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RECORDER, SALT LAKE COUNTY, UTAH
34TH STREET LLC
9071 S 1300 W #201
WEST JORDAN UT 84088
BY: SLH, DEPUTY - WI 31 P.

DECLARATION OF CONDOMINIUM OF OAK PARK CONDOMINIUMS

This Declaration of Condominium of Oak Park Condominiums is executed on this 20th day of April, 2000, on behalf of Chytraus Building and Development Corporation, a Utah corporation (hereinafter the "Declarant"), pursuant to the provisions of the Utah Condominium Ownership Act, Section 57-8-1, et seq., Utah Code Annotated, 1953, as amended.

RECITALS

WHEREAS, capitalized terms in this Declaration are defined in Article I; and

WHEREAS, the Declarant holds title to the tract of real property, located in Salt Lake County, Utah, and more particularly described in Article II of this Declaration. It is intended that when development is completed, the various Units described in this Declaration, and an undivided percentage interest in and to the common areas and facilities appurtenant to such units, subject to the covenants, conditions, limitations restrictions and easements set forth herein, will be conveyed to Owners in fee simple; and

WHEREAS, by this Declaration, Declarant intends to establish a common scheme and plan for the possession, use, enjoyment, repair, maintenance, restoration and improvement of the Property and the interests therein conveyed and to establish thereon a condominium development in accordance with the terms hereof; and

WHEREAS, Declarant intends and desires to cause this Declaration to comply with the objectives of the Department of Housing and Urban Development ("HUD") of the United States in respect to qualification for Home Mortgage Insurance for Condominiums; and

WHEREAS, Declarant desires, by filing this Declaration and Plat Map, to submit said tract and all improvements constructed thereon to the provisions of the Condominium Ownership Act, as a condominium project to be known as Oak Park Condominiums.

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

ARTICLE I. DEFINITIONS

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

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

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2. **"Association"** shall mean and refer to Oak Park Homeowners Association, Inc., a Utah nonprofit corporation.

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

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

5. **"Common Areas"** shall mean, refer to, and include:

(a) the real property and interests in real property which this Declaration submits to the provisions of the Act, including the entirety of the tract and all landscaping, sidewalks, walkways, parking areas, private drives or roadways located thereon, and exterior building surfaces, including roofs (but excluding all condominium units as herein defined);

(b) those common areas and facilities and limited common areas and facilities specifically set forth and designated as such on the map;

(c) all other parts of the project normally in common use or necessary or convenient to its use, existence, maintenance, safety or management, including any central services such as power, water, gas and light; and

(d) all common areas and facilities and all limited common areas and facilities as defined in the Act, whether or not expressly listed herein or on the map.

6. **"Common Expense Fund"** shall mean and refer to the fund created or to be created pursuant to the provisions of Article V of this Declaration and into which all monies of the Association shall be deposited. Two separate and distinct funds shall be created and maintained hereunder, one for operating expenses and one for capital expenses which together shall constitute the Common Expense Fund.

7. **"Common Expenses"** shall mean and refer to those costs and expenses arising out of or connected with the operation and administration of the Project, including all items and sums lawfully assessed, such as but not necessarily limited to expenses for maintenance, repair and/or replacement of improvements to the Project, and for the Reserve Fund and Working Capital Funds as described in Article V hereof which may be incurred in accordance with the provisions of the Condominium Act, this Declaration and the Bylaws.

8. **"Condominium"** shall mean and refer to the ownership of a single unit in a multi-unit project together with an undivided interest in common in the common areas and facilities of the property.

9. **"Condominium Act"** shall mean the Utah Condominium Ownership Act, Utah Code Ann. § 57-8-1 through 36 and all amendments thereto.

10. **"Condominium Building"** shall mean and refer to a structure containing Units constituting a portion of the project.

11. **"Condominium Building Exteriors"** shall mean and refer to those portions of the Condominium Buildings which are open to the elements such as roofs, exterior walls, exterior doors, footings, foundations, basement walls and window wells.

12. **"Declaration"** shall mean and refer to this Declaration of Condominium of Oak Park Condominiums, as the same may hereafter be modified, amended and supplemented.

13. **"Declarant"** shall mean and refer to Chytraus Building and Development Corporation and/or any successor thereof which, either by operation of law or through a voluntary conveyance, transfer, or assignment, expressly comes to stand in the same relation to the Property as did its predecessor. Accordingly, by way of example but not limitation, unless such result is expressly provided, an acquiror of pad sites for construction or development and resale of Units thereon shall not be a successor Declarant.

14. **"Eligible Mortgagee"** shall mean and refer to a First Mortgagee, which has requested notice of certain matters from the Association in accordance with Section 1 of Article XI of this Declaration.

15. **"FNMA"** shall mean and refer to the Federal National Mortgage Association.
16. **"First Mortgage"** shall mean any Mortgage, which is not subject to any lien or encumbrance except liens for taxes or other liens, which are given priority by statute.
17. **"First Mortgagee"** means any person named as a Mortgagee under a First Mortgage, or any successor to the interest of any such person under a First Mortgage, which First Mortgage is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.
18. **"Limited Common Areas"** shall mean any Common Areas designated as reserved for use by the Owner of a certain Unit or Units to the exclusion of the other Owners in the Project. Any parking areas that are identified on the Plat as Limited Common Areas are permanently assigned to specific Units, as an appurtenance to such Units, for the exclusive use of such Units. The Plat designates the Unit or Units to which each of the Limited Common Areas is reserved and appurtenant, if any.
19. **"Manager"** shall mean and refer to the person, firm, or company, if any, designated from time to time by the Association to manage, in whole or in part, the affairs of the Association and Project.
20. **"Master Plan"** shall mean the plan for development of the entire Project, and of each of the phases thereof, according to the various Plats, plans and all related documents which are on file relating to the official records of and for the Project.
21. **"Member"** shall mean and refer to an Owner as a member of the Association.
22. **"Mortgage"** shall mean any mortgage, deed of trust, or other document pledging any portion of a Unit or interest therein as security for the payment of a debt or obligation.
23. **"Mortgagee"** shall mean a beneficiary of a Mortgage as well as named Mortgagee.
24. **"Option to Expand"** is defined in Article XII.
25. **"Owner"** shall mean the person or persons, including the Declarant, owning in fee simple a Unit in the Project and an undivided interest in the common areas and facilities in the percentage specified and established in the Declaration, as such ownership is shown by the records of the County Recorder of Salt Lake County, State of Utah. The term "Owner" shall not refer to any Mortgagee (unless such Mortgagee has obtained title in fee simple to a Unit pursuant to a judicial or non judicial action, including, without limitation, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure) or to any person or persons purchasing a Unit under contract (until such contract is fully performed and legal title conveyed of record).
26. **"Person"** shall mean and refer to a natural person, a corporation, a partnership, a trustee, or any other legal entity.
27. **"Plat"** shall mean and refer to the condominium map for Oak Park Condominiums, recorded in the office of the County Recorder of Salt Lake County, Utah, and all amendments thereto.
28. **"Project"** shall mean and refer to the Property and the plan of development and ownership of the Property created and governed by this Declaration, the Articles and Bylaws.
29. **"Property"** shall mean and refer to the entire tract of real property now or hereafter covered by the Plat. A description of the real property covered by the Plat on the effective date of this Declaration is set forth in Article II of this Declaration.
30. **"Unit"** shall mean and refer to any of the separately numbered and individually described units now or hereafter shown on the Plat. Except where the context specifically otherwise requires, reference to a Unit shall include reference to the Condominium thereon.
31. **"VA"** shall refer to the Department of Veterans Affairs.

ARTICLE II. BASIC PROVISIONS

2.1 **Property Description.** The property initially associated with the Project which is owned by the Declarant and which shall be held, transferred, sold, conveyed, and occupied subject to the provisions of this Declaration consists of the first phase for development of and upon the following described real property situated in Salt Lake County, State of Utah:

The first phase:

Beginning at a point on the east line of Block 7, Ten Acre Plat "A", said point being North 0°03'15" West 486.57 feet along the east line of said Block 7 from the Southeast Corner of Lot 12, Block 7, Ten Acre Plat "A", Big Field Survey, said point of beginning also being South 0°03'15" East 1267.09 feet along the center line of 500 East Street and South 89°56'45" West 33.00 feet from a Salt Lake County Survey Monument in the intersection of 500 East Street and 3900 South Street, and running;

thence South 0°03'15" East 165.86 feet along the east line of said Block 7;
thence South 89°59'34" West 191.00 feet;
thence South 0°03'15" East 65.00 feet;
thence South 89°59'34" West 56.68 feet;
thence North 130.13 feet;
thence West 111.55 feet;
thence North 100.72 feet;
thence North 89°59'34" East 359.00 feet to the point of beginning.

Contains 1.29 acres, 9 units.

2.2 **Submission.** The Declarant hereby submits the Property (currently made up of the Phase I property described in 2.1) to the provisions of the Condominium Act. The Property is and shall be subject to the covenants, conditions, restrictions, uses, limitations and obligations set forth herein. Each and all of the provisions hereof shall be deemed to run with the land and shall be a burden and a benefit to the Declarant, its successors and assigns, and any person acquiring or owning an interest in the Property and improvements comprising the Project, their heirs, executors, successors, assigns, administrators, devisees and representatives.

2.3 **Description of Units.** The final Plat for each of the phases, as approved and recorded, and the associated Master Plan; the associated Plans and Profiles for Phase I, and the Plans and Profiles for each of the other phases, which shall be similar in substance, as they are filed and approved; and the associated Park Plans, including but not limited to the plans for the open spaces, sidewalks, roadways, etc., as they are each recorded with the Salt Lake County Recorder are hereby incorporated into this Declaration by this reference. Among other things, the Master Plan and the documents known as Plans and Profiles for each of the phases shall describe the building types, architectural style and size and plans for the various Units, which shall include one single-family detached Units and Condominium Buildings in which two, three or four attached Units shall be situated, as described therein. Unit D-1 is an existing detached single-family residential structure, the style and size and plan for which is approved hereby. The Property shall accordingly be subdivided into Units and Common Areas subject and according to the said Master Plan and Plats. Consistent and in accordance with the foregoing and with the Plats, the Master Plan and the associated plans, Condominium Buildings shall be constructed together with the other improvements upon the Property in fulfillment of the Project. Each Unit shall be capable of being independently owned, encumbered and conveyed. The actual Units shall be those which are described on the Plats which are made subject to the provisions of this Declaration and associated with the Project by initial Declaration or any supplementation to this Declaration ~~and on the attached Exhibit "A"~~.

2.4 Additional Phases. It is specifically acknowledged that a second phase and third phase for development of the Project have been preapproved for addition to the Project. The second and third phases for development, tentatively called Oak Park Condominiums, Phases Two and Three are tentatively described as follows according to the Master Plan:

The second phase:

Beginning on interior corner of Oak Park Condominiums Phase I, said point being North 0°03'15" West 386.04 feet along the east line of Block 7 and South 89°56'45" West 247.55 feet from the Southeast Corner of Lot 12, Block 7, Ten Acre Plat "A", Big Field Survey, said point of beginning also being South 0°03'15" East 1367.62 feet along the center line of 500 East Street and South 89°56'45" West 280.55 feet from a Salt Lake County Survey Monument in the intersection of 500 East Street and 3900 South Street, and running;

thence South 130.13 feet along the west line to the southwest corner of Oak Park Condominiums Phase I;

thence South 89°59'34" West 161.72 feet;

thence North 130.15 feet;

thence East 161.72 feet to and along the south line of Oak Park Condominiums Phase I to the point of beginning.

Contains 0.48 acres, 8 units.

The third phase:

Beginning at the Northwest Corner of Oak Park Condominiums Phase I, said point being North 0°03'15" West 486.57 feet along the east line of said Block 7 and South 89°56'45" West 359.00 feet from the Southeast Corner of Lot 12, Block 7, Ten Acre Plat "A", Big Field Survey, said point of beginning also being South 0°03'15" East 1267.09 feet along the center line of 500 East Street and South 89°56'45" West 392.00 feet from a Salt Lake County Survey Monument in the intersection of 500 East Street and 3900 South Street, and running;

thence South 100.72 feet along the west line to the southwest corner of Oak Park Condominiums Phase I, said point also being on the north line of Oak Park Condominiums Phase 2;

thence West 50.18 feet along said north line to the Northwest Corner of said Oak Park Condominiums Phase 2;

thence South 130.15 feet along the west line to the Southwest Corner of said Oak Park Condominiums Phase 2;

thence South 89°59'34" West 164.66 feet;

thence North 0°02'21" West 230.86 feet;

thence North 89°59'34" East 215.00 feet to the point of beginning.

Contains 0.98 acres, 15 units.

The said additional phases shall be described on additional plats for Oak Park Condominiums and may be added by supplementation of and/or amendment to this Declaration and the Plat.

ARTICLE III. THE ASSOCIATION

3.1 **Membership.** Every Owner shall be a Member of the Association. Membership shall be mandatory, appurtenant to, and shall not be separated from the Unit to which it pertains. Membership will begin immediately and automatically upon becoming an Owner and shall terminate immediately and automatically upon ceasing to be an Owner of a Unit. (Notwithstanding the foregoing, a developer of a Unit which has not been completed and approved for occupancy shall not be a Member in respect to such Unit until it is approved for occupancy.) If title to a unit is held by more than one person, the membership appurtenant to that Unit shall be shared by all such persons in the same proportionate interest and by the same type of tenancy in which title to the Unit is held. An Owner shall be entitled to one membership for each Unit owned by him. Each membership shall be transferred automatically by conveyance of that Unit. Membership in the Association may not be transferred except in connection with the transfer of a Unit. The Association shall make available to the Owners, Mortgagees and the holders, insurers and guarantors of the First Mortgage on any Unit current copies of the Declaration, Articles, Bylaws and other rules governing the Project and other books, records and financial statements of the Association. The Association shall make available to prospective purchasers current copies of the Declaration, Bylaws, and other rules governing the Project and the most recent audited financial statement, if one has been prepared. Furthermore, upon written request of any of the federal agencies or corporations (HUD, VA or FNMA) which has an interest or prospective interest in the Project, the Association shall be required to prepare and furnish within a reasonable time an audited financial statement of the Association for the immediately preceding fiscal year. The term "available" as used in this Section 1 shall mean available for inspection, upon prior request, during normal business hours or under other reasonable circumstances.

3.2 **Board of Trustees.** Until such time as the responsibility for electing the Board of Trustees of the Association terminates, the Declarant shall have the exclusive right to appoint and remove all such Trustees. This exclusive right of the Declarant to appoint the Trustees shall terminate at the end of the Control Period. Notwithstanding the foregoing, it shall be incumbent upon the Declarant to appoint an Owner of a Unit to the Board of Trustees no later than ninety (90) days after fifty (50%) percent of the Units are lawfully occupied for residential purposes. The "Control Period" shall begin upon incorporation and continue until it is terminated by the Declarant as provided in the Bylaws, but no later than the earlier of (a) one hundred twenty (120) days after seventy-five (75%) percent of the Units have been conveyed pursuant to purchase agreements; or (b) the date which is three (3) years after the date upon which the first Unit is conveyed to a purchaser; provided, however, that a conveyance or series of conveyances by Declarant to a developer, or as a part of a reorganization, shall not trigger the end of the Control Period.

3.3 **Votes.** Each Member shall be entitled to one (1) equal vote for his, her or its Unit, provided that the Unit has been awarded a certificate of occupancy. The number of votes appurtenant to each Unit shall be permanent, and shall not change in the event an Owner modifies a Condominium to increase or decrease the size of his Unit relative to other Units. However, if two or more Units are combined into a single Condominium, the Owner of such Condominium shall be entitled to the number of votes, and shall be assessed, according to the number of Units contained in such Condominium. In the event that there is more than one Owner of a particular Unit, the votes relating to such Unit shall be

exercised as such Owners may determine among themselves. No Unit shall have more than one vote, regardless of the number of persons having an ownership interest in the Unit. The votes cast at any Association meeting by any of such Owners, whether in person or by proxy, shall be conclusively presumed to be the votes attributable to the Unit concerned unless an objection is immediately made by another Owner of the same Unit. In the event such an objection is made, the votes involved shall not be counted for any purpose whatsoever other than to determine whether a quorum exists. The Declarant shall have full voting rights with respect to each Unit which it owns.

3.4 Professional Management. The Board may carry out through the Manager those of its functions, which are properly the subject of delegation. The Manager so engaged shall be an independent contractor and not an agent or employee of the Association, shall be responsible for managing the Project for the benefit of the Association and the Owners, and shall, to the extent permitted by law and by the terms of the agreement with the Association, be authorized to perform any of the functions or acts required or permitted to be performed by the Association itself. Any such management contract shall provide that it may be terminated by the Association for cause upon thirty (30) days notice. Any such management contract shall run for a reasonable period from one to three (1-3) years and be renewable for consent of the Association and the management.

3.5 Amplification. The provisions of the Section may be amplified by the Articles and the Bylaws; provided, however, that no such amplification shall substantially alter or amend any of the rights or obligations of the Owners set forth in this Declaration.

ARTICLE IV. PROPERTY RIGHTS IN COMMON AREAS AND UNITS

4.1 Undivided Ownership Interest in Common Areas; Easement of Enjoyment. Each Member shall have an equal undivided ownership interest in the Common Areas. Accordingly, such interest shall be stated in the form of a fraction, where the numerator is one (1) and the denominator is the same as the total number of Units. In accordance with the total number of Units indicated on the initial submitted plat, Phase One, the ownership interest shall be one-ninth (1/9) for each Unit's Owner. Each Member shall have an equal right and easement of use and enjoyment in and to the Common Areas, except as limited herein. Each Owner (including Owners of Units constructed on the Additional Land) shall have an unrestricted right of ingress or egress to and from its Unit over and across such Common Areas, and the non-exclusive right to the use of all parking stalls within the Common Areas. Notwithstanding the foregoing, the interest of the Association in Serenity Oak Lane, a private drive to the north of the Project, is Common Area designated primarily for ingress and egress to the detached garage of Unit D-1 (which garage is identified on the plans as "D-2") and for purposes of emergency and appropriate construction and/or maintenance access to the Property, and not for general ingress and egress or parking by Owners (other than the Owner of Unit D-1). Each Owner shall also have the exclusive right to use the Limited Common Area parking stalls which are designated for the Owner's Unit on the Plat. Each Owner shall also have the exclusive right to use and enjoy any other Limited Common Areas that may be designated for exclusive use by such Owner. Such rights and easements shall be appurtenant to and shall pass with title to each Unit and in no event shall be separated therefrom. Any Member may delegate and shall be presumed to have delegated, unless the Manager is notified to the contrary, the right and easement of use and enjoyment described herein to any family members, household guest, tenant, lessee, contract purchaser, or other person who resides in such Member's Unit.

4.2 Easements for Encroachments. In the event the construction, reconstruction, repair, shifting, settlement or any other movement of any portion of the improvements causes any part of a Condominium built in substantial accord with the boundaries for such Condominium as depicted on the

Plat to encroach upon the Common Areas, or upon an adjoining Unit, or if any part of the Common Areas encroaches or shall encroach upon a Unit or Condominium for any such reasons, an easement for such encroachment and for the maintenance of the same shall and does exist. There is also hereby created an easement for any encroachment by any roof overhang upon an adjoining Unit or any part of the Common Areas.

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

A. The right of the Association, after providing reasonable notice and an opportunity for a hearing given to a Member, to suspend a Member's voting right in the Association and a Member's right to the use of any recreational facilities included in the Common Areas (i) for any period during which an assessment on such Member's Unit remains unpaid; (ii) for a period not exceeding sixty (60) days for any infraction by such Member of the provisions of this Declaration or of any rule or regulation promulgated by the Association; and (iii) for successive 60-day periods if any such infraction is not corrected during any prior 60-day suspension period;

B. The right of the Association, for the protection of the interests of all Members and for the preservation of the facilities, 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 any governmental or quasi-governmental body having jurisdiction over the Property to access and rights of ingress and egress over and across any street, parking area, walkway, or open area contained within the property for purposes of providing police and fire protection, transporting school children; and providing other governmental or municipal service.

4.4 Party Walls. Each physical boundary (wall, floor/ceiling, etc.) between Units is a party wall. The rights and duties of the Unit Owners shall be governed by the law regarding party walls.

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

"Unit _____ of Condominium Building No. _____ of the Oak Park Condominiums, together with all improvements located thereon, as said Unit is identified in the Plat of said development recorded in the office of the Salt Lake County Recorder and in the Declaration of Condominium of Oak Park Condominiums, also recorded in the Office of Salt Lake County Recorder, State of Utah, as Entry No. _____, TOGETHER WITH an undivided ownership in and to the Common Areas and Facilities as more particularly described in said Declaration of Condominium (as said Declaration may have heretofore been amended or supplemented)."

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 Unit.

ARTICLE V. ASSESSMENTS

5.1 **Agreement to Pay Assessments.** By acceptance of a deed or contract of conveyance and transfer of a Unit, an Owner covenants and agrees with all other Owners and the Association to be bound by and to pay in accordance with the Assessments for which provision is made in this Declaration; and further agrees that the Association shall have the power, as described in the Bylaws to establish and collect assessments.

5.2 **Annual Assessments.** Commencing with the year, or remaining portion thereof, during which the first Unit was conveyed, annual assessments shall be computed and assessed by the Association in equal proportionate amounts against all Units in the Project which are subject to assessment as follows:

A0 **Common Expense.** Annual assessments shall be based upon advance estimates of the Association's cash requirements to provide for payment of all estimated expenses arising out of or connected with the maintenance and operation of the Common Areas, the Condominium Building Exteriors, and furnishing common utility services and other common items to the Condominiums. Such estimated expenses may include, without limitation, the following: expenses of management; operation and maintenance costs; real property taxes and special assessments on the Common Areas (and the Units which have been conveyed until those Units are separately assessed); premiums for all insurance that the Association is required or permitted to maintain hereunder; repairs and maintenance of the Common Areas and Condominium Building Exteriors; private drive maintenance (including maintenance and repair contributions related to the Association's half interest in the private drive known as Serenity Oak Lane); landscaping; picnic areas; tot lots; sport courts; reasonable wages of Association employees, including fees for a Manager; repairs and replacements of window well sump pumps; utility charges, including charges for utility services to the subject Condominiums to the extent not separately metered or billed; legal and accounting fees; any deficit remaining from a previous period; creation of an adequate contingency reserve, major maintenance reserve and / or sinking fund; creation of an adequate reserve fund for maintenance repairs, and replacement of those Common Areas and Condominium Building Exteriors that must be replaced on a periodic basis; and any other expenses and liabilities which may be incurred by the Association for the benefit of the Owners under or by reason of this Declaration. The aggregate of all such items shall constitute the Common Expenses, and all funds received from assessments under this Section 2 A shall be part of the Common Expense Fund. Two separate and distinct funds shall be created and maintained hereunder, one for operating expenses and one for capital expenses which together shall constitute the Common Expense Fund.

B0 **Apportionment.** Common Expenses shall be equally apportioned among and assessed to all Units for which a Certificate of Occupancy has been issued and their Owners. The Declarant shall be liable for the amount of any assessments against Units owned by it subject to the provisions of Article V, Section 4.

C. **Annual Budget.** It shall be the duty of the Board to prepare and submit to the Association Members a proposed operating budget for each calendar year. The proposal shall be made in accordance with the estimates of the Board, consistent with Section 5.2A. The budget shall itemize the estimated expenses, anticipated receipts and account for any deficit or surplus from the prior period of operation. The Association, in the manner described in the Bylaws, may adopt an annual budget.

D **Notice and Payment.** Except with respect to the first fiscal year, the Board of Trustees shall notify each Owner in writing as to the amount of the annual assessment against his or her Unit on or before December 1 each year for the fiscal year beginning on January 1 next

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

E Inadequate Funds. In the event that the Common Expense fund proves inadequate at any time for whatever reason, including nonpayment of any Owner's assessment, the Board of Trustees may, on behalf of the Association, levy additional assessments in accordance with the procedure set forth in 5.3 below, except that the vote therein specified shall be unnecessary.

5.3 Special Assessments. The Association shall have authority to levy special assessments to provide for: unbudgeted repairs or replacements; reconstruction or improvement of Common Areas (including, but not necessarily limited to Condominium Building Exteriors); and/or to recover from a particular Owner or Owners expenses incurred by the Association as a result of the intentional or negligent acts of an Owner or the family, guest, tenants, or invitees of an Owner. Each Owner agrees to be bound by the approved acts of the Association for repairs, replacements and/or improvements in accordance with the foregoing; and also to be responsible for the negligent or intentional acts of such Owners own activities, or those of such Owner's family, guests, tenants or invitees. Special assessments for repairs, replacements or improvements to the Common Areas shall be adopted only by the Association's Members, by the vote of two-thirds of the total number of Units which would be entitled to vote at a meeting of the Association, if all Units were represented at such meeting. The Association, through its Board of Trustees, shall give notice in writing of each such special assessment and of the time for payment thereof; provided, however, that no payment shall be due in a period of time which is less than thirty (30) days after such notice shall have been given. In the event that a Owner fails to pay a special assessment at the time it becomes due and payable, interest shall accrue thereon at a rate established by the Board, which rate shall not exceed fifteen (15%) percent per annum. The Board shall also have the right to assess a late fee of up to five (5%) percent of any Special Assessment. The Owners agree that any such late fee shall represent liquidated and agreed damages for the administrative expenses, losses and costs incurred by the Association as a result of such failure to pay.

5.4 No Assessment Upon Uncompleted Units. There shall be no assessment upon any Unit which has not been completed and granted a Certificate of Occupancy.

5.5 Notice and Quorum for Any Action Authorized Under Sections 5.1 and 5.3.

Assessments shall be authorized by the Members of the Association. Written notice of any meeting called for the purpose of taking any action authorized under Sections 1 or 3 of this Article shall be sent to all Members as of the Record Date (applicable to that meeting) no less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast fifty percent (50%) of all the votes (exclusive of suspended voting rights) of Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

5.6 Lien for Assessments. All sums assessed to Owners of any Unit within the Project pursuant to the Project pursuant to the provisions of this Article V, together with late charges and interest thereon as provided herein, shall be secured by a lien on such Unit in favor of the Association. To evidence a lien for sums assessed pursuant to this Article V, the Board of Trustees shall comply with Utah law, and shall, at a minimum, prepare a written notice of lien setting forth the amount of the assessment, the date due, the amount remaining unpaid, the name of the Owner of the Unit and a description of the Unit. Such a notice shall be signed and acknowledged by a duly authorized officer of the Association and may be recorded in the office of the County Recorder of Salt Lake County, State of Utah. No notice of lien shall be recorded until there is a delinquency in payment of the assessment. Such lien may be enforced by sale or foreclosure conducted in accordance with the provisions of law applicable to the exercise of powers of sale or judicial foreclosure of deeds of trusts or mortgages or in any other manner permitted by law, in such foreclosure, the Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees), and such cost and expenses shall be secured by the lien being foreclosed. The Owner shall also be required to pay to the Association any assessment against the Unit which shall become due during the period of foreclosure, and all such assessments shall be secured by the lien being foreclosed. The Board of Trustees shall have the right and power in behalf of the Association to bid in at any foreclosure sale and to hold, lease, mortgage or convey the subject Unit in the name of the Association.

5.7 Personal Obligation of Owner. The amount of any annual or special assessment against any Unit shall be the personal obligation of the Owner of such Unit to the Association. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosing or waiving the lien securing the same. No Owner may avoid or diminish any such personal obligation by waiver of the use and enjoyment of any of the Common Areas or by abandonment of his Unit or by waiving any services or amenities provided for in this Declaration. In the event of any suit to recover a money judgment of unpaid assessment hereunder, the involved Owner shall pay the costs and expenses incurred by the Association in connection therewith, including reasonable attorneys fees.

5.8 Personal Liability if Purchaser. The personal obligation of an Owner to pay unpaid assessments against his Unit as described in Section 7 of this Article V shall not pass to successors in title unless expressly assumed by them. Provided, however, a lien to secure unpaid assessments shall *not* be affected by the sale or transfer of the Unit unless foreclosure or acceptance of a deed in lieu of foreclosure by a First Mortgagee is involved, in which case the foreclosure will extinguish the lien for any assessments that were payable before the foreclosure sale, but shall not relieve any subsequent Owner from paying further assessments.

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

A. **Reserve Fund.** The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Areas and Condominium Building Exteriors the Association is obligated to maintain, repair or replace. The reserve fund shall be maintained out of regular assessments for Common Expenses.

B. **Working Capital Fund.** The Declarant shall establish, and maintain for the Project, a working capital fund equal to at least two monthly installments of the annual assessment of each Unit. Each Unit's share of the working capital fund must be collected and transferred to the Association at the time of the closing of the initial sale by the Declarant of that Unit. Notwithstanding the foregoing, the contribution to the working capital fund for each unsold Unit shall be paid by the Declarant to the Association within sixty (60) days after the date of the conveyance of the first Unit in the Project. With respect to each Unit for which the Declarant pays the contribution to the working capital fund, Declarant shall be reimbursed for such contribution either by the purchaser of such Unit at the time of the closing of the sale to such purchaser or by the Association upon termination of the Declarant's control of the Association as described in Section 2 of Article III hereof, whichever is earlier. The working capital fund must be maintained in a segregated account for the use and benefit of the Association. The purpose of the working capital fund is to provide some assurance (but no guarantee) that the Association will have cash available to meet unforeseen expenditures or to acquire additional equipment or services deemed necessary or desirable by the Association. Amounts paid into the working capital fund are not to be considered advance payments of any regular assessment. The working capital fund shall be transferred to the Association for deposit to a segregated fund when control of the Association is transferred to the Owners. The Declarant shall not use the working capital fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while it is in control of the Association.

5.10 **Evidence of Payment of Annual and Special Assessments.** Upon receipt of a written request by a Member or any other person, the Association within a reasonable period of time thereafter shall issue to such Member or Other person a written certificate stating (a) that all annual and special assessments (including interest, costs and attorneys' fees, if any, as provided in Section 2 above) have been paid with respect to any specified Unit as of the date of such certificate, or (b) if all annual and special assessments have not been paid, the amount of such annual and special assessments (including interest, costs and attorneys' fees, if any) due and payable as of such date. The Association may make a reasonable charge for the issuance of such certificates, which charges must be paid at the time the request for any such certificate is made. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with respect to any matter therein stated as against any bond fide purchaser of, or Mortgagee on, the Unit in question.

ARTICLE VI. OPERATION AND MAINTENANCE

6.1 **Maintenance of Condominiums.** Each Condominium and Unit 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 Condominium or Unit. The Association shall have no obligation regarding maintenance or care of Condominiums or Units except as set forth in Section 2 of this Article VI or elsewhere in this Declaration

6.2 **Operation and Maintenance by Association.** The Association 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 Units and to keep them clean, functional, attractive and generally in good condition and repair. The Association shall also provide for the maintenance of all Condominium Building Exteriors. The Association has an interest in the private drive known as Serenity Oak Lane (see 4.1, 5.2 and 10.2). In the event that the Association is required to contribute to repairs and/or maintenance or other expenses associated with the said private drive, the Association shall provide for its fair share of such expenses. The expenses incurred by the Association for all such purposes shall be paid for with funds from the Common Expense Fund.

6.3 **Utilities.** The Owner shall pay for all utility services furnished to each Unit except utility services which are not separately billed or metered to individual Units by the utility or other party furnishing such service. The Association shall pay such bills, which are not separately metered and charge an appropriate share to each Unit and Owner as part of the Common Expenses.

6.4 **Insurance.** During initial development and construction of the Condominiums, and before a Certificate of Occupancy for any Unit has been issued, the Association may, in its reasonable discretion, rely upon the general contractor or developer on the project to provide insurance coverages which shall satisfy one or more of the following. At all times after the issuance of the first Certificate of Occupancy, the Association shall at all times maintain in force insurance which meets the following minimum requirements:

A. **Hazard Insurance.** A "master" or "blanket" type policy of property insurance shall be maintained covering the entire Project, including; Common Areas; all Condominium Buildings including all Condominium (other than the interior content thereof); fixtures, building service equipment, personal property and supplies comprising a part of the Common Areas or, regardless of whether or not such property is part of the elements of the Common Area, owned by the Association, and which are of a class typically encumbered by Mortgages held by FNMA or other similar institutional Mortgage investors; but excluding land, foundations excavations, and other items normally not covered by such policies: References herein to a "master" or "blanket" type policy of property insurance are intended to denote single entity insurance coverage. As a minimum, such "master" or "blanket" policy shall afford protection against loss or damage by fire, by other perils normally covered by the standard extended coverage endorsement, and by all other perils which are customarily covered with respect to projects similar to the Project in construction, location, and use, including (without limitation) all perils normally covered by the standard "all risk" endorsement where such endorsement is available. Such "master" or "blanket" policy shall be in an amount not less than one hundred percent (100%) of current replacement cost of all elements of the Project covered by such policy, exclusive of land, foundations, excavation, and other items normally excluded from coverage. The insurance policy shall include either of the following endorsements to assure full insurable value replacement cost coverage: (1) a Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance; or (2) a Replacement Cost Endorsement (under which the insurer agrees to pay up to one hundred percent of the property's insurable replacement cost but no more) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance). The maximum deductible amount for such policy covering the Common Areas shall be the lesser of Ten Thousand Dollars (\$10,000.00) or one percent (1%) of the policy face amount. However, for losses related to individual Condominiums that are covered by such a policy, the deductible related to each individual Condominium shall be One Thousand Dollars

(\$1,000.00). Funds to cover these deductible amounts shall be included in the Association's operating reserve account.

B. Flood Insurance. If any part of the Project is or comes to be situated in a Special Flood Hazard Area as designated on a Flood Insurance Rate Map, a "master" or "blanket" policy of flood insurance shall be maintained covering the Condominium Buildings, any machinery and equipment that are not part of a Condominium Building and all Common Areas within the Project (hereinafter "Insurable Property") in an amount deemed appropriate, but not less than the lesser of: (1) the maximum limit of coverage available under the National Flood Insurance Administration Program for all Condominium Buildings and Insurable Property within any portion of the Project located within a designated flood hazard area; or (2) one hundred percent (100%) of the insurable value of all such facilities. The maximum deductible amount for any such policy shall be the lessor of Five Thousand Dollars (\$5,000.00) or one percent (1%) of the policy face amount.

(i) The name of the insured under each policy required to be maintained by the foregoing Section 6.4(A) and (B) shall be the Association for the use and benefit of the individual Owners. (Said Owners shall be designated by name, if required.) Notwithstanding the requirement of the two immediately foregoing sentences, each such policy may be issued in the name of an authorized representative of the Association, including any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, or any successor to such Trustee, for the use and benefit of the individual Owners. Loss payable shall be in favor of the Association (or Insurance Trustee), as a trustee for each Owner and each such Owner's Mortgagee. Each Owner and each such Owner's Mortgagee, if any, shall be beneficiaries of such policy in the percentage of common ownership. Evidence of insurance shall be issued to each Owner and Mortgagee upon request.

(ii) Each policy required to be maintained by the foregoing items 6.4.A and B, shall contain the standard mortgage clause, or equivalent endorsement (without contribution), commonly accepted by private institutional mortgage investors in the area in which the Project is located. If FNMA (or FHLMC) is a holder of one or more Mortgagees on Units within the Project such mortgage clause shall name such holder or its servicer of such Mortgages as Mortgagee. If FNMA's servicer is named as mortgagee in such mortgage clause, such servicer's name shall be followed therein by the phrase "its successors and assigns." In addition, such mortgage clause or another appropriate provision of each such policy shall provide that the policy may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association and to each Mortgagee which is listed as a scheduled holder of a Mortgage in the policy.

(iii) Each policy required to be maintained by the foregoing Sections 6.4(A) and (B), shall provide, if available, for the following: recognition of any insurance trust agreement; a waiver of the right of subrogation against Owners individually; the insurance is not prejudiced by any act or neglect of individual Owners which is not in the control of such Owners collectively; and the policy is primary in the event the Owner has other insurance covering the same loss.

(iv) Each policy required to be maintained by the foregoing item 6.4.A shall also contain or provide the following: (1) "Inflation Guard Endorsement", if available; (2) Building Ordinance or Law Endorsement", if the enforcement of any building, zoning, or land use law will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction); and (3) "Steam Boiler and Machinery Coverage Endorsement", if the project has central heating or cooling, which shall provide that the insurer's minimum liability per accident at least equals the insurable value of the Condominium Building containing the boiler or machinery. In lieu of obtaining this as an endorsement to the commercial package property, the Association may purchase separate stand-alone boiler and machinery coverage.

C. **Fidelity Bonds.** The Association shall at all times maintain in force and pay the premiums for "blanket" fidelity bonds for all officers, directors and employees of the Association and for all other persons handling or responsible for funds of or administered by the Association whether or not that individual receives compensation for services. Furthermore, where the Association has delegated some or all of the responsibility for the handling of funds to a Manager, the Manager shall provide "blanket" fidelity bonds, with coverage identical to such bonds required of the Association, for the Manager's officers, employees and agents handling or responsible for funds of or administered on behalf of, the Association. The total amount of fidelity bond coverage required shall be based upon the Association's best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the Manager, as the case may be, at any given time during the term of each bond. A lesser amount of fidelity insurance coverage is acceptable for the Project so long as the Association and the Manager adhere to the following financial controls: (1) the Association or the Manager maintains separate bank accounts for the working account and the reserve account, each with appropriate access controls, and the bank in which funds are deposited sends copies of the monthly bank statements directly to the Association (2) the Manager maintains separate records and bank accounts for each Association that uses its services and the Manager does not have authority to draw checks on or to transfer funds from the Association's reserve account; or (3) two members of the Board must sign any checks written on the reserve account. Nevertheless, in no event may the amount of such bonds be less than the sum equal to three months aggregate assessments on all Units. The bonds required shall meet the following additional requirements: (1) the fidelity bonds shall name the Association as obligee; (2) the bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions; (3) the premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by the Manager for its officers,, employees and agents) shall be paid by the Association as part of the Common Expenses; and (4) the bonds shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without a least ten (10) days' prior written notice to the Association, to any Insurance Trustee, and to each servicer of loans on behalf of FNMA.

D. **Liability Insurance.** The Association shall maintain in force, and pay the premium for a policy providing comprehensive general liability insurance coverage covering all of the Common Areas, Condominium Building Exteriors, public ways in the Project, including any dedicated trail system(s), all other areas of the Project that are under the Association's

supervision, and commercial spaces owned by the Association, if any, whether or not such spaces are leased to some third party. The coverage limits under such policy shall be in amounts generally required by private institutional Mortgage investors for projects similar to the Project in construction, location, and use. Nevertheless, such coverage shall be for at least One Million Dollars (\$1,000,000) for bodily injury, including deaths of persons, and property damage arising out a single occurrence. Coverage under such policy shall include, without limitation, legal liability of the insured for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance, or use of the Common Areas, and/or Condominium Building Exteriors, and legal liability arising out of lawsuits related to employment contracts of the Association. Additional coverages under such policy shall include protection against such other risks as are customarily covered with respect to projects similar to the Project in construction, location and use, including but not limited to (where economically feasible and if available), host liquor liability, contractual and all-written contract insurance, employers liability insurance, and comprehensive automobile liability insurance. If such policy does not include "severability of interest" in the terms the policy shall include a special endorsement to preclude an insurer's denial of any Owner's claim because of negligent acts of the Association or any other Owner. Such policy shall provide that it may not be canceled or substantially modified, by any party, without at least ten (10) days' prior written notice to the Association and to each Mortgagee which is listed as a scheduled holder of a Mortgage in such policy.

E. Insurance Trustees and General Requirements Concerning Insurance.

Notwithstanding any of the foregoing provisions and requirements relating to property or liability insurance, there may be named as an insured on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement or any successor to such trustee (each of whom shall be referred to herein as the "**Insurance Trustee**"), who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance. Each Owner hereby appoints the Association, or any Insurance Trustee or substitute Insurance Trustee designated by the Association, as his or her attorney-in-fact for the purpose of purchasing and maintaining such insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. The Association, or any Insurance Trustee, shall receive, hold, or otherwise property dispose of any proceeds of insurance in trust for the use and benefit of the Owners and their Mortgagees, as their interests may appear.

Each insurance policy maintained pursuant to the foregoing Sections, 6.4(A), (B), (C), and (D) shall be written by an insurance carrier which is licensed to transact business in the State of Utah, which meets the then applicable standards and qualifications of FNMA, FHLMC, and/or VA, if any, for insurance carriers, and which has a "B" general policyholder's rating or a financial performance index of "6" or better in the Best's Key Rating Guide or an "A" or better rating from Demotech, Inc., or which is written by Lloyd's of London. No such policy shall be maintained where: (1) under the terms of the carrier's charter, bylaws, or policy, contributions may be required from, or assessments may be made against, an Owner, a Mortgagee, the Board, the Association, FNMA, or the designee of FNMA; (2) by the terms of the carrier's charter, bylaws, or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members; or (3) the policy includes any limiting clauses (other than insurance conditions) which could prevent the party entitled (including, without limitation, the Board, the Association, an Owner, or FNMA) from collecting insurance proceeds. The provisions of this

Section 6.4(E) and of the foregoing Sections 6.4(A), (B), (C), and (D) shall not be construed to limit the power or authority of the Association to obtain and maintain insurance coverage, in addition to any insurance coverage required hereunder, in such amounts and in such forms as the Association may deem appropriate from time to time.

F. **Annual Review of Policies.** All insurance policies shall be reviewed at least annually by the Board in order to ascertain whether the coverage contained in the policies is sufficient to make any necessary repairs or replacement of the Project, which may have been damaged or destroyed. In addition, such policies shall be reviewed to determine their compliance with the provisions of this Declaration.

ARTICLE VII. DAMAGE OR DESTRUCTION

7.1 **Association as Attorney in Fact.** All of the Owners irrevocably constitute and appoint the Association their true and lawful attorney in fact in their name, place and stead for the purpose of dealing with the Project upon its damage or destruction as hereinafter provided. Acceptance by any grantee of a deed from the Declarant or from any Owner shall constitute an appointment by said grantee of the Association as his or her attorney-in-fact as herein provided. As attorney-in-fact, the Association shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or other instrument with respect to the interest of an Owner which may be necessary or appropriate to exercise the powers herein granted. All insurance proceeds shall be payable to the Association except as otherwise provided in this Declaration.

7.2 **Definition of Repair and Reconstruction.** Repair and reconstruction of the improvements as used herein means restoring the Property and improvements to the Property, which were the subject of the Association's obligation to insure, to substantially the same condition in which it existed prior to the damage or destruction, with each Condominium and the Common Areas having substantially the same vertical and horizontal boundaries as before.

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

A. **Notice to First Mortgagees.** The Association shall give timely written notice to any holder of any First Mortgage on a Unit or who requests such notice in writing in the event of substantial damage to or destruction of any part of the Common Areas or a Condominium subject to such First Mortgage.

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

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

D. **Insufficient Insurance.** Less than seventy-five Percent Destruction. If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and if less than seventy-five percent

(75%) of the Project is damaged or destroyed, such repair and reconstruction shall nevertheless be carried out. The Association shall levy a special assessment sufficient to provide funds to pay the actual costs of such repair and reconstruction to the extent that such insurance proceeds are insufficient to pay such costs. Such special assessment shall be allocated and collected as provided in Article V Section 3 hereof, except that the vote therein specified shall be unnecessary. Further levies may be made in like manner if the amounts collected (together with the proceeds of insurance) are insufficient to pay all actual costs of such repair and reconstruction.

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

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

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

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

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

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

7.4 Repair or Reconstruction. If the damage or destruction is to be repaired or reconstructed as provided above, the Association shall, as soon as practicable after receiving the said

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

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

7.6 Amendment of Article. This Article VII shall not be amended unless, in addition to compliance with 13.2, below, seventy-five percent (75%) of the Owners who are entitled to vote thereon in fact vote and agree to such amendment, and such approval and agreement is reflected in an instrument duly executed by the Board of Trustees of the Association and recorded in accordance with the provisions of this Declaration.

ARTICLE VIII. CONDEMNATION

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

8.2 Proceeds. All compensation, damages and other proceeds from any such taking by power of eminent domain (hereinafter "Condemnation Award") shall be made payable to the Association to be held in trust for Unit Owners and their First Mortgagees as their interests may appear, and shall be distributed by the Board of Trustees, on behalf of the Association as herein provided.

8.3 Complete Taking. In the event the entire Project is taken by power of eminent domain, ownership pursuant hereto shall terminate and the Condemnation Award shall be allocated among and

distributed to the Owners and their First Mortgagees, as their interests may appear. Such distributees shall divide the Condemnation Award based upon the relative values of the Units and Condominiums immediately prior to the condemnation. Such distribution shall be made by check payable joint to the respective Owners and their respective Mortgagees, as appropriate.

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

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

(i) The total amount apportioned to taking of or injury to the Common Areas shall be allocated among and distributed to all Owners (including Owners whose entire Units have been taken).

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX. TERMINATION

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

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

9.3 **Sale of Project.** A termination agreement may provide that the entire Project shall be sold following termination, subject, however, to the approval of the VA. If, pursuant to the agreement, any real estate in the Project is to be sold following termination, the termination agreement shall set forth the minimum terms of the sale.

9.4 **Association Duties.** The Association, on behalf of the Owners, may contract for the sale of real estate in the Project, but the contract is not binding on the Owners until approved pursuant to Sections 1 or 2. If any real estate in the Project is to be sold following termination, title to that real estate on termination vests in the Association as trustee for all Owners. Thereafter, the Association has all powers necessary and appropriate to effect the sale. Until the sale has been concluded and the proceeds of the sale distributed, the Association continues in existence with all powers it had before termination. Proceeds of the sale shall be distributed to Owners and Mortgagees as their interests may appear, based

on the relative value of each Unit and Condominium. Unless otherwise specified in the termination agreement, as long as the Association holds title to the real estate, each Owner and their successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted their Unit in accordance with the terms of this Declaration. During the period of that occupancy right, each Owner and their successors in interest remain liable for all assessments and other obligations imposed on Owners by this Declaration.

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

ARTICLE X. GENERAL USE RESTRICTIONS

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

10.2 **Use of Common Areas.** The Common Areas shall be used only in a manner consistent with their community nature and with the rules, regulations and use restrictions applicable to Units and Condominiums. The use of the Association's interest in the private drive known as Serenity Oak Lane shall be generally limited to access to and from the detached garage which is a part of Unit D-1, and for emergency, maintenance and/or construction purposes (see 4.1). The Board of Trustees may, in its sole discretion, create and enforce a means by which the courts or other recreational facilities in the Common Area may be equitably scheduled for use by the Members. 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; provided, however, that vending machines and similar devices approved by the Board may be made available within the Common Areas.

10.3 **Use of Units and Condominiums.** All Units are improved with Condominiums and are restricted to such use. Each Condominium shall be used only as a single-family residence, according to then existing zoning and use guidelines. No Unit or Condominium shall be used, occupied, or altered in violation of law, so as to jeopardize the support of any other Condominium, so as to create a nuisance or interfere with the rights of any Owners, or in any way which would result in an increase in the cost of any insurance covering the Common Areas or Condominiums.

10.4 **Exception for Declarant.** Notwithstanding the restrictions contained in this Article X, for the five (5) year period following the date on which this Declaration is filed for record in the office of the County Recorder of Salt Lake County, Utah, Declarant shall have the right to use any Unit or Condominium owned by it, and any part of the Common Areas reasonably necessary or appropriate, in furtherance of any activities designed to accomplish or facilitate improvement and sale of all Units owned by Declarant. Declarant shall have the right to maintain one or more sales offices and model Condominiums. Such offices and model Condominiums may be located in any Condominiums owned or leased by Declarant, or in one or more separate structures or facilities placed upon the Property for the

purpose of aiding the Declarant's sales efforts, or any combination of the foregoing. Declarant shall also have the right to maintain a reasonable number of promotional, advertising, or directional signs, banners, or similar devices at any place or places on the Property. Declarant shall have the right from time to time to locate or relocate any of its sales offices, model Condominiums, signs, banners or similar devices.

10.5 Leases. Any lease agreement between an Owner and a lessee respecting a Unit or Condominium shall be subject in all respects to the provisions of this Declaration, the Articles and Bylaws and any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All such lease agreements shall be in writing and provide for a minimum initial term of up to one (1) year. Other than the foregoing, there is no restriction on the right of any Owner to lease his Unit or Condominium. An Owner shall be responsible and liable for any damage to the Project caused by its tenant.

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

10.7 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon the Property and no odors shall arise therefrom so as to render any part of the Property unsanitary or unsightly or which would be offensive or detrimental to any other part of the Property or to the occupants thereof. No noise or other nuisance shall be permitted to exist or operate upon any part of the Property so as to be offensive or detrimental to any other part of the Property, or to the occupants thereof. Without limiting the generality of any of the foregoing, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes) shall be located, used or placed on the Property without the prior written approval of the Board.

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

10.9 Protection of Visual Aesthetics. No unsightly articles shall be permitted to remain on any part of the Property so as to be visible from any other Unit or the Common Areas. Without limiting the generality of the foregoing, trailers, mobile homes, motor homes, recreational vehicles, trucks other than pickups, boats, tractors, vehicles other than automobiles, campers not on a truck, snowmobiles, snow removal equipment and garden or maintenance equipment shall be kept at all times, except when in actual use, in an enclosed structure or screened from view. It is specifically provided that the exclusive right to use Limited Common Areas shall not serve as a license to use such areas for purposes in contravention of the foregoing. (However, visitors to Members, who have small recreational vehicles, motor homes, trailers, etc., which fit in a regular parking stall may utilize the parking stall on a temporary basis, which shall mean not more than seven (7) days in any one-month period.) No outside storage shall be permitted, unless specifically approved by appropriate resolution of the Board of Trustees. No motorized vehicles

of any type that are not in operating condition shall be allowed to be kept in the Units outside parking areas, including, without limitation, Limited Common Areas, for more than five (5) days. Furthermore, no vehicular repair shall be permitted in any outside parking areas, including Limited Common Areas. Refuse, garbage and trash shall be kept at all times in a covered, noiseless container and any such container shall be kept within an enclosed structure or appropriately screened from view. Service areas, storage piles, compost piles and facilities for hanging, drying or airing clothing or household fabrics shall be appropriately screened from view. No lumber, grass, shrub or tree clippings or plant waste, metals, bulk materials or scrap or refuse or trash shall be kept, stored or allowed to accumulate on any Unit except within an enclosed structure or when appropriately screened from view.

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

10.11 Signs. No sign of any kind shall be displayed to the public view without the approval of the Association, except such signs as may be used by Declarant in connection with the development of the Project and the sale of Condominiums and/or Units and except such signs of customary and reasonable (small) dimensions as may be displayed from within a Unit advertising a Unit or Condominium for sale or lease. Display of any "for sale" or "for lease" sign more than three (3) feet by two (2) feet shall require the prior written approval of the Association. A residential identification sign is permitted but should not exceed one (1) square foot in surface area. Numbers on residences shall be located in a position clearly legible from the street, but not more than six (6) feet above main floor level. Personal signs or expressions, such as (but not limited to) exterior decorative flags, religious signs and political signs may not be displayed unless permitted by, and in that event only in a manner which is consistent with, a policy adopted by the Board of Trustees.

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

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

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

10.15 **Architectural Control.** The buildings shall be constructed in accordance with the types and architectural style described on the Master Plan. No building, fence, wall or other structure shall be commenced, erected or maintained upon the Property, nor shall any exterior addition to or change or alteration therein be made unless and until the plans and specifications showing the color, nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing by the Board.

10.16 **General Obligations.** Each Owner shall enjoy and be subject to all rights and duties assigned to Owners pursuant to this Declaration. With respect to unsold Units, the Declarant shall enjoy the same rights and assumes the same duties with respect to each unsold Unit.

ARTICLE XI. MORTGAGEE PROTECTION

11.1 **Notice of Action.** Upon written request made to the Association by a First Mortgagee, or an insurer or governmental guarantor of a First Mortgage, which written request shall identify the name and address of such First Mortgagee, insurer or governmental guarantor and Unit number or address of the Condominium, any such First Mortgagee, insurer or governmental guarantor shall be entitled to timely written notice of:

A. Any condemnation loss or any casualty loss which affects a material portion of the Project or any Unit on which there is a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or governmental guarantor;

B. Any delinquency in the payment of assessments or charges owed by an Owner, whose Unit is subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or governmental guarantor, which default remains uncured for a period of sixty (60) days;

C. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

D. Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as specified in Section 2 below or elsewhere herein.

11.2 **Matters Requiring Prior Eligible Mortgagee Approval.** Except as provided elsewhere in this Declaration, the prior written consent of Owners entitled to vote at least sixty-seven percent (67%) of the votes of the Units in the Association (unless pursuant to a specific provision of this Declaration the consent of Owners entitled to vote a greater percentage of the votes in the Association is required, in which case such specific provisions shall control), and Eligible Mortgagees holding First Mortgages on Units having at least fifty-one percent (51%) of the votes of the Units subject to First Mortgages held by Eligible Mortgagees shall be required to:

A. Abandon or terminate the legal status of the Project after substantial destruction or condemnation occurs.

B. Add or amend any material provision of the Declaration, Articles, Bylaws or Plat, which establishes, provides for, governs or regulates any of the following (an addition or

amendment to such documents shall not be considered material if it is for the purpose of correcting technical errors or for clarification only):

- (i) voting rights;
- (ii) increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens;
- (iii) reductions in reserves for maintenance, repair, and replacement of Common Areas;
- (iv) responsibility for maintenance and repairs;
- (v) reallocation of interests in the Common Areas, or rights to their use;
- (vi) redefinition of any Unit boundaries;
- (vii) convertibility of Units into Common Areas or vice versa;
- (viii) expansion or contraction of the Project, or the addition, annexation, or withdrawal of property to or from the Project;
- (ix) hazard or fidelity insurance requirements;
- (x) imposition of any restrictions on the leasing of Units and Condominiums;
- (xi) imposition of any restrictions on Owner's right to sell or transfer his or her Unit or Condominiums;
- (xii) restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Declaration; or
- (xiii) any provisions that expressly benefit Mortgagees, insurers, or guarantors.

Any Mortgagee, insurer or governmental guarantor who receives a written request from the Association to approve additions or amendments to the constituent documents and who fails to deliver or post to the Association a negative response within thirty (30) days shall be deemed to have approved such request, provided the written request was delivered by certified or registered mail, with a "return receipt" requested.

11.3 Availability of Project Documents and Financial Statements. The Association shall be required to make available to Owners, lenders and the holders, insurers, and guarantors of the First Mortgages on any unit, current copies of the Declaration, Articles, Bylaws, and other rules governing the Condominium, and other books, records, and financial statements of the Association. The Association also shall be required to make available to prospective purchasers current copies of the Declaration, Bylaws, other rules governing the Condominium, and the most recent financial statement, if such is prepared. These documents shall be available for inspection, upon written request, during normal business hours or under other reasonable circumstances.

11.4 Subordination of Lien. The lien or claim against a Unit for unpaid assessments or charges levied by the Association pursuant to this Declaration shall be subordinate to the First Mortgage affecting such Unit if the First Mortgage was recorded before the delinquent assessment was due, and the First Mortgagee thereunder which comes into possession of or which obtains title to the Unit shall take the same free of such lien or claim for unpaid assessment or charges, but only to the extent of assessments or charges which accrue prior to foreclosure of the First Mortgage, exercise of a power of sale available thereunder, or taking of a deed or assignment in lieu of foreclosure. No assessment, charge, lien, or claim which is described in the preceding sentence as being subordinate to a First Mortgage or as not to burden a First Mortgagee which comes into possession or which obtains title shall be collected or enforced by the Association from or against a First Mortgagee, a successor in title to a first Mortgagee, or the Unit affected or previously affected by the First Mortgage concerned.

11.5 Payment of Taxes. In the event any taxes or other charges which may or have become a lien on the Common Areas are not timely paid, or in the event the required hazard insurance described in Paragraph A of 6.4 lapses, is not maintained, or the premiums therefore are not paid when due, any Mortgagee or any combination of Mortgagees may jointly or singly, pay such taxes or premiums or secure insurance. Any Mortgagee which expends funds for any of such purposes shall be entitled to immediate reimbursement therefor from the Association.

11.6 Priority. No provisions of this Declaration or the Articles gives or may give an Owner or any other party priority over any rights of Mortgagees pursuant to their respective Mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for loss to or taking of all or any part of the Units or the Common Areas.

ARTICLE XII. OPTION TO EXPAND

12.1 Option to Expand. Declarant (or its assigns) hereby reserves, pursuant to Section 57-8-13.6 of the Condominium Act, the exclusive option to expand the Project to include any other phases which are approved and shown on a recorded official Plat (the "Option to Expand") without the prior consent of the Owners the Association. The Project shall not be expanded without the written consent and approval of the Declarant. The Option to Expand must be exercised by Declarant (or its assigns) within seven (7) years after recordation of this Declaration.

12.2 Standards and Conditions. In the event of an expansion, the additional phase(s) shall be subjected to the provisions of this Declaration. All future improvements to the Project shall be consistent with the initial improvements in terms of quality of construction. No expansion shall affect the statutory validity of the Project nor shall it affect the validity of the title to the Units.

12.3 Required Consent(s). If HUD, VA and/or FNMA holds, insures or guarantees any mortgage in one or more of the Units at the time such property is to be added, no additional property shall be added to the Project without the prior written consent of such of them that holds such interest.

12.4 Insurance. In the event Declarant chooses to exercise its exclusive option to expand the project, Declarant shall purchase a general liability insurance policy in an amount not less than One Million Dollars for each occurrence to provide insurance coverage against the ordinary and

usual insurable risks to which Owners of previously sold units may be exposed to as a result of further condominium development.

12.5 Improvements; Liens. All improvements on the property to be added to the Project shall be substantially completed before such property is added to the Project. Provision must be made, prior to expansion, to protect the rights of Owners of existing Units or the priority of First Mortgages on such Units from liens arising in connection with the ownership of or construction of improvements upon the property to be added, and further from any taxes and/or other assessments relating to such property to be added to the Project. In the event that FNMA holds any mortgage in an existing Unit at the time the additional property is to be added to the Project, FNMA shall be furnished with title evidence, in a form satisfactory to it, which discloses any lien, easement or other encumbrance affecting the property to be added to the Project or which will affect the property and the existing portion of the Project after such addition.

12.6 Reallocation. In the event of expansion of the Project involving an increase in the number of Units in the Project, the voting rights of the Members of the Association, and the ownership interests pursuant to Article IV and the obligation for common expense liabilities pursuant to Article V of this Declaration shall each be accordingly reallocated to take into account, from the time of expansion forward, the increased number of Units and their relationship with the other Units in the Project. In the event of expansion in accordance with the foregoing, the Project shall have a specified maximum number of Units and shall provide that each Owner shall have a minimum percentage of interest in the Common Area, and shall also provide for a specified minimum number of Units which will give each Owner a maximum percentage of interest in the Common Area. Accordingly, for example, the minimum number of Units shall be the number of Units in Phase One, which is nine (9) Units. Upon addition of Phase Two and Phase Three, the total number of Units shall be increased to thirty-two (32). The obligation for common expense liabilities shall be allocated according to a fraction for each unit, where the numerator of such fraction is one, and the denominator of such fraction is the total number of Units. Therefore, when Phases One, Two and Three are combined, the allocation of expenses shall be one-thirty-second (1/32) for each Unit. The foregoing are provided as examples, and not in limitation of the numbers of Units which may be made part of the Project.

ARTICLE XIII. MISCELLANEOUS

13.1 Notices. Any notice required or permitted to be given to any Owner under the provisions of this Declaration shall be deemed to have been properly furnished if mailed postage prepaid to the person who appears as an Owner, at the latest address for such person, appearing in the records of the Association at the time of mailing.

13.2 Amendment of Declaration. Except as provided in Article XII elsewhere in this Declaration any amendment to this Declaration shall require the affirmative vote or written approval of at least sixty-seven percent (67%) of the total votes of the Association. Any amendment authorized pursuant to this Section shall be accomplished through the recordation in the office of the Salt Lake County Recorder of an instrument executed by the Association. In such instrument an officer or Trustee of the Association shall certify that the vote required by this Section for amendment has occurred. Anything in this Article or Declaration to the contrary notwithstanding, Declarant reserves the right (provided, however, that such amendment is first approved by the VA) to amend all or any part of this Declaration to such extent and with such language as may be

requested by FNMA of the VA or any other federal, state or local governmental agency with jurisdiction over the subject matter which requests such an amendment as a condition precedent to such agency's approval of the Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Unit(s) or any portions thereof. Upon approval by the VA or by any other federal, state or local government agencies (the approval of which is required by applicable law), any such amendment shall be effected by the recordation by Declarant of an amendment duly signed by or on behalf of the authorized officers of Declarant with their signatures acknowledged, specifying the federal, state or local governmental agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such an amendment shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such amendment, when recorded, shall be binding upon all of the Project and all persons having an interest therein. It is the desire of Declarant to retain control of the Association and its activities during the anticipated period of planning and development. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, Declarant alone shall have the right to amend this Declaration, and so long as the Declarant is the Owner of any unit in the Project, this Declaration may be amended or terminated only with the written approval of the Declarant. The Declarant alone may amend or terminate this Declaration prior to the closing of a sale of any Unit.

13.3 Amendment to Documents After Department of Veterans Affairs Project Approval.

The Project, and its various documents have been submitted to the Department of Veterans Affairs for approval. While the Declarant is in control of the Association, amendments to the Declaration, the Articles of Incorporation and/or the Bylaws or other enabling documentation must be approved by the V.A.

13.3 Rights of Action. The Association and any aggrieved Owner shall have a right of action against Owners who fail to comply with the provisions of the Declaration or the decisions of the Association. Owners shall have a similar right of action against the Association.

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

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

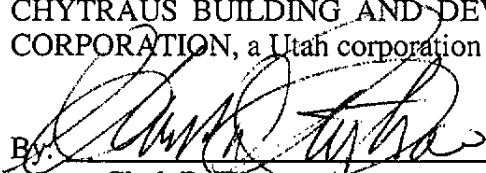
13.6 Covenants to Run With Land. This Declaration and all of the provisions hereof shall constitute covenants to run with the land or equitable servitudes, as the case may be, and shall be binding upon and shall inure to the benefit of Declarant, all parties who hereafter acquire any interest in a Unit or in the Common Areas, and their respective grantees, transferees, heirs, devisees, personal representatives, successors and assigns. Each Owner or occupant of a Unit or Condominium shall comply with, and all interest in all Units 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. By acquiring any interest in a Unit 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.

13.7 **Lists of Owners and Eligible Mortgagees.** The Board shall maintain up-to-date records showing: (i) the name of each person who is an Owner, the address of such person, and the Unit which is owned by him; (ii) the name of each person or entity who is an Eligible Mortgagee, the address of such person or entity and the Unit which is encumbered by the Mortgage held by such person or entity; and (iii) the name of each person or entity who is an insurer or governmental guarantor, the address of such person or entity, and the Unit which is encumbered by the Mortgage insured or guaranteed by such person or entity. In the event of any transfer of a fee or undivided fee interest in a Unit, either the transferor or transferee shall furnish the Board with evidence establishing that the transfer has occurred and that the Deed or other instrument accomplishing the transfer is of record in the office of the County Recorder of Salt Lake County, Utah. The Board may for all purposes act and rely on the information concerning Owners and Unit ownership which is thus acquired by it or, at its option, the Board may act and rely on current ownership information respecting any Unit or Units which is obtained from the office of the County Recorder of Salt Lake County, Utah. The address of an Owner shall be deemed to be the address of the Unit owned by such person unless the Board is otherwise advised.

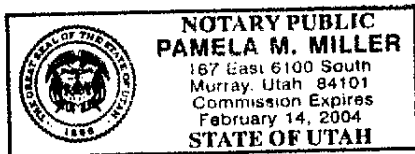
13.8 **Effective Date.** This Declaration and any amendment or supplement hereto shall take effect upon its being filed for record in the office of the County Recorder of Salt Lake County, Utah.

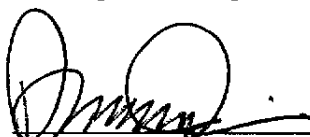
DECLARANT: CHYTRAUS BUILDING AND DEVELOPMENT CORPORATION, a Utah corporation

By: 
Clark D. Chytraus
Its: President

STATE OF UTAH)
)ss.
COUNTY OF SALT LAKE)

On this 20th day of April, 2000, personally appeared before me Clark D. Chytraus, the signer of the above instrument, who duly acknowledge to me that he executed the same for and on behalf of Chytraus Building and Development Corporation, a Utah corporation in his authorized capacity as the President.




NOTARY PUBLIC

NOTARY SEAL NO. 126001
- CO RECORDER -

BK 8450 PG 2590

CW053000-108(i)