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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS  
AND BY-LAWS

FOR

WATERSIDE TOWNHOMES, P.U.D.,

---

A PLANNED UNIT DEVELOPMENT

IN

SALT LAKE COUNTY, UTAH

---

TAYLORS WALK LLC,  
a Utah limited liability company

AS DECLARANT

---

AFTER RECORDING, PLEASE RETURN TO:

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Salt Lake City, UT 84111  
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AND BY-LAWS**

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**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS**  
**FOR**  
**WATERSIDE TOWNHOMES, P.U.D.,**  
**a Planned Unit Development**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR WATERSIDE TOWNHOMES, P.U.D. (this "Declaration), dated for reference May 21, 2007, is made and executed by TAYLORS WALK LLC, a Utah limited liability company, of 1585 West, Gaylawood Circle, Salt Lake City, Utah 84123 (the "Declarant").

**RECITALS**

A. Declarant is the owner of certain real property located in Taylorsville City, Salt Lake County, Utah (the "Land"). The Land is more particularly described in Article II of this Declaration.

B. This Declaration affects the Land.

C. By subjecting the Property, as hereinafter defined, to this Declaration, it is the desire, intent and purpose of Declarant to create a community in which the beauty shall be substantially preserved, which will enhance the desirability of using and living on that real estate subject to this Declaration, and which will increase and preserve the attractiveness, quality and value of the lands and improvements therein.

D. Declarant has constructed, is in the process of constructing, or will construct upon the Land a residential planned unit development which shall include certain Units, Limited Common Area, Common Area, and other improvements. All of such construction has been, or is to be, performed in accordance with the plans contained in the Record of Survey Map to be recorded concurrently herewith.

E. Declarant intends to sell to various purchasers the fee title to the individual Units contained in the Land, together with an appurtenant undivided ownership interest in the Common Area and a corresponding membership interest in the Association of Unit Owners, subject to the Record of Survey Map, and the covenants, conditions and restrictions set forth herein.

F. Declarant desires, by filing this Declaration and Record of Survey Map, to submit the Land and all improvements now or hereafter constructed thereon to the terms, covenants and conditions of this Declaration.

G. The Project is to be known as "WATERSIDE TOWNHOMES, P.U.D., a Planned Unit Development"

## TERMS AND CONDITIONS

NOW, THEREFORE, for the reasons recited above and subject to the covenants, conditions and restrictions set forth below, Declarant hereby makes the following Declaration:

### I. DEFINITIONS

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

1. "Additional Charges" shall mean and refer cumulatively to all collection and administrative costs, including but not limited to all attorneys' fees, late charges, accruing interest, service fees, filing and recordation fees, and other expenditures incurred or charged by the Association.

2. "Articles of Incorporation" shall mean and refer to the Articles of Incorporation of the Waterside Townhomes, P.U.D., PROPERTY OWNERS ASSOCIATION on file or to be filed with the Utah Department of Commerce.

3. "Assessment" shall mean and refer to any amount imposed upon, assessed or charged a Unit Owner or Resident at the Project.

4. "Association" shall mean and refer to all of the Unit Owners at WATERSIDE TOWNHOMES, P.U.D., a Planned Unit Development, taken as or acting as, a group in accordance with the Declaration, the By-Laws, and/or the Articles of Incorporation.

5. "Building" shall mean and refer to any of the structures constructed in the Project.

6. "Business Use and Trade" shall mean and refer to any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (a) such activity is engaged in full or part-time; (b) such activity is intended to or does generate a profit; or (c) a license is required.

7. "By-Laws" shall mean and refer to the By-Laws of the Association, a copy of which are attached hereto and incorporated in this Declaration by reference as Exhibit B.

8. "Capital Improvement" shall mean and refer to a permanent addition to or the betterment of real property that enhances its capital value and improves the expenditure of labor or money and is designed to make the property more useful or valuable as distinguished from ordinary repairs.

9. "Committee" shall mean and refer to the Management Committee of the Association as duly constituted.



10. "Common Areas" shall mean and refer to all real property in the Project owned in common by the Unit Owners including but not limited to the following items:

(a) The real property and interests in real property submitted hereby, including the entirety of the Land and all improvements constructed thereon, excluding the individual Units.

(b) All Common Areas and Facilities designated as such in the Survey Map or Maps;

(c) All Limited Common Areas;

(d) All utility installations and all equipment connected with or in any way related to the furnishing of utilities to the Project and intended for the common use of all Unit Owners, such as telephone, electricity, gas, water, sewer, internet, cable TV and related communications facilities;

(e) The Project's common outdoor grounds, lighting, perimeter fences, landscaping, sidewalks, open parking spaces, recreational amenities, clubhouse, and roadways;

(f) All portions of the Project not specifically included within the individual Units; and

(g) All other parts of the Project normally in common use or necessary or convenient to the use, existence, maintenance, safety, operation or management of the Property owned by the Association for the common benefit of its Members.

11. "Common Areas Facilities" shall mean the physical improvements, landscaping, and utilities that are either located in the Common Areas as shown by the Survey Map or appurtenant to the Common Areas, including but not limited to: (a) all landscaping, green space, sprinkler systems, grass, sod, berms, flower and plant beds, ground cover, trees, shrubs, bushes and other plant life in the Common Areas; (b) any roadway or right-of-way in the Common Areas; and (b) any walkway or driveway in the Common Areas.

12. "Common Expense" shall mean and refer to: (a) All sums lawfully assessed against the Owners; (b) Expenses of administration, maintenance, repair or replacement of the Project; (c) Expenses allocated by the Association among the Owners; (d) Expenses agreed upon as common expenses by the Association; and (e) Expenses declared common expenses by the Declaration.

13. "Community" shall mean and refer to the Project.

14. "Community Wide Standard" shall mean and refer to the standard of conduct, maintenance, or other activity generally prevailing in the Community, as determined by the Management Committee from time to time.

15. "Declaration" shall mean and refer to this DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR WATERSIDE TOWNHOMES, P.U.D., a Planned Unit Development

16. "Dwelling" shall mean and refer to and consist of the Town Home or portion of a Building within the Project, bearing walls, floors, ceilings, exterior walls and surfaces, roof, footings, foundation, and utility installations, as shown on the Record of Survey Map.

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

18. "Eligible Insurer" shall mean and refer to an insurer or governmental guarantor of a mortgage or trust deed who has requested notice in writing of certain matters from the Association in accordance with this Declaration.

19. "Eligible Mortgagee" shall mean and refer to a mortgagee, beneficiary under a trust deed, or lender who has requested notice in writing of certain matters from the Association in accordance with this Declaration.

20. "Eligible Votes" shall mean and refer to those votes available to be cast on any issue before the Association or the Committee. A vote which is for any reason suspended is not an "eligible vote."

21. "Family" shall mean one of the following: (a) a single person living alone, (b) a group of natural persons related to each other by blood or legally related to each other by marriage or adoption, such as a parent, child, grandparent, grandchild, brother, sister, uncle, aunt, nephew, niece, great-grandparent or great-grandchild, or (c) a group of not more than three unrelated persons living and cooking together as a single housekeeping unit and maintaining a common household, but not as a boarding or rooming house. Notwithstanding the above, an additional person or persons may be included within the definition of a "family" for domestic help or as a caretaker.

22. "Guest" shall mean and refer to an invitee, temporary visitor or any person whose presence within the Project is approved by or is at the request of a particular Resident.

23. "Improvement" shall mean and refer to any physical change or addition to the Land to make it more valuable.

24. "Land" shall mean and refer to all of the real property subject to this Declaration.

25. "Limited Common Areas" shall mean and refer to those Common Areas designated in this Declaration or in the Record of Survey Map as reserved for the use of a certain Unit Owner to the exclusion of the other Unit Owners, and shall include those areas appurtenant to a Unit, which may or may not be shown on the Record of Survey Map, as follows: any entry, entry walkway, doorstep, landing, porch, balcony, deck, patio, garage, carport, assigned parking

space, assigned driveway, storage locker, the grass/landscape area located directly behind Units and limited by the side boundaries of the Units, and other improvement intended to serve only a single Unit, shall constitute Limited Common Area appertaining to that Unit exclusively, whether or not the Survey Map makes such a designation.

26. "Majority" shall mean and refer to those eligible votes of Owners or other groups as the context may indicate totaling more than fifty (50%) percent of the total eligible number.

27. "Management Committee" shall mean and refer to the committee of Owners elected to direct the affairs of the Association.

28. "Manager" shall mean and refer to the person or entity appointed or hired by the Association to manage and operate the Project and/or assist in the administration of the Association.

29. "Map" shall mean and refer to the Record of Survey Map on file in the office of the County Recorder of Salt Lake County, State of Utah.

30. "Member," unless the context clearly requires otherwise, shall mean and refer to the Owner of a Unit, each of whom is obligated, by virtue of his ownership to be a member of the Association.

31. "Mortgage" shall mean and refer to both a first mortgage or first deed of trust on any Unit, but shall not mean or refer to an executory contract of sale.

32. "Mortgagee" shall mean and refer to a mortgagee under a first mortgage or a beneficiary under a first deed of trust on any Unit, but shall not mean or refer to a seller under an executory contract of sale.

33. "Non-owner Occupant" shall mean one who occupies a Unit who is not an Owner, who is not a member of the Owner's family, or who is not occupying the Unit simultaneously with the Owner; or, if the Owner of a Unit is an entity, anyone who occupies that Unit who does not own at least fifty percent (50%) equity or beneficial interest in that entity or who is not a member of such person's family. For such purposes of this definition, no entity shall be capable of occupying a Unit.

34. "Owner" shall mean and refer to the person who is the owner of record (in the office of the County Recorder of Salt Lake County, Utah) of a fee or an undivided fee interest in a Unit, excluding a Mortgagee unless and until such party has acquired title pursuant to foreclosure or any arrangement or proceeding in lieu thereof.

35. "Period of Declarant's Control" shall mean and refer to a period of time commencing on the date this Declaration is recorded and terminating on the occurrence of the earliest of the following events: (a) five (5) years from the Effective Date of this Declaration, (b) not more than 120 days after all of the Units have been conveyed, or (c) the Declarant executes and records a written Waiver of its right to control.

36. "Person" shall mean and refer to a natural person, corporation, partnership, trust, limited liability company, or other legal entity.

37. "Project" shall mean and refer to the WATERSIDE TOWNHOMES, P.U.D., a Planned United Development.

38. "Project Documents" shall mean and refer to the Declaration, By-Laws, Rules and Regulations, and Articles of Incorporation.

39. "Property" shall mean and refer to all of the land or real estate, improvements and appurtenances submitted to this Declaration.

40. "Record of Survey Map" shall mean and refer to the "Record of Survey Map or Maps of the WATERSIDE TOWNHOMES, P.U.D., a Planned Unit Development" to be recorded concurrently herewith, and on file in the office of the County Recorder of Salt Lake County, as amended or supplemented from time to time.

41. "Recreational Oversized or Commercial Vehicle" shall mean and refer to any recreational, commercial or oversized vehicle, motor home, commercial vehicle, tractor, golf cart, mobile home or trailer (either with or without wheels), camper, camper trailer, boat or other watercraft, boat trailer, or any other recreational or commercial transportation device of any kind.

42. "Repair" shall mean and refer to merely correcting the damage done sometimes by accident or fire or other cause, but more often due to the ravages of time and the deterioration resulting from ordinary wear and tear, by substituting for the damage, decayed or worn-out parts, new material, usually similar to that replaced, and so restoring the structure to its original sound condition

43. "Resident" shall mean and refer to any person living or staying at the Project. This includes but is not limited to all lessees, tenants and the family members, agents, representatives, or employees of Owners, tenants or lessees.

44. "Rules and Regulations" Those administrative and/or house rules, ordinances, and regulations, the Association, acting through its Management Committee, may adopt pursuant to the Project Documents, governing the use of the Units, the Common Areas, and the Project, as such may from time to time be modified, amended and construed by the Association.

45. "Single Family" shall mean one Family.

46. "Single Family Residence" shall mean and refer to both the architectural style of a Unit and the nature of the residential use permitted.

47. "Survey Map" shall mean and refer to the Record of Survey Map on file in the office of the County Recorder of Salt Lake County.

48. "Town Home or Town Home Unit" shall mean and refer to a Unit.

49. "Unit" shall mean and refer to a separate physical part of the Property intended for independent use as designated on the Record of Survey Map and by this Declaration, consisting of the Dwelling, the Unit Interior and Utilities, the ground directly beneath the Dwelling, the air space directly above the Dwelling, and rooms and spaces within the Dwelling.

50. "Unit Interior and Utilities" shall mean and refer to Mechanical equipment and appurtenances located within any one Unit, or located without said Unit but designated and designed to serve only that Unit, such as appliances, electrical receptacles and outlets, air conditioning compressors, furnaces, water heaters, apparatus, systems or equipment, fixtures, and the like, shall be considered part of the Unit; so shall the bearing walls, floors, ceilings, roof, and foundation of the Dwelling, and all decorated surfaces of interior walls, floors and ceilings, including but not limited to all paint, wallpaper, wall coverings, windows and window frames, doors and door frames, trim, carpeting, tile and linoleum. All pipes, wires, conduits, or other utility lines or installations constituting a part of the Unit or serving only the Unit, and any structural members, parts, components or any other property of any kind, including fixtures or appliances within any Unit, which are removable without jeopardizing the integrity, soundness, safety or usefulness of the remainder of the Building within which the Unit is located shall be deemed to be part of the Unit Interior.

51. "Unit Number" shall mean and refer to the number, letter or combination thereof designating a particular Unit.

## II. SUBMISSION

The Land, as described with particularity on Exhibit A, attached hereto and incorporated herein by this reference, is hereby submitted to the terms, conditions, and restrictions of this Declaration.

The Land is SUBJECT TO the described easements and rights of way.

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

ALL OF THE FOREGOING IS SUBJECT TO: All liens for current and future taxes, assessments, and charges imposed or levied by governmental or quasi-governmental authorities; all Patent reservation and exclusions; any mineral reservations of record and rights incident thereto; all instruments of record which affect the above-described Land or any portion thereof, including, without limitation, any mortgage or deed of trust; all visible and necessary easements and rights-of-way; all easements and rights-of-way of record; any easements, rights of-way, encroachments, or discrepancies shown on or revealed by the Survey Maps or otherwise existing; an easement for each and every common area improvement, equipment, pipes, lines, cables, wires, utility systems, or similar

facilities which traverse or partially occupy the above-described Land; and all easements necessary for servicing, repairing, ingress to, egress from, maintenance of, and replacement of all such common area improvements, equipment, pipes, lines, cables, wires, utility systems, and similar facilities.

### III. COVENANTS, CONDITIONS, AND RESTRICTIONS

The foregoing submission is made upon, under and subject to the following covenants, conditions, and restrictions:

1. Description of Improvements. The Project will consist of Fifty (50) Units. Each Unit will have a two (2) car garage. Each Unit will also contain an unfinished basement. The Units will be constructed principally of concrete foundations with exterior walls of cultured stone, stucco veneer, cementitious fiberboard, or any combination thereof, asphalt shingle roofing, interior walls of wood studs, plywood and dry wall plaster. The Common Area and Facilities will include driveways, open areas, green space, landscaping, roadways, walkways, and utility systems and entry monument. The Project will also contain other improvements of a less significant nature. The location and configuration of the improvements referred to in the foregoing sentence are depicted on the Survey Map.

2. Description and Legal Status of the Property. The Map shows the Unit Number of each Unit, the Unit location, those Limited Common Areas and Facilities which are reserved for a particular Unit's use, and the Common Areas and Facilities to which a Unit has access. All Units shall be capable of being independently owned, encumbered and conveyed; and shall have an appurtenant undivided percentage of ownership interest in the Common Areas and Facilities.

3. Membership in the Association. Membership in the Association is mandatory. Each Unit Owner shall be a Member of the Association. Membership in the Association may not be partitioned from the ownership of a Unit. Profits, losses and voting rights shall be distributed among the Owners equally. The percentage of ownership interest in the Common Areas and Facilities appurtenant to each Unit is equal, shall have a permanent character, and may only be changed upon the affirmative written consent or vote of at least sixty-seven percent (67%) of the Owners.

4. Limited Common Areas. Limited Common Areas are also Common Areas. Limited Common Area may not be partitioned from the Unit to which it is appurtenant. The exclusive use of Limited Common Area is reserved to the Unit to which it is assigned on the Survey Map or Maps, or as designated in this Declaration, as both may be amended from time to time.

5. Conveyancing. Any deed, lease, mortgage, deed of trust, or other instrument conveying or encumbering a Unit shall describe the interest or estate involved substantially as follows:

All of Town Home Unit No. \_\_\_ in Building No. \_\_\_ contained within WATERSIDE TOWNHOMES, P.U.D., a Planned Unit Development, as the same

is identified in the Record of Survey Map recorded in Salt Lake County, Utah as Entry No. \_\_\_\_ in Book. \_\_\_ at Page \_\_\_ of the official records of the County Recorder of Salt Lake County, Utah (as said Record of Survey Map may have heretofore been amended or supplemented) and in the DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR WATERSIDE TOWNHOMES, P.U.D., a Planned Unit Development, recorded in Salt Lake County, Utah as Entry No. \_\_\_\_ in Book \_\_\_ at Page \_\_\_ of the official records of the County Recorder of Salt Lake County, Utah (as said Declaration may have heretofore been supplemented), together with an undivided percentage of ownership interest in the common areas and facilities.

Regardless of whether or not the description employed in any such instrument is in the above-specified form, 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. Neither the membership in the Association, nor percentage of ownership interest in the Common Areas, nor the right of exclusive use of a Limited Common Area shall be separated from the Unit to which it appertains; and, even though not specifically mentioned in the instrument of transfer, such mandatory membership in the Association and such right of exclusive use shall automatically accompany the transfer of the Unit to which they relate.

6. Ownership and Use. Each Owner, of whatever kind, shall be entitled to the exclusive ownership and possession of his Unit, to an undivided percentage of ownership interest in the Common Areas, and to membership in the Association as set forth herein and subject to the following:

(a) Nature and Restrictions on Ownership and Use in General. Each Owner shall have and enjoy the privileges of fee simple Ownership of his Unit. There shall be no requirements concerning who may own a Unit, it being intended that they may and shall be owned as any other property rights by any Person. The Common Areas shall only be used in a manner consistent with the residential nature of the Project.

(b) Title to the Common Area. Each Unit Owner shall be entitled to an equal percentage of undivided ownership interest in and to the Common Areas and Facilities, free and clear of all liens (other than current years taxes, if any) prior to the Declarant's first conveyance of a Unit.

(c) Mandatory Association. Each purchaser of a Unit, by virtue of accepting a deed or other document of conveyance thereto, shall automatically become a Member of the Association.

(d) Member's Easements and Rights of Way. Every Member of the Association shall as an Owner have the right and non-exclusive easement to use and enjoy the Common Area, with a restriction on the use of the Limited Common Areas as set forth herein. Such right and easement shall be appurtenant to and shall pass with the title to every Unit, subject to the following restrictions:

(i) The right of the Association to limit the number of guests, and to adopt Rules and Regulations from time to time governing the use and enjoyment of the Common Area;

(ii) The right of the Association to suspend the voting rights and the privilege to use the recreational amenities by a Member for: (a) any period during which his/her Assessment remains delinquent, and (b) a period not to exceed thirty (30) days after notice and hearing as may be set forth hereinafter for any infraction of the Rules and Regulations; and

(iii) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for the purpose of providing utilities and similar or related purposes.

(e) Rules and Regulations. The Association, acting through its Management Committee, shall have the power and authority to adopt administrative and/or house rules and regulations and, in its sole discretion, to impose reasonable user fees for the amenities. Such rules, regulations and use restrictions shall be binding upon all Owners and Residents, their guests and invitees.

(f) Restrictions and Limitations of Use. The use of the Units, of whatever kind, is subject to the following guidelines, limitations and restrictions:

(i) Parties Bound. All provisions of the Project Documents shall be binding upon all Owners and Residents, their Families, Guests and invitees.

(ii) Nuisance. It shall be the responsibility of each Owner and Resident to prevent the creation or maintenance of a nuisance in, on or about the Project. The term "nuisance" includes but is not limited to the following:

(1) The development of any unclean, unhealthy, unsightly, or unkempt condition on, in or about his Unit or the Common Areas;

(2) The storage of any item, property or thing that causes any Unit or the Common Area to appear to be in an unclean or untidy condition or that will be noxious to the senses;

(3) The storage of any substance, thing or material upon any Unit or in the Common Areas that emits any foul, unpleasant or noxious odors, or that causes any noise or other condition that disturbs or might disturb the peace, quiet, safety, comfort, or serenity of the other residents at the Project;

(4) The creation or maintenance of any noxious or offensive condition or activity in or about any Unit or the Common Areas;



(5) Actions or activities tending to cause embarrassment, discomfort, annoyance, distress or a disturbance to any other residents, their guests or invitees, particularly if the police or sheriff must be called to restore order;

(6) Maintaining any plants, animals, devices or items, instruments, equipment, machinery, fixtures, or things of any sort whose activities or existence in any way is illegal, noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Community by other residents, their guests or invitees;

(7) Unreasonable amounts of noise or traffic in, on or about any Unit or the Common Area, in particular after 10:00 p.m. and before 7:00 a.m. during the week and midnight and 8:00 a.m. during weekends; and

(8) Drug houses and drug dealing; the unlawful sale, manufacture, service, storage, distribution, dispensing or acquisition occurs of any controlled substance; gambling; criminal activity; parties which occur frequently which bother, annoy or disturb other reasonable residents or interfere with their quiet and peaceful enjoyment of the premises; prostitution; or other violation of U.C.A., Section 78-38-9 (1999) as amended or supplemented.

(iii) Signs. No "For Sale" or "For Rent" or other signs or banners are permitted in the Common Area or so as to be visible from the street, unless approved in writing by the Committee.

(iv) Garbage Cans, Removing Garbage, Dust, and Debris. All rubbish, trash, refuse, waste, dust, debris and garbage shall be regularly removed from the Unit and shall not be allowed to accumulate thereon. Except for the days set aside for garbage pickup in the Project, in which case garbage and recycling cans must be in the location set aside for pickup, Garbage and recycling cans owned by, or issued to, each Unit must at all times be stored within the Unit's garage appurtenant to the particular Unit.

(v) Subdivision of a Unit. No Unit may be subdivided.

(vi) Firearms, Incendiary Devices and Graffiti. The use of firearms and incendiary devices, or the painting of graffiti, within the Project is prohibited. The term firearms includes but is not limited to all guns, pistols, handguns, rifles, automatic weapons, semi-automatic weapons, BB guns, pellet guns, paint guns, air guns, sling shots, wrist-rockets, blow-dart guns, and other firearms of all types, regardless of size.

(vii) Temporary Structures. No Owner or occupant shall place upon any part of the Project any temporary structures, including but not limited to, storage units, tents, trailers and sheds or their equivalent, without the prior written consent of the Committee.

(viii) Trees, Shrubs, and Bushes: Maintenance of Proper Sight Distance at Intersections. All property located at or near driveways, entrances, exits, walkways, paths and street intersections or corners shall be landscaped so as to remove any obstructions and to permit

safe sight. No hedge, shrub, bush, tree or monument, real or artificial, shall be planted or placed by any Owner or occupant in, on or about the Common Areas without the prior written consent of the Committee. The Management Committee may alter or remove any objects planted or placed in violation of this subsection and shall not be guilty of a trespass.

(ix) Energy Conservation Equipment. No solar energy collector panels, other energy conservation equipment or attendant hardware shall be constructed or installed on the Project without the prior written consent of the Committee.

(x) Business Use. No commercial trade or business may be conducted in or from any Unit unless: (1) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the residence; (2) the business activity conforms to all zoning requirements for the Project; (3) the business activity does not involve persons coming onto the Project who do not reside in the Project or door-to-door solicitation of residents of the Project; and (4) the business activity is consistent with the residential character of the Project and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Project, as may be determined in the sole discretion of the Committee. Notwithstanding the above, the leasing of a residence shall not be considered a trade or business within the meaning of this sub-section.

(xi) Storage and Parking of Vehicles. The driving, parking, standing and storing of motor vehicles in, on or about the Project shall be subject to the following:

(1) The Rules and Regulations adopted by the Committee from time to time;

(2) The driveway areas located within the Limited Common Areas that benefit a particular unit (the "Driveway Area") are not designed for recreational, commercial or oversized motor vehicles and the Management Committee has the right to make the Rules and Regulations restricting or prohibiting their use. Unless otherwise determined by the Management Committee, all Recreational, Commercial and Oversized Vehicles shall be parked outside the Project, except for purposes of loading and unloading.

(3) No motor vehicle or trailer may be parked or stationed in such a manner so as to create potentially dangerous situation.

(4) Except for purposes of loading and unloading, no motor vehicle or trailer may be parked or stationed along any street or road, or in front of any garage, walkway, driveway, Building or Unit, or in an unauthorized Common Area, unless specifically consented to by the Association.

(5) Residents may only park their motor vehicles within their designated garages, and may use the Driveway Area for temporary daytime parking and/or temporary visitor parking.

(6) Residents may not park their motor vehicles in red zones, fire lanes, guest or visitor parking, or other unauthorized areas.

(7) Visitors or guests shall park their motor vehicles in Driveway Area of the Unit the visitor or guest is visiting.

(8) No Owners or Residents shall repair or restore any vehicle of any kind in, on or about any Unit or the Common Area, except for emergency repairs, and then only to the extent necessary to enable movement thereof to a proper repair facility.

(9) No garage may be altered in such a manner that the number of motor vehicles which may reasonably be parked therein after the alteration is less than the number of motor vehicles that could have been reasonable parked in the garage as originally designed and constructed.

(10) No motor vehicle shall be parked in such a manner as to inhibit or block access to a Unit, garage, entrance, exit, or Driveway Area.

(11) All garages and Driveway Areas shall be used solely for the parking and storage of motor vehicles used for personal transportation.

(12) Garage doors shall remain closed except when the Owner is entering or leaving the garage.

(13) The Management Committee may establish automatic towing and reserved parking areas. Vehicles parked in violation of the Project Documents may be immobilized, towed, impounded and/or stored, at the Owner's sole expense, and without further notice. The Association, Management Committee, members of the Committee and Manager shall be indemnified and held harmless by the Unit Owner(s) from any loss, damage or claim caused by or arising out of the immobilization, towing, impounding or storing of any motor vehicle or trailer pursuant hereto.

(xii) Aerials, Antennas, and Satellite Systems. Antennas and satellite dishes shall be prohibited within the Property, except: (1) antennas or satellite dishes designed to receive direct broadcast satellite service which are one meter or less in diameter or diagonal measurement; (2) antennas or satellite dishes designed to receive video programming services via multipoint distribution services which are one meter or less in diameter or diagonal measurement; or (3) antennas or satellite dishes designed to receive television broadcast signals (collectively, "Permitted Devices") shall be permitted, provided that any such Permitted Devices are:

(a) located in the attic, crawl space, garage, or other interior spaces of the Unit or another approved structure on the Property, so as not to be visible from outside the Unit or other structure; and

(b) attached to or mounted in the Limited Common Area immediately adjacent to the Unit, such as a balcony, deck or patio in the rear of the building, and extending no higher than the eaves of that portion of the roof of the Unit directly in front of such antenna.

The Management Committee may adopt Rules and Regulations establishing a preferred hierarchy of alternative locations and requiring screening of all Permitted Devices, so long as such rules do not unreasonably increase the cost of installation, maintenance, or use of Permitted Devices in the authorized areas.

(xiii) Window Coverings, Awnings and Sun Shades. No-aluminum foil, newspapers, reflective film coatings, or any other similar materials may be used to cover the exterior windows of any residential structure on a Unit. Sun shades are not allowed on the exterior of any Building unless the color, style, construction material, and uniformity of appearance are approved by the Management Committee. The colors and styles of window coverings used in the windows areas on the interior of the Buildings shall be harmonious, and comparable in size, design and quality so as not to detract from uniformity in appearance and quality of construction. This means, but is not limited to the following: (1) that blinds to be used shall be at least two inches (2") in depth and shall be of a natural or neutral color, and (2) draperies used shall also be of a natural or neutral color and be placed in the window in an organized manner.

(xiv) Windows. All windows and window panes in the Project shall be harmonious, and comparable in size, design and quality so as not to detract from uniformity in appearance and quality of construction.

(xv) Pets. Unless otherwise provided herein, no pets, animals, livestock or poultry of any kind shall be bred in, on or about the Project. Up to two (2) domestic pets per Unit are allowed. Provided, however, all pets must be properly licensed and registered (if required) with the appropriate governmental agencies, Owners must pay a pet deposit, if any is required, to the Management Committee, obtain a certificate of registration from the Association, abide by all pet Rules and Regulations adopted by the Management Committee from time to time, and follow all applicable local ordinances. Pets may not create a nuisance. The following acts of an animal may constitute a nuisance: (1) it causes damage to the property of anyone other than its owner; (2) it causes unreasonable fouling of the air by odors; (3) it causes unsanitary conditions; (4) it defecates on any common area and the feces are not immediately cleaned up by the responsible party; (5) it barks, whines or howls, or makes other disturbing noises in an excessive, continuous or untimely fashion; (6) it molests or harasses passersby by lunging at them or chasing passing vehicles; (7) it attacks people or other domestic animals; (8) it otherwise acts so as to bother, annoy or disturb other reasonable residents or interferes with their right to the peaceful and quiet enjoyment of their property; or (9) by virtue of the number of pets maintained, they are offensive or dangerous to the health, welfare or safety of other residents. Pets in the Common Area must be in a cage or on a leash and under the control of a responsible person. Pets in the Common Area must be cleaned up after immediately.

(xvi) Insurance. Nothing shall be done or kept in, on or about any Unit or in the Common Areas or Limited Common Areas which may result in the cancellation of the insurance on the Property or an increase in the rate of the insurance on the Property, over what the Management Committee, but for such activity, would pay.

(xvii) Laws. Nothing shall be done or kept in, on or about any Unit or Common Areas, or any part thereof, which would be a violation of any statute, rule, ordinance, regulation, permit or other validly imposed requirement of any governmental body.

(xviii) Damage or Waste. No damage to, or waste of, the Common Areas or Limited Common Areas shall be committed by any Owner or Resident, their guests or invitees; and each Owner and Resident shall indemnify and hold the Management Committee and the other Owners in the Project harmless against all loss resulting from any such damage or waste caused by that Owner or Resident, their guests or invitees; provided, however, that any invitee of the Declarant shall not under any circumstances be deemed to be an invitee or any other Owner.

(ix) Structural Alterations Within the Common Area. Except in the case of an emergency repair and construction of the Owner's Fences (as defined in Section 6(f)(xxii) below), no structural alterations, plumbing, electrical or similar work within the Common Areas or Limited Common Areas shall be done or permitted by any Owner without the prior written consent of the Management Committee.

(xx) Unit Alterations. The Owners may not alter, modify, change, add to, or subtract from the Unit Exteriors without the prior written consent of the Management Committee and Unit Owners may only alter or modify the Unit Interiors pursuant to this Declaration.

(xxi) Exterior Lighting. The Owners may not alter, modify, change, add to, or subtract from the exterior lighting within the Project, including the exterior lighting located on the Units, without the prior written consent of the Management Committee. Unit Owners may only alter or modify the exterior lighting on a Unit pursuant to this Declaration. No lighting shall be approved that is flood lighting in nature. Rear yard exterior lighting shall be controlled and shielded from spreading into adjacent Limited and Common Areas.

(xxii) Fences. If desired by the Owner of a Unit, the Owner, at the Owner's sole cost and expense, may construct a vinyl fence to enclose the Limited Common Area appurtenant to the Owner's Unit (the "Fence"). The Fence must comport with all government and Management Committee regulations, ordinances, rules, and rulings regulating that particular fence and the construction of similar other residential fences. Each Owner's Fence will contain gates on the two sides that border the Limited Common Area or Common Area as to create an access route for the Association in order to facilitate the maintenance of the Limited Common Areas. Notwithstanding the anything to the contrary stated herein, Units that are located adjacent to the canal easement running through the Project, which easement is owned by the North Jordan Canal Company (the "Canal Company"), may only construct the Fence appurtenant to that Unit off of the property encumbered by the above-referenced easement.

(xxiii) Disorderly Activities and Unsightly or Unkempt Conditions. Activities which might tend to cause disorderly, unsightly, or unkempt conditions shall not be pursued or undertaken on any part of the Project.

7. Restriction on Leases. No Units within the Project may be occupied by a Non-owner Occupant; provided, however a Unit may be occupied by a Non-owner Occupant to accommodate cases of undue hardship. In its sole discretion, the Management Committee may allow a Unit to be occupied by a Non-owner Occupant to avoid undue hardship on an Owner. Without either binding or limiting the Management Committee's discretion, examples of undue hardship might include cases in which an Owner must relocate and cannot sell the Unit for its then appraised value within ninety (90) days from the date that the Unit was placed on the market or the Owner dies and the Owner's estate or other successor by reason of such death cannot sell the Unit for its then appraised value within ninety (90) days from the date of death. The time during which a Unit may be occupied by a Non-owner Occupant by reason of undue hardship shall be limited to the amount of time determined in the sole discretion of the Management Committee to be necessary to materially ameliorate the undue hardship. An Owner seeking an undue hardship exception shall submit a written application to the Management Committee setting forth the circumstances supporting the exception. Any Owner desiring the Management Committee's consent to occupancy by a Non-owner Occupant shall submit a written application together with such information as the Management Committee may reasonably request to determine the acceptability of the Non-owner Occupant to the Association. At a minimum, such information shall include a copy of the rental or other occupancy agreement which must be in writing with all economic terms filled in, must require the Non-owner Occupant to learn and abide by all provisions of the Project Documents, must advise the Non-owner Occupant of the Association's potential right to collect rents in the case of unpaid Assessments by the Owner, must advise the Non-owner Occupant of the Association's right and standing to evict the Non-owner Occupant for failing to abide by this Declaration, Association bylaws and such other governing documents as they may exist from time to time, including rules, policies and procedures established by the Management Committee, and must otherwise be in a form acceptable to the Management Committee. If an Owner is about to violate or violates this provision, the Association shall have the right to: (i) enjoin the violation before it takes place; or (ii) obtain a declaratory judgment to the effect that such rental or other occupancy agreement is void and ordering the Non-owner Occupant to vacate the Unit immediately. The right described in (ii) above shall apply regardless of whether or not the Association was aware that the violation was about to occur and regardless of the Association's action or inaction on that knowledge. The foregoing remedy is in addition to and not in substitution or derogation of any other remedy that the Association might otherwise have under this Declaration, Association bylaws, other governing documents or applicable law. Regardless of the remedy sought, the Association shall be entitled to recover its expenses of enforcement, including attorney fees.

No Owner shall be permitted to lease or rent his/her Unit for transient, hotel, seasonal, rental pool or corporate/executive use purposes, which shall be deemed to be any rental with an initial term of less than one (1) year. Daily or weekly rentals are prohibited. No Owner may lease individual rooms to separate persons or less than his entire Unit. Within ten (10) days after delivery of written notice of the creation of a nuisance or material violation of this Declaration,

the Owner shall proceed promptly to abate the nuisance or cure the default, and notify the Management Committee in writing of his intentions.

8. Easement -- Support, Maintenance, and Repair. There is hereby RESERVED and the Association is hereby GRANTED a non-exclusive easement over, across, through, above and under the Units and the Common Area for the operation, maintenance and regulation of the Common Area and Facilities.

9. Liability of Owners and Residents For Damages and Waste. Each Owner or Resident shall be liable to the Association, or other Owners or Residents, for damages to person or property and waste in the Community caused by his negligence or the negligence of his invitees, family members, or guests.

10. Encroachments. If any portion of Common Area, Limited Common Area, or Unit encroaches or comes to encroach upon other Common Area, Limited Common Area, or a Unit as a result of construction, reconstruction, repair, shifting, settling, or movement, an easement for such encroachment is created hereby and shall exist so long as such encroachment exists.

11. Management Committee. The Association shall be managed by a Management Committee, which shall be comprised of three (3) members. Until the termination of the Period of the Declarant's Control, the Declarant shall have the exclusive and irrevocable right to appoint all of the members of the Management Committee and their successors or replacements. Upon the termination of the Period of the Declarant's Control, to qualify, members of the Management Committee must be an individual Owner or legal representative of the individual Owner.

12. Officers and Agents. The Management Committee shall elect and/or appoint officers and agents of the Association, including without limitation a President, Secretary and Treasurer.

13. Management Committee Meetings. The Management Committee shall meet at regular intervals.

14. Status and General Authority of Management Committee. Any instrument executed by the Management Committee that recites facts which, if true, would establish the Committee's power and authority to accomplish through such instrument what is purported to be accomplished thereby, shall conclusively establish said power and authority in favor of any person who in good faith and for value relies upon said instrument. The Association shall, in connection with its exercise of any of the powers delineated in subparagraphs (a) through (m) below, constitute a legal entity capable of dealing in its Committee name. The Management Committee shall have, and is hereby granted, the following authority and powers:

(a) Access. The right, power and authority to have access to each Unit: (i) from time to time during reasonable hours and after reasonable notice to the occupant of the Unit being entered, as may be necessary for the maintenance, repair or replacement of any of the Common Areas and Facilities; or (ii) for making emergency repairs necessary to prevent damage

to the Common Areas and Facilities or to another Unit or Units, provided that a reasonable effort is made to provide notice to the occupant of the Unit prior to entry.

(b) Grant Easements. The authority, without the vote or consent of the Owners, Mortgagees, insurers or guarantors of any Mortgage, or of any other person, to grant or create, on such terms as it deems advisable, reasonable permits, licenses, and non-exclusive easements over, under, across, and through the Common Areas for utilities, roads, and other purposes reasonably necessary or useful for the proper maintenance, operation or regulation of the Project.

(c) Execute Documents. The authority to execute and record, on behalf of all Owners, any amendment to the Declaration or Record of Survey Map, which has been approved by the vote or consent necessary to authorize such amendment.

(d) Standing. The power to sue and be sued.

(e) Enter Into Contracts. The authority to enter into contracts which concern the Project, so long as any vote or consent necessitated by the subject matter of the contract has been obtained.

(f) Transfer Interests in Real Property. The power and authority to exchange, convey, or transfer any interest in real property, so long as it has been approved by at least seventy-five percent (75%) of the Association Members.

(g) Purchase Property. The power and authority to purchase, otherwise acquire, and accept title to, any interest in real property, so long as it has been approved by at least seventy-five (75%) percent of the Association Members.

(h) Add Property. The power and authority to add any real property, or interest therein, obtained pursuant to subparagraph (g) above to the Project, so long as it has been approved by at least seventy-five percent (75%) of the Association Members.

(i) Borrow Money and Pledge Collateral. The power and authority to borrow money and pledge collateral so long as it has been approved by at least seventy-five percent (75%) of the Association Members.

(j) Promulgate Rules. The authority to promulgate the Rules and Regulations and such reasonable administrative guidelines, rules, regulations, policies and procedures as may be necessary or desirable to aid the Committee in carrying out any of its functions or to insure that the Project is maintained and used in a manner consistent with this Declaration.

(k) Meetings. The authority to establish procedures for the conduct of its meetings, including but not limited to the power to decide what portion of the meeting shall be open or closed to Owners or Residents not on the Committee, to retire to executive session, to regulate record keeping, and to allow, control or prohibit the electronic reproduction (video or audio) of Committee meetings.



(l) Delegation of Authority. The power and authority to delegate its responsibilities over the management and control of the Common Areas and regulation of the Project to a professional manager, reserving the right, power and authority, however, to control and oversee the administration thereof.

(m) All other Acts. The power and authority to perform any and all other acts and to enter into any other transactions which may be reasonably necessary for the Management Committee to perform its functions on behalf of the Owners.

15. Delegation of Management Responsibilities: The Management Committee must delegate all of its responsibilities that relate to the general maintenance of the Common and Limited Common Areas and the collection of Assessments from the Unit Owners to either: (a) a professional management company; (b) an experienced on-site manager; (c) an independent contractor, through service contracts; or (d) any combination thereof. The Management Committee may delegate its remaining management responsibilities to either: (a) a professional management company; (b) an experienced on-site manager; (c) an independent contractor, through service contracts; or (d) any combination thereof. The Manager may be an employee or an independent contractor. The termination provision of any such contract must not require a termination penalty or any advance notice of any more than sixty (60) days, and no such contract or agreement shall be for a term greater than one (1) year. The Management Committee may also employ general laborers, grounds crew, maintenance, bookkeeping, administrative and clerical personnel as necessary to perform its management responsibilities. Provided, however, any management contract may be terminated for cause on thirty (30) days notice.

16. Owners Meetings. The Association shall meet at least annually, pursuant to the requirements of the By-Laws (the "Annual Meeting").

17. Lists of Owners, Renters, Eligible Mortgagees, Insurers and Guarantors. The Management Committee shall maintain up to date lists of the name, address, and phone number of all Owners, renters, Eligible Mortgagees, insurers and Guarantors. The Owners, Mortgagees, Insurers and Guarantors have a duty to provide this information to the Committee.

18. Capital Improvements. All expenses for Capital Improvements shall be governed by and subject to the following conditions, limitations and restrictions:

(a) Committee Discretion/Expenditure Limit. Any Capital Improvement to the Project which costs ten percent (10%) or less of the total Annual Budget (as defined in Section 20(d) of this Declaration), and does not alter the nature of the Project, may be authorized by the Management Committee alone (the "Capital Improvement Ceiling").

(b) Owner Approval/Expenditure Limit. Any Capital Improvement, the cost of which will exceed the Capital Improvement Ceiling, must, prior to the commencement of construction, be authorized by at least a majority of the percentage of undivided ownership interest in the Common Area.

(c) Owner Approval/Changing the Nature of the Project. Any Capital Improvement that would materially alter the nature of the Project (e.g., changing the roofing materials, the construction of the external Building surfaces, color scheme, etc.) must, regardless of its cost and prior to being constructed or accomplished, be authorized by at least sixty-seven (67%) percent of the undivided ownership interest in the Common Areas.

19. Operation, Maintenance and Alterations. **This section may not be amended without City approval.** Each Unit, the Limited Common Area, and the Common Area shall be maintained, repaired and replaced in accordance with the following covenants, conditions and restrictions:

(a) Clean, Safe, Sanitary and Attractive Condition. The Units, Limited Common Area, and Common Area shall be maintained in a usable, clean, functional, safe, sanitary, attractive and good condition, consistent with Community Standards.

(b) Landscaping. All landscaping in the Project shall be maintained and cared for in a manner consistent with the standards of design and quality originally established by Declarant and in accordance with Community Standards. Specific written guidelines, standards, controls, and restrictions on landscaping may be adopted or amended by the Committee from time to time. All landscaping shall be maintained in a neat and orderly condition. Any weeds or diseased or dead lawn, trees, ground cover or shrubbery shall be removed and replaced. All lawn areas shall be neatly mowed and trees, shrubs and bushes shall be neatly trimmed. All Fences shall be kept in good condition and repair. In sum, all landscaping shall be tasteful, so as not to affect adversely the value or use of any other Unit, or to detract from the uniform design and appearance of the Project.

(c) Area of Common Responsibility. Unless otherwise expressly noted, the Association shall maintain, repair, and replace the following items (the "Area of Common Responsibility"):

- (i) all of the Common Area and Facilities;
  - (ii) all of the Limited Common Area improvements;
  - (iii) all of the common utility installations;
  - (iv) all storm drainage facilities located on the Common Area or Limited Common Area, including pipes, detention basins, inlet boxes, manholes, and retaining walls;
  - (v) all of the Buildings, excluding the Unit Interiors and Utilities;
  - (vi) all of the bearing walls, floors and ceilings beyond the decorated surfaces (e.g., paint, wall coverings and floor coverings), roofs, exterior walls, and foundations;
- and

(vii) all items not expressly and specifically part of the Area of Personal Responsibility, as set forth below in Section 19(d). In no way limiting the generality of the previous statements, the Association's maintenance responsibilities for the Common Areas include: (1) maintenance of the sprinkling systems, including the repair and replacement of the controls, sprinkler heads, and the water distribution lines as needed; (2) Mowing, edging and trimming all grass and lawns; (3) Pruning of the trees, bushes and shrubs; (3) planting, fertilizing, weeding and care of the plant life therein; (4) removing all snow and ice accumulations from the Common Areas; and (5) maintenance of the decks and/or patio's initially installed by Declarant.

(d) Area of Personal Responsibility. Each Owner shall maintain, repair, and replace his Unit Interior and Utilities, including without limitation all individual services such as power, light, gas, hot and cold water, heating, refrigeration, air conditioning, fixtures, windows and window systems, doors and door systems, garage, garage doors and garage door systems, and Fences subject to the approval of the Management Committee as to construction materials, quality of construction and installation. Each Unit Owner shall also be responsible for maintaining and keeping his Unit and Limited Common Area clean, attractive, tidy, uncluttered, safe, sanitary, and in functional condition, so as not to detract from the health, safety or uniform appearance or design of the Project, and in a manner consistent with Community Standards. The obligations stated in this Section shall be referred to herein as the "Area of Personal Responsibility."

(e) Neglect. If the Committee determines that any Owner has failed or refused to discharge properly his obligation with regard to the maintenance, repair, or replacement of items for which he is responsible hereunder; or that the need for maintenance, repair, or replacement of the Common Area is caused through the willful or negligent act of any Owner, his Family, Guests, lessees, or invitees, and it is not covered or paid by insurance, in whole or in part, then the Association may, but is not obligated to, provide such maintenance, repair or replacement at the Owner's sole cost and expense, subject to the following: (i) Such costs shall be added to and become a part of the Assessment to which such Owner is subject and shall become a lien against his Unit, as provided below; (ii) Except in an emergency situation, the Association shall give the Owner written notice of the Association's intent to provide necessary maintenance, repair, or replacement at Owner's cost and expense. The notice shall set forth with reasonable particularity the maintenance, repair, or replacement deemed necessary by the Committee. The Owner shall have ten days after receipt of notice within which to complete maintenance or repair, or if the maintenance or repair is not capable of completion within such time period, to commence replacement or repair within ten days; (ii) If the Committee determines that an emergency exists, then notice and the opportunity to cure the default is not necessary; (iv) The Association may, but is not obligated to, provide any such maintenance, repair, or replacement in the manner described above; and (v) The Association or its agents or employees shall have a right to enter upon or into any Unit or Limited Common Area as necessary to perform such work and shall not be liable for trespass for such entry or work.

(f) Alterations to the Common Area. The Declarant may make changes to the design and construction of the improvements located in or on the Common Areas without

additional approval required, including without limitation the consent of the Management Committee or Members of the Association. Provided, however, no Owner or Resident may make any structural alterations to the Common Area (including the Limited Common Area) without the express prior written consent of the Management Committee.

20. Common Expenses. Each Owner shall pay his Assessments subject to and in accordance with the procedures set forth below.

(a) Declarant. Anything to the contrary notwithstanding, the Declarant shall not be obligated to pay Assessments on any Units owned by it until such time as Declarant elects in writing to pay the Assessments.

(b) Purpose of Common Area Expenses. The Assessments provided for herein shall be used for the general purpose of operating the Project, promoting the recreation, health, safety, welfare, common benefit and enjoyment of the Owners and residents, including the maintenance of any real and personal property owned by the Association, and regulating the Community, all as may be more specifically authorized from time to time by the Committee.

(c) Creation of Assessments. Since the Assessments shall pay for the common expenses of the Association, as shall be determined by the Management Committee from time to time, each Owner, by acceptance of a deed to a Unit, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association in a timely manner all Assessments assessed by the Committee.

(d) Budget. At least thirty (30) days prior to the Annual Meeting, the Management Committee shall prepare and deliver to the Owners a proposed budget (the "Annual Budget"), which:

(i) Itemization. Shall set forth an itemization of the anticipated Common Expenses for the twelve (12) month calendar year, commencing with the following January 1.

(ii) Basis. Shall be based upon advance estimates of cash requirements by the Management Committee to provide for the payment of all estimated expenses growing out of or connected with the maintenance and operation of the Common Areas and regulation of the Association, which estimate shall include but is not limited to expenses of management, grounds maintenance, taxes and special assessments, premiums for all insurance which the Committee is required or permitted to maintain, common lighting and heating, water charges, trash collection, sewer service charges, carpeting, painting, repairs and maintenance of the Common Areas and replacement of those elements of the Common Areas that must be replaced on a periodic basis, wages for Management Committee employees, legal and accounting fees, any deficit remaining from a previous period; the creation of a reasonable contingency reserve, surplus or sinking fund, Capital Improvement reserve, and other expenses and liabilities which may be incurred by the Association for the benefit of the Owners under and by reason of this Declaration.

(e) Apportionment. The common profits, losses and voting rights of the Project shall be distributed among and the common expenses shall be charged equally to the Unit Owners.

(f) Approval of the Annual Budget and Assessments. The proposed Annual Budget and the Assessments shall become effective unless disapproved at the Annual Meeting by a vote of at least a majority of the percentage of ownership interest in the Common Areas. Notwithstanding the foregoing, however, if the membership disapproves the proposed Annual Budget and Assessments or the Management Committee fails for any reason to establish the Annual Budget and Assessments for the succeeding year, then and until such time as a new Annual Budget and new Assessment schedule shall have been established, the Budget and the Assessments in affect for the then current year shall continue for the succeeding year.

(g) Payment of Assessments. The Management Committee has the sole authority and discretion to determine how and when the annual Assessments are paid.

(h) Personal Obligation of Owner. Owners are liable to pay all Assessments assessed and Additional Charges; provided, however, no Mortgagee, who obtains title to a Unit pursuant to the remedies provided in the mortgage or trust deed shall be liable for unpaid Assessments which accrued prior to the acquisition of title. For purposes of this Section, the term "Owner" shall mean and refer jointly and severally to: (i) the owner of both the legal and equitable interest in any Unit; (ii) the owner of record in the offices of the County Recorder of Salt Lake County, Utah; and (iii) both the Buyer and Seller under any executory sales contract or other similar instrument.

(i) Equitable Changes. If the aggregate of all monthly Assessments payments on all of the Units is too large or too small as a result of unanticipated income or expenses, the Committee may from time to time effect an equitable change in the amount of said payments, but, without the prior approval of a majority of the percentage of ownership interest in the Common Area, not greater than fifteen (15%) percent of the Assessment in any calendar year. Owners shall be given at least thirty (30) days written notice of any changes.

(j) Dates and Manner of Payments. The dates and manner of payment shall be determined by the Committee.

(k) Reserve Account. The Committee shall establish and maintain a reserve account or accounts to pay for unexpected operating expenses and Capital Improvements (the "Capital Improvement Reserve Account").

(l) Capital Improvement Table. The Committee shall establish and update at least annually a Capital Improvement table which shall list each major Capital Improvement in the Project (e.g. roofs, roads, patios, common landscape, etc.), each item's expected useful life, the present cost of replacement, the estimated cost to replace the item at the end of its useful life, the percentage and amount of the Assessment currently set aside in the reserve account to replace the item at the end of its useful life, and the amount of money currently set aside in the reserve account for the replacement of the item.

(m) Acceleration. Assessments shall be paid in the manner and on dates fixed by the Committee who may, at its option and in its sole discretion, elect to accelerate the entire annual Assessment for delinquent Owners. If, however, the Assessment is accelerated and an Owner subsequently files bankruptcy or the Committee otherwise decides acceleration is not in its best interest, the committee, at its option and in its sole discretion, may elect to decelerate the obligation.

(n) Statement of Assessments Due. Upon written request, the Committee shall furnish to any Owner a statement of Assessments due, if any, on his Unit. Failure to provide the certificate within ten (10) days after a written request is received by the Secretary of the Association, shall be deemed conclusive evidence that all Assessments are paid current. The Association may require the advance payment of a processing charge not to exceed \$15.00 for the issuance of such certificate.

(o) Superiority of Assessments. All Assessments and liens created to secure the obligation to pay Assessments are superior to any homestead exemptions to which an Owner may be entitled which insofar as it adversely affects the Association's lien for unpaid Assessments each Owner by accepting a deed or other document of conveyance to a Unit hereby waives and subordinates its homestead exemption rights accordingly.

(p) Suspension of Right to Use Amenities for Non-Payment. At the discretion of the Management Committee, the right to use any amenities in the Project may be suspended for up to ninety (90) days if the Owner is in arrears on his obligation to pay Assessments and has failed to cure or make satisfactory arrangements to cure the default after reasonable notice of at least ten (10) days. Suspension of rights may, at the discretion of the Committee, continue an additional ninety (90) days beyond the date of the payment of said delinquent fees.

(q) Suspension of Right to Vote for Non-Payment. At the discretion of the Committee, the right of an Owner to vote on issues concerning the Association may be suspended for up to ninety (90) days if: (i) the Owner is delinquent in the payment of his Assessments, and (ii) has failed to cure or make satisfactory arrangements to cure the default after reasonable notice of at least ten (10) days. Suspension of rights may, at the discretion of the Committee, continue an additional ninety (90) days beyond the date of the payment of said delinquent fees.

21. Special Assessments. In addition to the other Assessments authorized herein, the Association may levy special assessments in any year, subject to the following:

(a) Committee Based Assessment. So long as the special assessment does not exceed the sum of Five Hundred and 00/100th Dollars (\$500.00) per Unit in any one fiscal year (the "Special Assessment Limit"), the Committee may impose the special assessment without any additional approval.

(b) Association Approval. Any special assessment which would exceed the Special Assessment Limit shall be effective only if approved by a majority of the members of the

Association. The Committee in its discretion may allow any special assessment to be paid in installments.

22. Benefit Assessments. If an Owner has the choice to accept or reject the benefit, then the Management Committee shall have the power and authority to assess an Owner in a particular area as follows:

(a) Benefit only To Specific Unit. If the expense benefits less than all of the Units, then those Units benefited may be specifically assessed, and the specific assessment shall be equitably apportioned among those Units according to the benefit received.

(b) Unequal or Disproportionate Benefit. If the expense benefits all Units, but does not provide an equal benefit to all Units, then all Units shall be specifically assessed, but the specific assessment shall be equitably apportioned among all Units according to the benefit received.

Failure of the Committee to exercise its authority under this Section shall not be grounds for any action against the Association or the Committee and shall not constitute a waiver of the Committee's right to exercise its authority under this Section in the future with respect to any expenses, including an expense for which the Committee has not previously exercised its authority under this Section.

23. Individual Assessments. Individual Assessments shall be levied by the Committee against a Unit and its Owner to reimburse the Association for: (a) administrative costs and expenses incurred by the Committee in enforcing the Project Documents; (b) costs associated with the maintenance, repair or replacement of Common Area for which the Unit Owner is responsible; (c) any other charge, fee, due, expense, or cost designated as an individual Assessment in the Project Documents or by the Management Committee; and (d) attorneys' fees, interest, and other charges relating thereto as provided in this Declaration.

24. Collection of Assessments. The Owners must pay their Assessments in a timely manner. Payments are due in advance on the first of the month. Payments are late if received after the 10th day of the month in which they were due.

(a) Delinquent Assessments. Any Assessment not paid when due shall be deemed delinquent and a lien securing the obligation shall automatically attach to the Unit, regardless of whether a written notice is recorded.

(b) Late Fees and Accruing Interest. A late fee of twenty-five dollars (\$25.00) or five percent (5%) of the delinquent amount, whichever is greater, shall be assessed on all tardy payments. Simple interest at the rate of one and one-half percent (1.5%) per month shall accrue on all delinquent accounts. The Committee may, in its sole discretion, waive late fees and accruing interest but is not required to do so.

(c) Lien. If any Unit Owner fails or refuses to make any payment of any Assessment, Additional Charges, or his portion of the Common Expenses when due, that amount

shall constitute a lien on the interest of the Owner in the Property, and upon the recording of notice of lien by the Manager, Management Committee or their designee it is a lien upon the Owner's interest in the Property prior to all other liens and encumbrances, recorded or unrecorded, except: (i) tax and special assessment liens on the Unit in favor of any assessing unit or special improvement district; and (ii) encumbrances on the interest of the Owner recorded prior to the date such notice is recorded which by law would be a lien prior to subsequently recorded encumbrances.

(d) Foreclosure of Lien and/or Collection Action. If any Assessment or Additional Charges remain unpaid, the Association may, as determined by the Committee, institute suit to collect the amounts due and/or to foreclose the lien.

(e) Personal Obligation. Each Owner, by acceptance of a deed or as a party to any other type of conveyance, vests in the Association or its agents the right and power to bring all actions against him or her personally for the collection of all Assessments and Additional Charges due as a debt or to foreclose the lien in the same manner as mechanics liens, mortgages, trust deeds or encumbrances may be foreclosed.

(f) No Waiver. No Owner may waive or otherwise exempt himself or herself from liability for the Assessments provided for herein, including but not limited to the non-use of Common Areas or the abandonment of his Unit.

(g) Duty to Pay Independent. No reduction or abatement of Assessments shall be claimed or allowed by reason of any alleged failure of the Association or Committee to take some action or perform some function required to be taken or performed by the Association or committee under this Declaration or the By-Laws, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Association, or from any action taken to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay Assessments being a separate and independent covenant on the part of each Owner.

(h) Application of Payments. All payments shall be applied as follows: Additional Charges, Delinquent Assessments, and Current Assessments, unless otherwise determined by the Management Committee.

(i) Foreclosure of Lien as Mortgage or Trust Deed. The lien for nonpayment of Assessments may be enforced by sale or foreclosure of the Owner's interest therein by the Committee. The sale or foreclosure shall be conducted in the same manner as foreclosures in deeds of trust or mortgages or in any other manner permitted by law. In any foreclosure or sale, the Owner shall pay the costs and expenses of such proceedings, including but not limited to the cost of a foreclosure report, reasonable attorneys' fees, and a reasonable rental for the Unit during the pendency of the foreclosure action. The Association in the foreclosure action may require the appointment of a receiver to collect the rental without regard to the value of the mortgage security. The Committee may bid for the Unit at foreclosure or other sale and hold, lease, mortgage, or convey the same.



(j) Appointment of Trustee. If the Committee elects to foreclose the lien in the same manner as foreclosures in deeds of trust, then the Owner by accepting a deed to the Unit hereby irrevocably appoints the attorney of the Association, provided he/she is a member of the Utah State Bar, as trustee, and hereby confers upon said trustee the power of sale set forth with particularity in Utah Code Annotated, Section 57-1-23 (1953), as amended. In addition, Owner hereby transfers in trust to said trustee all of his right, title and interest in and to the Property for the purpose of securing his performance of the obligations set forth herein.

(k) Attorney in Fact. Each Owner by accepting a deed to a Unit hereby irrevocably appoints the Association as his attorney in fact to collect rent from any person renting his Unit, if the Unit is rented and Owner is delinquent in his Assessments. Rent due shall be paid directly to the Association, upon written demand, until such time as the Owner's Assessments are current; and the Owner shall credit the renter, against rent due, for the amount of money paid to the Association.

25. Liability of Management Committee. The Association shall indemnify every officer and member of the Committee against any and all expenses, including but not limited to attorneys' fees reasonably incurred by or imposed upon any officer or member of the Committee in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Committee) to which he or she may be a party by reason of being or having been an officer or member of the Committee. The officers and members of the Committee shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct or bad faith. The officers and members of the Committee shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or members of the Committee may also be Members of the Association), and the Association shall indemnify and forever hold each such officer and member of the Committee free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall be exclusive of any other rights to which any officer or member of the Committee, or former officer or member of the Committee, may be entitled. The Association shall, as a common expense, maintain adequate general liability and officer's and director's insurance coverage to fund this obligation, if such insurance is reasonably available.

26. Insurance. The Management Committee shall at all times purchase, maintain in force, and pay the premiums for, if reasonably available, insurance on the Common Areas satisfying at least the following requirements:

(a) Property Insurance. Blanket property insurance using the standard "Special" or "All Risk" building form. Loss adjustment shall be based upon replacement cost. For purposes of this sub-section, the term "casualty insurance" shall not mean or refer to "earthquake" or other special risks not included in the standard planned residential development casualty policy. This additional coverage may be added by the Committee as it deems necessary in its best judgment and in its sole discretion.

(b) Flood Insurance. If any part of the Project's improvements is in a Special Flood Hazard Area-- which is designated as A, AE, AH, AO, A1-30, A-99, V, VE, or VI-30 on a Flood Insurance Rate Map (FIRM) -- the Association shall obtain a "master" or "blanket" policy of flood insurance and provide for the premiums to be paid as a common expense. The policy should cover any common element buildings and any other common property. The Unit Owner may also be required to purchase an individual policy. The amount of flood insurance should be at least equal to the lesser of one hundred percent (100%) of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program.

(c) Liability Insurance. A public liability policy covering the Common Area, the Association, and the Members for all damage or injury caused by the negligence of the Association or any of its Members or agents. The public liability policy shall have at least a One Million (\$1,000,000) Dollar single person limit as respects bodily injury and property damage, a Two Million (\$2,000,000) Dollar limit per occurrence, if reasonably available, and a One Million (\$1,000,000) Dollar minimum property damage limit. If possible, the policy should be written on the comprehensive form and shall include non-owned and hired automobile liability protection.

(d) Directors and Officers Insurance. A director's and officer's liability or errors and omissions policy, if reasonably available, with at least One Million (\$1,000,000) Dollars in coverage.

(e) Fidelity Bond. A separate fidelity bond in a reasonable amount to be determined by the Management Committee to cover all non-compensated officers as well as all employees for theft of Association funds, subject to the following:

(i) Agents. Where the Committee or the Association has delegated some or all of the responsibility for the handling of funds to a management agent, such bonds are required for the management agent's officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Committee or the Association.

(ii) Amount of Coverage. The total amount of fidelity bond coverage required shall be based upon the Committee's best business judgment, but shall not be less than the estimated maximum amount of funds, including reserve funds, in the custody of the Committee, the Association, or the management agent as the case may be, at any given time during the term of each bond. Nevertheless, in no event may the amount of such bonds be less than a sum equal to three (3) months' aggregate assessments on all Units, plus reserve funds.

(iii) Quality of Coverage. The bonds required shall meet the following additional requirements: (1) they shall name the Committee, the Owners Association, and the Property Manager as obligee; (2) if the insurance contract or bond excludes coverage for damages caused by persons serving without compensation, and may use that exclusion as a defense or reason not to pay a claim, the insurance company shall, if possible, be required to waive that exclusion or defense; (3) the premiums on all bonds required herein for the Committee and the Association (except for premiums on fidelity bonds maintained by a

management agent for its officers, employees and agents) shall be paid by the Committee or the Association as part of the Common Expenses; and (4) the bonds shall provide that they may not be canceled or substantially modified, including cancellation for nonpayment of premium, without at least ten days' prior written notice to the Committee and the Association, to any Insurance Trustee, and to each service of loans on behalf of any Mortgagee, and FNMA.

(f) Earthquake Insurance shall not be required unless requested by at least seventy-five percent (75%) of the Members of the Association.

(g) Miscellaneous Items. The following provisions shall apply to all insurance coverage:

(i) Quality of Carrier. A "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's Insurance Reports, an "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance reports -- International Edition, an "A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings, a "BBBq" qualified solvency ratio or a "BBB" or better claims-paying ability rating in Standard and Poor's International Confidential Rating Service -- if the carrier is issuing a master policy or an insurance policy for the common elements in the Project.

(ii) The Insured. The name of the insured under each policy required to be maintained hereby shall be set forth therein substantially as follows: "Association of Unit Owners of Waterside Townhomes, P.U.D., a Planned United Development for the use and benefit of the individual Owners."

(iii) Designated Representative. The Association may designate 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.

(iv) Beneficiary. In any policy covering the entire Project, each Owner and his Mortgagee, if any, shall be beneficiaries of the policy in an amount equal to the Owner's percentage of undivided Ownership interest in the Common Areas and Facilities.

(v) Certificate of Insurance. Evidence of insurance shall be issued to each Owner and Mortgagee upon request.

(vi) Mortgage Provisions. Each policy shall contain a standard mortgage clause or its equivalent and shall provide that the policy may not be canceled or substantially modified without at least ten (10) days prior written notice to the Association and to each Mortgagee.

(vii) Miscellaneous Provisions. Each insurance policy shall contain at least the following additional miscellaneous items: (1) A waiver of the right of a subrogation against Owners individually; and (2) A provision that the insurance is not prejudiced by any act or neglect of any individual Owner.

(viii) Prompt Repair. Each Owner further covenants and agrees that in the event of any partial Loss, damage or destruction of his Unit, the Owner shall proceed promptly to repair or to reconstruct the damaged structure in a manner consistent with the original construction.

(ix) Disbursement of Proceeds. Proceeds of insurance policies shall be disbursed to repair promptly and reasonably the damages. Any proceeds remaining thereafter shall be placed in the Capital Improvement Reserve Account and retained by and for the benefit of the Association. This is a covenant for the benefit of the Association and any Mortgagee of a Unit, and may be enforced by them.

(x) Special Endorsements. Each policy shall also contain or provide those endorsements commonly purchased by other Associations in similarly situated first class subdivisions in the county, including but not limited to a guaranteed replacement cost endorsement under which the insurer agrees to replace the insurable property regardless of the cost and/or 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 coinsurance clause, an Agreed Amount Endorsement which waives the requirement for coinsurance; an Inflation Guard Endorsement when it can be obtained, a 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, and increased costs of reconstruction; Steam Boiler and Machinery Coverage Endorsement if the Project has any central heating or cooling.

(xi) Restrictions on Policies. No insurance policy shall be maintained where:

(1) Individual Assessments Prohibited. Under the term of the carrier's charter, by-laws, or policy, contributions may be required from, or assessments may be made against, an Owner, a borrower, a Mortgagee, the Management Committee, the Association, FNMA, or the designee of FNMA.

(2) Payments Contingent. By the terms of the Declaration, by-laws, or policy, payments are contingent upon action by the carrier's board of directors, policyholder, or member; or

(3) Mortgagee Limitation Provisions. The policy includes any limited clauses (other than insurance conditions) which could prevent the party entitled (including, without limitation, the Committee, the Association, an Owner, FNMA, or the borrowers) from collecting insurance proceeds.

(xii) Intent. The foregoing provisions shall not be construed to limit the power or authority of the Association, Committee or Owners to obtain and maintain insurance coverage, in amounts and in such forms as the Management Committee or Association may deem appropriate from time to time.

(xiii) Deductible. The deductible on a claim made against the Association's Property Insurance Policy shall be paid for by the party who would be liable for the loss, damage, claim, or repair in the absence of insurance, and in the event of multiple responsible parties, the loss shall be allocated in relation to the amount each party's responsibility bears to the total. If a loss is caused by an act of God or nature or by an element, risk or peril beyond the control of the Unit Owner, then the Association shall be responsible for the deductible.

(xiv) Primary Coverage. If there is duplicate coverage of a claim, the insurance of the Unit Owner or renter shall be deemed to be primary and that of the Association secondary or excess.

(h) Adjusting claims. The Management Committee has the authority to adjust claims. The Management Committee has the authority to decide NOT to submit the claim of a Unit Owner (or his family member, tenant, guest or invitee) to the Association's insurance company if: (i) it risks cancellation of the Association's insurance, or (ii) it risks an increase in the Association's insurance premiums, and (iii) the problem occurred in the Unit, or (iv) was caused by the claimant, or (v) the claim is legally or primarily the responsibility of the claimant, and (vi) there is a substantial likelihood that the claim will be covered by the claimant's insurance. In such instances, the Management Committee may require from the prospective claimant's insurance company, inter alia, a formal notice of rejection, an unconditional denial of the claim or their equivalent before submitting the claim to the Association's insurance company.

27. Destruction, Condemnation, and Obsolescence. The following provisions shall apply with respect to the destruction, condemnation, or obsolescence of the Project.

(a) Definitions. Each of the following terms shall have the meaning indicated:

(i) "Substantial Destruction" shall exist whenever, as a result of any damage or destruction to the Project or any part thereof the excess of the estimated cost of restoration over the Available Funds is twenty-five percent (25%) percent or more of the estimated restored value of the Project.

(ii) "Partial Destruction" shall mean any other damage or destruction to the Project or any part thereof.

(iii) "Substantial Condemnation" shall exist whenever a complete taking of the Project or a taking of part of the Project has occurred under eminent domain or by grant or conveyance in lieu of condemnation, and the excess of the estimated cost of restoration over the Available Funds is twenty-five (25%) percent or more of the estimated restored value of the Project.

(iv) "Partial Condemnation" shall mean any other such taking by eminent domain or grant or conveyance in lieu thereof.

(v) "Substantial Obsolescence" shall exist whenever the Project or any part thereof has reached such a state of obsolescence or disrepair that the excess of the estimated cost of restoration over the Available Funds is twenty-five percent (25%) percent or more of the estimated restored value of the Project.

(vi) "Partial Obsolescence" shall mean any state of obsolescence or disrepair which does not constitute Substantial Obsolescence.

(vii) "Restored Value" shall mean the fair market value of the Project after Restoration as determined by an MAI or other qualified appraisal.

(viii) "Estimated Cost of Restoration" shall mean the estimated costs of restoring the Project to its former condition.

(ix) "Available Funds" shall mean any proceeds of insurance, condemnation awards, payments in lieu of condemnation, and any uncommitted funds of the Management Committee or Association. Available Funds shall not include that portion of insurance proceeds legally required to be paid to any party other than the Association, including a mortgagee, or that portion of any condemnation award or payment in lieu of condemnation payable to the Owner or Mortgagee for the condemnation or taking of the Unit in which they are interested.

(b) Determination by Committee. Upon the occurrence of any damage or destruction to the Project or any part thereof, or upon a complete or partial taking of the Project under eminent domain or by grant or conveyance in lieu thereof, the Committee shall make a determination as to whether the excess of estimated costs of restoration over Available Funds is twenty-five percent (25%) or more of the estimated Restored Value of the Project. In addition, the Committee shall, from time to time, review the condition of the Project to determine whether Substantial Obsolescence exists. In making such determinations the Committee may retain and rely upon one or more qualified appraisers or other professionals.

(c) Restoration of the Project. Restoration of the Project shall be undertaken by the Committee promptly without a vote of the Owners in the event of Partial Destruction, Partial Condemnation, or Partial Obsolescence and shall also be undertaken in the event of Substantial Destruction, Substantial Condemnation, or Substantial Obsolescence; unless the failure to make restoration is consented to by Owners collectively holding at least sixty-seven percent (67%) of the Project's undivided Ownership interest and is further consented to by Eligible Mortgagees holding Mortgages on Units which have appurtenant at least fifty-one (51%) percent of the undivided ownership interest in the Common Areas and Facilities which is then subject to Mortgages held by Eligible Mortgagees.

(d) Notices of Destruction or Obsolescence. Within thirty (30) days after the Committee has determined that Substantial Destruction, Substantial Condemnation, or Substantial Obsolescence exists, it shall send to each Owner and Eligible Mortgagee a written description of the destruction, condemnation, or state of obsolescence involved, shall take

appropriate steps to ascertain the preferences of the Eligible Mortgagees concerning restoration, and shall, with or without a meeting of the Owners (but in any event in accordance with the applicable provisions of this Declaration), take appropriate steps to determine the preferences of the Owners regarding restoration.

(e) Excess Insurance. In the event insurance proceeds, condemnation awards, or payments in lieu of condemnation actually received by the Committee or Association exceed the cost of restoration when Restoration is undertaken, the excess shall be paid and distributed to the Owners in proportion to their respective undivided interests in the Common Areas. Payment to any Owner whose Unit is the subject of a Mortgage shall be made jointly to such Owner and the interested Mortgagee.

(f) Inadequate Insurance. If the cost of restoration exceeds Available Funds, the Management Committee may elect to make a special assessment in accordance with Article III, Section 21 above to pay for the deficiency.

(g) Reallocation in Event of Partial Restoration. In the event that all or any portion of one or more Units will not be the subject of restoration or is taken in a condemnation proceeding or pursuant to any agreement in lieu thereof, the undivided Ownership interest in the Common Areas and Facilities shall be immediately reallocated to the remaining Units.

(h) Sale of Project. Unless Restoration is accomplished as set forth above, the Project shall be sold in the event of Substantial Destruction, Substantial Condemnation, or Substantial Obsolescence. In the event of such sale, Ownership under this Declaration and the Survey map shall terminate and the proceeds of sale and any Available Funds shall be distributed by the Committee to the Owners in proportion to their respective undivided interests in the Common Areas. Payment to any Owner whose Unit is then the subject of a Mortgage shall be made jointly to such Owner and the interested Mortgagee.

(i) Authority of Committee to Represent Owners in Condemnation or to Restore or Sell. The Committee, as attorney-in-fact for each Owner, shall represent all of the Owners and the Association in any condemnation proceeding or in negotiations, settlements, and agreements with the condemning authority for the acquisition of all or any part of the Common Areas and Facilities.

(j) Settlement Proceeds. The award in any condemnation proceeding and the proceeds of any settlement related thereto shall be payable to the Association for the use and benefit of the Owners and their Mortgagees as their interests may appear.

(k) Restoration Power. The Committee, as attorney-in-fact for each Owner, shall have and is hereby granted full power and authority to restore or to sell the Project and each Unit therein whenever restoration or sale, as the case may be, is undertaken as hereinabove provided.

(l) Right of Entry. Such authority shall include the right and power to enter into any contracts, deeds or other instruments which may be necessary or appropriate for restoration or sale, as the case may be.

(m) Termination of Legal Status. Any action to terminate the legal status of the Project after Substantial Destruction or Condemnation occurs shall be agreed to by Unit Owners who represent at least sixty-seven (67%) percent of the total allocated votes in the Association and by Eligible Mortgage holders who represent at least fifty-one (51%) percent of the votes of the Units that are subject to mortgages held by eligible holders.

The termination of the legal status of the Project for reasons other than Substantial Destruction or Condemnation of the property shall be agreed to by Eligible Mortgage holders that represent at least sixty-seven (67%) percent of the votes of the mortgaged Units. However, implied approval may be assumed when an Eligible Mortgage holder (except where appropriate) fails to submit a response to any written proposal for an amendment within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested.

28. Consent in Lieu of Vote. In any case in which this Declaration requires the vote of an Owner for authorization or approval of an act or a transaction, such requirement may be fully satisfied by obtaining, with or without a meeting, consents in writing to such transaction from Owners who collectively hold the required percentages, subject to the following conditions:

(a) Ninety-Day Limit. All necessary consents must be obtained prior to the expiration of ninety (90) days from the time the first written consent is obtained; and

(b) Change In Ownership. Any change in Ownership of a Unit which occurs after consent has been obtained from the Owner having an interest therein shall not be considered or taken into account for any purpose.

29. Mortgagee Protection. The lien or claim against a Unit for unpaid Assessments levied by the Management Committee or by the Association pursuant to this Declaration shall be subordinate to any Mortgage recorded on or before the date such Assessments become due, subject to the following:

(a) Effects of Voluntary and Involuntary Sale. The lien or claim against a Unit for such unpaid Assessments shall not be affected by any sale or transfer of such Unit, except that a sale or transfer pursuant to a foreclosure of the Mortgage affecting such Unit or the exercise of a power of sale available thereunder shall extinguish any debt payable prior to such sale or transfer. Nevertheless, any such unpaid Assessments which are extinguished in accordance with the foreclosure or power of sale shall not relieve the purchaser or transferee of such Unit from liability for, nor such Unit the lien of any Assessments becoming due thereafter.

(b) Books and Records Available for Inspection. The Committee or the Association shall make available to the Owners, to Mortgagees, and lenders, and to holders, insurers, or guarantors of any Mortgage current copies of the Declaration, By-Laws, and Rules



and Regulations concerning the Project, as well as the books, records, and financial statements of the Committee and the Association. The term "Available," as used in this Section, shall mean available for reasonable inspection upon request during normal business hours or under other reasonable circumstances. The Association shall have the right to recover its photocopying and service charges incurred in making the inspection and photocopying available.

(c) Right to Financial Statement. The holder, insurer or guarantor of any Mortgage shall be entitled, upon written request, to a financial statement for the immediately preceding fiscal year. Any financial statement requested pursuant hereto shall be furnished to the requesting party within a reasonable time following such request.

(d) Management Contracts. Any agreement for professional management of the Project, and any contract for goods or services, or any lease which is entered into by the Management Committee shall provide, or be deemed to provide hereby, that:

(i) Either party may terminate the contract with cause upon at least thirty (30) days prior written notice to the other party; and

(ii) No contract may be for an initial term greater than one (1) year.

(e) Eligible Mortgagee Designation. Upon written request to the Committee or the Association by the holder, insurer, or guarantor of a Mortgage (which request identifies the name and address of such holder, insurer or guarantor and the Unit Number or address of the property encumbered by the Mortgage held or insured by such holder, insurer, or guarantor), such holder insurer, or guarantor shall be deemed thereafter to be an "Eligible Mortgagee" or "Eligible Insurer" or "Eligible Guarantor," as the case may be, shall be included on the appropriate lists maintained by the Association, and shall be entitled to timely written notice of any of the following:

(i) Condemnation Loss or Award. Any condemnation loss or any casualty loss which affects a material portion of the Project or any Unit on which there is a Mortgage held, insured, or guaranteed by such Eligible Insurer or Guarantor.

(ii) Delinquency. Any delinquency in the payment of Assessments owed by an Owner of a Unit subject to a Mortgage held, insured or guaranteed by such Eligible Insurer or Guarantor, which delinquency remains uncured for a period of sixty (60) days.

(iii) Lapse of Insurance. Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Committee or the Association.

(iv) Consent Required. Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees.

30. Amendment. This Declaration may be amended as follows:

(a) Consent of the Owners. The affirmative vote of at least sixty-seven percent (67%) of the Owners shall be required and shall be sufficient to amend the Declaration or the Survey Map. Any amendment so authorized shall be accomplished through the recordation of an instrument executed by the Management Committee. In such instrument the Committee shall certify that the vote required by this Section for amendment has occurred, and, if approval of a specified percentage of Eligible Mortgagees is required for such amendment, that such approval has been obtained; and

(b) Consent of Eligible Mortgagee. The consent of at least sixty-seven percent (67%) of the Eligible Mortgagees shall be required to any amendment which would terminate the legal status of the Project; and the consent of Eligible Mortgagees holding at least fifty-one percent (51%) of the undivided ownership interest in the Common Areas shall be required to add to or amend any material provision of this Declaration or the Plat Map which establishes, provides for, governs, or regulates any of the following: (i) voting rights; (ii) increases in the Assessments that raise the previously assessed amount by more than twenty-five percent (25%), Assessment liens, or the priority of Assessment liens; (iii) reductions in reserves for maintenance, repair, and replacement of the Common Areas; (iv) insurance or fidelity bonds; (v) limitations and restrictions on the right to use of the Common Areas; (vi) responsibility for maintenance and repairs; (vii) expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project; (viii) the boundaries of any Unit; (ix) the percentages of ownership interest in the Common Areas; (x) convertibility of a Unit into Common Areas or Common Area into a Unit; (xi) the imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his Unit; (xii) express benefits or rights of Mortgagees, Eligible Mortgagees, or Eligible Insurers or Guarantors; and (xiii) the requirement that the Project be professionally managed rather than self managed. Any addition or amendment shall not be considered material for purposes of this Section 30(b) if it is for the clarification only or to correct a clerical error. Notice of any proposed amendment to any Eligible Mortgagee to whom a written request to approve an addition or amendment to this Declaration or the Plat Map is required shall be mailed postage prepaid to the address for such Mortgagee shown on the list maintained by the Association. Any Eligible Mortgagee who does not deliver to the Committee or the Association a negative response to the notice of the proposed amendment within thirty (30) days from the date of such mailing shall be deemed to have approved the proposal. The foregoing consent requirements shall not be applicable to amendments to this Declaration and the Plat Map or the termination of the legal status of the Project. If such amendments or such termination are made or accomplished in accordance with the provisions of this Declaration regarding Condemnation or Substantial Obsolescence.

(c) Amendment by Declarant. Declarant reserves and shall have the sole right to (i) amend this Declaration without the vote or consent of any Owner for the purpose of curing any inconsistency between the provisions contained herein, or (ii) amend this Declaration without the vote or consent of any Owner in any manner which does not adversely affect the substantive rights of existing Owners or Eligible Mortgagees. The foregoing amendments may be made without the joinder or approval of any Owner, Mortgagee or the Committee.

31. Notice and Hearing. In the event of a claimed violation of the Project Documents, no fine, citation, suspension or penalty shall be imposed without the Management Committee

first giving the alleged violator written notice of the violation and an opportunity to be heard by the Committee. Provided, however, nothing herein shall be construed to prevent the Management Committee from: (a) immobilizing, towing or impounding a motor vehicle in violation of the parking Rules and Regulations for which no additional notice is required, or (b) making any emergency repairs or taking any other emergency action it deems necessary and subsequently providing notice to the Unit Owner or Resident and giving them an opportunity to be heard,

32. Declarant's Sales Program. Anything to the contrary notwithstanding, until Declarant has sold all Units owned by it, or the expiration of five (5) years following the date on which the Declaration is filed for record in the Office of the Salt Lake County Recorder, whichever first occurs, the following provisions shall be deemed to be in full force and effect, none of which shall be construed so as to relieve the Declarant from any obligations of an Owner to pay his portion of the Common Expenses or other Assessments, except as herein otherwise provided. Neither the Owners, the Association, nor the Management Committee shall interfere with the completion of improvements and sale of Declarant's Units, and Declarant shall have the following rights in furtherance of any sales, promotions or other activities designed to accomplish or facilitate the sale of all Units owned by Declarant:

(a) Sales Office and Model Units. Declarant shall have the right to maintain one (1) or more sales offices and one (1) or more model Units at any one time. Such office and/or models may be one or more of the Units owned by the Declarant, one or more separate structures or facilities placed on the Property for the purpose of aiding Declarant's sales effort, or any combination of the foregoing;

(b) Promotional. Declarant shall have the right to maintain a reasonable number of promotional, advertising and/or directional signs, banners or similar devices at any place or places on the Property.

(c) Common Area Use. Declarant shall have the right to use the Common Areas of the Project.

(d) Relocation and Removal. Declarant shall have the right from time to time to locate or relocate any of its sales offices, models, or signs, banners or similar devices, but in connection with each such location or relocation shall observe the limitations imposed by the preceding portion of this Section. Declarant shall have the right to remove from the Project any signs, banners or similar devices and any separate structure or facility which was placed on the Property for the purpose of aiding Declarant's sales effort.

33. Limitation on Improvements by Association. Until such time as the earlier of the following events occur: (a) the Declarant has sold or rented all of the Units, (b) five (5) years after the Effective date, or (c) such time as Declarant chooses, neither the Association nor the Committee shall, without the written consent of Declarant, make any improvement to or alteration in any of the Common Areas and Facilities created or constructed by Declarant, other than such repairs, replacements, or similar matters as may be necessary to properly maintain the Common Areas as originally created or constructed by Declarant.

34. Completion Obligation. Declarant hereby covenants in favor of each Owner that within five (5) years from the date of any contract of sale:

(a) Units. Each Unit which an Owner has contracted to purchase, the Building within which such Unit is contained or is to be contained, and the appurtenant Limited Common Area shall be substantially constructed, and ready for use or occupancy (as the case may be); and

(b) Common Area. There shall be substantially completed and usable as part of the Common Areas all planned landscaping, green space, sidewalks, parking facilities, roads, fences that surround the Project, outdoor lighting, and utility lines and conduits adjacent to the Unit or Building in which a Unit is located, and necessary for its use.

35. Declarant's Rights Assignable. All of the rights of Declarant under this Declaration may be assigned or transferred either by operation of law or through a voluntary conveyance, transfer or assignment. Any Mortgage covering all Units or Buildings in the Project title to which is vested in Declarant shall, at any given point in time and whether or not such Mortgage does so by its terms, automatically cover, encumber, and include all of the then unexercised or then unused rights, powers, authority, privileges, protections and controls which are accorded to Declarant (in its capacity as Declarant) herein.

36. Transfer of Management. Anything to the contrary notwithstanding, Declarant may at any time relinquish its reserved right to select the Members of the Committee and may elect to transfer the management of the Project to a Committee elected by the Owners. Upon the termination of the Period of Declarant's Control, or sooner if the Declarant so elects, Declarant shall notify Owners in writing of the effective date of such transfer (the "Transfer Date") at least forty five (45) days prior thereto. Thereupon, the Owners shall call a meeting to elect the Members of the Management Committee to take office as of the Transfer Date. Declarant covenants to cooperate with the Owners in effecting an orderly transition of management. Moreover, Declarant shall cause all obligations for Common Expenses of the Association prior to the Transfer Date to be paid in full on or before such date, and shall transfer any Association funds to the newly elected Committee,

37. Working Capital Fund. A working capital fund shall be established by the Declarant equal to or greater than two (2) months' Assessments for each Unit. Each Unit's share of the working capital fund shall be collected and transferred to the Management Committee at the time of closing of the sale of each Unit by Declarant. Notwithstanding the foregoing, the contribution to the working capital fund for each unsold Unit shall be paid to the Management Committee at the time such Unit is first occupied for residential purposes or a certificate of permanent occupancy is issued, whichever first occurs. With respect to each Unit for which the Declarant pays the contribution to the working capital fund, the Declarant shall be reimbursed for such contribution by the buyer of such Unit at the time of closing. The purpose of the working capital fund is to insure that the Management Committee will have cash available to satisfy unforeseen expenses or to acquire additional equipment or services necessary for the

operation, control and regulation of the Project. Sums paid into the working capital fund are not to be considered as advance payments or regular monthly payments of Common Expenses.

38. Interpretation. To the extent Utah law is consistent with this Declaration, such provisions shall supplement the terms hereof and are incorporated herein. The captions which precede the Articles and Sections of this Declaration are for convenience only and shall in no way affect the manner in which any provision hereof is construed. Whenever the context so requires, the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof, and any gender shall include both genders. The invalidity or unenforceability of any portion of this Declaration shall not affect the validity or enforceability of the remainder hereof.

39. Covenants to Run with Land. This Declaration and all the provisions hereof shall constitute covenants to run with the land or equitable servitudes, as the case may be, and shall be binding upon and shall inure to the benefit of Association, all other signatories hereto, all parties who hereafter acquire any interest in a Unit or in the Project, and their respective grantees, transferees, heirs, devisees, personal representative, successors, and assigns. Each Owner or occupant of a Unit shall comply with, and all interests in all Units shall be subject to, the terms of this Declaration and the provisions of any Rules and Regulations, agreements, instruments, supplements, amendments, and determinations contemplated by this Declaration. By acquiring any interest in a Unit in the Project, the party acquiring such interest consents to, and agrees to be bound by, each and every provision of this Declaration.

40. Enforcement and Right to Recover Attorneys' Fees. Should the Association or Committee be required to take action to enforce the Declaration, By-Laws or any Rules and Regulations adopted from time to time, or to pursue any remedy provided hereunder or by applicable law, whether such remedy is pursued by filing suit or otherwise, they may recover all Additional Charges, including a reasonable attorneys' fee, which may arise or accrue in enforcing or pursuing such remedy.

41. Agent for Service of Process. The initial Registered Agent is Chet R. Nichols and the initial office of the Registered Agent is 1585 West Gaylawood Circle, Salt Lake City, Utah 84123. After the termination of the Period of the Declarant's Control, the President of the Association is the person to receive service of process.

42. NOTICE OF CANAL AND WAIVER OF CLAIMS. The Owners' of Units are hereby put on notice that the Canal Company operates a canal (the "Canal") located within the Project and that DECLARANT WILL NOT fence or otherwise put up a barrier surrounding said Canal, and upon completion of the Project, the Canal will be an open area. The Owners waive all claims against Declarant, Declarant's principals, and Declarant's affiliates, and hold Declarant, Declarant's principals, and Declarant's affiliates harmless against all claims that are derived from or related in any way to, or which result from or which are otherwise related to the Canal, without regard to whether or not such claims are specifically set forth herein or whether such claims are now known or unknown or may become known in the future.

*[signatures and acknowledgments on following page]*

IN WITNESS WHEREOF, the Declarant has executed this Declaration as of the date first above written.

Declarant: TAYLORS WALK LLC,  
a Utah limited liability company

By: Chet Nichols & Associates, P.L.L.C.,  
a professional limited liability company

Its: Member

By: \_\_\_\_\_  
Chet R. Nichols, Manager

By: Lucas Designers/Builders, Inc.,  
a Utah corporation

Its: Member

By: \_\_\_\_\_  
Jack Lucas, Manager

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2007, by Jack Lucas, in the capacity indicated.

\_\_\_\_\_  
Notary Public for Utah

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2007, by Chet R. Nichols, in the capacity indicated.

\_\_\_\_\_  
Notary Public for Utah

IN WITNESS WHEREOF, the Declarant has executed this Declaration as of the date first above written.

Declarant: TAYLORS WALK LLC,  
a Utah limited liability company

By: Chet Nichols & Associates, P.L.L.C.,  
a professional limited liability company  
Its: Member

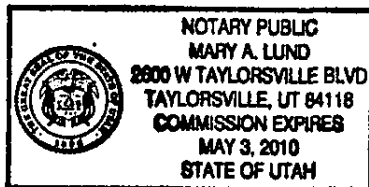
By: *Chet R. Nichols*  
Chet R. Nichols, Manager

By: Lucas Designers/Builders, Inc.,  
a Utah corporation  
Its: Member

By: *[Signature]*  
Jack Lucas, Manager

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

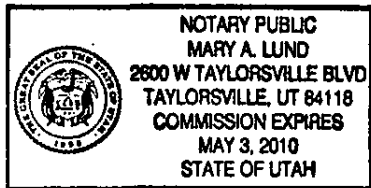
The foregoing instrument was acknowledged before me this 29 day of May, 2007, by Jack Lucas, in the capacity indicated.



*Mary A. Lund*  
Notary Public for Utah

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

The foregoing instrument was acknowledged before me this 29 day of May, 2007, by Chet R. Nichols, in the capacity indicated.



*Mary A. Lund*  
Notary Public for Utah

**EXHIBIT A**

(Legal Description of the Land)



## **EXHIBIT B**

(By-Laws)

### **The following are the By-Laws of WATERSIDE TOWNHOMES, P.U.D., PROPERTY OWNERS ASSOCIATION**

#### **ARTICLE I**

##### **PLAN OF UNIT OWNERSHIP AND INCORPORATION**

1. **Submission.** These are the By-Laws referred to in the foregoing DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR WATERSIDE TOWNHOMES, P.U.D. a Planned Unit Development (the "Declaration"), which project is located in Salt Lake County, State of Utah. These By-Laws shall govern the administration of the Project and the Association. Except as otherwise provided herein or as otherwise required by the context, all terms defined in the Declaration shall have such defined meanings when used in these By-Laws.

2. **Organizational Form.** If the Association is incorporated under the laws of the State of Utah, then these By-Laws shall also function and operate as the by-laws of the corporation.

3. **Office and Registered Agent.** The initial Registered Agent shall be Chet R. Nichols of 1585 West Gaylawood Circle, Salt Lake City, Utah 84123. However, after transfer of management and control of the Association is made by the Declarant to the members of the Association, the Registered Agent shall be the President of the Association and the Registered Office shall be the home of the President or such other place as shall be designated by him.

#### **ARTICLE II** **ASSOCIATION**

1. **Composition.** The association of Unit Owners is a mandatory association consisting of all Owners.

2. **Place of Meeting.** Meetings of the Association shall be held at the principal office of the Association or at such other suitable place as may be designated by the Management Committee from time to time and stated in the notice of meeting.

3. **Notice of Meeting.** It shall be the duty of the Secretary to hand deliver or mail to each Owner at his last known address, by regular U.S. mail postage prepaid, a notice of each Annual Meeting of the Association not less than ten (10) and not more than thirty (30) days in advance of the Annual Meeting. The notice shall state the purpose, day, date, time and place of the Annual Meeting. The mailing of a notice of meeting in the manner provided in this Section shall be considered service of notice.

4. Qualified Voters. An Owner shall be deemed to be in "good standing" and "entitled to vote" at any meeting of the Association if, and only if, he shall be in full compliance with all of the terms, covenants, and conditions of the Project Documents, and shall have fully paid his share of the Common Expenses, the Assessments, and/or Additional Charges.

5. Proxies. The votes appertaining to any Unit may be cast pursuant to a proxy or proxies duly execute by or on behalf of the Unit Owner, or in cases where the Owner is more than one person, by or on behalf of all such persons. Any proxy shall be void if it is not dated, if it purports to be revocable without notice, or if it is not signed by a person having authority, at the time of the execution thereof, to execute deeds on behalf of that person. Unless it expressly states otherwise, a proxy shall terminate automatically if: (a) the Owner attends the meeting in person, (b) the proxy is revoked in writing and written notice of the revocation is given to the Secretary of the Association prior to the meeting, and (c) upon the adjournment of the first meeting held on or after the date of that proxy. Each proxy must be filed with the Secretary of the Association prior to the meeting. Only individual Owners or the legal representative of an institutional Owner may be proxies.

6. Quorum Voting. Fifty-one percent (51%) of the members of the Association shall constitute a quorum for the adoption of decisions. If however, such quorum shall not be present or represented at any meeting, the Owners entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting and reschedule for a time no earlier than two days after the set time for the original meeting. No notice of such rescheduled meeting shall be required except an oral announcement at the meeting to be rescheduled. Those Owners present, either in person or by proxy, at the rescheduled meeting shall constitute a quorum for the adoption of decisions. When a quorum is present at any meeting, the vote of the Owners representing a majority of the members of the Association in person or by proxy, shall decide any question brought before the meeting. If the Declaration requires a fixed percentage of Owners to approve any action, however, that percentage shall be required anything to the contrary notwithstanding.

7. Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a). roll call;
- (b). proof of notice of meeting;
- (c). reading of minutes of preceding meeting;
- (d). reports of officers;
- (e). report of special committees, if any;
- (f). election of inspectors of election, if applicable;
- (g). election of Committee Members, if applicable;
- (h). unfinished business; and
- (i). new business.

8. Conduct of Meeting. The President shall, or in his absence the Vice-President, preside over all meetings of the Association; and the Secretary shall keep the minutes of the meeting as well as record of all transactions occurring at the meeting.

9. Open Meeting Policy. All Management Committee meetings shall be open to all voting Members, but attendees other than members of the Management Committee may not participate in any discussion or deliberation unless a majority of a quorum requests that they be granted permission to speak. In such case, the President may limit the time any such individual may speak.

10. Action May Be Taken Without A Meeting. Any action to be taken at the meeting of the Management Committee or any action that be taken at a meeting of the Management Committee may be taken without a meeting if a consent in writing, setting for the action so taken, shall be signed by all the members of the Management Committee. An explanation of the action taken shall be posted at a prominent place or places within the Common Areas with three (3) days after the written consents of all of the members of the Management Committee have been obtained.

11. Executive Session. The Management Committee, with approval of a majority of a quorum, may adjourn a meeting and reconvene an executive session to discuss and vote upon personnel matters, litigation or threatened litigation in which the Association is or may become involved, and orders of business of a privileged, confidential, sensitive or similar nature. The nature of any and all business to be considered in an executive session shall first be announced in open session.

### ARTICLE III MANAGEMENT COMMITTEE

1. Powers and Duties. The affairs and business of the Association shall be managed by the Management Committee consisting of three (3) Unit Owners. The Management Committee shall have all of the powers and duties necessary for the administration of the affairs of the Association in accordance with the provisions of the Declaration and may do all such acts and things necessary to operate and maintain the Project. The Committee shall have the power from time to time to adopt any Rules and Regulations deemed proper for the exercise of its management powers. The Committee may delegate its authority to a manager or managers. Subject to any limitations or provisions contained in the Declaration, the Committee shall be responsible for at least the following:

(a) Preparation of the Annual Budget, in which there shall be established each Owner's share of the Common Expenses;

(b) Establishing the Assessment of each Owner, the means and methods of collecting Assessments from the Owners, and the method of payment. Unless otherwise determined by the Committee, each Owner's Common Area Expenses may be payable in equal monthly installments, due and payable in advance on the first day of each month of each year. However, in the event an Owner fails to make an installment payment in a timely manner or the Association deems itself insecure, then the entire annual Assessment may be accelerated by the Committee and shall thereafter be automatically due and payable without further notice. The Committee may subsequently elect to de-accelerate the obligation in whole or in part;

- (c) Providing for the operation, care, upkeep, replacement, maintenance, and regulation of all the Common Areas and Facilities;
- (d) Designating, hiring, and dismissing the personnel necessary to operate and maintain the Project;
- (e) Collecting and depositing the Assessments;
- (f) Making, amending, and enforcing the Rules and Regulations;
- (g) Opening and closing of bank accounts for and in behalf of the Association, and designating the signatories required therefor;
- (h) Making, or contracting for the making of, repairs, additions, and improvements to, or alterations of, the Property and repairs to, and restoration of, the Property, in accordance with the Declaration and other provisions of the By-Laws, after damage or destruction by fire or other casualty;
- (i) Enforcing by legal means the Project Documents;
- (j) Purchasing and maintaining insurance;
- (k) Paying the cost of all services rendered to the Project and not billed directly to Owners or individual Units;
- (l) Keeping books and records with detailed accounts of the receipts and expenditures affecting the Property, and the administration of the Project, specifying the maintenance and repair expenses of the Common Areas and any other expenses incurred. Said documents, books, financial statements, and vouchers accrediting the entries thereupon shall be available for examination by the Owners, their duly authorized agents or attorneys, during general business hours on working days at the times and in the manner that shall be set and announced by the Committee for the general knowledge of the Owners. All books and records shall be kept in accordance with generally accepted accounting practices, and the same, upon a resolution approved by a majority of the Members of the Association, shall be formally audited by an outside auditor employed by the Committee who shall not be a resident of the Project or an Owner therein. The cost of such audit shall be a Common Expense. Copies of books and records, financial statements, reports, compilations, and Audits shall be supplied to any first mortgagee of any Unit in the Project who requests the same in writing from the Secretary. A mortgage holder, at its expense, may have an audited financial statement prepared at any time;
- (m) Providing, where necessary, all water, electricity, and other necessary utility services for the Common Areas and such services to the Units, including but not limited to heating, as are not separately metered or charged to the Owners;

(n) Paying any amount necessary to discharge any mechanic's or materialmen's lien or other encumbrance levied against the Property, or any part thereof, which may in the opinion of the Committee constitute a lien against the Property or against the Common Areas, rather than merely against the particular Unit. When one or more Owners are responsible for the existence of such a lien, they shall be jointly and severally liable for the cost of discharging it and any costs incurred by the Committee by reason of said lien or liens shall be specially assessed to said Owners and shall, until paid by said Owners, constitute a lien on the interest of said Owners in the Property which lien may be perfected and foreclosed in the manner provided in the Declaration;

(o) Giving notice of and conducting hearings on alleged violations of the Project Documents, sanction, cite, or fine Owners, occupants and residents;

(p) Making emergency repairs;

(q) At the sole expense and risk of the Owner, impounding, immobilizing, towing or otherwise removing any motor vehicle parked, stored or standing in violation of the parking Rules and Regulations or in an unauthorized area;

(r) Evicting non-Owner residents in material violation of the Project Documents;

(s) Assigning or leasing overflow parking spaces to residents;

(t) Establishing and collecting user fees; and

(u) Doing such other things and acts necessary to accomplish the foregoing and not inconsistent with the Declaration or By-Laws, or to do anything required by a proper resolution of the Management Committee or Association;

2. Composition of Management Committee. The Management Committee shall be composed of three (3) members.

3. Election and Term of Office of the Committee. The term of office of membership on the Management Committee shall be two (2) years. At the expiration of the member's term, a successor shall be elected.

4. First Meeting. The first meeting of the members of the Management Committee shall be immediately following the annual meeting of the Association or at such other time and place designated by the Committee.

5. Regular Meetings. Regular meetings of the Management Committee shall be held from time to time and at such time and place as shall be determined by a majority of the members of the Committee, but no less often than monthly.

6. Special Meetings. Special meetings of the Management Committee may be called by the President, Vice President or a majority of the members on at least forty-eight (48) hours prior notice to each member. Such notice shall be given personally, by regular U.S. Mail postage prepaid, or by telephone, and such notice shall state the time, place and purpose of the meeting. Any meeting attended by all members of the Committee shall be valid for any and all purposes.

7. Waiver of Notice. Before or at any meeting of the Management Committee, any member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member at any meeting of the Committee shall constitute a waiver of notice. If all the members are present at any meeting of the Committee, no notice shall be required and any business may be transacted at such meeting.

8. Committee's Quorum. At all meetings of the Management Committee, a majority of the members then in office shall constitute a quorum for the transaction of business, and the acts of the majority of all the Committee members present at a meeting at which a quorum is present shall be deemed to be the acts of the Committee. If, at any meeting of the Committee, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time but for no longer than two days. At any such rescheduled meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

9. Vacancies. Vacancies in the Management Committee caused by any reason other than removal of a member by a vote of the Association shall be filled by vote of the majority of the remaining members of the Committee at a special meeting of the Committee held for that purpose promptly after the occurrence of any such vacancy, even though the total members remaining may constitute less than a quorum of the committee; and each person so elected shall be a member for the remainder of the term of the member so replaced. A vacancy created by the removal of a member by a vote of the Association shall be filled by the election and vote of the Association.

10. Removal of Committee Member. A member of the Management Committee may be removed with or without cause, and his successor elected, at any duly called regular or special meeting of the Association at which a quorum of the Association is present, by an affirmative vote of a majority of the members of the Association. Any member whose removal has been proposed by the Owners shall be given at least thirty days notice of the calling of the meeting and the purpose thereof and an opportunity to be heard at the meeting. Any Committee Member who misses twenty-five percent (25%) or more of the Committee Meetings or who misses three (3) consecutive meetings, in any calendar year, shall be automatically removed from the Committee.

11. Conduct of Meetings. The President shall preside over all meetings of the Committee and the Secretary shall keep a Minute Book of the Committee recording therein all resolutions adopted by the Committee and a record of all transactions and proceedings occurring at such meetings.

12. Report of Committee. The Committee shall present at each annual meeting, and when called for by vote of the Association at any special meeting of the Association, a full and clear statement of the business and condition of the Association.

#### ARTICLE IV OFFICERS

1. Designation. The principal officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, all of whom shall be elected by the Committee. The Committee may appoint assistant secretaries and such other officers as in its judgment may be necessary. All officers shall also be members of the Committee. Two or more offices may be held by the same person, except that the President shall not hold any other office.

2. Election of Officers. The officers of the Association shall be elected annually by the Committee at the first meeting of each Committee immediately following the annual meeting of the Association and shall hold office at the pleasure of the Committee. Any vacancy in an office shall be filled by the Committee at a regular meeting or special meeting called for such purpose.

3. Removal of Officers. The officers shall hold office until their respective successors are chosen and qualify in their stead. Any officer elected or appointed by the Committee may be removed at any time by the affirmative vote of a majority of the Committee, and his successor may be elected at any regular meeting of the Committee, or at any special meeting of the Committee called for such purposes.

4. President. The President shall be the chief executive officer; he shall preside at meetings of the Association and the Committee shall be an ex officio member of all committees; he shall have general and active management of the business of the Committee and shall see that all orders and resolutions of the Committee are carried into effect. He shall have all of the general powers and duties which are usually vested and/or incident to the use of president of a corporation organized under the laws of the State of Utah.

5. Vice-President. The Vice-President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as the Committee or the President shall prescribe. If neither the President nor the Vice President is able to act, the Committee shall appoint a member of the Committee to do so on an interim basis.

6. Secretary. The Secretary shall attend all meetings of the Committee and all meetings of the Association and record all votes and the minutes of all proceedings in a book to be kept by him for that purpose and shall perform like duties for committees when required. He shall give, or cause to be given, notices for all meetings of the Association and the Committee and shall perform such other duties as may be prescribed by the Committee. The Secretary shall compile and keep current at the principal office of the Association, a complete list of the Owners and their last known post office addresses. This list shall be open to inspection by all Owners and other persons lawfully entitled to inspect the same, at reasonable hours during regular

business days. The Secretary shall also keep current and retain custody of the Minute Book of the Association, containing the minutes of all annual and special meetings of the Association and all sessions of the Committee including resolutions.

7. Treasurer. The Treasurer shall have custody of all funds and securities held by the Association, and shall keep full and accurate records of receipts and disbursements, shall prepare all required financial data, and shall deposit all monies and other valuable effects in such depositories as may be designated by the Committee. He shall disburse funds as ordered by the Committee, taking proper vouchers for such disbursements, and shall render to the President and members, at the regular meetings of the Committee, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Project.

#### ARTICLE V FISCAL YEAR

The fiscal year of the Association shall be the calendar year consisting of the twelve (12) month period commencing on January 1 of each year terminating on December 31 of the same year. The fiscal year herein established shall be subject to change by the Committee should it be deemed advisable or in the best interests of the Association.

#### ARTICLE VI INVESTMENT OF COMMON FUNDS

Common funds may only be deposited into institutions which are federally insured. Common funds shall be deposited into in savings or money market accounts, or to purchase certificates of deposit. Other higher-risk investments, with a potential higher-rate-of-return, such as stocks, bonds, mutual funds and U.S. treasuries and the like, may only be used with the prior express written and affirmative consent of at least seventy-five percent (75%) of the Owners, and all Eligible Mortgagees.

#### ARTICLE VII AMENDMENT TO BY-LAWS

1. Amendments. These By-Laws may be modified or amended either (a) by the affirmative vote of a majority of the members of the Association, or (b) pursuant to a written instrument of consent duly executed by a majority of the members of the Association provided all of the written consents are obtained within a ninety day period.

2. Recording. An amendment to these By-Laws shall become effective immediately upon recordation in the Office of the County Recorder of Salt Lake County, Sate of Utah.



ARTICLE VIII  
NOTICE

1. Manner of Notice. All notices, demands, bills, statements, or other communications provided for or required under these By-Laws (except as to notices of Association meetings which were previously addressed in Article II of these By-Laws) shall be in writing and shall be deemed to have been duly given if delivered personally or sent by regular U.S. Mail postage pre-paid, a) if to an Owner, at the address of his Unit and at such other address as the Owner may have designated by notice in writing to the Secretary; or b) if to the Committee or the Manager, at the principal office of the Manager or at such other address as shall be designated by notice in writing to the Owners pursuant to this Section.

2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the statutes, the Declaration, or of these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether signed before or after the time stated therein, shall be deemed equivalent thereto, unless such waiver is ineffective under the provisions of the Declaration.

ARTICLE IX  
COMPLIANCE, CONFLICT, AND MISCELLANEOUS PROVISIONS

1. Conflict. These By-Laws are subordinate and subject to all provisions of the Declaration. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as they are defined to have in the Declaration. In the event of any conflict between these By-Laws and the Declaration, the provision of the Declaration shall control.

2. Waiver. No restriction, condition, obligation, or provision of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

3. Captions. The captions contained in these By-Laws are for convenience only and are not part of these By-Laws and are not intended in any way to limit or enlarge the terms and provisions of these By-Laws.

4. Interpretation. Whenever in these By-Laws the context so requires, the singular number shall refer to the plural and the converse; and the use of any gender shall be deemed to include both masculine and feminine; and the term "shall" is mandatory while the term "may" is permissive.

5. Severability. The invalidity of any one or more phrases, sentences, subparagraphs, subsections or sections hereof shall not affect the remaining portions of this instrument or any part thereof, and in the event that any portion or portions of this document should be invalid or should operate to render this document invalid, this document shall be construed as if such invalid phrase or phrases, sentence or sentences, subparagraph or

subparagraphs, paragraph or paragraphs, subsection or subsections, or section or sections had not been inserted.

IN WITNESS WHEREOF, the Taylors Walk LLC, has executed this Declaration as of the date first above written.

TAYLORS WALK LLC,  
a Utah limited liability company

By: Chet Nichols & Associates, P.L.L.C.,  
a professional limited liability company  
Its: Member

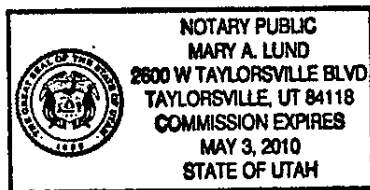
By: *Chet R. Nichols*  
Chet R. Nichols, Manager

By: Lucas Designers/Builders, Inc.,  
a Utah corporation  
Its: Member

By: *Jack Lucas*  
Jack Lucas, Manager

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

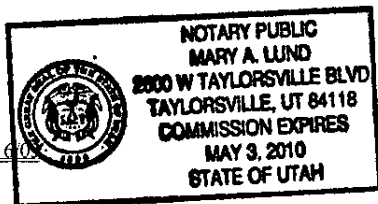
The foregoing instrument was acknowledged before me this 29 day of May, 2007, by Jack Lucas, in the capacity indicated.



*Mary A. Lund*  
Notary Public for Utah

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

The foregoing instrument was acknowledged before me this 29 day of May, 2007, by Chet R. Nichols, in the capacity indicated.



*Mary A. Lund*  
Notary Public for Utah

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