerning allowing dog(s) on-board.
- M. The MARINE RADIO will be on the boat, and functional at all times, and that this radio will be properly monitored.
- N. All owners shall inform all members of their group and/or guests of these rules and regulations and said groups and/or guests must adhere to such.
- O. Per the Annual Meeting of January 25, 2020, it was voted and approved upon that no PWC, Jet ski or any other motorized or heavy item be lifted upon and/or placed upon the upper deck via the Davit.

2. MAINTENANCE

- A. If any maintenance is required one copy of the maintenance form shall be mailed to the President and one copy shall remain on the boat in the proper binder.
- B. It is the responsibility of each owner(s) to ensure that ALL maintenance and replacement of ALL damaged or missing items are completed as soon as possible and not pass those problems on to the next owner(s).
- C. Off-going owner(s) shall notify the President or a member of the Board immediately by telephone of any essential maintenance (which would impede normal use of the houseboat) required. The Corporation may levy a Penalty Assessment of **\$500.00** per day against any owner(s) who fails to comply, unless such failure to comply is the result of a normal mechanical malfunction, which COULD NOT be repaired during the off-going owner's week. Such assessment will be paid to the on-coming owner(s).
- D. The cost of the required weekly maintenance check and all normal wear and tear items will be paid from the corporation maintenance fund. The individual owner(s) shall pay the cost of replacing any and all missing or broken items as well as providing all cleaning

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supplies, toilet paper (biodegradable), all soaps, garbage bags and toilet chemicals, unless supplied by the corporation.

- E. Any and all costs that the Board of Directors determines resulted from the negligence of an owner(s) or his/her guest shall be the responsibility of the owner(s) of the week in which the negligence occurred.
- F. If a repair, through no fault of the owner(s), is needed and payment is required in advance, the repair must first be approved by the President or a member of the Board prior to commencement of the repair. If approved, the owner(s) shall submit the repair invoice stating such approved repair in detail to the corporation and the corporation shall reimburse the owner(s) from the maintenance fund within **thirty (30) days** of invoice being mailed.
- G. **The Corporation may levy a Damage Assessment of \$300.00 per damaged rope or damaged prop. This damage assessment does not include the replacement of the anchor rope or repair or replacement of the damaged prop, these costs are the responsibility of the owner(s) of the week in which the damage occurred.**

3. INSURANCE

- A. The corporation shall purchase and maintain damage and liability insurance on the houseboat and shall publish the conditions of coverage imposed by the insurance company for such insurance coverage.
- B. Any owner who does not comply with the conditions of coverage shall forfeit use of the houseboat and, further, accept the full responsibility for any and all losses as a result of such non-compliance.
- C. Each owner shall provide the President or Secretary of the corporation their date of birth for inclusion in the report of required information to the insurance company.
- D. The insurance premium is a function of both the number of owners and the number of years of experience. The owners of all weeks owned by more than two (2) people (for this purpose, a married couple is considered to be one person by the insurance company) shall pay any premium surcharge imposed by the insurance company. Any owner not meeting the minimum experience requirements shall pay any premium surcharge imposed by the insurance company.
- E. Insurance coverage requires that the houseboat be secured on the beach, buoy or dock between sunset and sunrise.
- F. Any owner(s) that incurs damage serious enough to cause a claim be made to the insurance company will responsible for paying the deductible to the insurance company. Exceptions shall be made if it is determined by the President or the Board that the owner(s) in question was not at fault. Note: The owner(s) in question is considered at fault if the damage occurred as a result of negligence or carelessness of any person(s) who is on the houseboat at the permission of the owner(s) or at the permission of the owner's permitted guests.

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4. PENALTIES.

- A. Failure on the part of any owner(s) to comply with these operating rules will result in a Penalty Assessment as determined by the Board of Directors against such owner(s). The corporation reserves the right to sell the owner(s)' share for noncompliance. All assessments and other debts which are related to ownership shall be deducted from the sale of the share and the owner will furthermore forfeit all right and moneys in the corporation maintenance fund.

ARTICLE E
-- INDEMNIFICATION OF OFFICERS AND DIRECTORS --

1. The corporation shall indemnify every Officer/Director, his or her heirs, executors, administrators and representatives against loss, costs and expenses, including reasonable attorneys fees incurred in connection with any action, suit or proceeding to which he or she may be made a party by reason of his or her being or having been an Officer/Director of the corporation, except as to matters as to which he or she shall be finally adjudged in such action, suit or proceeding to be guilty of gross negligence or willful misconduct.

ARTICLE F
-- MISCELLANEOUS --

1. FISCAL YEAR. The fiscal year of the corporation shall be the calendar year.
2. BUDGET. At the beginning of each fiscal year, the Board of Directors shall prepare or cause to be prepared a budget for the operation of the corporation during the forthcoming year and shall cause a report of same to be made at the annual meeting of the owners of the corporation.
3. FISCAL REPORTING. At the close of each fiscal year, the Board of Directors shall prepare or cause to be prepared a statement of the income and disbursements of the corporation and shall cause a report of same to be made at the annual meeting of the owners of the corporation.
4. INSPECTION OF BOOKS. All financial and membership records of the corporation shall be available at the principal offices of the corporation for inspection at reasonable times and upon reasonable notice by any owner(s) in good standing. Any owner(s) of a share or part thereof so requesting in writing shall be furnished a statement of the account of his share setting forth the amount of any unpaid dues or other charges due and owing from said share.

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5. NOTICES, PROXIES, WAIVERS AND PETITIONS.
 - A. All notices, proxies, consents, waivers, petitions and other such notifications required herein to be delivered in writing to the corporation shall be deemed to have been so delivered provided they are received, postage prepaid, at the mailing address of the corporation; or, delivered by hand to the President or Secretary of the corporation; or, received electronically at the published electronic mail address of the corporation.
 - B. All notices or other such notifications required herein to be delivered in writing to the owners shall be deemed to have been so delivered provided they are mailed, postage prepaid, to the address of record of owner; or, delivered by hand to the owner; or, sent electronically to the electronic mail address of record of the owner.
6. SALE OF SHARES. The corporation shall have the first right of refusal for the purchase of any share offered for sale. If the corporation declines to purchase the share, the other owners shall have the first right of refusal before the share is offered to the public. A total of fifteen (15) days written notification to the President of the corporation shall be required to fulfill this requirement.
7. AGREEMENT BY OWNERS. Each owner must agree to abide by these Rules and Regulations and sign a copy of the Bylaws of the Corporation.
8. MAJOR MAINTENANCE. Maintenance may be scheduled and the houseboat removed from service at any time deemed necessary by the Board of Directors. If such maintenance occurs during weeks 20 through 40 inclusive on the calendar of the corporation, the Board of Directors shall refund the Annual Maintenance Assessment to any owner(s) suffering the loss of the majority of their week. The refund will only be made if possession of the boat is taken after 12:00 noon on the Wednesday following their scheduled Sunday. Any owner(s) suffering a loss the majority of their week, due to major maintenance, shall have first right to any open, unused and available week. The Annual Maintenance Assessment shall be applied to the available week with no refund being made. No such refund shall apply to owners taking possession of the boat prior to 12:00 noon on the Wednesday following their scheduled Sunday, nor shall such refund apply to any other Assessment levied by the owners or by the Board of Directors.

ARTICLE G
-- DISSOLUTION --

1. Upon dissolution of the Desert Illusion, Inc., and after paying or adequately providing for the debts and obligations of the corporation, the remaining assets shall be distributed as equally among the shares as possible and practical. The dissolution of the corporation and the manner of distribution of the remaining assets shall be determined by the majority vote of the board of Directors, even if the remaining Directors consist of less than a quorum.

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IN WITNESS THEREOF, the undersigned Board of Directors of the Desert Illusion, Inc. do hereby certify that the above Rules and Regulations were duly adopted by said corporation on this _____ day of _____, 20_____.

President/Treasurer

Vice President

Secretary

Chairman of the Board of Directors