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DECLARATION OF CONDOMINIUM  
FOR  
VILLAGES OF ZERMATT  
An Expandable Condominium Project

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WASATCH CO RECORDER-ELIZABETH M PARCELL  
1996 NOV 21 16:06 PM FEE \$82.00 BY MW  
REQUEST: ZERMATT VILLAGES LTD

**DECLARATION OF CONDOMINIUM  
FOR  
VILLAGES OF ZERMATT  
An Expandable Condominium Project**

THIS DECLARATION OF CONDOMINIUM ("Declaration") is made and entered into as of the 15 day of November, 1996, by ZERMATT VILLAGES, LTD., a Utah limited partnership (hereinafter referred to as the "Declarant").

**RECITALS:**

**A. Description of Land.** The Declarant is the record Owner of the following described land (hereinafter referred to as the "Land") situated in the County of Wasatch, State of Utah:

Beginning at a point which is EAST 644.99 ft. and NORTH 527.37 ft. of the restored Southwest corner of Section 27, Township 3 South, Range 4 East, SLB&M. Said restored corner being located 37.08 ft. West and 11.14 ft. South of the Wasatch Co. Surveyor's brass cap; thence North 89°05'00" West 25.57 ft.; thence North 60.01 ft.; thence South 89°05'00" East 25.57 ft.; thence North 175.00 ft.; thence North 45°00'00" East 29.36 ft.; thence North 93.03 ft.; thence East 21.10 ft.; thence North 45°00'00" East 94.21 ft.; thence East 46.77 ft.; thence South 45°00'00" East 114.66 ft.; thence South 01°07'57" West 152.12 ft.; thence South 00°31'54" West 185.96 ft.; thence North 89°05'00" West 231.62 ft. to the Point of Beginning. Area: 2.083 acres  
Basis of Bearing: Utah State Plane

Subject to and together with all and any applicable easements and rights-of-way for water, sewer, power, telephone, and other utilities, all and any easements and rights-of-way shown on the Map, and all and any applicable easements, rights-of-way, and other matters of record or enforceable at law or in equity.

**B. Buildings and Improvements.** The Declarant has constructed on the Land certain Buildings and other improvements, as shown on the Map referred to below.

**C. Record of Survey Map.** The Declarant intends to execute, acknowledge, and record in the office of the County Recorder of Wasatch County, State of Utah, a Record of Survey Map pertaining to the Project entitled "Plat 'A' Villages of Zermatt".

**D. Intent and Purpose.** The Declarant intends by submitting this Declaration and the Map to submit the Land, the Buildings, and all other improvements situated in or upon the Land to the provisions of the Condominium Act as a fee simple Condominium Project and impose upon said property mutually beneficial restrictions under a general plan of improvement for the benefit of all Condominiums in the Project and the Owners thereof.

**E. Expandable Project.** The Declarant intends to reserve herein the option and right to expand the Project by adding thereto certain additional land and improvements in accordance with the provisions of this Declaration and the Condominium Act up to a maximum of 4.7 Units per acre.

NOW, THEREFORE, the undersigned does hereby make the following Declaration:

ARTICLE I

DEFINITIONS

1.01. Defined Terms. Unless the context clearly indicates otherwise, certain terms used in this Declaration shall have the meanings set forth in this Article I.

1.02. Additional Land shall mean certain land situated in Wasatch County, State of Utah, and more particularly described in Section 4.01 hereof.

1.03. Buildings shall mean the condominium buildings that have been or will be constructed on the Land, as such condominium buildings are shown on the Map.

1.04. Common Areas shall mean all Land and all portions of the Project not contained within any Unit or within the Limited Common Areas, including, but not by any way of limitation, roofs, foundations, pipes, ducts, flues, chutes, floors, ceilings, conduits, wires and other utility installations to the outlets; bearing walls, perimeter walls, columns and girders to the undercoated and/or unfinished interior surfaces thereof, regardless of location; walkways, parking spaces not specifically assigned to any Unit, all recreational areas and facilities which may hereafter be contained within the Project or which may be contained outside the Project and leased by the Management Committee subject to the terms of any such lease; all installations of heat, power, lights, and hot and cold water existing for common use, and all other parts of the Project necessary or convenient to its existence, maintenance and safety or normally in common use and all areas and facilities designated as Common Areas in the Act, and Common Facilities as defined below.

1.05. Common Expense Fund shall mean the Common Expense Fund created or to be created and funded in accordance with the provisions of Article XI of this Declaration.

1.06. Common Facilities shall mean all furniture, furnishings, equipment, facilities, and other property (real, personal, or mixed) and interests therein at any time leased, acquired, owned, or held by the Management Committee for the use and benefit of all Owners and all other property hereafter purchased in accordance with this Declaration with monies from the Common Expense Fund. Common Facilities shall be deemed to be part of the Common Areas, except to the extent otherwise expressly provided in this Declaration.

1.07. Condominium shall mean a Unit, its assigned Limited Common Areas and the undivided interest (expressed as a percentage of the entire ownership interest) in the Common Areas appurtenant to such Unit, as set forth in Exhibit A, attached hereto and incorporated by reference, and as shown on the Map.

1.08. Condominium Act shall mean the Utah Condominium Ownership Act and amendments thereto (Title 57, Chapter 8, Utah Code).

1.09. Declarant shall mean Zermatt Villages, Ltd., a Utah limited partnership, and its successors and assigns.

1.10. Land shall mean the land in and upon which the Project is situated, as more particularly described in Paragraph A of the Recitals above.

1.11. Limited Common Areas shall mean those portions of the Project reserved for the use of certain Units to the exclusion of other Units, including, but not by way of limitation, the storage areas (transferable and non-transferable) shown on the Map, balconies and/or patios that are immediately

adjacent to and contiguous with certain Units as more particularly identified on the Map and the parking stalls (transferable and non-transferable) assigned to each Unit as shown on the Map. The use and occupancy of designated Limited Common Areas shall be reserved for its Unit and each Unit Owner is hereby granted an irrevocable license to use and occupy said Limited Common Areas. If parking spaces and storage spaces are designated as transferable on Exhibit A, such shall be transferable by lease or otherwise. Said transferable spaces shall only be transferable to other Owners and shall be transferred subject to this Declaration.

1.12. Management Committee shall mean the governing board of the Project appointed or elected in accordance with this Declaration.

1.13. Manager shall mean Matterhorn Development, Inc. or a representative designated by it.

1.14. Map shall mean the Record of Survey Map for Villages of Zermatt, pertaining to the Project and recorded or to be recorded in the office of the County Recorder of Wasatch County, State of Utah.

1.15. Mortgage shall mean any mortgage, deed of trust, or other security instrument by which a Condominium or any part thereof or interest therein is encumbered.

1.16. Mortgagee shall mean (a) any person named as the mortgagee or beneficiary under any Mortgage by which the interest of any Owner is encumbered, or (b) any successor to the interest of such person under such Mortgage.

1.17. Owner shall mean the person or persons owning in fee simple a Condominium in the Project, as such ownership is shown by the records of the County Recorder of Wasatch County, State of Utah. The term "Owner" shall not refer to any Mortgagee (unless such Mortgagee has acquired title for other than security purposes) or to any person or persons purchasing a Condominium under contract (until such contract is fully performed and legal title conveyed of record).

1.18. Project shall mean the Land, the Buildings, and all improvements submitted by this Declaration and the Map to the provisions of the Condominium Act.

1.19. Resort shall mean the Zermatt Resort, a Swiss mountain village themed recreational resort which is near this Project. The Resort will eventually include, among other things, a hotel, conference center, restaurant, village shops, themed outdoor miniature golf course, winter ice skating rink, outdoor summer amphitheater, tennis courts, health club, swimming pool, spa, and outdoor activity areas.

1.20. Resort Use and Easement Agreement shall mean that certain agreement entered into among Villages of Zermatt, Zermatt Villages, Ltd., and Matterhorn Development, Inc., by which each agrees to grant reciprocal non-exclusive rights to use amenities throughout the entire Resort as well as easements and rights of way over and across roadways, parking areas, Common Areas and other Resort amenities not a part of this Project and to share the cost of maintaining and operating those amenities.

1.21. Total Votes of the Owners shall mean the total number of votes appurtenant to all Condominiums in the Project, as shown in Exhibit A attached hereto and as modified by Section 4.04.

1.22. Unit shall mean an individual air space unit, consisting of enclosed rooms occupying part of the Buildings and bounded from a point at the center of the framed perimeter wall (i.e., the center of the studs), ceiling, and floor inward to the interior of the individual air space unit, including but not

limited to: the wood framing; sheetrock (or other wall board), including interior surfaces and wall coverings and decorations; plumbing; pipes; ducts; flues; chutes; conduits; wires and other utility installations; floors; ceilings; windows; doors along the perimeter boundaries of the air space unit, as said boundaries are shown on the Map, and all fixtures and improvements therein contained. Paint and other wall, ceiling, or floor coverings on interior surfaces shall be deemed to be a part of the Unit. Notwithstanding the fact that they may be within the boundaries of such air space, the following are not part of a Unit insofar as they are necessary for the support or for the use and enjoyment of another Unit: Bearing walls, roofs, foundations, tanks, pumps, vents, and other utility installations common to more than one Unit, except the outlets thereof when located within the Unit. The heating, ventilation and air conditioning equipment for a particular Unit and used exclusively in that Unit shall be part of that Unit.

## ARTICLE II

### SUBMISSION AND DIVISION OF PROJECT

2.01. Submission to Condominium. The Declarant has submitted the Land, the Buildings, and all other improvements now or hereafter made in or upon the Land to the provisions of the Condominium Act. All of said property is and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, and improved as a fee simple, integrated use condominium project to be known as Villages of Zermatt. All of said property is and shall be subject to the covenants, conditions, restrictions, uses, limitations, and obligations set forth herein, each and all of which are declared and agreed to be for the benefit of said Project and in furtherance of a plan for improvement of said property and division thereof into Condominiums. Each and all of the provisions hereof shall be deemed to run with the Land and is a burden and a benefit to the Declarant, its successors and assigns, and to any person acquiring, renting, leasing, or owning an interest in the real property and improvements comprising the Project, and to their respective heirs, personal representatives, successors, and assigns.

2.02. Division into Condominiums. The Project is hereby divided into Condominiums, each such Condominium consisting of a Unit, an appurtenant undivided interest in Limited Common Areas, and an appurtenant undivided interest in the Common Areas, as set forth in Exhibit A attached hereto.

## ARTICLE III

### BUILDINGS AND IMPROVEMENTS

3.01. Buildings and Improvements. The Buildings and other improvements constructed or to be constructed in or upon the Land are described on the Map. The following information regarding each Building is also contained on the Map: (a) the number of floors and basements in the respective Buildings; (b) the number of Units on each floor of the Buildings; and (c) a description of the principal materials used or to be used in the construction of the Buildings.

3.02. Description of Units. The Map contains the Unit number, location, and dimensions of each Unit in the Project and all other information necessary to identify each such Unit.

3.03. Description of Common Areas. The Map contains a description of the Common Areas of the Project. The Map also contains a description of the Limited Common Areas and a designation of the particular Unit or Units to which use thereof is reserved.

ARTICLE IV  
EXPANSION OF PROJECT

4.01. Additional Land. The Declarant hereby reserves the right, at its option, to expand the Project, in accordance with the provisions of this Declaration and the Condominium Act, by adding thereto, from time to time, all or any portion or portions of the following described land (hereinafter referred to as the "Additional Land") situated in Wasatch County, State of Utah:

Beginning WEST 46.05 ft. from the restored 1996 Wasatch County Surveyor's brass cap Southwest corner of Section 27, Township 3 South, Range 4 East, Salt Lake Meridian; thence North 00°54'21" East 269.02 ft. along a fence line; thence North 00°10'05" East 116.54 ft. along a fence line to a fence corner; thence North 00°32'19" West 137.13 ft. along a fence line; thence East 145.73 ft.; thence North 15°30'00" East 72.94 ft.; thence East 350.94 ft.; thence North 07°18'31" West 165.70 ft. to a fence corner; thence North 07°00'00" East 119.78 ft.; thence East 219.92 ft.; thence North 45°00'00" East 94.21 ft.; thence East 46.77 ft.; thence South 45°00'00" East 114.66 ft. to a fence line; thence South 01°07'57" West 152.12 ft. along said fence line to a fence corner; thence South 00°31'54" West 185.96 ft. along a fence line and its extension to a fence line on the south side of a lane; thence North 89°05'00" West 526.07 ft. along said fence line and lane; thence South 671.97 ft.; thence North 89°38'21" West 398.81 ft. along a fence line; thence North 00°54'21" East 137.40 ft. along a fence line to the Point of Beginning. Area: 10.043 acres, more or less. Basis of bearing: Utah State Plane.

Subject to all and any applicable easements and rights-of-way for water, sewer, power, telephone, and other utilities, and all and any applicable easements, rights-of-way, and other matters of record or enforceable at law or in equity.

The Declarant's option to expand the Project shall be limited 4.7 Units per acre and may be exercised at any time and from time to time (without the consent of the Owners or any other person or persons) during the period beginning on the date that this Declaration is recorded in the office of the County Recorder of Wasatch County, State of Utah, and ending seven (7) years thereafter. The Declarant may, at any time or at different times, add to the Project all or any portion or portions of the Additional Land, or any interest therein, in any order and without limitations. The Declarant shall in no event be obligated to add to the Project all or any portion or portions of the Additional Land whatsoever, or any interests therein, nor shall the Declarant be limited as to what portion or portions of the Additional Land, or interests therein, if any, may be added to the Project.

4.02. Additional Units and Improvements. The Declarant shall have the right to create a maximum of thirty-six (36) Units on the Additional Land. All Units created on the Additional Land or any portion or portions of such land added to the Project shall be restricted exclusively to the same residential and similar purposes as are the Units on the Land. The Declarant makes no assurances (a) as to whether structures erected on any portion of the Additional Land added to the Project will be compatible with structures erected on the Land in terms of the quality of construction, principal materials used, or architectural styles, or (b) as to the location or locations of any improvements that may be made on any portions of the Additional Land added to the Project, or (c) as to what improvements, if any, may be made on any portions of the Additional Land added to the Project, or (d) as to what types of Units may be created on any portions of the Additional Land added to the Project. The Declarant reserves the right to create Limited Common Areas within any portion or portions of the Additional Land or improvements thereon, and makes no assurances as to the types, sizes, or maximum number of such Limited Common Areas.

4.03. Expansion of Project. The Project may be expanded under the provisions of this Declaration and the Condominium Act from time to time by recording in the office of the County Recorder of Wasatch County, State of Utah, a new or supplemental Record of Survey Map and an amendment to this Declaration. Such new or supplemental Record of Survey Map shall be duly executed and acknowledged by the Declarant, and by any and all other Owners of that part of the Additional Land added to the Project, and shall contain the information necessary to comply with the provisions of Section 57-8-13(l) of the Condominium Act, as amended or supplemented. The required amendment to this Declaration shall also be duly executed and acknowledged by the Declarant, and by any and all other Owners and lessees of that part of the Additional Land added to the Project, shall contain a legal description by metes and bounds of that part of the Additional Land added to the Project, and shall reallocate undivided interests in the Common Areas in accordance with the provisions of Section 4.04 hereof.

4.04. Reallocation of Undivided Interests. In the event the Project is expanded in accordance with the provisions of this Declaration and the Condominium Act the undivided interests in the Common Areas appurtenant to the Units shall be reallocated among all of the Units in the Project, including the Units added to the Project. A part of the entire interest in the Common Areas shall be allocated to each Unit in proportion to the total number of Units constructed such that the total of the undivided interests so allocated to all of the Units then constructed in the Project shall add up to one hundred percent (100%). Each Owner shall have one (1) vote for each Condominium he or she owns within the Project, regardless of the size of the Unit.

4.05. Amendment of Article. This Article IV shall not be amended without the written consent of the Declarant set forth in a duly recorded instrument.

ARTICLE V

NATURE AND INCIDENTS OF CONDOMINIUM OWNERSHIP

5.01. Interior of Units. Each Owner shall have exclusive right to paint, repaint, tile, wax, paper, carpet, or otherwise decorate the interior surfaces of the walls, ceilings, floors, and doors forming the boundaries of his or her Unit and the surfaces of all walls, ceilings, floors, and doors within such boundaries. Each Owner shall also have the right to construct partition walls, fixtures, and improvements within the boundaries of his or her Unit, provided, however, that such partition walls, fixtures, and improvements (a) shall comply with all applicable laws, ordinances, and building codes; (b) shall not interfere with facilities necessary for the support, use, or enjoyment of any other part of the Project, (c) shall not impair the structural soundness or integrity of the Buildings, and (d) shall not encroach upon the Limited Common Areas or Common Areas or any part thereof (unless the Management Committee shall consent in writing to each such encroachment).

5.02. Resort Amenities. Each Owner shall have the right to utilize certain amenities at the Resort that are not part of this Project. That right is granted under the terms of the Resort Use and Easement Agreement which grants to Owners non-exclusive rights to use amenities throughout the entire Resort as well as cross-easements and rights of way over and across roadways, parking areas, and other Resort amenities not a part of this Project and to share the cost of maintaining and operating those amenities. It is anticipated that those amenities shall include the conference center, restaurant, village shops, themed outdoor miniature golf course, winter ice skating rink, outdoor summer amphitheater, 2 tennis courts, health club, swimming pool, spa, and outdoor activity areas. The Resort Use and Easement Agreement is reciprocal and grants guests of the Hotel the right to utilize certain of the Common Areas that are part of this Project and sets forth the terms of sharing the cost of maintaining and operating those amenities.

5.03. Adjacent Undeveloped Acreage. An additional amenity consists of approximately four (4) acres of adjacent land which will remain undeveloped. This land may be used to pasture horses. No more than four (4) horses may be pastured for each undeveloped acre and in no case will vegetation on that undeveloped land be eaten completely, leaving the land barren.

5.04. Maintenance of Units. Each Owner shall keep the interior of his or her Unit, including without limitation, heating, ventilation and air conditioning equipment, interior walls, interior surfaces of windows, ceilings, floors, and fixtures and appurtenances thereto, in a clean and sanitary condition and in good repair. In the event that any such Unit shall develop an unsanitary or unclean condition or state of disrepair, within fifteen (15) days after written notice thereof from the Management Committee, the Management Committee shall have the right, at the expense of the Owner and without liability to the Owner for trespass or otherwise, to enter said Unit and correct or eliminate said unsanitary or unclean condition or state of disrepair; provided, however, that the Management Committee shall in no event have any obligation to correct or eliminate any such condition or state of disrepair.

5.05. Right to Combine Units. With the written consent of the Management Committee, which consent shall not be unreasonably withheld, two or more Units may be utilized by the Owner or Owners thereof as if they were one Unit. Any and all costs associated by such combination shall be borne by the combining Owner. To the extent permitted in the written consent of the Management Committee, any walls, floors, ceilings, or other structural separations between any two Units, or any space which would be occupied by such structural separations but for the utilization of the two Units as one Unit, may, for as long as the two Units are utilized as one Unit, be utilized by the Owner or Owners of the adjoining Units as Limited Common Areas, except to the extent that any such structural separations are necessary or appropriate, or contain facilities necessary or appropriate for the support, use, or enjoyment of other parts of the Project. At any time, upon the written request of the Owner of one of such adjoining Units, any opening between the two Units which, but for joint utilization of the two Units, would have been occupied by structural separation, shall be closed, at the equal expense of the Owner or Owners of each of the two Units and the structural separations between the two Units shall thereupon become Common Areas.

5.06. Title. Title to a Condominium within the Project may be held or owned by any person or entity, or any combination thereof, and in any manner in which title to any other real property may be held or owned in the State of Utah, including without limitation joint tenancy or tenancy in common.

5.07. Ownership of Common Areas. The undivided interest in the Common Areas appurtenant to each Unit in the Project shall be as set forth in Exhibit A attached hereto. The percentages appurtenant to each Unit as shown in said Exhibit A shall have a permanent character and shall not be altered without the unanimous written consent of all Owners set forth in an amendment to this Declaration duly recorded; provided, however, that the undivided interests in the Common Areas may be reallocated in accordance with the provisions of Section 4.04 above. Except as otherwise provided in this Declaration, any Owner shall be entitled to nonexclusive use of the Common Areas (other than Limited Common Areas) in any manner that does not hinder or encroach upon the rights of other Owners and is not contrary to this Declaration or to any applicable rules or regulations promulgated by the Management Committee. Except as otherwise provided in this Declaration, any Owner shall have the exclusive right to use and enjoy any Limited Common Areas that may be designated for exclusive use by such Owner.

5.08. Inseparability. Title to no part of a Condominium in the Project may be separated from any other part thereof, and each Unit, Limited Common Areas (except transferable Limited Common areas) and the undivided interest in the Common Areas appurtenant to each Unit shall always be



conveyed, devised, encumbered, and otherwise affected only as a complete Condominium. Every devise of any part thereof, shall be construed to be a devise, encumbrance, conveyance, or other disposition, respectively, of the entire Condominium, together with all appurtenant rights created by law or by this Declaration.

5.09. No Partition. The Common Areas shall be owned in common by all of the Owners, and no Owner may bring any action for partition thereof.

5.10. Separate Mortgages by Owners. Each Owner shall have the right separately to Mortgage or otherwise encumber his or her Condominium. No Owner shall attempt to or shall have the right to mortgage or otherwise encumber the Common Areas or any part thereof, except the undivided interest therein appurtenant to his or her Condominium. Any Mortgage or other encumbrance of any Condominium within the Project shall be subordinate to all of the provisions of this Declaration and, in the event of foreclosure of such Mortgage, the provisions of this Declaration shall be binding upon any Owner whose title is derived through foreclosures by private power of sale, judicial foreclosure, or otherwise.

5.11. Separate Taxation. Each Condominium within the Project shall be deemed to be a parcel and shall be assessed separately for all taxes, assessments, and other charges of the State of Utah or of any political subdivision or of any special improvement district or of any other taxing or assessing authority. For purposes of such assessment, the valuation of the Common Areas shall be apportioned among the Units in proportion to the undivided interests in the Common Areas appurtenant to such Units. All such taxes, assessments, and other charges on each respective Condominium shall be separately levied against the Owner thereof. No forfeiture or sale of any Condominium for delinquent taxes, assessments, or other governmental charges shall divest or in any way affect the title to any other Condominium.

5.12. Mechanics Liens. No labor performed or material furnished for use in connection with any Unit with the consent or at the request of an Owner or his or her agent or contractor shall create any right to file a statement of mechanic's lien against the Unit of any other Owner not expressly consenting to or requesting such labor or material or against any interest in the Common Areas, except the undivided interest in the Common Areas appurtenant to the Unit of the Owner for whom such labor or materials, respectively, shall have been performed or furnished.

5.13. Description of Condominium. Every contract for the sale of a Condominium and every other instrument affecting title to a Condominium in the Project may describe a Unit by its identifying number or symbol as indicated in this Declaration or as shown on the Map. Such description will be construed to describe the Condominium, and to incorporate all of the rights incident to ownership of a Condominium in the Project and all of the limitations on such ownership. Such description shall not include transferable Limited Common Areas. The transferor of any transferable Limited Common Area shall notify the Management Committee in writing of such transfer prior to the transfer.

## ARTICLE VI

### USE OF CONDOMINIUMS

6.01. Use of Units. Each Unit in the Project shall be used exclusively as a private, single family residence and shall be restricted to such use. No Unit shall be used for any business, industrial, or commercial purpose; provided, however, that (a) Owners may use their Unit or Units for Unit sales models, Unit sales offices, or Unit property management offices as approved in writing by the Management Committee, (b) Owners may rent or lease their Units in accordance with the provisions

of this Declaration, and (c) Owners may use their Units to show prospective purchasers or tenants.

6.02. Leasing Restrictions. Owners may lease their Unit for transient or hotel purposes, however no Owner shall lease less than his or her entire Unit. If an Owner leases such Owner's Unit for more than six months, then: (a) the Owner shall promptly notify the Management Committee thereof in writing, (b) the Owner shall provide to the Management Committee the name of the tenant under such lease and the address of the Owner, (c) the lease shall include or be deemed to include a covenant on the part of the tenant substantially as follows: "Tenant agrees with the Landlord and with and for the benefit of the Management Committee that during the term of this lease, Tenant and Tenant's family and guests from time to time will use and occupy the premises and all parts of the Project in strict compliance with the Condominium Act, this Declaration, and all rules and regulations from time to time adopted by the Management Committee as fully as if Tenant were an Owner," (d) each Owner shall be responsible for compliance by tenants with the Condominium Act, this Declaration, and all rules and regulations. Should an Owner fail to obtain tenant compliance after notice of noncompliance, the Management Committee shall have the right, in addition to all remedies at law, to evict the noncomplying Tenant, and (e) all leases for more than six months shall be in writing and subject to the prior approval of the Management Committee, which shall not be unreasonably withheld. As used in this Section, the term lease shall include a lease, rental arrangement, license, or other arrangement for third party use of a Unit.

6.03. Limited Common Areas. Each Owner shall have the exclusive right to use the Limited Common Area in accordance with rules and regulations from time to time adopted by the Management Committee. The Management Committee may adopt reasonable rules and regulations governing all aspects of use of the Limited Common Areas. All such rules and regulations relating to the use of the Limited Common Areas or access thereto must be approved by a majority of the Management Committee.

6.04. Resort Amenities. Those intentionally abusing or damaging equipment or facilities within the Resort shall be assessed the costs of replacement or repair. Owners shall be responsible for the cost of damage caused by their guests or lessees, including those who may be occupying their Unit on a nightly basis.

6.05. Rules and Regulations. Each Owner shall comply strictly with all rules and regulations adopted by the Resort as well as those adopted by the Management Committee for the governance of the Units, the Common Areas, the Limited Common Areas, the Project, and all parts thereof, as such rules and regulations may from time to time be approved, modified, amended, and construed by the Management Committee. Among or in addition to the rules and regulations shall be the following:

(a) Walkways. Owners, guests and allowed pets must remain on designated walkways and paths and remain out of hot pots, flower beds, and other ornamental landscaped areas.

(b) Telephones. Units rented to others shall be equipped with telephones that may be used for local and credit card long distance calls.

(c) Garbage. Garbage is to be kept in approved containers and placed outside Units at designated locations on designated days for pickup by Wasatch Solid Waste or replacement company retained by the Management Committee or placed in the designated dumpsters located throughout the Project and the Resort.

(d) Parking. Parking shall be permitted in designated areas only. No parking is permitted in front of garages. All vehicles parked improperly will be removed at the car owner's expense. All

automobiles must be off streets and parking areas within 24 hours following each snow storm to allow for snow removal. Automobiles not in compliance will be removed at the car owner's expense.

(e) Smoking. No smoking shall be allowed in any indoor Common Areas in the Project or in any building within the Resort. Smoking within Units shall be limited to Owners and guests with their specific approval. Rental guests in Units shall not be allowed to smoke in Units without the express written consent of the Owner thereof.

(f) Electronic Access Cards. Upon the sale of a Unit, the Owner shall return the Electronic Access Card(s) to the Management Committee or pay a \$250.00 replacement fee each, which fee shall be a lien on the Unit to be paid out of the closing.

(g) Declaration delivered to new buyers. Upon the sale of a Unit, the Owner shall deliver to the purchaser a copy of this Declaration, as amended. A copy may be obtained from the Management Committee at a cost of \$25.00.

## ARTICLE VII

### GENERAL RESTRICTIONS

7.01. No Noxious or Offensive Activity. No noxious or offensive activity shall be carried on in or upon any part of the Project, nor shall anything be done or placed in or upon any part of the Project which is or may become a nuisance or which may cause unreasonable disturbance or annoyance to Owners generally. No activities shall be conducted, nor improvements constructed, in or upon any part of the Project which are or may become unsafe or hazardous to any person or property.

7.02. Restriction on Signs. No signs or advertising devices of any nature, including without limitation commercial, political, informational, or directional signs or shall be erected or maintained on any part of the Project, without the prior inspection and written approval of the Management Committee (except as may be necessary temporarily to caution or warn of danger). If the Management Committee consents to the erection of any such signs or devices, the same shall be removed promptly at the request of the Management Committee.

7.03. No Pets or Animals. Except for pets belonging to Owners, no pets or animals of any kind or nature whatsoever shall be permitted in any Unit, in the Common Areas, or in any other part of the Project. Owners are responsible to clean up any waste left by their pets outside of their Unit or be subject to a fine by the Management Committee.

7.04. Restriction on Window Coverings. All window coverings visible from the outside of a Unit must be of a white or neutral color or must be approved in writing by the Management Committee. No treatment of exterior windows (including tinting, mirror finish, etc.) shall be permitted without the written approval of the Management Committee.

7.05. No Alterations. No Owner shall, without the prior written consent of the Management Committee in each specific instance, make or cause to be made any alteration, addition, of improvement in or to the Common Areas or Limited Common Areas or any part thereof, or do any act that would impair the structural soundness or integrity of the Buildings or jeopardize the safety of persons or property or impair any easement or hereditament appurtenant to the Project.

7.06. No Obstructions. No Owner shall obstruct the Common Areas or any part thereof unless the Management Committee shall consent thereto in writing. No Owner shall store or cause to be stored in the Common Areas any property whatsoever, unless the Management Committee shall consent thereto in writing.

7.07. RV Parking. Limited RV Parking in designated portions of the Common Area in numbered parking stalls for a fixed number of days may be made available with the approval of the Management Committee, but only for Owners and their immediate family. Such parking is not available for guests or extended family members of the Owners. Vehicles, boats, etc. parked improperly or without the proper approval granted by the Management Committee will be removed at the vehicle owner's expense.

7.07. No Overloading. No Owner shall bring anything into such Owner's Unit and Limited Common Area or permit anything to be done in his or her Unit and Limited Common Area that will cause damage to any part of the Buildings. No Owner shall overload the floor of his or her Unit and Limited Common Area. No Owner shall permit the use or operation in his or her Unit and Limited Common Area of any equipment, machinery, or other apparatus that will in any manner injure, vibrate, or shake the Building or any portions thereof.

7.08. No Damage or Dangerous Activities. Except with the prior written consent of the Management Committee, nothing shall be done or kept in any Unit, in Limited Common Areas, in the Common Areas, or in any other part of the Project that would result in cancellation, suspension or invalidation of the insurance on the Project or any part thereof, nor shall anything be done or kept in any Unit or Limited Common Area that would increase the rate of insurance on the Project or on any part thereof over that which the Management Committee, but for such specific activity, would pay. Nothing shall be done or kept in any Unit or Limited Common Areas or in the Common Areas or any part thereof which would be in violation of any statute, rule, ordinance, regulation, permit, or other validly imposed, applicable requirement of any governmental authority. No damage to or waste of the Common Areas and Limited Common Areas or any part thereof shall be committed by any Owner or guest of any Owner, and each Owner shall indemnify and hold harmless the Management Committee and the other Owners from and against all losses resulting from any such damage or waste caused by such Owner or by the guests, tenants, licensees, or invitees of such Owner.

7.09. Construction Exemption. During the course of actual construction of any permitted Buildings, structures or improvements within the Project, the provisions, covenants, conditions, and restrictions contained in this Declaration shall be deemed waived to the extent necessary or convenient to permit such construction; provided, however, that during the course of such construction, nothing shall be done which will result in a violation of any of said provisions, covenants, conditions or restrictions upon completion of the construction.

7.10. Enforcement. Each Unit Owner and his or her assigns, successors, guests and invitees shall comply strictly with the provisions of this Declaration, and rules and regulations of the Project. Failure to comply shall be grounds for an action to recover sums due for damages or injunctive relief, or both, together with costs and attorneys fees, maintainable by the Management Committee or any aggrieved Owner.

ARTICLE VIII

EASEMENTS

8.01. Easements for Encroachments. If any part of the Common Areas encroaches or shall hereafter encroach upon any Unit or Limited Common Areas, an easement for such encroachment and for the maintenance of the same shall and does exist. If any part of a Unit or Limited Common Areas encroaches or shall hereafter encroach upon the Common Areas, or upon an adjoining Unit, an easement for such encroachment and for the maintenance of the same shall and does exist. Such encroachments shall not be considered to be encumbrances either on the Common Areas, Limited Common Areas or the Units, as the case may be. Encroachments referred to herein shall include without limitation encroachments caused by error in the original construction of the Building or any improvements constructed or to be constructed within the Project as shown on the Map, by error in the Map, by settling, rising, or shifting of the earth, or by changes in position caused by repair or reconstruction of the Project, or any part thereof, in accordance with the provisions of this Declaration.

8.02. Easements for Maintenance, Cleaning, and Repair. Some of the Common Areas are or may be located within the Units or may be conveniently accessible only through the Units. The Management Committee shall have the irrevocable right to have access to each Unit and to all Common Areas from time to time during such reasonable hours as may be necessary for the maintenance, cleaning, repair, or replacement of any Common Areas or for making emergency repairs at any time therein necessary to prevent damage to the Common Areas or to any Unit. In addition, agents of the Management Committee may enter any Unit or Limited Common Areas when necessary in connection with any cleaning, maintenance, repair, replacement, landscaping, construction, or reconstruction for which the Management Committee is responsible. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Management Committee with funds from the Common Expense Fund.

8.03. Right to Ingress, Egress, and Support. Each Owner shall have the right to ingress and egress over, upon, and across the Common Areas as necessary for access to such Owner's Unit and to any Limited Common Areas appurtenant to such Unit, and shall have the right to horizontal, vertical, and lateral support of such Unit, and all of such rights shall be appurtenant to and pass with title to each Condominium.

8.04. Management Committee's Right to Use Common Areas. The Management Committee shall have an easement to make such use of the Common Areas as may be necessary or convenient to perform the duties and functions that it is obligated or permitted to perform pursuant to this Declaration, including without limitation the right to construct and maintain in the Common Areas (other than Limited Common Areas) facilities for use by Owners generally or by the Management Committee and its agents exclusively and the right to lease or rent Common Areas.

8.05. Easement for Completion of Project. The Management Committee or its designee shall have a transferable easement over and on the Common Areas for the purpose of completing construction of the Project and making improvements therein as shown on the Map, and for the purpose of doing all things reasonably necessary or appropriate in connection therewith.

8.06. Easements Deemed Created. All conveyances of Condominiums within the Project hereafter made shall be construed to grant and reserve such reciprocal easements as are provided herein, even though no specific reference to such easements appears in any such conveyance.

## ARTICLE IX

### THE MANAGEMENT COMMITTEE

#### Powers and Operation

9.01.01. General Powers. The property, affairs, and business of the Project shall be managed by the Management Committee. The Management Committee may exercise all of the powers of a Management Committee, whether derived from law or this Declaration, except such powers as are by law or by this Declaration vested solely in the Owners. The Management Committee may by written contract delegate, in whole or in part, to Matterhorn Development, Inc. such of its duties, responsibilities, functions, and powers as are properly delegable.

9.01.02. Number, Tenure, and Qualifications. The number of members of the Management Committee shall be three (3). The initial Management Committee and any replacements appointed by the Declarant, shall serve until the Declarant turns over to the Owners the responsibility for electing members and until their successors are duly elected and qualified. At the first meeting of the Owners held after the Declarant turns over to the Owners responsibility for electing members, the Owners shall elect three (3) members to serve as follows: One (1) member to serve for a term of three years, one (1) member to serve for a term of two years, and one (1) member to serve for a term of one year. At each annual meeting thereafter, the Owners shall elect one (1) member to fill the then expiring term and to serve for a term of three (3) years and until his or her successor shall have been elected and qualified. Except for members appointed by the Declarant, all members must be Owners in the Project.

9.01.03. Regular Meetings. The regular annual meeting of the Management Committee shall be held without other notice than in this Declaration immediately after, and at the same place as, the annual meeting of the Owners. The Management Committee may provide by resolution the time and place, within Wasatch County, Utah County, or Salt Lake County, State of Utah, for the holding of additional regular meetings without other notice than such resolution.

9.01.04. Special Meeting. Special meetings of the Management Committee may be called by or at the request of any member. The person or persons authorized to call special meetings of the Management Committee may fix any place, within Wasatch County, Utah County, or Salt Lake County, State of Utah, as the place for holding any special meeting of the Management Committee called by such person or persons. Notice of any special meeting shall be given at least five (5) days prior thereto by written notice delivered personally, or mailed to each member at his or her registered address, or by overnight delivery service. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. mail so addressed, with first class postage thereon prepaid. If notice is given by overnight delivery service, such notice shall be deemed to have been delivered when it is delivered into the hands of the overnight delivery service. Any member may waive notice of a meeting.

9.01.05. Quorum and Manner of Acting. A majority of the then authorized number of members shall constitute a quorum for the transaction of business at any meeting of the Management Committee. The act of a majority of the members present at any meeting at which a quorum is present shall be the act of the Management Committee. The members shall act only as a group, and individual members shall have no powers as such.

9.01.06. Compensation. No member shall receive compensation for any services that he or she may render to the Management Committee as a member; provided, however, that a member may be reimbursed for expenses incurred in performance of his or her duties as a member to the extent such expenses are approved by the Management Committee and (except as otherwise provided in this

Declaration) may be compensated for services rendered to the Management Committee other than in his or her capacity as a member.

**9.01.07. Resignation and Removal.** A member may resign at any time by delivering a written resignation to either the Chair or the Management Committee. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any member (other than a member appointed by Declarant) may be removed at any time, for or without cause by the affirmative vote of Owners holding at least sixty percent (60%) of the Total Votes of the Owners at a special meeting of the Owners duly called for such purpose.

**9.01.08. Vacancies and Newly Created memberships.** If vacancies shall occur in the Management Committee by reason of the death, resignation, or disqualification of a member (other than a member appointed by Declarant), or if the authorized number of members shall be increased, the members then in office shall continue to act, and such vacancies or newly created memberships shall be filled by a unanimous vote of the members then in office, though less than a quorum. Any vacancies in the Management Committee occurring by reason of the removal of a member by the Owners may be filled by election at the meeting at which such member is removed. If vacancies shall occur in the Management Committee by reason of death, resignation, or removal of a member appointed by the Declarant, such vacancies shall be filled by appointments made by the Declarant. Any member elected or appointed hereunder to fill a vacancy shall serve for the unexpired term of his or her predecessor or for the term of the newly created membership, as the case may be.

**9.01.09. Informal Action by members.** Any action that is required or permitted to be taken at a meeting of the Management Committee, may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the members.

#### Officers

**9.02.01. Officers.** The officers of the Management Committee shall be a Chair, a Vice-Chair, a Secretary, and a Treasurer, and such others as may from time to time be appointed by the Management Committee.

**9.02.02. Election, Tenure, and Qualifications.** The officers of the Management Committee shall be chosen by the Management Committee annually at the regular annual meeting of the Management Committee. In the event of failure to choose officers at such regular annual meeting of the Management Committee, officers may be chosen at any regular or special meeting of the Management Committee. Each such officer (whether chosen at a regular annual meeting of the Management Committee or otherwise) shall hold his or her office until the next ensuing regular annual meeting of the Management Committee and until his or her successor shall have been chosen and qualified, or until his or her death, or until his or her resignation, disqualification, or removal in the manner provided in this Declaration, whichever first occurs. Any one person may hold any two or more of such offices; provided that the Chair may not also be the Secretary. No person holding two or more offices shall act in or execute any instrument in the capacity of more than one office. The Secretary and the Treasurer may but need not be and remain members of the Management Committee.

**9.02.03. Subordinate Officers.** The Management Committee may from time to time appoint such other officers or agents as it may deem advisable, each of whom shall have such title, hold office for such period, have such authority, and perform such duties as the Management Committee may from time to time determine. The Management Committee may from time to time delegate to any officer or agent the power to appoint any such subordinate officers or agents and to prescribe their respective titles, terms of office, authorities, and duties. Subordinate officers need not be members

of the Management Committee or Owners in the Project.

9.02.04. Resignation and Removal. Any officer may resign at any time by delivering a written resignation to the Chair of the Management Committee. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any officer may be removed by the Management Committee at any time, for or without cause.

9.02.05. Vacancies and Newly Created offices. If any vacancy shall occur in any office by reason of death, resignation, removal, disqualification, or any other cause, or if a new office shall be created, such vacancies or newly created offices may be filled by the Management Committee at any regular or special meeting.

9.02.06. The Chair. The Chair shall preside at meetings of the Management Committee and at meetings of the Owners. He or she shall sign on behalf of the Management Committee all conveyances, mortgages, documents, and contracts approved by the Management Committee, and shall do and perform all other acts and things that the Management Committee may require of the Chair.

9.02.07. The Vice-Chair. The Vice-Chair shall act in the place and stead of the Chair in the event of the Chair's absence or inability or refusal to act, and shall exercise and discharge such other duties as may be required of the Vice-Chair by the Management Committee.

9.02.08. The Secretary. The Secretary shall keep the minutes of the Management Committee and shall maintain such books and records as this Declaration or any resolution of the Management Committee may require him to keep. The Secretary shall perform such other duties as the Management Committee may require of the Secretary.

9.02.09. The Treasurer. The Treasurer shall have the custody and control of the funds of the Management Committee, subject to the action of the Management Committee, and shall, when requested by the Chair to do so, report the state of the finances of the Management Committee at each annual meeting of the Owners and at any meeting of the Management Committee. The Treasurer shall perform such other duties as the Management Committee may require of the Treasurer.

9.02.10. Compensation. No officer shall receive compensation for any services that he or she may render to the Management Committee as an officer; provided, however, that an officer may be reimbursed for expenses incurred in performance of his or her duties as an officer to the extent such expenses are approved by the Management Committee and (except as otherwise provided in this Declaration) may be compensated for services rendered to the Management Committee other than in his or her capacity as an officer.

#### Meetings

9.03.01. Annual Meetings. The annual meeting of Owners shall be held on the third Saturday in October each year at 10:00 o'clock a.m., beginning with the year following the year in which this Declaration is filed, for the purpose of electing members of the Management Committee and transacting such other business as may come before the meeting. If the election of members of the Management Committee shall not be held on the day designated herein for the annual meeting of the Owners, or at any adjournment thereof, the Management Committee shall cause the election to be held at a special meeting of the Owners to be convened as soon thereafter as may be convenient. The Management Committee may from time to time by resolution change the date and time for the annual meeting of the Owners.



**9.03.02. Special Meetings.** Special meetings of the Owners may be called by the Management Committee or by its Chair, and shall immediately be called by the Chair upon the written request of Owners holding at least ten percent (10%) of the Total Votes of the Owners, such written request to state the purpose of the meeting and to be delivered to the Management Committee or the Chair. In case of failure to call such meeting within twenty (20) days after such request, such Owners may call the same.

**9.03.03. Place of Meetings.** The Management Committee may designate any place in Wasatch County, State of Utah as the place of meeting for any annual meeting or for any special meeting called by the Management Committee. A waiver of notice signed by all Owners may designate any place, either within or without the State of Utah, as the place for holding such meeting. If no designation is made, or if a special meeting is otherwise called, the place of the meeting shall be at the principal office of the Management Committee.

**9.03.04. Notice of Meetings.** The Management Committee shall cause written or printed notice of the time, place, and purposes of all meetings of the Owners (whether annual or special) to be delivered, not more than fifty (50) nor fewer than ten (10) days prior to the meeting, to each Owner of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. mail addressed to the Owner at his or her registered address, with first class postage thereon prepaid. Each Owner shall register with the Management Committee such Owner's current mailing address for purposes of notice hereunder. Such registered address may be changed from time to time by notice in writing to the Management Committee. If no address is registered with the Management Committee, an Owner's Unit address shall be deemed to be his or her registered address for purposes of notice hereunder.

**9.03.05. Owners of Record.** Upon purchasing a Condominium in the Project, each Owner shall promptly furnish to the Management Committee a certified copy of the recorded instrument by which ownership of such Condominium has been vested in such Owner, which copy shall be maintained in the records of the Management Committee. For the purpose of determining Owners entitled to notice of or to vote at any meeting of the Owners, or any adjournment thereof, the Management Committee may designate a record date, which shall not be more than fifty (50) nor fewer than ten (10) days prior to the meeting. If no record date is designated, the date on which notice of the meeting is mailed shall be deemed to be the record date for determining Owners entitled to notice of or to vote at the meeting. The persons or entities appearing in the records of the Management Committee on such record date as the Owners of record of Condominiums in the Project shall be deemed to be the Owners of record entitled to notice of and to vote at the meeting of the Owners or any adjournments thereof.

**9.03.06. Quorum.** At any meeting of the Owners, the presence of Owners holding, or holders of proxies entitled to cast, more than fifty percent (50%) of the Total Votes of the Owners shall constitute a quorum for the transaction of business. In the event a quorum is not present at a meeting, the Owners present (whether represented in person or by proxy), though less than a quorum, may adjourn the meeting to a later date.

**9.03.07. Proxies.** At each meeting of the Owners, each Owner entitled to vote shall be entitled to vote in person or by proxy; provided, however, that the right to vote by proxy shall exist only where the instrument authorizing such proxy to act shall have been executed by the Owner or by his or her attorney thereunto duly authorized in writing. If title is jointly held, the instrument authorizing a proxy to act must have been executed by all holders of such title or their attorneys thereunto duly authorized in writing. Such instrument authorizing a proxy to act shall be delivered at the beginning of the meeting to the Secretary of the Management Committee or to such other officer or person who may be acting as secretary of the meeting. The secretary of the meeting shall enter a record of all such

proxies in the minutes of the meeting.

9.03.08. Votes. With respect to each matter submitted to a vote of the Owners, each Owner entitled to vote at the meeting shall have the right to cast, in person or by proxy, the number of votes appurtenant to the Condominium of such Owner, as provided in this Declaration. The affirmative vote of a majority of the votes entitled to be cast by the Owners present or represented by proxy at a meeting at which a quorum was initially present shall be necessary for the adoption of any matter voted on by the Owners, unless a greater proportion is required by this Declaration or Utah law. The election of members of the Management Committee shall be by secret ballot. If title is jointly held, all or any holders thereof may attend each meeting of the Owners, but such holders must act unanimously to cast the votes relating to their joint ownership. Notwithstanding the foregoing, the number of votes appurtenant to each Unit owned by the Declarant, and for so long as Declarant is the Owner, shall be four times the number of votes which would otherwise be appurtenant to the Unit, whether before or after Project expansion.

9.03.09. Waiver of Irregularities. All inaccuracies and/or irregularities in calls or notices of a meeting and in the manner of voting, form of proxies, and/or method of ascertaining Owners present shall be deemed waived if no objection thereto is made at the meeting.

9.03.10. Informal Action by Owners. Any action that is required or permitted to be taken at a meeting of the Owners may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the Owners entitled to vote with respect to the subject matter thereof.

#### Subcommittees

9.04.01. Designation of Subcommittees. The Management Committee may from time to time by resolution designate such subcommittees as it may deem appropriate in carrying out its duties, responsibilities, functions, and powers. The membership of each such subcommittee designated hereunder shall include at least two (2) Owners. No subcommittee member shall receive compensation for services that he or she may render to the Management Committee as a subcommittee member; provided, however, that a subcommittee member may be reimbursed for expenses incurred in performance of his or her duties as a subcommittee member to the extent such expenses are approved by the Management Committee and (except as otherwise provided in this Declaration) may be compensated for services rendered to the Management Committee other than in his or her capacity as a subcommittee member.

9.04.02. Proceedings of Subcommittees. Each subcommittee designated hereunder by the Management Committee may appoint its own presiding and recording officers and may meet at such places and times and upon such notice as such subcommittee may from time to time determine. Each such subcommittee shall keep a record of its proceedings and shall regularly report such proceedings to the Management Committee.

9.04.03. Quorum and Manner of Acting. At each meeting of any subcommittee designated hereunder by the Management Committee, the presence of subcommittee members constituting at least a majority of the authorized membership of such subcommittee (but in no event less than two subcommittee members) shall constitute a quorum for the transaction of business and the act of a majority of the subcommittee members present at any meeting at which a quorum is present shall be the act of such subcommittee. The members of any subcommittee designated by the Management Committee hereunder shall act only as a subcommittee, and the individual members thereof shall have no powers as such.

**9.04.04. Resignation and Removal.** Any member of any subcommittee designated hereunder by the Management Committee may resign at any time by delivering a written resignation to the Chair of the Management Committee, or the presiding officer of the subcommittee of which he or she is a member. Unless otherwise specified therein, such resignation shall take effect upon delivery. The Management Committee may at any time, for or without cause, remove any member of any subcommittee designated by it hereunder or dissolve any such subcommittee.

**9.04.05. Vacancies.** If any vacancy shall occur in any subcommittee designated by the Management Committee hereunder, due to disqualification, death, resignation, removal, or otherwise, the remaining subcommittee members shall, until the filling of such vacancy, constitute the then total authorized membership of the subcommittee and, provided that two or more subcommittee members are remaining, may continue to act. Such vacancy may be filled at any meeting of the Management Committee.

#### Indemnification

**9.05.01. Indemnification of Third Party Actions.** The Management Committee shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Management Committee) by reason of the fact that he or she is or was a member or officer of the Management Committee, or is or was serving at the request of the Management Committee as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, trust, subcommittee member, or other enterprise, against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Management Committee, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by an adverse judgment, order, or settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Management Committee and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

**9.05.02. Indemnification of Management Committee Actions.** The Management Committee shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the Management Committee to procure a judgment in its favor by reason of the fact that he or she is or was a member or officer of the Management Committee, or is or was serving at the request of the Management Committee as a director, trustee, officer, employee, or agent of another corporation, partnership, joint venture, trust, subcommittee member, or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Management Committee and except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Management Committee, unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

9.05.03. Determination. To the extent that a person has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Sections 9.05.01 or 9.05.02 hereof, or in defense of any claim, issue, or matter therein, he or she shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection therewith. Any other indemnification under Sections 9.05.01 or 9.05.02 hereof shall be made by the Management Committee only upon a determination that indemnification of the person is proper in the circumstances because he or she has met the applicable standard of conduct set forth respectively in Sections 9.05.01 or 9.05.02 hereof. Such determination shall be made either (a) by the Management Committee by a majority vote of disinterested members, or (b) by independent legal counsel in a written opinion, or (c) by the Owners by the affirmative vote of at least fifty percent (50%) of the Total Votes of the Owners at any meeting duly called for such purpose.

9.05.04. Advances. Expenses incurred in defending a civil or criminal action, suit, or proceedings as contemplated in this Article may be paid by the Management Committee in advance of the final disposition of such action, suit, or proceeding upon a majority vote of a quorum of the Management Committee and upon receipt of an undertaking by or on behalf of the person to repay such amount or amounts unless it ultimately be determined that he or she is entitled to be indemnified by the Management Committee as authorized by this Article.

9.05.05. Scope of Indemnification. The indemnification provided for by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any provision in the Management Committee's agreements, vote of disinterested members, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office. The indemnification authorized by this Article shall apply to all present and future members, officers, employees, and agents of the Management Committee and shall continue as to such persons who cease to be members, officers, employees, or agents of the Management Committee and shall inure to the benefit of the heirs and personal representatives of all such persons and shall be in addition to all other rights to which such persons may be entitled as a matter of law.

9.05.06. Insurance. The Management Committee may purchase and maintain insurance on behalf of any person who was or is a member, officer, employee, or agent of the Management Committee, or who was or is serving at the request of the Management Committee as a trustee, director, officer, employee, or agent of another corporation, entity, subcommittee member, or enterprise (whether for profit or not for profit), against any liability asserted against such person or incurred by such person in any such capacity or arising out of his or her status as such, whether or not the Management Committee would have the power to indemnify him or her against such liability under the laws of the State of Utah, as the same may hereafter be amended or modified.

9.05.07. Payments and Premiums. All indemnification payments made, and all insurance premiums for insurance maintained, pursuant to this Article shall constitute expenses of the Management Committee and shall be paid with funds from the Common Expense Fund referred to in this Declaration.

## ARTICLE X

### CERTAIN ADDITIONAL RIGHTS AND OBLIGATIONS OF THE MANAGEMENT COMMITTEE

10.01. Common Areas. The Management Committee, subject to the rights and duties of the Owners as set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Areas and all improvements thereon (including without limitation Common Facilities), and shall keep the same in a good, clean, attractive, safe, and sanitary condition, order and repair

provided, however, that each Owner shall keep the Limited Common Areas, if any, designated for use in connection with his or her Unit, in a good, clean safe, sanitary, and attractive condition. The Management Committee shall be responsible for the maintenance and repair of the exterior of the Buildings and the grounds, including without limitation painting thereof, repair and replacement of exterior trim and roofs, exterior glass and maintenance of landscape, walkways, rooftop facilities, driveways, and parking areas. The Management Committee shall also be responsible for maintenance, repair, and replacement of Common Areas and Limited Common Areas, including without limitation hallways, elevators, utility lines, swimming pools, recreation facilities, and all improvements and other items located within or used in connection with the Common Areas. The specification of the Management Committee's duties with respect to particular Common Areas and Limited Common Areas shall not be construed to limit its duties with respect to other Common Areas and Limited Common Areas, as set forth in the first sentence of this Section. All goods and services procured by the Management Committee in performing its responsibilities under this Section shall be paid for with funds from the Common Expense Fund. Continuity in decision making is critical to the economical operation of the Project. Therefore, no decision to override a prior determination of a Management Committee comprised of one or more different members shall be made without reasonable justification that the new decision will either save the Owners money or significantly improve the facilities or services provided to them.

10.02. Manager. Inasmuch as the Resort is to be permanently managed by Matterhorn Development, Inc., the Management Committee shall retain and has no authority to terminate the services of Matterhorn Development, Inc. or a representative designated by it to carry out such of the Management Committee's duties, responsibilities, functions, and powers hereunder as are properly delegable. The services of the Manager shall be paid for with funds from the Common Expense Fund.

10.03. Miscellaneous Goods and Services. The Management Committee may obtain and pay for the services of such personnel as the Management Committee shall determine to be necessary or desirable for the proper operation of the Project, whether such personnel are furnished or employed directly by the Management Committee or by any person with whom it contracts. The Management Committee may obtain and pay for legal and accounting services necessary or desirable in connection with the operation of the Project or the enforcement of this Declaration. In addition to the foregoing, the Management Committee may acquire and pay for out of the Common Expenses Fund water, sewer, garbage collection, electrical, gas, and other necessary or desirable utility services for the Common Areas, insurance, bonds, and other goods and services common to the Units; provided however, that any such item which is separately metered or billed and which relates exclusively to a Unit shall be paid for by the Unit Owner.

10.04. Real and Personal Property. The Management Committee may acquire and hold real, personal, and mixed property of all types or interests therein for the use or benefit of all of the Owners and may dispose of such property by sale or otherwise. All such property shall be paid for out of the Common Expense Fund and all proceeds from the disposition thereof shall be part of the Common Expense Fund.

10.05. Rules and Regulations. The Management Committee may make reasonable rules and regulations governing the use of the Units, the Common Areas, the Limited Common Areas, and all parts of the Project; provided, however, that all such rules and regulations shall be consistent with the rights and duties established in this Declaration. The Management Committee may take judicial action against any Owner to enforce compliance with such rules and regulations or other obligations of such Owner arising hereunder or to obtain damages for noncompliance therewith, as permitted by law. In the event of any such judicial action, the Management Committee shall be entitled to recover its costs (including reasonable attorney's fees) from the offending Owner.

10.06. Granting Easements. The Management Committee may, without the vote or consent of the Owners or of any other person, grant or create, on such terms as it deems advisable, utility and similar easements and rights-of-way over, under, across, and through the Common Areas and the Limited Common Areas.

10.07. Implied Rights. The Management Committee may exercise any right, power, or privilege given to it expressly by this Declaration or by law, and every other right or privilege reasonably implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

#### ARTICLE XI

#### ASSESSMENTS

11.01. Agreement to Pay Assessments. Each Owner is deemed to covenant and agree with all other Owners and with the Management Committee to pay to the Management Committee all assessments made by the Management Committee for the purposes provided in this Declaration. Such assessments shall be fixed, established, and collected from time to time as provided in this Article XI.

11.02. Annual Assessments. Annual Assessments shall be computed and assessed against all Condominiums in the Project as follows:

(a) Common Expense. Annual Assessments shall be based upon advance estimates of the Management Committee's cash requirements to provide for payment of all estimated expenses arising out of or connected with maintenance and operation of the Common Areas. Such estimated expenses may include, among other things, the following: Expenses of management; real property taxes and special assessments (unless and until the Condominiums are separately assessed); premiums for all insurance that the Management Committee is required or permitted to maintain hereunder; repairs and maintenance; wages for Management Committee employees, including fees for a Manager; utility charges, including charges for utility services to the Units to the extent not separately metered or billed; legal and accounting fees; any deficits remaining from a previous period; creation of reasonable contingency reserve, surplus or sinking fund in a sum not less than one sixth of the Annual Assessment; and any other expenses and liabilities which may be incurred by the Management Committee for the benefit of the Owners under or by reason of this Declaration.

(b) Apportionment. Expenses of the Management Committee shall be apportioned among and assessed to all Owners in proportion to their respective undivided interests in the Common Areas set out in Exhibit A, and all funds received from each such assessment shall be part of the Common Expense Fund.

(c) Annual Budget. Annual Assessments shall be determined on the basis of a fiscal year beginning October 1 and ending September 30 next following; provided, however, that the first fiscal year shall begin on the date this Declaration is recorded in the office of the County Recorder of Wasatch County, State of Utah. On or before September 15 of each year the Management Committee shall prepare and furnish to each Owner, or cause to be prepared and furnished to each Owner, an operating budget for the upcoming fiscal year. The budget shall itemize the estimated expenses, anticipated receipts (if any), and any deficits or surpluses from the prior operating period. The budget shall serve as the supporting document for the Annual Assessment for the upcoming fiscal year and as the major guideline under which the Project shall be operated during such annual period.

(d) **Notice and Payment.** Annual Assessments shall be levied on the basis of a fiscal year beginning October 1 and ending September 30 next following; provided that the first fiscal year shall begin on the date this Declaration is duly recorded as herein contemplated. Except with respect to the first fiscal year, the Management Committee shall notify each Owner as to the amount of the Annual Assessment against his or her Condominium on or before September 15 each year for the fiscal year beginning on October 1 next following. Each Annual Assessment shall be payable in twelve equal monthly installments, one such installment due on the first day of each calendar month during the fiscal year to which the assessment relates; provided, however, that the Annual Assessment for the first fiscal year shall be based upon such portion of the first fiscal year and shall be payable in such installments and at such times as the Management Committee may determine. A monthly late fee in an amount set by the Management Committee shall be charged on any assessment not paid when due. The fee shall be charged for every month the assessment remains unpaid. The failure of the Management Committee to give timely notice of any Annual Assessment as provided herein shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of any Owner from the obligation to pay such assessment or any other assessment; but the date on which the payment shall become due in such case shall be deferred to a date fifteen (15) days after notice of such assessment has been given to the Owner in the manner provided in this Declaration.

(e) **Inadequate Funds.** In the event that the Common Expense Fund shall prove inadequate at any time for whatever reason, including nonpayment of any Owner's assessment, the Management Committee may levy additional assessments in accordance with the procedure set forth in Section 11.03 hereof; provided, however, that the vote therein specified shall be unnecessary if the additional assessment has been approved by a majority of the Management Committee.

11.03. **Special Assessments.** In addition to the Annual Assessments authorized by this Article, the Management Committee may, at any time and from time to time, levy Special Assessments, payable over such periods as the Management Committee may determine for the purpose of defraying, in whole or in part, the cost of any capital improvement which would require a special assessment exceeding one month's installment of the Annual Assessment, any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expenses incurred or to be incurred as provided in this Declaration; provided, however, that except as otherwise provided in this Declaration Special Assessments must be approved by Owners holding at least sixty (60%) of the Total Votes of all Owners. This Section shall not be construed as an independent source of authority for the Management Committee to incur expenses, but shall be construed to prescribe the manner of assessing for expenses authorized by other Sections or Articles hereof. Any amounts assessed pursuant hereto shall be apportioned among and assessed to the Owners in the proportions specified in Section 11.02(b) hereof. Notice in writing of the amount of each such Special Assessment and the time for payment thereof shall be given promptly to the Owners and no payment thereof shall be due less than fifteen (15) days after such notice shall have been given. A monthly late fee in an amount set by the Management Committee shall be charged on any special Assessment not paid when due. The fee shall be charged for every month the assessment remains unpaid.

11.04. **Lien for Assessments.** All sums assessed to Owners of any Condominium in the Project pursuant to the provisions of this Declaration, together with interest thereon as provided herein, shall be secured by a lien on and against such Condominium in favor of the Management Committee. To evidence a lien for sums assessed pursuant to this Declaration, the Management Committee may prepare a written notice of lien setting forth the amount of the assessment, the date due, the amount remaining unpaid, the name of the Owner of the Condominium, and a description of the Condominium. Such a notice shall be signed and acknowledged by a duly authorized officer of the Management Committee and may be recorded in the office of the County Recorder of Wasatch

County, State of Utah. No notice of lien shall be recorded until there is a delinquency in payment of the assessment. Such lien may be enforced by sale or foreclosure by the Management Committee conducted in accordance generally with the provisions of Utah law applicable to the exercise of powers of sale or foreclosure under deeds of trust or mortgages or in any manner permitted by Utah law. In any such sale or foreclosure, the Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorney's fees) and such costs and expenses shall be secured by the lien herein provided. The Owner shall also be required to pay to the Management Committee any assessments against the Condominium which shall become due during the period of foreclosure or sale, and all such assessments shall be secured by the lien herein provided. The Management Committee shall have the right and power to bid in at any foreclosure or other sale, and to hold, lease, mortgage, or convey the subject Condominium. In the event of foreclosure, the Owner shall be required to pay a reasonable rental for the Unit during the foreclosure, and the Management Committee shall be entitled to the appointment of a receiver to collect the rental without regard to the value of security.

**11.05. Personal Obligation of Owner.** The amount of any Annual or Special Assessment or any other charge against any Condominium shall be the personal obligation of the Owner of such Condominium to the Management Committee. Suit to recover a money judgment for such personal obligation shall be maintainable by the Management Committee without foreclosing or waiving the lien securing the same. No Owner may avoid or diminish any such personal obligation by waiver of the use or enjoyment of any of the Common Areas or by abandonment of his or her Condominium or by waiving any services or amenities provided for in this Declaration. In the event of any suit to recover a money judgment for unpaid assessments hereunder, the involved Owner shall pay the costs and expenses incurred by the Management Committee in connection therewith, including reasonable attorneys' fees.

**11.06. Statement of Account.** Upon payment of a reasonable fee and upon written request of any Owner, Mortgagee, prospective Mortgagee, or prospective purchaser of a Condominium, the Management Committee shall issue a written statement setting forth the following: The amount of the unpaid assessments, if any, with respect to such Condominium; the amount of the current Annual Assessment and the date or dates upon which installments thereof become due; the amount of any current Special Assessment and the date or dates upon which the same or portions thereof become due; and any credit for advanced payments or prepaid items, including without limitation the Owner's share of prepaid insurance premiums. Such statement shall be conclusive upon the Management Committee in favor of persons who rely thereon in good faith.

**11.07. Personal Liability of Purchaser.** Subject to the provisions of Section 11.06 hereof, a purchaser of a Condominium shall be jointly and severally liable with the seller thereof for all unpaid assessments against such Condominium up to the time of the grant or conveyance; provided, however, that the provisions of this Section shall not prejudice the purchaser's right to recover from the seller the amount paid by the purchaser for such assessments.

**11.08. Commencement Date.** As to each Condominium in the Project, assessments under this Declaration shall commence the date on which this Declaration is recorded in the office of the County Recorder of Wasatch County, State of Utah.

**11.09. Amendment of Article.** This Article XI shall not be amended unless the Owners of all Condominiums in the Project unanimously consent and agree to such amendment in a duly recorded instrument.



ARTICLE XII

INSURANCE

12.01. Types of Insurance. The Management Committee shall obtain and keep in full force and effect at all times the following types of insurance coverage, provided by companies licensed to do business in the State of Utah.

(a) Fire and Casualty Insurance. The Management Committee shall obtain a policy or policies of insurance on the Project in such amounts as shall provide for full replacement of the Project in the event of damage or destruction from the casualty against which such insurance is obtained. Such insurance shall be in accordance with coverage customarily maintained by other condominium projects similar in location, construction, design, and use, and shall include fire and extended coverage, vandalism and malicious mischief, and other risks and hazards against which the Management Committee shall deem it appropriate to provide insurance protection. The Management Committee may comply with the above requirements by the purchase of blanket coverage and may elect such "deductible" provisions as in the Management Committee's opinion are consistent with good business practice.

(b) Public Liability and Property Damage Insurance. The Management Committee shall obtain a broad form of comprehensive liability insurance coverage, in such amounts (but in no event less than \$1.0 Million per occurrence) and in such forms as it deems advisable to provide adequate protection against liability for personal injury, death, and property damage. Coverage shall include without limitation liability for operation of automobiles on behalf of the Management Committee and all activities in connection with the ownership, operation, maintenance, and other use of the Project.

(c) Worker's Compensation Insurance. The Management Committee shall obtain and maintain worker's compensation and employer's liability insurance and all other similar insurance with respect to employees of the Management Committee in the amounts and in the forms now or hereafter required by applicable law.

(d) Fidelity Insurance or Bond. The Management Committee may purchase, in such amounts and in such forms as it deems appropriate, fidelity insurance or bonds to cover against dishonesty of the Manager or of members, officers, or employees of the Management Committee, destruction or disappearance of money or securities, and forgery.

12.02. Form of Insurance. Insurance coverage on the Project, insofar as possible, shall be in the following form:

(a) Fire and Casualty Insurance. Fire and Casualty insurance shall be carried in a form or forms naming the Management Committee as the insured, as trustee for the Owners, and such policy or policies shall specify the interest of each Owner (Owner's name, Unit number, and appurtenant undivided interest in the Common Areas). Each policy shall provide a standard, noncontributory mortgage clause in favor of each Mortgagee which from time to time shall give notice to the Management Committee of its Mortgage. Each policy also shall provide that it cannot be canceled either by the insured or by the insurance company until after fifteen (15) days prior written notice is first given to each Owner and to each Mortgagee which has requested such notice in writing. The Management Committee shall furnish to each Owner, and to each Mortgagee requesting the same, a certificate of coverage, including an identification of the Owner's interest.

(b) Public Liability and Property Damage Insurance. Public liability and property damage insurance shall name the Management Committee as the insured, as trustee for each Owner and shall

protect the Management Committee and each Owner against liability for acts or omissions of the Management Committee, the Owners, the manager, and other persons relative to the ownership, operation, maintenance, and other use of the Project. Each such policy shall provide that it cannot be canceled either by the insured or by the insurance company until after fifteen (15) days prior written notice thereof is given to the Management Committee, to each Owner, and to each Mortgagee who has requested such notice in writing.

(c) Policies. The Management Committee shall use its best efforts to secure insurance policies that will provide for the following:

(i) The insurer shall waive all rights of subrogation as to any claims against the Management Committee, the Manager, the Owners, and their respective servants, agents, and guests;

(ii) The policy or policies on the Project cannot be canceled, invalidated, or suspended on account of the conduct of any one or more individual Owners;

(iii) The policy or policies on the Project cannot be canceled, invalidated, or suspended on account of the conduct of any member, officer, or employee of the Management Committee, without a prior demand in writing that the Management Committee cure the defect; and

(iv) Any "no other insurance" clause in the policy or policies on the Project shall exclude individual Owners' policies from consideration.

(v) Each hazard insurance policy shall be written by a hazard insurance carrier that has a current rating by Best's Insurance Reports of B/VI or better.

(vi) Each public liability policy shall include a "severability of interest" endorsement which shall preclude the insurer from denying the claim of any Owner because of the negligent acts or omissions of the Management Committee or any other Owner or Owners.

12.03. Additional Coverage. The provisions of this Declaration shall not be construed to limit the power or authority of the Management Committee to obtain and maintain insurance coverage in addition to any insurance coverage required by this Declaration, in such amounts and in such forms as the Management Committee may deem appropriate from time to time.

12.04. Adjustment and Contribution. Exclusive authority to adjust losses under policies hereafter in force on the Project shall be vested in the Management Committee. In no event shall the insurance coverage obtained and maintained by the Management Committee hereunder be brought into contribution with insurance purchased by individual Owners or their Mortgagees.

12.05. Owner's Own Insurance. Notwithstanding the provisions hereof, each Owner shall obtain a broad form of comprehensive liability insurance coverage, in such amounts (but in no event less than \$1.0 Million per occurrence) and in such forms as he or she deems advisable to provide adequate protection against liability for personal injury, death, and property damage. Each Owner may obtain other insurance at such Owner's own expense providing coverage for his or her Condominium, his or her personal property; and covering such other risks as such Owner may deem appropriate; provided, however, that each such policy shall provide that it does not diminish the insurance carrier's coverage for liability arising under insurance policies obtained by the Management Committee pursuant to this Declaration. Owners are encouraged to obtain Property A Coverage insurance, as an additional rider to their policies in an amount sufficient to fully cover or fully replace private ownership areas of their Units. This coverage should include automatic inflation or value adjustment.

**12.06. Review of Insurance.** The Management Committee shall review annually the coverage and policy limits of all of its insurance on the Project and adjust the same at its discretion, but in no event shall the coverage be less than required by Federal National Mortgage Management Committee for projects of this type. Such annual review may include an appraisal of the improvements in the Project by a representative of the insurance carrier or carriers providing the policy or policies on the Project, or by such other qualified appraisers as the Management Committee may select.

### ARTICLE XIII

#### DAMAGE OR DESTRUCTION

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

**13.02. Definition of Repair and Reconstruction.** Repair and reconstruction of the improvements as used herein shall mean restoring the Project to substantially the same condition in which it existed prior to the damage or destruction, with each Unit, Limited Common Area and the Common Areas having substantially the same vertical and horizontal boundaries as before.

**13.03. Procedures.** In the event any part of the Project is damaged or destroyed, the Management Committee shall proceed as follows:

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

(b) **Sufficient Insurance.** If the proceeds of the insurance maintained by the Management Committee exceed the estimated costs to repair and reconstruct the damaged or destroyed part of the Project, then such repair and reconstruction shall be carried out unless the Building is more than 75 percent destroyed and the Owners vote within 100 days after the damage or destruction by a vote of seventy-five percent (75%) or more of the Total Votes of the Owners not to repair or reconstruct. If the Owners vote not to repair and reconstruct, the provisions of Section 13.03(d) below shall apply.

(c) **Insufficient Insurance--Less than 75% Destruction.** If the proceeds of the insurance maintained by the Management Committee are less than the estimated costs to repair and reconstruct the damage or destroyed part of the Project and if less than seventy-five percent (75%) of the Building is destroyed or substantially damaged, then such repair and reconstruction shall nevertheless be carried out. The Management Committee shall levy a Special Assessment sufficient to provide funds to pay the actual costs of such repair and reconstruction to the extent that such insurance proceeds are insufficient to pay such costs. Such Special Assessment shall be allocated to pay such costs. Such Special Assessment shall be allocated and collected as provided in Section 11.03 hereof, except that the vote therein specified shall be unnecessary. Further levies may be made in like manner if the amounts collected (together with the proceeds of insurance) are insufficient to pay all actual costs of such repair and reconstruction.

(d) Insufficient Insurance--75% or More Destruction. If the proceeds of the insurance maintained by the Management Committee are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and if seventy-five percent (75%) or more of the Building is destroyed or substantially damaged, then such damage or destruction shall be repaired and reconstructed as provided in Section 13.03(c) hereof if, but only if, within one hundred (100) days following the damage or destruction, the Owners shall elect by a vote of at least seventy-five percent (75%) of the Total Votes of the Owners to carry out such repair and reconstruction. If, however, the Owners shall not, within one hundred (100) days after such damage or destruction, elect by a vote of at least seventy-five percent (75%) of the Total Votes of the Owners to carry out such repair and reconstruction, then the Management Committee shall record in the office of the County Recorder of Wasatch County, State of Utah, a notice setting forth such facts. Upon the recording of such notice, the following shall occur:

- (i) The Project shall be deemed to be owned in common by the Owners.
- (ii) The undivided interest in the Project owned in common which shall appertain to each Owner shall be the percentage of undivided interest in the Common Areas previously owned by such Owner.
- (iii) Any liens affecting any of the Condominiums shall be deemed to be transferred, in accordance with existing priorities, to the undivided interest of the respective Owner in the Project.
- (iv) The Project shall be subject to an action for partition at the suit of any Owner, in which event the net proceeds of any sale resulting from such suit for partition, together with any net proceeds of the insurance on the Project and any monies in the Common Expense Fund, shall be considered as one fund and shall be divided among all Owners in a percentage equal to the percentage of undivided interest in the Project owned by each respective Owner, after first paying out of the respective share of each Owner, to the extent sufficient for such purposes, all liens on the undivided interest in the Project owned by such Owner.

13.04. Repair or Reconstruction. If the damage or destruction is to be repaired and reconstructed as provided above, the Management Committee shall, as soon as practicable after receiving the said estimate of costs, commence and diligently pursue to completion the repair and reconstruction of that part of the Project damaged or destroyed. The Management Committee, as attorney in fact for the Owners, may take all necessary or appropriate action to effect repair and reconstruction, and no consent or other action by any Owner shall be necessary in connection therewith, except as otherwise expressly provided herein. The Project shall be restored or repaired to substantially the same condition in which it existed prior to the damage or destruction, with each Unit, Limited Common Areas and the Common Areas having substantially the same vertical and horizontal boundaries as before.

13.05. Disbursement of Funds for Repair and Reconstruction. If repair or reconstruction is to occur, the insurance proceeds held by the Management Committee and any amounts received from assessments made pursuant to Sections 13.03(b) and (c) hereof shall constitute a fund for the payment of costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for cost of repair and reconstruction is made from insurance proceeds; and if there is a balance after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners in the same proportions as provided in Section 11.02(b) hereof relative to assessments. If the insurance proceeds are not received in time to commence timely and necessary repairs and reconstruction, the Management Committee may make a special assessment or borrow funds in a commercially reasonable manner to commence such repairs or reconstruction.

13.06. Amendment of Articles. This Article XIII shall not be amended unless the Owners of all Condominiums in the Project unanimously consent and agree to such amendment in a duly recorded instrument.

ARTICLE XIV

CONDEMNATION

14.01. Condemnation. If at any time or times all or any part of the Project shall be taken or condemned by any public authority under power of eminent domain, the provisions of this Article shall apply. A voluntary sale or conveyance of all or any part of the Project in lieu of condemnation, but under threat of condemnation, shall be deemed to be a taking by power of eminent domain.

14.02. Proceeds. All compensation, damages, and other proceeds from any such taking by power of eminent domain (hereinafter the "condemnation award") shall be made payable to the Management Committee and shall be distributed by the Management Committee as herein provided.

14.03. Complete Taking. In the event that the entire Project is taken by power of eminent domain, condominium ownership pursuant hereto shall terminate and the condemnation award, less the costs and expenses incurred by the Management Committee in connection therewith, shall be allocated among and distributed to the Owners in proportion to their respective undivided interests in the Common Areas. Such distribution shall be made by checks payable jointly to the respective Owners and their respective Mortgagees, as appropriate.

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

(a) Allocation of Award. As soon as practicable, the Management Committee shall, reasonably and in good faith, apportion the condemnation award, less the costs and expenses incurred by the Management Committee in connection therewith, between compensation, severance damages, or other proceeds, and shall allocate such apportioned amounts and pay the same to the Owners as follows:

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

(ii) The amount apportioned to severance damages shall be allocated among and distributed to the Owners of those Condominiums that have not been taken, in proportion to their respective undivided interests in the Common Areas.

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

(iv) The amount apportioned to consequential damages and any other takings or injuries shall be allocated and distributed as the Management Committee determines to be equitable under the circumstances.

(v) Notwithstanding any provision hereof to the contrary, if apportionment or allocation is already established by negotiation, judicial decree, statute, or otherwise, the Management

Committee shall employ such apportionment and allocation to the extent it is relevant and applicable.

(vi) Distribution of allocated proceeds shall be made by checks payable jointly to the respective Owners and their respective Mortgagees, as appropriate.

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

(i) If any partial taking results in the taking of an entire Unit, then the Owner thereof shall cease to be an Owner in the Project and all voting rights and the undivided interest, in the Common Areas appurtenant to such Unit shall be reallocated to, and shall appertain to, the remaining Units in proportion to their respective undivided interests in the Common Areas.

(ii) If any partial taking results in the taking of a portion of a Unit and if there is no determination that such taking makes it impractical to use the remaining portion of such Unit for any lawful purpose permitted by this Declaration, then all voting rights and the undivided interest in the Common Areas appertaining to such Unit shall be reduced in proportion to the decrease in size of such Unit resulting from the taking. The voting rights and undivided interest in the Common Areas so divested from such Unit shall be reallocated to, and shall appertain to, such Unit and the other Units in the Project in proportion to their respective undivided interests in the Common Areas; provided, however, that such Unit shall participate in such reallocation on the basis of the undivided interest reduced in accordance with the preceding sentence.

(iii) If any partial taking results in the taking of a portion of a Unit and if there is a determination that such taking makes it impractical to use the remaining portion of such Unit for any lawful purpose permitted by this Declaration, then all voting rights and the entire undivided interest in the Common Areas appurtenant to such Unit shall be reallocated to, and shall appertain to, the remaining Units in proportion to their respective undivided interests in the Common Areas, and the remaining portion of such Unit shall thereafter be part of the Common Area.

(iv) The Management Committee shall have the duty and authority to make all determinations and to take all actions necessary or appropriate to effectuate reorganization of the Project under the provisions of this Section; provided, however, that if any such determination shall have been made or such action taken by judicial decree, the Management Committee shall defer thereto and proceed in accordance therewith.

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

## ARTICLE XV

### OBSOLESCENCE

15.01. Adoption of Plan. Owners may agree at any time by unanimous vote that the Project is obsolete and adopt a written plan for renewal and reconstruction of the Project; provided, however, that such plan must be approved in writing by all first Mortgagees of record at the time of the adoption of such plan. Written notice of adoption of such plan shall be given to all Owners.

15.02. Payment for Renewal and Reconstruction. The Management Committee shall levy a Special Assessment sufficient to provide funds to pay the estimated expenses of renewal or reconstruction. Such Special Assessment shall be allocated and collected as provided in Section 11.03 hereof, except that the vote therein specified shall be unnecessary. Further levies may be made in like manner (without the necessity of any vote) if the amounts allocated prove insufficient to pay the actual expenses of such renewal or reconstruction. In the event amounts collected pursuant hereto are in excess of the amounts required for renewal or reconstruction, such excess shall be distributed to the Owners in the same proportions as provided in Section 11.02(b) hereof for assessments.

15.03. Sale of Project. Notwithstanding any other provision of this Declaration, the Owners may at any time, by a unanimous vote of all Owners at a special meeting of the Owners duly called for such purpose, elect to sell or otherwise dispose of the Project. For purposes of this provision, Section 9.03.08 shall not apply. In such event, the Management Committee shall forthwith record in the office of the County Recorder of Wasatch County, State of Utah, a notice setting forth such facts, and upon the recording of such notice by the Management Committee, the Project shall be sold or otherwise disposed of by the Management Committee as attorney in fact for all of the Owners. Such action shall be binding upon all Owners, and each Owner shall have the duty to execute and deliver such instruments and to perform all acts in such manner and form as may be necessary or appropriate to effect such sale or other disposition of the Project. The proceeds of such sale or disposition shall be apportioned among the Owners in proportion to their respective undivided interests in the Common Areas, and such apportioned proceeds shall be paid into separate accounts, each such account representing one Condominium. Each such account shall remain in the name of the Management Committee and shall be further identified by the Condominium designation and the name of the Owner thereof. The Management Committee, as attorney in fact, shall use and disburse the total amount of each account, without contribution from one account to another, first to pay valid tax and special assessment liens on the Condominium in favor of any governmental assessing authority, second to pay assessments made pursuant to this Declaration, third to pay other holders of liens or encumbrances on the Condominium in the order of priority of their liens, and the balance remaining, if any, to the respective Owner.

15.04. Amendment of Article. This Article XV shall not be amended unless the Owners of all Condominiums in the Project unanimously consent and agree to such amendment in a duly recorded instrument.

#### ARTICLE XVI

##### COMPLIANCE WITH THIS DECLARATION

16.01. Compliance. Each Owner shall comply strictly with the provisions of this Declaration and the decisions and resolutions of the Management Committee adopted pursuant thereto, as the same may lawfully be modified and amended from time to time. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages or for injunctive relief or for both, maintainable by the Management Committee or, in a proper case, by an aggrieved Owner.

16.02. Enforcement and Remedies. The obligations, provisions, covenants, restrictions, and conditions contained in this Declaration, or in any Supplemental or Amended Declaration, with respect to the Management Committee or Condominiums in the Project shall be enforceable by any Owner, subject to this Declaration, by a proceeding for a prohibitive or mandatory injunction. The obligations, provisions, covenants, restrictions, and conditions contained in this Declaration, or in any Supplemental or Amended Declaration, with respect to a person or entity or property of a person or

entity other than the Management Committee shall be enforceable by the Management Committee or, in a proper case, by an aggrieved Owner by a proceeding for a prohibitive or mandatory injunction or by a suit or action to recover damages or to recover any amount due and unpaid.

## ARTICLE XVII

### MORTGAGEE PROTECTION

17.01. Notice to Mortgagees. From and after the time a mortgagee makes written request to the Management Committee therefor, the Management Committee shall notify such Mortgagee in writing in the event that the Owner of the Condominium encumbered by the Mortgage held by such Mortgagee neglects for a period of thirty (30) days or more to cure any failure on the part of such Owner to perform any of his or her obligations under this Declaration.

17.02. Subordination of Assessment Lien. The lien or claim against a Condominium for unpaid assessments or charges levied by the Management Committee pursuant to this Declaration shall be subordinate to a Mortgage affecting such Condominium. A Mortgagee who comes into possession of the Condominium pursuant to its Mortgage or a deed or assignment in lieu of foreclosure shall take the same free of such lien or claim for unpaid assessments or charges, but only to the extent of assessments or charges which accrue prior to the foreclosure of the Mortgage, exercise of a power of sale available thereunder, or deed or assignment in lieu of foreclosure (except for claims for a pro rata share of such prior assessments or charges resulting from a pro rata reallocation thereof to all Condominiums including the Condominium in which the Mortgagee is interested). No assessment, charge, lien, or claim which is described in the preceding sentence as being subordinate to a Mortgage or as not being a burden to a Mortgagee coming into possession pursuant to its Mortgage or a deed or assignment in lieu of foreclosure shall be collected or enforced against a Mortgagee, a successor in title to a Mortgagee, or the Condominium affected or previously affected by the Mortgage concerned (to the extent any such collection or enforcement would prejudice the interests of the Mortgagee or successor in title to the Mortgagee interested in Condominium).

17.03. Prior Written Approval of Mortgagee. Unless all of the first Mortgagees of the individual Condominiums have given their prior written approval, the Management Committee shall not be entitled, by act, omission, or otherwise:

(a) To abandon or terminate the Project or to abandon or terminate the arrangement which is established by this Declaration and the Map, except for abandonment provided by statute in case of substantial loss to the Units and Common Areas;

(b) To partition or subdivide any Unit;

(c) To abandon, partition, subdivide, encumber, alter the boundaries of, sell, diminish, or transfer all or any of the Common Areas (except for the granting of easements for utilities and similar purposes consistent with the intended use of the Common Areas), except in accordance with the Project expansion provisions of Article IV;

(d) To use hazard insurance proceeds resulting from damage to any part of the Project (whether to Units, the Limited Common Areas, or to the Common Areas) for purposes other than the repair, replacement, or reconstruction of such improvements;

(e) To change the pro rata interests or obligations of any Unit which apply for (i) purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or



condemnation awards or for (ii) determining the pro rata share of ownership of each Unit in the Common Areas, except in accordance with the Project expansion provisions of Article IV;

(f) To alter the provisions hereof as to diminish the insurance protection required to be afforded to the parties designed to be protected thereby, or fail to maintain the insurance coverage described therein;

(g) Subject any Condominium to any unreasonable restraints on alienation which would adversely affect title or marketability of a Condominium, or the ability of the Mortgagee to foreclose its mortgage lien and thereafter to sell or lease the mortgaged Condominium; or

(h) To allow any person handling funds of the Management Committee, including without limitation employees of any professional Manager, to do so without first obtaining therefor appropriate fidelity bond coverage.

**17.04. Examination of Records.** Any Mortgagee shall have the right, at its request and expense and upon reasonable notice, to examine the books and records of the Management Committee during reasonable business hours. From and after the time a Mortgagee makes written request to the Management Committee therefor and at the expense of such Mortgagee, the Management Committee shall furnish to such Mortgagee copies of such annual operating reports and other reports or writings summarizing or reflecting the financial position or history of the Project as may be prepared for distribution to or use by the Owners generally.

**17.05. Revenue Fund and Working Capital Fund Required.** The Management Committee shall establish an adequate reserve to cover the cost of reasonably predictable and necessary repairs and replacements of the Common Areas and any component thereof and shall cause such reserve to be funded by regular monthly or other periodic assessments against the Condominiums rather than by Special Assessments.

**17.06. Notification of Loss or Damage.** From and after the time a Mortgagee makes written request to the Management Committee therefor, the Management Committee shall notify such Mortgagee in writing in the event that there occurs any damage or loss to, or taking or anticipated condemnation of: (a) the Common Areas involving an amount in excess of, or reasonably estimated to be in excess of, Ten Thousand Dollars (\$10,000.00); or (b) any Unit or Limited Common Area involving an amount in excess of, or reasonably estimated to be in excess of, One Thousand Dollars (\$1,000.00). Said notice shall be given within ten (10) days after the Management Committee learns of such damage, loss, taking, or anticipated condemnation.

**17.07. Article Supersedes All Others.** In the event another provision or clause of this Declaration deals with the same subject matter as is dealt with in any provision or clause of this Article XVII, the provision or clause which results in the greatest protection and security for a Mortgagee shall control the rights, obligations, or limits of authority, as the case may be, applicable to the Management Committee with respect to the subject concerned.

**17.08. No Right to Amend Article.** No amendment to this Article XVII which has the effect of diminishing the rights, protection, or security afforded to Mortgagees shall be accomplished or effective unless all of the first Mortgagees of the individual Condominiums have given their prior written approval to such amendments. Any amendment to this Article XVII shall be accomplished by an instrument executed by the Management Committee and filed for record in the office of the County Recorder of Wasatch County, State of Utah. In any such instrument, the Chair of the Management Committee shall certify under penalties of perjury that any prior written approval of first Mortgagees required by this Article XVII as a condition to amendment has been obtained.

17.09. Notices. Any notice to a Mortgagee under this Article XVII shall be in writing and shall be sufficient for all purposes if personally delivered or if sent by first class mail, postage prepaid, and addressed to the Mortgagee at the address for notices from time to time specified by the Mortgagee in writing to the Management Committee. Any such notice shall be deemed to have been given and received and shall be effective when personally delivered or when deposited in the U.S. mail in the form herein specified, whichever first occurs.

#### ARTICLE XVIII

##### GENERAL PROVISIONS

18.01. Intent and Purpose. The provisions of this Declaration, and any Supplemental or Amended Declaration, shall be liberally construed to effectuate the purpose of creating a uniform plan for the development and operation of a Condominium Project. Failure to enforce any provision, restriction, covenant, or condition contained in this Declaration, or in any Supplemental or Amended Declaration, shall not operate as a waiver of any such provision, restriction, covenant, or condition or of any other provisions, restrictions, covenants, or conditions.

18.02. Construction. This Declaration shall be governed by and construed in accordance with the laws of the State of Utah, other than its choice of law rules. The provisions hereof shall be in addition and supplemental to the provisions of the Condominium Act and all other provisions of applicable law. Whenever used herein, unless the context shall otherwise require, the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof, any gender shall include both other genders, and the term "person" shall include any individual, partnership, corporation, limited liability company, trust, or other association or entity or combination thereof. The Article and Section headings set forth herein are for convenience and reference only and are not intended to expand, limit, or otherwise affect the meaning or interpretation of this Declaration or any provision hereof. The provisions hereof shall be deemed to be independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision hereof. Exhibit A attached hereto is by this reference incorporated herein and made a part hereof.

18.03. Notices and Registration of Mailing Address. Each Owner shall register from time to time with the Management Committee such Owner's current mailing address. All notices, demands, and other communications to any Owner as provided for in this Declaration shall be in writing and shall be sufficient for all purposes if personally delivered or if sent by first class U.S. mail, postage prepaid, addressed to the Owner at his or her registered mailing address or, if no address has been registered, to the Unit of such Owner. All notices, demands, and other communications to the Management Committee as provided for in this Declaration shall be in writing and shall be sufficient for all purposes if personally delivered or if sent by first class U.S. mail, postage prepaid, addressed to the Management Committee at its offices at Utah or to such other address as the Management Committee may hereafter designate by notice to the Owners as herein provided. Any notice, demand, or communication referred to in this Declaration shall be deemed to have been given and received when personally delivered or when deposited in the U.S. mail, postage prepaid, and in the form provided for in this Section, whichever first occurs.

18.04. Audit. Any Owner may at any reasonable time, upon appointment and at his or her own expense, cause an audit or inspection to be made of the books and records maintained by the Management Committee. The Management Committee, at the expense of the Common Expense Fund, shall obtain an audit, by certified public accountants, of all books and records pertaining to the Project, upon the written request of twenty percent (20%) of the Total Votes of the Owners, and copies

thereof shall be furnished to the Owners.

18.05. Amendment. Except as otherwise provided herein or as otherwise required by the Condominium Act, this Declaration may be amended if Owners holding at least sixty percent (60%) of the Total Votes of the Owners consent and agree to such amendment by instruments which are duly recorded in the office of the County Recorder of Wasatch County, State of Utah; provided, however, that notwithstanding any other provision to the contrary and for so long as Declarant has the right under Article IV to expand the Project, this Declaration may not be amended without the written consent of Declarant set forth in a duly recorded instrument.

18.06. Effective Date. This Declaration shall take effect upon recording in the office of the County Recorder of Wasatch County, State of Utah.

18.07. Agent for Service. The name and address of the person to receive service of process in all cases provided by the Condominium Act shall be the registered agent and address of the Management Committee. On the date of this Declaration, the registered agent of the Management Committee is Dr. Robert L. Fuller, and the registered address is 761 South 1030 East, Orem, Utah, 84097.

18.08. Limitation on Management Committee's Liability. The Management Committee shall not be liable for any failure of water service or other utility service (if any) to be obtained and paid for by the Management Committee hereunder, or for injury, loss or damage to any person or property caused by the elements or by another Owner or person in or upon the Project, or resulting from electricity, water, rain, snow, or ice which may leak or flow from outside or from any parts of the Buildings or their drains, pipes, conduits, appliances, or equipment, or from any other place. No diminution or abatement of any assessments under this Declaration shall be claimed or allowed for inconvenience or discomfort arising from the making of any repairs or improvements to or maintaining the Project or any part hereof, or from any action taken to comply with the provisions of this Declaration or with the laws, ordinances, regulations, rules, or orders of any government authority.

18.09. Owner's obligations. All obligations of an Owner under and by virtue of the provisions contained in this Declaration shall continue, notwithstanding that he or she may be leasing, renting, or selling under contract his or her Condominium. The Owner of a Condominium within the Project shall have no obligation for expenses or other obligations accruing after he or she conveys such Condominium of record.

18.10. Counterparts. This document may be signed in counterparts, which, when taken together shall constitute the entire document.

IN WITNESS WHEREOF, this Declaration was executed as of the day and year first above written.

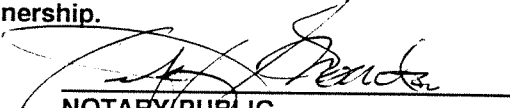
MATTERHORN DEVELOPMENT, INC., a  
Utah corporation, General Partner, for  
and in behalf of ZERMATT VILLAGES, LTD.,  
a Utah limited partnership

By: Robert L. Fuller

Its: President

STATE OF UTAH )  
: SS.  
COUNTY OF Salt Lake )

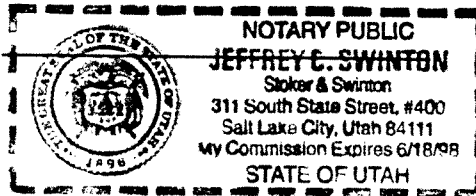
On the 15<sup>th</sup> day of November 1996, personally appeared before me Dr. Robert L. Fuller, who being by me duly sworn did say that he is the President of Matterhorn Development, Inc., a Utah corporation, and that the within and foregoing Declaration of Condominium for Villages of Zermatt was signed in behalf of said corporation by authority of its bylaws or a resolution of its board of directors; said person duly acknowledged to me that said corporation executed the same for and in behalf of Zermatt Villages, Ltd., a Utah limited partnership.

  
NOTARY PUBLIC

My Commission Expires:

6-18-98

Residing at:



644

EXHIBIT A

(Attached to and forming part of the Declaration of Condominium for Villages of Zermatt)

Unit	Undivided Interest in Common Areas	Number of Votes	Building
1	8.33%	1	A
2	8.33%	1	A
3	8.33%	1	A
4	8.33%	1	A
5	8.33%	1	A
6	8.33%	1	A
7	8.33%	1	B
8	8.33%	1	B
9	8.33%	1	B
10	8.33%	1	B
11	8.33%	1	B
12	8.33%	1	B