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**DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS,
 AND RESERVATION OF EASEMENTS
 OF THE
 QUAIL LANE CONDOMINIUMS**

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, AND RESERVATION OF EASEMENTS OF THE QUAIL LANE CONDOMINIUMS (this "Declaration") is made as of April 24, 2007, by QUAIL LANE CONDOMINIUMS, LLC, a Utah limited liability company ("Declarant").

RECITALS

A. Declarant owns certain land located in the Davis County, Utah, which land is more particularly described on Exhibit A attached hereto, together with buildings, structures, and other improvements located thereon.

B. Declarant desires to create a condominium project on such land pursuant to the provisions of the Utah Condominium Ownership Act, Utah Code Sections 57-8-1 through 57-8-38, as the same may be amended from time to time (the "Condominium Act"). The condominium project shall be known as the "**Quail Lane Condominiums**".

C. Declarant deems it necessary and desirable to subject such land, and all improvements now or hereafter constructed on such land, to the covenants, conditions, restrictions, reservations, easements, assessments, charges and liens set forth in this Declaration.

NOW, THEREFORE, it is hereby declared that the Property (as defined below) shall be held, sold, conveyed, leased, rented, encumbered and used, subject to this Declaration and its covenants, restrictions, reservations, easements, 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 (as defined below) of all or any part of the Property, together with their grantees, successors, heirs, executors, administrators, devisee and assigns, all as set forth herein.

DECLARATION

ARTICLE 1

DEFINITIONS

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

1.1 "**Articles**" or "**Articles of Incorporation**" shall mean and refer to the Articles of Incorporation of the Association which have been or 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.

1.2 "**Association**" shall mean and refer to the Quail Lane Condominiums Association, a Utah nonprofit corporation.

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

1.4 "**Common Areas**" shall mean and refer to that part of the Property which is not included within the Units, including (a) all roadways and walkways within the Project, (b) all landscaped areas, (c) any clubhouse or related amenities and all improvements other than utility lines now or hereafter constructed or located thereon. The Common Areas are further shown on the Plat.

1.5 "**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 Expenses Fund.

1.6 "**Common Expenses**" shall mean and refer to those costs and expenses arising out of or connected with the maintenance and operation of the Project and Association, as described in Article V hereof and which determine the assessments made to Owners.

1.7 "**Common Wall**" shall mean any wall, floor, or ceiling, which is common to and separates any two or more attached Condominiums, but which does not separate the interior portions of any Condominium with any Condominium Building Exteriors.

1.8 "**Condominium**" shall mean and refer to a structure or portion of a structure which is designed and intended for use and occupancy as a single-family residence, together with all improvements associated with that Condominium which are used in conjunction with such residence.

1.9 "**Condominium Building**" shall mean and refer to a building or structure containing two or more Units, constituting a portion of the Project.

1.10 “**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.

1.11 “**Declaration**” shall mean and refer to this Declaration of Covenants, Conditions, Restrictions, and Reservation of Easement of the Quail Lane Condominiums, as the same may hereafter be modified, amended and supplemented.

1.12 “**Declarant**” shall mean and refer to Quail Lane Condominiums, LLC, a Utah limited liability company, and/or any successor thereof which, either by operation of law or through a voluntary conveyance, transfer, or assignment, comes to stand in the same relation to the Property (or a portion thereof) as did its predecessor.

1.13 “**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 XII of this Declaration.

1.14 “**FNMA**” shall mean and refer to the Federal National Mortgage Association (or any successor association).

1.15 “**First Mortgage**” means a consensual lien granted by the Owner which is not subject to any senior lien or encumbrance except liens for taxes or other liens which are given priority by statute.

1.16 “**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.

1.17 “**Limited Common Areas**” if any are designated, 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.

1.18 “**Management Committee**” shall mean and refer to the governing management committee of the Association which shall be appointed or elected in accordance with this Declaration, the Articles of Incorporation and Bylaws of the Association.

1.19 “**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.

1.20 “**Member**” shall mean and refer to every person who holds membership in the Association.

1.21 “**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.

1.22 **"Mortgagee"** shall mean a beneficiary of a Mortgage as well as named Mortgagee.

1.23 **"Owner"** shall mean the person or persons, including the Declarant, owning in fee simple a Unit in the Project, as such ownership is shown by the records of the County Recorder in Davis County, State of Utah. "Owner" shall not refer to any Mortgagee (unless such Mortgagee has obtained title in fee simple to a Unit pursuant to a judicial or nonjudicial 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).

1.24 **"Percentage Ownership Interest"** shall mean the undivided percentage ownership interest in all of the Common Areas and common facilities of the Project owned by each Unit Owner, which ownership interest shall be allocated to such Unit Owner based on a fraction, the numerator of which shall be the square footage of such Owner's Unit, and the denominator of which shall be the total square footage of all Units within the Project. The Percentage Owner Interest for each Unit is specified on Exhibit C attached hereto and incorporated herein by this reference, and as shown on the Plat. The Percentage Ownership Interest for each Unit as contained herein shall be deemed conclusive and shall not be re-measured or adjusted in any way.

1.25 **"Person"** shall mean an individual or entity.

1.26 **"Plat"** shall mean and refer to the condominium map for the Quail Lane Condominiums, recorded in the office of the County Recorder of Davis County, Utah, and all amendments thereto.

1.27 **"Project"** shall mean and refer to the Property, all improvements thereon, and the development (or future development) and ownership of the Property created and governed by this Declaration, the Articles and the Bylaws.

1.28 **"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 as set forth in Article II of this Declaration.

1.29 **"Unit"** shall mean all elements of individual ownership of each of the separately numbered and individually described areas of the Project as designated on the Plat, including: (a) the Condominium, (b) ownership of the real property area located between any exterior walls of the Condominium and any Common Walls (as recorded on the Plat), including exclusive use of any Limited Common Areas associated with that Condominium, (c) nonexclusive use of the remainder of the Common Area, and (d) all rights of membership in the Association.

1.30 **"Voting Rights"** shall mean the number of voting rights attributable to a Member of the Association, which voting rights of such Member shall be equal to the Percentage Ownership Interest allocated to the Unit owned by such Member. The Voting Rights allocated to all Members of the Association shall cumulatively total one hundred (100) Voting Rights.

ARTICLE 2

PROPERTY DESCRIPTION

The Property initially associated with the Project which is and shall be held, transferred, sold, conveyed, and occupied subject to the provisions of this Declaration and the Condominium Act consists of real property situated in Davis County, State of Utah, as more specifically described in Exhibit A, attached hereto, and as depicted on the Plat attached hereto as Exhibit B.

The Project shall consist of two Condominium Buildings containing twenty-eight (28) single family residential Units. At Declarant's discretion, one of the Condominium Buildings shall have two stories and the other shall have three stories, and shall be constructed primarily of wood, brick, stucco, stone, and/or any other building materials determined by Declarant. The Unit numbers shall range from 1-28 and are further depicted and described on the Plat. The dimensions and measurements for the Units are described on the Plat. The dimensions and measurements of the Units on the second and third stories of the Condominium Buildings (the "Upper Units") are the same as those dimensions and measurements for the Units on the first or "Main Floor" (which dimensions and measurements are shown on Page 2 of the Plat) which are directly below such Upper Units. As described more fully below, and as depicted on the Plat, the Common Areas shall consist of sidewalks, open spaces, parking areas, a swimming pool, and other amenities.

ARTICLE 3

THE ASSOCIATION

3.1 **Membership.** Each Owner shall be entitled and required to be a Member of the Association. Membership will begin immediately and automatically upon becoming an Owner and shall terminate immediately and automatically upon ceasing to be an Owner. 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 such owner. Each Membership shall be appurtenant to the Unit to which it relates and shall be transferred automatically by conveyance of that Unit. Ownership of a Unit within the Project cannot be separated from membership in the Association appurtenant thereto, and any devise, encumbrance, conveyance or other disposition of such Unit shall automatically constitute a devise, encumbrance, conveyance or other disposition of the Owner's membership in the Association and rights appurtenant thereto. No person or entity other than an Owner may be a Member of the Association and 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 and Bylaws and other rules governing the Project and other books records and financial statements of the Association. The term "available" shall mean available for inspection, upon request, during normal business hours or under other reasonable circumstances.

3.2 **Management Committee.** The Declarant shall have the sole and exclusive right to appoint and remove all Management Committee members consistent with this Declaration, the Articles, and Bylaws, until the first to occur of: (i) three (3) years from the date on which the first

Unit in the Project is conveyed by Declarant to a person(s) or entity(ies) not affiliated with Declarant; or (ii) the date on which the twentieth (20th) Unit is conveyed by Declarant to a person(s) or entity(ies) not affiliated with Declarant. Thereafter, the responsibility for electing the Management Committee of the Association shall be turned over to the Members of the Association.

3.2.1 Number and Election of Members. The Management Committee shall consist of three (3) members. After Declarant's right to appoint the members of the Management Committee terminates as set forth above, the Owners of the Units shall elect the members of such committee. Only Owners that are current in the payment of all assessments (or agents or officers of such Owners) at the time of such Owners' election may serve as members of the Management Committee. Commencing at the first annual meeting after the Declarant's right to appoint the members of the Management Committee terminates, the Owner's shall elect successors to the Management Committee members appointed by Declarant. At such annual meeting in which the Owners elect successors to Declarant's appointed Management Committee members, two (2) of the Management Committee members shall be elected to serve two (2) year terms and one (1) of the Management Committee members shall be elected to serve a one (1) year term. Thereafter, all members of the Management Committee will each serve as a member for a term of two (2) years; provided, however, such members shall continue to hold office until a replacement or successor to such member is elected. Subject to the terms and conditions of set forth below, each member of the Management Committee shall be elected at succeeding annual meetings at the expiration of such member's term.

3.2.2 Powers of the Management Committee.

(i) Except as provided in this Declaration and the Bylaws, the Management Committee may act on behalf of the Association in all instances.

(ii) The Management Committee may not act on behalf of the Association to: (a) amend this Declaration; (b) terminate the Association, this Declaration or the Project; (c) elect members to the Management Committee (except the Management Committee may appoint members as specifically provided in Section 2(D) of this Article); or (d) determine the qualifications, powers and duties, or terms of office, of members of the Management Committee.

(iii) Any document or instrument that requires the signature of the Management Committee shall be signed by at least two (2) members, which shall thereafter bind the Association.

3.2.3 Removal or Termination of Members of the Management Committee. Members of the Management Committee may be removed or terminated as members of such committee under any of the following circumstances:

(i) A member shall automatically be terminated as a member of the Management Committee if such member resigns, dies or ceases to be an Owner of any portion of any Unit (whether through (a) a sale, transfer, or conveyance of such member's right, title and

interest, all of such member's ownership interest, (b) a foreclosure, or sale in lieu of foreclosure, by any Mortgagee, or (c) or any other means);

(ii) A member may be removed as a member of the Management Committee: (a) upon the vote of a majority of the other members of the Management Committee if such member fails to pay any assessment due from such Owner within the time periods set forth in this Declaration for payment of same; (b) upon the vote of a majority of the other members of the Management Committee if such member misses more than three (3) consecutive regularly scheduled meetings of the Management Committee (of which meetings such member received proper notice); (c) at any time upon a vote by the Owners holding a majority of the Voting Rights within the Association.

3.2.4 Replacement of Members of the Management Committee. A vacancy on the Management Committee created by the termination, removal, resignation or death of a member of such committee shall be filled by an Owner that otherwise meets the requirements set forth in Section 2(A) of this Article that is appointed by a majority vote of the other members of the Management Committee; provided, however, that such new member of the Management Committee shall only serve until the next annual meeting of the Owners at which time there shall be an election for a new member of the Management Committee.

3.2.5 Management Committee Liability. No member of the Management Committee shall be liable to the Owners for any mistake in judgment, for negligence, or on other grounds, except for such member's own individual and willful misconduct or bad faith. The Owners and the Association shall indemnify and hold harmless each member of the Management Committee from and against all liability to third parties arising out of any contract made by the Management Committee on behalf of the Association or Owners, unless such contract was made in bad faith or contrary to the provisions of the Act or this Declaration. The liability of an Owner arising out of the foregoing indemnification shall be limited to the total liability concerned multiplied by such Owner's Interest in Common Elements.

3.3 Votes. Each Member shall be entitled to cast the Voting Rights appurtenant to his or her Unit, which Voting Rights shall be equal to such Member's Percentage Ownership Interest. For example, the Owner of Unit #2 shall be permitted to cast 3.829 (based on the Percentage Ownership Interest for Unit #2) of the total 100 Voting Rights allocated among all Unit Owners within the Association. No changes can be made to the allocation of Voting Rights that are assigned to a Unit without the unanimous consent of all Unit Owners. The number of Voting Rights 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. No Voting Rights of any one (1) Unit may be split for purposes of any voting. For all votes taken by the Members of any kind (except with respect to votes by members of the Management Committee in connection with voting that occurs within the Management Committee and which is not conducted by or for the general Members of the Association), the Voting Rights for such Member shall be determined based on such Member's Percentage Ownership Interest. In the event that there is more than one (1) Owner of a particular Unit, the Voting Rights relating to such Unit shall be exercised together with no division as such Owners may determine among themselves. 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 Voting Rights

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 Voting Rights involved shall not be counted for any purpose whatsoever other than to determine whether a quorum exists.

3.4 **Amplification.** The provisions of this 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 4

PROPERTY RIGHTS IN COMMON AREAS AND UNITS

4.1 **Easement of Enjoyment.** Each Owner shall have a right and easement of use and enjoyment in and to the Common Areas. Each Owner shall have an unrestricted right of ingress or egress to and from its Unit over and across such Common Areas. Each Owner shall also have the exclusive right to use and enjoy any 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 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 **Limited Common Areas.** The Limited Common Areas shall include the following:

A. Certain parking stalls that are identified as Limited Common Areas on the Plat, which parking areas shall be designated by the Declarant (or if Declarant does not designate same during its period of control, then the Management Committee) for the benefit and use of specific Units, and upon such designation such parking areas cannot be changed or re-designated. One covered parking stall shall be allocated for the exclusive use of each Unit. Upon such allocation or designation of a parking stall for a specific Unit, such parking stall shall be an appurtenance to such Unit and shall run with the land. The exclusive use rights of such parking stall shall not be separated or alienated from the Unit to which it is allocated and such parking stall cannot be transferred or conveyed without a corresponding transfer or conveyance of the Unit to the same person(s) or entity(ies). In the event a Unit is transferred or conveyed, the right to use the parking area designated for such Unit shall automatically transfer with such Unit. Notwithstanding the foregoing, the rights and benefits associated with a parking area which has been designated for a specific Unit may be traded between Unit Owners by written agreement provided (i) a copy of any such agreement (fully executed) is provided to the Association for its records, and (ii) each Unit shall have no more and no less than one covered parking stall. In addition, Owners may rent, their respective covered parking stalls provided (i) any such lease or rental agreement shall automatically terminate upon any sale or transfer of the Unit so that the new Owner receives its Unit and designated parking stall unencumbered by such lease or rental agreement, and (ii) such lease or rental agreement must be with another Owner or occupant of a

Unit within the Project (such that no third parties, other than actual Owners or occupants or Units within the Project can lease or rent any parking stalls within the Project).

B. Certain patio areas that are identified as Limited Common Areas on the Plat, which patio areas are hereby designated exclusively for the use of the Unit directly adjacent to such patio area which has direct access to such patio area through such Unit. The rights to use such patio areas shall be an appurtenance to the corresponding Unit and shall run with the land. The exclusive use rights of such patio area shall not be separated or alienated from the Unit to which it is herein allocated and such patio area cannot be transferred or conveyed without a corresponding transfer or conveyance of the Unit to the same person(s) or entity(ies). In the event a Unit is transferred or conveyed, the right to use the patio area designated for such Unit shall automatically transfer with such Unit.

C. Certain stairs and walkways within, or attached to, the Condominium Buildings that are identified as Limited Common Areas on the Plat, which stairs and walkways are hereby designated exclusively for the in-common use if the Units within the Condominium Building that are adjacent to such stairs and walkways. The rights to use such stairs and walkways shall be an appurtenance to the corresponding Units and shall run with the land. The exclusive use rights of such stairs and walkways shall not be separated or alienated from the Units to which it is herein allocated and such patio area cannot be transferred or conveyed without a corresponding transfer or conveyance of the applicable Unit to the same person(s) or entity(ies). In the event a Unit is transferred or conveyed, the right to use such stairs and walkways designated for such Unit shall automatically transfer with such Unit. Notwithstanding the foregoing, guests, invitees, and other Owners shall have the rights to use all stairs and walkways within the Project for ingress and egress to and from all Units throughout the Project.

4.3 **Easements for Encroachments.** In the event the construction, reconstruction, repair, shining, 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 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 erected an easement for any encroachment by any roof overhang upon an adjoining Unit or any part of the Common Areas.

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

A. The right of the Association to suspend a Member's voting right in the Association and a Member's right to use of any recreational facilities included in the Common Areas for any period during which (i) 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 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 Bountiful City, or any other governmental or quasi-governmental body having jurisdiction over the Property to access, including 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.

4.5 **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 No. _____ of the Quail Lane Condominiums, together with all improvements thereon, as said Unit is identified in the Plat of said development recorded in the Recorder’s Office of Davis County, State of Utah as Entry No. _____, on _____, 200____, and in the Declaration of Covenants, Conditions, Restrictions and Reservation of Easements of the Quail Lane Condominiums, recorded in the Recorder’s Office of Davis County, State of Utah as Entry No. _____, on _____, 200____, together with (i) an undivided _____ ownership interest, as a tenant in common with all other owners of Units with the Quail Lane Condominiums, in all common areas and common facilities of the Quail Lane Condominiums, and (ii) all rights, benefits, and easements described, and provided for, in said Declaration of Covenants, Conditions, Restrictions and Reservation of Easements.”

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.

4.6 **Transfer of Title.** Each Owner shall be entitled to an undivided interest in the Common Areas and facilities in the amount of the Percentage Ownership Interest allocated to such Owner’s Unit on Exhibit C. No Percentage Ownership Interest in the Common Areas or facilities shall be separated from the Units; and, even though not specifically mentioned in the instrument of transfer the ownership interest shall automatically accompany the transfer of interest in the Unit to which it relates.

4.7 **Common Walls.** Some or all of the Condominiums share at least one Common Wall with at least one other Condominium. The Owners of the Condominiums sharing these Common Walls shall be deemed to own one-half (1/2) of the wall nearest his/her Condominium, and shall have an exclusive and perpetual easement over the remainder of the Common Wall for support and maintenance. Except for the sheet rock and the wall finishes (including paint, wallpaper, plaster, or other finishes) which shall be maintained by the Owner of the applicable Condominium, any such Common Wall shall be deemed a structural component of the building in which it is located, and shall therefore be maintained by the Association as Limited Common Areas (designated for the benefit of the Condominiums within the same Condominium Building); provided, however, such maintenance obligations (like all other maintenance

obligations of the Association herein) are subject to the Owner's responsibility to repair damage caused by the negligence or willful misconduct of such Owner (or of such Owner's invitees, guests, or tenants).

Owners may not undertake any change to the composition of their respective side of the Common Wall without the express prior written consent of the Association and any governmental agency or department with jurisdiction and responsibility over building, development, construction, building permits, and/or the requested changes (the "Governmental Building Department"). By way of illustration, replacing the sheet rock of the Common Wall with any other material of any kind shall be considered a change in the composition of the Common Wall, and is strictly prohibited without the express prior written consent of the Governmental Building Department. Painting the Common Wall or installing wall hangings are not significant changes to the Common Walls that require prior approval.

ARTICLE 5

ASSESSMENTS

5.1 **Agreement to Pay Assessments.** The Declarant for each Unit owned by it within the Project and each Owner of any Unit by the acceptance of instruments of conveyance and transfer therefor, whether or not it be so expressed in said instruments, shall be deemed to covenant and agree with each other and with the Association to pay to the Association all assessments made by the Association for the purposes provided in this Declaration. Such assessments shall be fixed, established and collected from time to time as provided in this Article V. In any event, all constructed Units shall be allocated the then applicable assessments upon conveyance of the first Unit. No assessment for a Unit owned by the Declarant or developer shall be made until the Unit has been issued a final certificate of occupancy.

A. The Declarant shall set the initial annual assessment for each of the Units.

B. From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be increased each year by up to fifteen percent (15%) above the maximum assessment for the previous year without a vote of the membership.

C. From and after January 1 of the year immediately following the conveyance of the first Unit, the maximum annual assessment may be increased by more than fifteen percent (15%) above the maximum assessment for the previous year only by an affirmative vote of Owners holding at least sixty-seven percent (67%) of the Voting Rights within the Association.

D. The Management Committee may fix the annual assessment at any amount which does not exceed the maximum amount which in their judgment will cover the expenses to be paid for the ensuing year, plus a reasonable reserve amount.

5.2 **Annual Assessments.** Annual assessments shall be computed and assessed against all Units in the Project as follows:

A. Common Expenses. 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; real property taxes and special assessments on the Common Areas (and the Units until the 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; landscaping; wages of Association employees, including fees for a Manager; repairs and replacements of window well sump pumps (if necessary); utility charges, including charges for utility services to the 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 repair, 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. Notwithstanding any language to the contrary herein, Common Expenses may, at the Management Committee's option, include expenses for the maintenance and operation of the Limited Common Areas; provided however, that the Management Committee may, at its option, either allocate the costs and expenses of such maintenance and operation of the Limited Common Areas as a cost to all Units in the proportions set forth in Section 2(B) of this Article, or allocate the costs and expenses of such maintenance and operation of such Limited Common Areas in a reasonably equitable manner to only those Units that receive benefit or use from such Limited Common Areas.

B. Apportionment. Common Expenses and/or any assessments described in this Article V shall be apportioned among and assessed to all Units and their Owners based on the Percentage Ownership Interest allocated to such Owner's Unit. Subject to the limitations described in Article V, Section 1, the Declarant shall be liable for the amount of any assessments against Units owned by it or the Developer when it is determined expenses contemplated to be paid begin to accrue. Payments related to Common Areas and facilities shall not be assessed before they are built, except with the approval of the majority of Owners and, to the extent Declarant is an Owner of any Unit, the Declarant.

C. Annual Budget. Annual assessment shall be determined on the basis of a fiscal year beginning January 1 and ending December 31 next following, provided the first fiscal year shall begin on the date of the conveyance of the first Unit by Declarant. On or before December 1 of each year thereafter, the Management Committee shall prepare and furnish to each Owner, or cause to be prepared and furnished to each owner, an operating budget for the upcoming fiscal year. The budget shall itemize the estimated expenses of Common Expense for such fiscal year, anticipated receipts (if any) and any deficit or surplus from the prior operation period. The budget shall serve as the supporting document for the annual assessment for the

upcoming fiscal year and as the major guideline under which the Project shall be operated during such annual period.

D. Notice and Payment. Except with respect to the first fiscal year, the Management Committee 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 Management Committee, 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 Management Committee not to exceed eighteen percent (18%) per annum from fifteen (15) days after the date each such installment becomes due until paid. The Management Committee 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. In addition, in the event that any installment of the annual assessment is not paid within fifteen (15) days or 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 Management Committee not to exceed eighteen percent (18%) per annum from such date until paid in full. The failure of the Management Committee 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, nor 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 Management Committee may, on behalf of the Association, levy additional assessments in accordance with the procedure set forth in Article V Section 3 below, except that the vote therein specified shall be unnecessary.

5.3 Special Assessments. In addition to the annual assessments authorized by this Article, the Management Committee may, on behalf of the Association, levy, at any time and from time to time, upon the affirmative vote of Owner's holding more than fifty percent (50%) of the Voting Rights within the Association, special assessments, payable over such periods as the Management Committee may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expenses incurred or to be incurred as provided in this Declaration (including, without limitation, Common Expenses). This Section shall not be construed to prescribe the manner of assessing for expenses authorized by other Sections or Articles hereof. Any amounts assessed pursuant hereto shall be apportioned among and assessed to all Units and their Owners based on the Percentage Ownership Interest allocated to such Owner's Unit. Notice in writing of the amount of each such special assessment and the time for payment thereof shall be given promptly to the Owners; no payment shall be due less than fifteen (15) days after such notice shall have been given. All unpaid portions of any special assessment shall bear interest at

the rate established by the Management Committee not to exceed eighteen percent (18%) per annum from the date such portions become due until paid. All funds received from assessments under this Section shall be part of the Common Expense Fund. In connection with any such special assessment, if the Declarant is only obligated to pay twenty-five percent (25%) of the annual assessment attributable to Units it owns pursuant to Section 4 below, it shall only be required to pay twenty-five percent (25%) of the special assessment otherwise attributable to each such Unit. The provisions of this Section are not intended to preclude or limit the assessment, collection or use of annual assessments for the aforesaid purposes.

5.4 **Rate of Assessment.** The amount of any annual or special assessment against each Unit shall be fixed at a rate based on the Percentage Ownership Interest allocated to each Unit, except that Declarant shall pay only twenty-five percent (25%) of the annual assessment attributable to each Unit which it owns until the first to occur of any of the following: (i) Declarant conveys such Unit to a third-party purchaser, (ii) Declarant leases or rents such Unit to any third party, or (iii) Declarant allows occupancy of such Unit by any residential occupant. If the Declarant ceases to qualify for the reduced twenty-five (25%) rate during the period to which an annual assessment is attributable, the assessment attributable to the membership shall be prorated between the applicable rates on the basis of the number of days in the period that the Owner qualified for each rate. Annual assessments may be collected on a monthly basis and special assessments may be collected as specified by the Management Committee, unless otherwise determined by the resolution of the Members of the Association approving the special assessment.

5.5 **Notice and Quorum for Any Action Authorized Under Sections 1 and 3.** 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 Owners 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 Owners or proxies of Owners holding more than fifty percent (50%) of the total Voting Rights within the Association (exclusive of Owners with suspended voting rights) shall be required in order to 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.

Notwithstanding any language to the contrary in this Declaration, whenever a meeting is called in which a vote will take place and the action for which the vote is taking place requires a certain amount of Voting Rights of the total Voting Rights within the Association in order to perform such action, but not all Owners are present at such meeting, then provided (i) proper notice of such meeting was given to all Owners, and (ii) a quorum of Owners (as described above) is present at such meeting, such vote or action shall be deemed passed by the Association if the requisite percentage of the total Voting Rights of all the present Owners that constitute the quorum for the applicable meeting affirmatively pass such vote or action. In the event no specific requisite percentage of total Voting Rights is set forth in this Declaration relating to an action requiring a vote of the Owners, then such action must pass by an affirmative vote of more than fifty percent (50%) of the Voting Rights of all the present Owners that constitute the quorum for the applicable meeting in which the vote takes place.

5.6 **Lien for Assessments.** All sums assessed to Owners of any Unit within the Project pursuant to the provisions of this Article VI, together with penalties 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 Management Committee may 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 Davis 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 trust or mortgages or in any other manner permitted by law. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees), and such costs 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 Management Committee shall have the right and power on 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. 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 of Purchaser.** The personal obligation of an Owner to pay unpaid assessments against his Unit as described in Section 7 shall, consistent with 57-8-20 of the Utah Code Annotated 1953, constitute a lien on the interest of the Owner upon filing with the County Recorder of Davis County and shall be entitled to the priorities and subject to the conditions outlined in the Statute cited above. A lien to secure unpaid assessments shall not be affected by the sale or transfer of the Unit. In case of foreclosure, the Owner shall pay a reasonable rental for the Unit, and the plaintiff in a foreclosure action may require the appointment of a receiver to collect the rental without regard to the value of the mortgage security.

5.9 **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, Limited 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.

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 bona fide purchaser of, or Mortgagee on, the Unit in question.

ARTICLE 6

OPERATION AND MAINTENANCE

6.1 **Maintenance of Condominiums.** Each Condominium and/or 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 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 all Common Areas, Limited Common Areas, and Condominium Building Exteriors 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 expenses incurred by the Association for such purposes shall be paid for with funds from the Common Expense Fund. Maintenance of the Common Areas, Limited Common Areas, and Condominium Building Exteriors shall include: paint, repair, maintain, replace and care for: parking areas, landscaped areas, green space, sidewalks, curbing, covered parking stalls, the pool and related amenities (including the pool pump and filtration system), roofs, gutters, downspouts, foundations, window wells, sump pumps, fences, exterior building surfaces, exterior door and other exterior improvements to the Condominium Buildings and the Project in general. Such exterior maintenance shall include glass surfaces, window screens and patios included on any Unit. The Association shall have the right of entry to any Condominium to perform emergency repairs or do other work necessary for maintenance of the Condominium Building Exteriors, the Common Walls, or to install any amenities that may be approved by the majority of the Members of the Association.

In the event that the need for maintenance, replacement, or repair of any Common Areas, Limited Common Areas, or Condominium Building Exteriors is caused through the willful or negligent acts of its Owner(s), or through the willful or negligent acts of the family, guests, tenants or invitees of the Owner(s) of the Unit needing such maintenance or repair, the cost of such exterior maintenance shall be added to and become a part of the assessment to which such Unit is subject.

6.3 **Professional Management.** The Association 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 agreement executed on or before the termination of Declarant control of the appointment of the Management Committee, as described in Section 2 of Article III, may be terminated by the Association without cause at any time after termination of such control. The above term and termination provisions shall not apply to any other types of service contracts.

6.4 **Access Road.** The Association shall maintain in good condition and repair the access road that leads from the public right-of-way known as "Main Street" to the Project (the "Access Road"), which Access Road is shown on the Plat. All costs and expenses associated with the maintenance of the Access Road shall be a Common Expense paid by the Association and shall be included in the assessments to each Unit Owner.

6.5 **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. To the extent utility services are not separately metered, all costs and expenses associated with such utility services shall be a Common Expense paid by the Association and shall be included in the assessments to each Unit Owner; provided, however, in the event a certain meter (or meters) services only certain or specific groups of Units, the Management Committee may, at its option, allocate the costs and expenses of such utility services among the applicable Units connected to such meter.

6.6 **Garbage.** The Management Committee may elect to have garbage or refuse disposed of by a private waste disposal service, in which event each Owner hereby agrees that all deliveries and all trash removal services, and other such services to that Owner or its Unit, shall be effected at a location or locations designated by the Management Committee from time to time for such purposes. Unless otherwise directed by the Association, Owners of all Units and their guests and/or other occupants shall place all trash and other waste from the Units in receptacles which are located in the Project and designated for that purpose. All costs and expenses associated with the maintenance of such garbage service shall be a Common Expense paid by the Association and shall be included in the assessments to each Unit Owner.

6.7 **Cable.** The Management Committee may elect to have cable service provided to the entire Project by the same service provider by entering into a cable service agreement, in which event each Owner hereby agrees to be subject to such agreement. In the event such an agreement exists, all costs and expenses associated with the cable service shall be a Common Expense paid by the Association and shall be included in the assessments to each Unit Owner.

6.8 **Insurance.** The Association shall at all times maintain in force insurance meeting the following requirements:

6.8.1 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 Condominiums (other than the interior content thereof); fixtures, building service equipment, personal property and supplies comprising a part of the Common Areas or 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 (100%) 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 coinsurance). 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 not more than Five Thousand Dollars (\$5,000.00). Funds to cover these deductible amounts shall be included in the Association’s operating reserve account.

6.8.2 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 (hereafter “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 lesser 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 Subsections 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. Evidence of insurance shall be issued to each owner and mortgagee upon request.

(ii) Each policy required to be maintained by the foregoing Subsections 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 is a holder of one or more mortgagees on units within the project, such mortgage clause shall name FNMA or FNMA's 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 cancelled or substantially modified without at least ten (10) days' prior written notice to the Association, and to each mortgagee listed as a scheduled holder of a mortgage in the policy.

(iii) Each policy required to be maintained by the foregoing Subsections 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 Subsection A shall also contain or provide the following: (1) "Inflation Guard Endorsement," if available; and (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).

6.8.3 Insurance or Bonds for Employee Dishonesty. The Association shall at all times maintain in force insurance or "blanket" fidelity bonds for all officers, members, 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 insurance or "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 insurance or 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 insurance or bond 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 Management Committee must sign any checks written on the reserve account. Nevertheless, in no event may the amount of such insurance or bonds be less than the sum equal to three months' aggregate assessments on all Units. The insurance or bonds required shall meet the following additional requirements: (1) either shall be in the name of the Association as obligee; (2) the insurance or 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 insurance or 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 insurance or bonds shall provide that they may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to the Association, to any Insurance Trustee, and to each servicer of loans on behalf of FNMA.

6.8.4 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, Limited Common Areas, Condominium Building Exteriors, public ways in the Project, and all other areas of the Project that are under the Association supervision. 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 of a single occurrence. Coverage under such policy shall include, without limitation, legal liability of the insureds 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 cancelled 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.

6.8.5 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 authorized representatives, including any trustee with whom the Association may enter into any Insurance Trust Agreement of 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 purposes. The Association, or any Insurance Trustee, shall receive, hold, or otherwise properly 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 A,B,C, and D shall be written by an insurance carrier which is licensed to transact business in the State of Utah and which has a "A" general policyholder's rating or a financial performance index of "VIII" or better in the Best's Key Rating Guide. No such policy shall be maintained where: (1) under the term of the carrier's charter, bylaws, or policy, contributions may be required from, or assessments may be made against, an Owner, a Mortgagee, the Management Committee, 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 Management Committee, the Association, an Owner, or FNMA) from collecting insurance proceeds. The provisions of this Section E, and of the foregoing sections 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.

6.8.6 Annual Review of Policies. All insurance policies shall be reviewed at least annually by the Management Committee 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 7

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 Project 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:

7.3.1 **Notice to First Mortgagee.** 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.

7.3.2 **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.

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

7.3.4 **Insufficient Insurance – Less than Fifty Percent (50%) 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 fifty percent (50%) 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.

7.3.5 **Insufficient Insurance – Fifty (50%) or More Destruction.** If (i) 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 (ii) if fifty percent (50%) 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 holding at least seventy-five percent (75%) of the Voting Rights within the Association vote to carry out such repair and reconstruction actions.

However, if Owners holding at least seventy-five percent (75%) of the Voting Rights within the Association fail to vote to repair and reconstruct the Project, as described in the immediately preceding paragraph, or if they elect to terminate the Project, and if Eligible Mortgagees who represent at least fifty-one percent (51%) of the votes of Units subject to Mortgage held by Eligible Mortgagees approve such termination, the Association shall record in

the office of the County Recorder of Davis 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 Percentage Ownership Interest;

(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 value of the Units and Condominiums immediately prior to the damage or destruction, and the Owners shall divide said funds upon the relative value of the Units and Condominiums prior to the damage or destruction.

7.3.6 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 Unit, including the 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 based on the Owner's Percentage Ownership Interest.

7.6 **Amendment of Article.** Declarant shall have the authority to amend or modify this Article VII as it deems appropriate until twenty-five (25) Units in the Project have been built and sold. However, once twenty-five (25) Units in the Project have been built and are sold, this Article VII shall not be amended, unless Owners holding at least seventy-five percent (75%) of the Voting Rights within the Association consent and agree to such amendment and such consent and agreement is reflected in an instrument duly executed by the Management Committee of the Association and recorded in accordance with the provisions of this Declaration.

ARTICLE 8

CONDEMNATION

8.1 **Condemnation.** If at any time, or from time to time, 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, are made the subject matter of any condemnation or eminent domain proceeding, or are otherwise sought to be acquired by a condemning authority, the Management Committee 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 and shall be distributed by the Management Committee, 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 the Owners 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 jointly 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:

8.4.1 **Allocation of Award.** As soon as practicable, the Management Committee 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 amount 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) based on each Owner's Percentage Ownership Interest;

(ii) The total amount apportioned to severance damages shall be allocated among and distributed to the Owners of those Units that have not been taken based on a fraction, the numerator of which shall be the square footage of such Owner's Unit, and the denominator of which shall be the total square footage of all remaining Units within the Project;

(iii) The respective amounts apportioned to the taking of or injury to a particular Unit shall be allocated and distributed to the Owner of such Unit;

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

(v) 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;

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

(vii) 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 proceedings.

8.4.2 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 Management Committee, 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 shall terminate and the remaining portion of such Unit shall thenceforth be part of the Common Areas;

(iv) The Management Committee, 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 (including a possible reallocation of voting rights); provided, however, that if any such determination shall have been or such action is taken by judicial decree, the Management Committee shall defer thereto and proceed in accordance therewith.

8.4.3 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 of insurance proceeds shall not be applicable.

ARTICLE 9

TERMINATION

9.1 Required Vote. Except as otherwise provided in Article VII, Article VIII, and Article XII, Section 3 the Project may be terminated only by agreement of the Owners with at least sixty-seven percent (67%) of the Voting Rights within the Association and approval of such termination by Eligible Mortgagees who are the holders of Mortgages which encumber Units to which at least sixty-seven percent (67%) of the total Voting Rights are appurtenant. Any such termination shall be completed through a termination agreement as provided below.

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 "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 ramifications of such termination agreement, shall be recorded in Davis 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. 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, which terms must be sufficient to pay in full the proceeds of all Mortgages held by Eligible Mortgagees based on an appropriate and equitable allocation of net sale proceeds to each respective Unit. Following a vote of termination, Mortgagees holding Mortgages on the Units which were recorded before termination may enforce those liens in the same manner as any lienholder; provided, however, that their lien shall then be enforced only upon an undivided tenant in common interest in the real property described on Exhibit A in a percentage equal to the Percentage Ownership Interest appurtenant to such Unit as set forth on Exhibit C.

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 Section 1 and 2 of this Article. 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 based on an appropriate and equitable allocation of net sale proceeds. Such proceeds shall be disbursed to Owners based upon such allocation and taking into account any and all Mortgages which encumber such Owner's interest as of the date of sale.

ARTICLE 10

GENERAL USE RESTRICTIONS

10.1 **Rules and Regulations.** The Association shall have authority to promulgate and enforce such reasonableness, 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.

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. 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 Davis 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 Condominium 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 or within the Project. Declarant shall have the right from time to time to relocate any of its sales offices, model Condominiums, signs, banners or similar devices.

10.5 Leases.

10.5.1 Leases Subject to Declaration. Any lease, rental, or other occupancy agreement between an Owner and a lessee, tenant, or occupant 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 agreements shall be in writing. 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.

10.5.2 Restrictions on Leasing. Any Owner must receive prior written approval from the Management Committee (which may be withheld in the Management Committee's discretion as provided below) in the event (i) an Owner of a Unit does not use his/her Unit as such Owner's primary residence, and (ii) such Owner intends to rent, lease, or otherwise cause or allow any other person or entity to occupy or use such Owner's Unit (a "Non-Owner Occupant"). No Non-Owner Occupant shall be allowed to use or occupy a Unit without such Management Committee approval. The Management Committee may withhold its approval (i) if the Owner of the Unit is not then current in paying all assessments or other charges to the Association, (ii) if more than fifteen (15%) of the Units within the Project are already occupied or used by other Non-Owner Occupants, or (iii) for any other reason deemed reasonable by the Management Committee. Any agreement of any kind (whether written or oral) between an Owner and a Non-Owner Occupant that does not have written approval of the Management Committee shall be null and void. Any Owner that causes or allows a Non-Owner Occupant to occupy or use such Owner's Unit without such Management Committee approval shall be in default of this Declaration. The foregoing restrictions on leasing set forth in this paragraph do not apply to the Declarant and the Declarant may freely rent, lease, or otherwise cause or allow any Non-Owner Occupant to occupy or use any Unit or Units owned by Declarant without the need for any Management Committee approval.

10.6 Easements. Easements for installation and maintenance of utilities are reserved as shown on the Plot. 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 Unit and 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 supplies.

10.7 **Nuisances.** No rubbish or debris of any kind shall be placed or permitted to accumulate upon the property, and no odors shall be permitted to 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 Management Committee.

10.8 **Temporary and Other Structures.** No structures of a temporary nature, trailer, basement house, 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 **Unightly Articles.** No unsightly articles shall be permitted to remain on or near a Unit (or within the Project) so as to be visible from any other Unit, the Limited Common Areas or the Common Areas. Without limiting the generality of the foregoing, trailers motor homes, recreational vehicles, mobile homes, trucks other than pickups, boats, tractors, vehicles other than automobiles, campers not on a truck, all terrain vehicles and snowmobiles shall not be stored, kept or maintained on the Property. In addition, all automobiles, motorcycles, and trucks (or other permitted vehicles) parked on the Property shall be in good working order and shall parked only in designated or actual parking stalls. Refuse, garbage and trash shall be kept at all times within the interior of the Units or within the designated trash receptacles in the Project. Service areas, storage piles, and facilities for hanging, drying or airing clothing or household fabrics shall be permitted outside any Unit where it is visible from any other Unit the Limited Common Areas or the Common Areas. 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 around any Unit. All patio areas shall be maintained by the applicable Unit Owner in good and clean condition at all times and no articles or items may be stored on or within the patio areas except for patio furniture which shall be kept in good condition and repair at all times.

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, that 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 Management Committee, 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 dimensions as may be displayed on a Unit advertising a Unit or Condominium for sale or lease (which shall be limited in number to one sign per Unit). 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. Numbers on residences shall be located in the same position as originally constructed by Declarant and any replacement of such numbers shall be with numbers of the same, design, style, texture, color, and material as the original numbers unless prior written consent to a change in same has been received from the Management Committee.

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 no 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 **Repair of Buildings.** No improvement upon the Property shall be permitted to fall into disrepair, and each such improvement shall at all times be kept in good condition and repair and adequately painted or otherwise finished by the Owner thereof or the Association as applicable.

10.14 **Improvements and Alterations.** There shall be no excavation, construction or alteration which in any way alters the exterior appearance of any improvement within the Property nor removal of any Condominium or other improvement within the Property without the prior written approval of the Management Committee (and, if applicable as set forth herein, an affirmative vote by Owner's holding a requisite amount of the of the Voting Rights within the Association).

10.15 **Roof Antennas and Satellite Dishes.** Except as may be installed by Declarant, or except as may be approved by the Management Committee pursuant to Section 16 of this Article, no (i) television, ham radio, citizens band or radio antenna, or (ii) satellite dishes of any kind, shall be permitted upon the rooftop, exterior, patio, deck, or side of any Unit. Any authorized antenna or satellite dish shall require appropriate screening

10.16 **Architectural Control.** 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 Management Committee in its sole discretion. In connection with such approval, the Management Committee shall have the option to create rules and regulations in its sole discretion related to such architectural control which, if created, shall be applied uniformly to all Units and Owners within the Project.

10.17 **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 11

MORTGAGE 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 Mortgage, 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 time consent of a specified percentage of Eligible Mortgagees as specified in Section 2 below or elsewhere herein.

11.2 **Matters Requiring Prior Eligible Mortgagees Approval.** Except as provided elsewhere in this Declaration, the prior written consent of Owners holding at least sixty-seven percent (67%) of all the Voting Rights within the Association (unless pursuant to a specific provision of this Declaration in which the consent of Owners holding a greater percentage of the Voting Rights 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) redefinition of any Unit boundaries;

(ii) convertibility of Units into Common Areas or vice versa;

(iii) hazard or fidelity insurance requirements;

(iv) imposition of any restrictions on Owner's right to sell or transfer his or her Unit or Condominium;

(v) a decision by the Association to establish self-management if professional management had been required previously by the Declaration or by an Eligible Mortgagee;

(vi) restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Declaration; or

(vii) any provision that expressly benefits Mortgagees, insurers, or guarantors.

Any Mortgage, 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 maintain and have current copies of the Declaration, Articles, Bylaws, and other rules concerning the Project as well as its own books, records, and financial statements available for inspection by Owners or by holders, insurers, and guarantors of First Mortgages that are secured by Units in the Project. Generally, these documents shall be available during normal business hours.

The Association shall make an audited financial statement for the preceding fiscal year (if the Project has been established for a full fiscal year) available to the holder, insurer, or guarantor of any First Mortgage on submission of a written request for it. The audited financial statement shall be made available within 120 days of the Association's fiscal year-end.

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 obtain title, shall be collected or enforced by the Association from or against 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 alien on the Common Areas are not timely paid, or in the event the required hazard insurance described in paragraph A of Section 4 of Article VI 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 such 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 provision 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.

11.7 **Limitations on First Mortgagee's Rights.** Notwithstanding any language to the contrary herein, no requirement for approval or consent by a Mortgagee provided in this Article shall operate to:

A. Deny or delegate control over the general administrative affairs of the Association by the Owners or the Management Committee;

B. Prevent the Association or the Management Committee from commencing, intervening and/or settling any legal proceeding; or

C. Prevent any insurance trustee or the Association from receiving and distributing any insurance proceeds in accordance with the requirements of Article XIII above.

ARTICLE 12

MISCELLANEOUS

12.1 Notices.

12.1.1 **Notices to Owners.** 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.

12.1.2 **Notices to the Association.** Any notice required or permitted to be given to the Association shall be deemed to have been properly furnished if mailed postage prepaid to the person who appears as the registered agent for the Association in the proper filings of the Articles of Incorporation for the Association, as may be changed or amended from time to time. The current notice address is:

Quail Lane Condominiums Association
6440 South Wasatch Blvd. #200
Salt Lake City, UT 84121

In the event Declarant owns all or any Units at the time any notice is received by the Association, the Association shall immediately deliver a copy of such notice to Declarant.

12.2 **Term.** This Declaration shall be effective upon the date of recordation hereof and, as amended from time to time, shall continue in full force and effect for a term of fifty (50) years from the date this Declaration is recorded. From and after said date, this Declaration, as

amended, shall be automatically extended for successive periods of ten (10) years each, unless Owners holding at least seventy-five percent (75%) of the Voting Rights (defined below) within the Association vote to terminate this Declaration at any vote or election held within six (6) months prior to the expiration of the initial effective period hereof or any ten (10) year extension.

12.3 **Amendment.** Notwithstanding anything stated herein to the contrary, Declarant shall have the right to amend, revise, and modify this Declaration at any time without any additional approvals necessary until the time that twenty-five (25) Units are constructed and sold. Once twenty-five (25) Units have been constructed and sold, except as provided elsewhere in this Declaration, any amendment to this Declaration shall require the affirmative vote or written approval of Owners holding at least seventy-five percent (75%) of the Voting Rights within the Association. Any amendment authorized pursuant to this Section shall be accomplished through the recordation in the office of the Davis 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 unilateral right to amend all or any part of this Declaration to such extent and with such language as may be requested by FNMA and to further amend to the extent requested by any other federal, state or local governmental agency 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 (including, without limitation, as may be necessary to qualify for any VA or FHA loans or loan programs). Any such amendment shall be effected by the recordation by Declarant of an amendment duly signed by or on behalf of the authorized officers or managers 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, development and sale of twenty-five (25) of the twenty-eight (28) Units. 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 to restore such control. Within ten (10) years from the date of recording the 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.

12.4 **Rights of Action.** The Association and any aggrieved Owner shall have a right of action against any 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.

12.5 **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.

12.6 **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 affect all of its purposes.

12.7 **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 interests 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.

12.8 **Lists of Owners and Eligible Mortgagees**. The Management Committee 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 Management Committee 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 Davis County, Utah. The Management Committee 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 Management Committee may act and rely on current ownership information respecting any Unit or Units which is obtained from the office of the County Recorder of Davis County, Utah. The address of an Owner shall be deemed to be the address of the Unit owned by such person unless the Management Committee is otherwise advised.

12.9 **Interpretation of the Declaration**. Except for judicial construction, the Association, by its Management Committee, shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and property benefited or bound by the covenants and the provisions hereof.

12.10 **Severability**. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity and enforceability of any other provision hereof

12.11 **Disclaimer of Representations.** Notwithstanding anything to the contrary contained in this Declaration, Declarant makes no warranties or representations whatsoever that the plan presently envisioned for the complete development of the Project can or will be carried out or that any land now owned or hereafter acquired by Declarant is or will be subject to this Declaration, or that any such land, whether or not it has been subjected to this Declaration, is or will be committed to or developed for a particular use, that such use will continue in effect.

12.12 **Reference to Declaration and Deeds.** Deeds to and instruments affecting any Unit or any other part of the Project may contain the provisions set forth herein by reference to this Declaration, but regardless of whether any such reference is made in any deed or instrument, each and all of the covenants, conditions, restrictions, reservations, easements, assessments, charges and liens set forth herein shall be binding upon the grantee-owner or other person claiming through any deed or other instrument and his heirs, executors, administrators, successors and assigns.

12.13 **Successors and Assigns of Declarant.** Any reference in this Declaration to Declarant shall include any successors or assignees of Declarant's rights and powers hereunder on the condition that Declarant's rights and powers may only be assigned by a written recorded instrument expressly assigning such rights and powers.

12.14 **Captions and Titles.** All captions and titles of headings of Articles and Sections in this Declaration are for the purpose of reference and convenience and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.

12.15 **Exhibits.** All exhibits attached to this Declaration are a part of, and are incorporated into this Declaration.

12.16 **Governing Law.** This Declaration shall be governed by and construed in accordance with Utah law.

12.17 **Effective Date.** This Declaration and any amendment or supplement hereto shall take effect upon its being recorded in the office of the County Recorder of Davis County, Utah.

[SIGNATURES TO FOLLOW]

QUAIL LANE CONDOMINIUMS, LLC,
a Utah limited liability company

By: *Price E. Jenkins*
Name: Price E. Jenkins
Its: Manager

By: *David Gilbert*
Name: David Gilbert
Its: Manager

STATE OF UTAH)
 : ss.
COUNTY OF Salt Lake

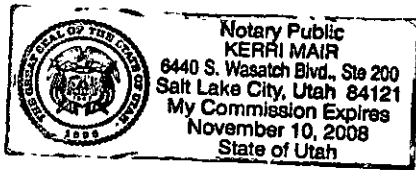
On this 24th day of April, 2007, personally appeared before me Price E. Jenkins, who being by me duly sworn, did say that he is the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same in his authorized capacity as Manager of QUAIL LANE CONDOMINIUMS, LLC a Utah limited liability company.



Kerri Mair
NOTARY PUBLIC

STATE OF UTAH)
 : ss.
COUNTY OF Salt Lake

On this 24th day of April, 2007, personally appeared before me David Gilbert, who being by me duly sworn, did say that he is the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same in his authorized capacity as Manager of QUAIL LANE CONDOMINIUMS, LLC a Utah limited liability company.



Kerri Mair
NOTARY PUBLIC

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

PARCEL 1:

Beginning at a point 1073.74 feet South and 772.25 feet East from the Northwest Corner of Section 31, Township 2 North, Range 1 East, Salt Lake Meridian, and running thence West 234.21 feet; thence South 126.35 feet, thence West 114.40 feet; thence South 6°30' West 100.65 feet; thence East 360 feet; thence North 226.35 feet to the place of beginning.

PARCEL 2:

Together with and subject to a right of way for use in common with adjoining owners on the West over the following described tract, to-wit:

Beginning at the Southwest Corner of the above described tract, and running thence West 294.15 feet to the East line of highway, thence North 31°25' East along East line of Highway 23.44 feet; thence East 284.31 feet; thence South 6°30' West 20.13 feet to the place of beginning.

Parcel 1 & Parcel 2 Boundary Description described by survey as follows:

Beginning at a point which lies North 89°53'15" East 770.79 feet along the Section Line and South 00°04'29" West 1073.75 feet from the Northwest Corner of Section 31, Township 2 North, Range 1 East, Salt Lake Base and Meridian; and running thence South 00°04'29" West 226.35 feet; thence South 89°53'15" 360.00 feet; thence North 06°34'13" East 100.68 feet; thence North 89°53'15" East 114.40 feet; thence North 00°04'29" East 126.35 feet; thence North 89°53'15" East 234.21 feet to the point of beginning.

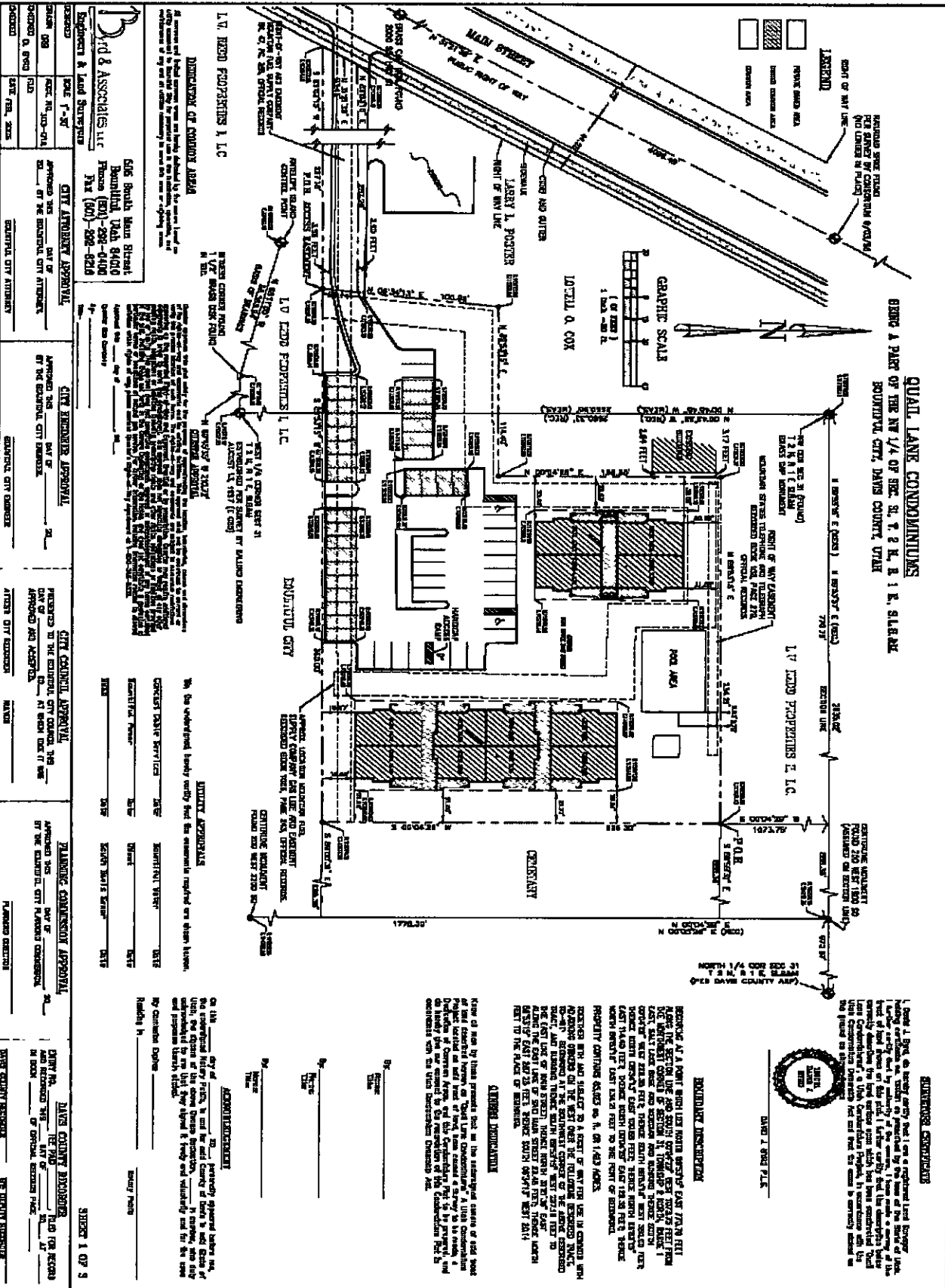
Together with and subject to a right of way for use in common with adjoining owners on the West over the following described tract, to-wit: Beginning at the Southwest Corner of the above described tract, and running thence South 89°53'15" West 297.18 feet to the East line of Main Street; thence North 31°21'36" East along the East line of said Main Street 23.45 feet; thence North 89°53'15" East 287.28 feet; thence South 06°34'13" West 20.14 feet to the place of beginning.

EXHIBIT B

PLAT

See Attached.

QUAL LANE CONDOMINIUMS
 BEING A PART OF THE NW 1/4 OF SEC. 31, T. 8 N., R. 1 E., S. 18 E.
 BOONVILLE CITY, DAVIS COUNTY, MO.



Prepared by: David G. Cox, Architect
 516 South Main Street
 Boonville, Mo. 64600
 Phone (801)-898-6400
 Fax (801)-898-6266

Client: L.V. Reed Properties I, L.C.
 1000 S. Main Street
 Boonville, Mo. 64600

City Approvals:
 CITY APPROVAL APPROVAL
 APPROVED THIS DAY OF THE BOONVILLE CITY ATTORNEY

County Approvals:
 COUNTY CITY ENGINEER
 APPROVED THIS DAY OF THE BOONVILLE CITY ENGINEER

Planning Commission:
 PLANNING COMMISSION APPROVAL
 APPROVED THIS DAY OF THE PLANNING COMMISSION

Other Approvals:
 STATE COUNTY ENGINEER
 APPROVED THIS DAY OF THE STATE COUNTY ENGINEER

Professional Seal:
 DAVID G. COX
 ARCHITECT
 No. 1000 S. Main Street
 Boonville, Mo. 64600

Notes:
 1. The information herein is based on the information provided by the client and is not to be construed as a warranty of accuracy or completeness.
 2. The architect is not responsible for the accuracy of the information provided by the client.
 3. The architect is not responsible for the accuracy of the information provided by the client.

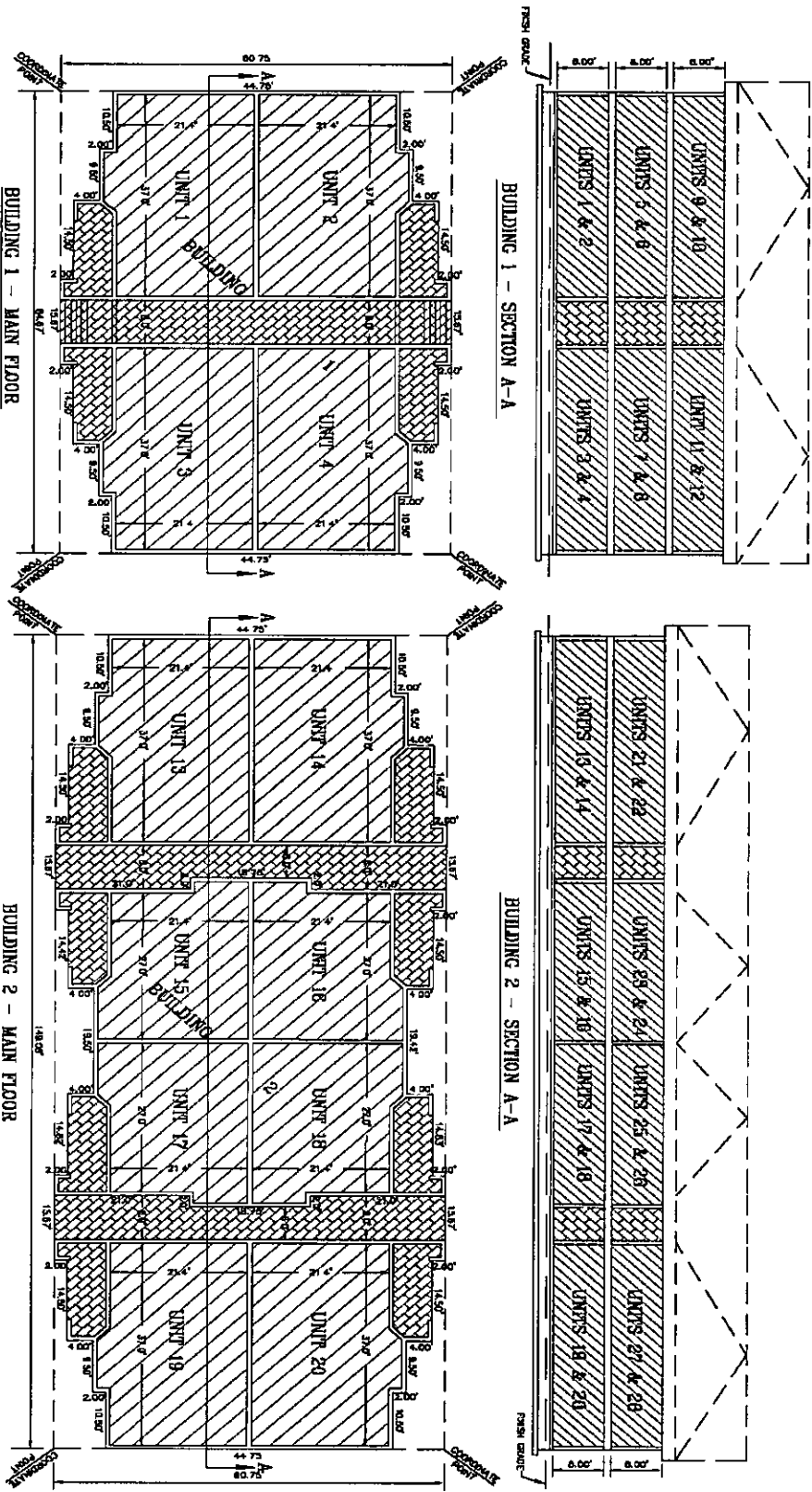
Legend:
 POINT MARK AREA
 HATCHED CONCRETE AREA
 CONCRETE AREA

Scale:
 GRAPHIC SCALE
 1" = 20' 0"

North Arrow:
 NORTH

Other Information:
 SHEET 1 OF 5

QUAIL LANE CONDOMINIUMS
 BEING A PART OF THE NW 1/4 OF SEC. 34, T. 2 N., R. 1 E., S. 18 E.
 BOUNTIFUL CITY, DAVIS COUNTY, UTAH



LEGEND

- UNIT COMMON AREA
- COMMON AREA

ASSIGNED

SCALE	1" = 10'
DATE	APRIL 14, 2003
PROJECT	Quail Lane Condominiums
OWNER	DAVIS COUNTY RECORDERS
DESIGNER	Engstrom & Land Surveys

505 South Main Street
 Bountiful, Utah 84003
 Phone (801) 282-0400
 FAX (801) 282-0218

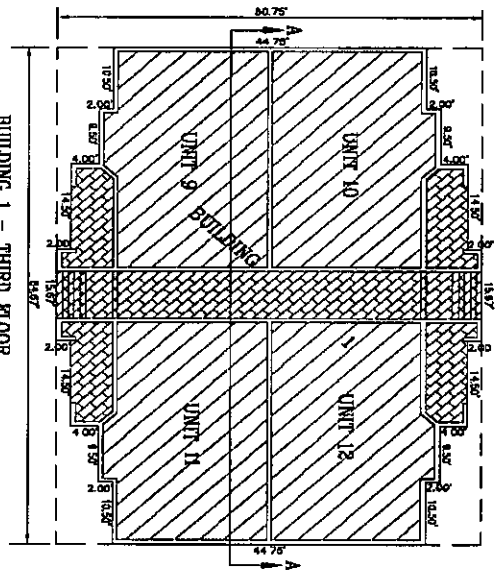
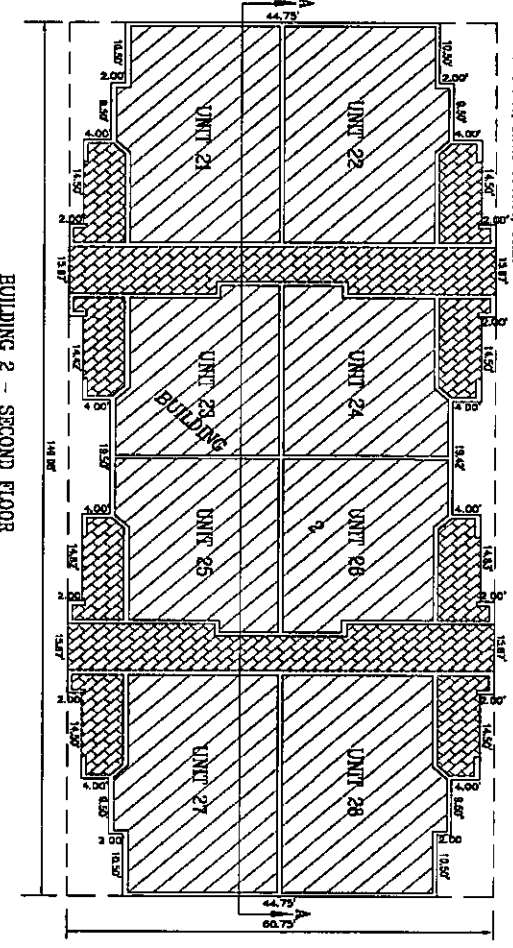
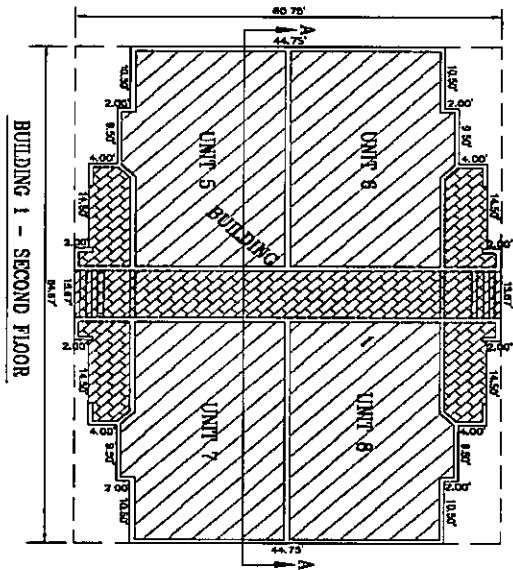


SHEET 2 OF 3

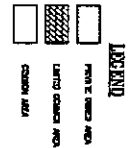
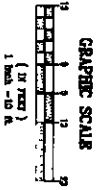
DATE RECORDED: _____ BY: _____

DATE RECORDED: _____ BY: _____

QUAL LANE CONDOMINIUMS
 BEING A PART OF THE NW 1/4 OF SEC. 31, T. 2 N., R. 1 E., S. 18 BM
 BOUNTIFUL CITY, DAVIS COUNTY, UTAH



DESCRIBED	SCALE 1"=10'	<p>Ard & Associates, LLC Engineers & Land Surveyors</p>
PROJECT NO. 08	ACCT. NO. 08-01A	
ORDERED BY BRNO	FILE	
DRAWN BY	DATE FEB. 2008	
525 South Main Street Bountiful, Utah 84010 Phone (801)-292-0400 Fax (801)-292-8218		



DAVIS COUNTY RECORDER
 ENTER NO. _____ FILE NO. _____ FILE FOR RECORD
 AND RECORDED THIS _____ DAY OF _____ AT _____
 IN BOOK _____ OF OFFICIAL RECORDS PAGE _____

DAVIS COUNTY RECORDER BY DEPUTY RECORDER

EXHIBIT C

PERCENTAGE OWNER INTEREST

UNIT NUMBER FROM PLAT	SQUARE FOOTAGE OF EACH UNIT	PERCENTAGE OF OWNERSHIP INTEREST IN COMMON AREAS ALLOCATED TO EACH UNIT
1	810.5	3.829%
2	810.5	3.829%
3	810.5	3.829%
4	810.5	3.829%
5	810.5	3.829%
6	810.5	3.829%
7	810.5	3.829%
8	810.5	3.829%
9	810.5	3.829%
10	810.5	3.829%
11	810.5	3.829%
12	810.5	3.829%
13	810.5	3.829%
14	810.5	3.829%
15	620	2.929%
16	620	2.929%
17	620	2.929%
18	620	2.929%
19	810.5	3.829%
20	810.5	3.829%
21	810.5	3.829%
22	810.5	3.829%
23	620	2.929%
24	620	2.929%
25	620	2.929%
26	620	2.929%
27	810.5	3.829%
28	810.5	3.829%
TOTALS	21,170	100%