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RANDALL A. COVINGTON
UTAH COUNTY RECORDER
2007 Jun 19 8:30 am FEE 179.00 BY STL
RECORDED FOR MILLCREEK HOMES

When Recorded Return To:

Millcreek Homes, Inc.
39 East Redwing Court
Saratoga Springs UT
84043

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE GRAY FARMS SUBDIVISION, PHASE 3, A PLANNED UNIT
DEVELOPMENT**

THIS DECLARATION is made as of the date hereinafter set forth by Millcreek Homes, Inc., a Utah corporation ("Declarant").

RECITALS

A. Declarant is the fee owner of that certain real property situated in Lehi, Utah County, State of Utah, described on EXHIBIT "A", attached hereto and hereby incorporated by reference ("the Parcel");

B. Declarant desires to develop the Parcel, together with all buildings and improvements now or hereafter constructed on the Parcel, and all easements and rights appurtenant thereto (the "Property") as a Lehi City planned unit development consisting of townhomes on Sixty-six (66) Residential Lots, and related Common Areas and Facilities;

C. Declarant desires to establish for its own benefit and for the mutual benefit of all future Owners or Occupants of the Project, certain covenants, conditions, restrictions, easements, rights, privileges, assessments, and liens as set forth herein (hereinafter collectively referred to as the "Restrictions") which shall run with and be a burden upon the Property;

D. Declarant intends that the Owners, Occupants, Lenders, and all other persons hereafter acquiring any Interest in the Property shall at all times enjoy the benefits of, and shall hold their interest subject to, this Declaration, which is recorded in furtherance of establishing rules for the use, occupancy, management, and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability, and attractiveness of the Project and the quality of life therein.

NOW, THEREFORE, Declarant, as owner of the Parcel and for the purposes above set forth, declares as follows:

ARTICLE 1 -- DEFINITIONS

As used herein, unless the context otherwise requires:

1.1 “Allocated Interest” shall mean the undivided Interest (expressed as a fraction or percentage in this Declaration) in the Common Areas and Facilities, the Common Expense liability, and votes in the Association allocated to each Lot.

1.2 “Articles” shall mean the Articles of Incorporation by which the Association is formed under the nonprofit corporation law of the State of Utah.

1.3 “Assessments” shall mean the charges against Owners to defray the Common Expenses as well as miscellaneous special Assessments, special Assessments for capital improvements, and special Assessments for the purpose of restoring and reconstructing the Project in the event of casualty, all as provided in this Declaration.

1.4 “Association” shall refer to GRAY FARMS PHASE 3 HOMEOWNERS ASSOCIATION, whose membership shall include each Owner of a Lot in the Project. The Association will be incorporated as a Utah nonprofit corporation prior to the conveyance of the first Lot in the Project by Declarant.

1.5 “Association Rules” shall mean and refer to the rules and regulations adopted by the Association pursuant to this Declaration and in furtherance of the Bylaws.

1.6 “Board” shall mean the Board of Directors of the Association elected pursuant to the Bylaws and serving as the management body of the Association.

1.7 “Bylaws” shall mean the Bylaws adopted by the Association for the purpose of regulating the affairs of the Association, as the same may be amended from time to time, and which are contained in EXHIBIT “B” attached hereto.

1.8 “Common Areas and Facilities” shall mean the entire Project, excluding the Lots.

1.9 “Common Expenses” shall mean the actual and estimated costs for: (a) maintenance, management, operation, repair and replacement of the Common Areas and Facilities which are maintained by the Association; (b) deficiencies arising by reason of unpaid Assessments; (c) management and administration of the Association, including, but not limited to, compensation paid by the Association of managers, accountants, attorneys and employees; (d) utilities (other than separately metered utilities for the Lots), trash pickup and disposal, extermination, security, gardening and other related services; (e) insurance and bonds required by this Declaration or any additional insurance and bonds obtained by the Board in its discretion; (f) the establishment of reasonable reserves as the Board shall deem appropriate in its discretion for the periodic maintenance, repair, and replacement of the Common Areas and Facilities, which shall in no event be less than two (2) months of the estimated Assessments for each Lot, and

which shall be established and fully funded by the Association at the soonest practicable date after the Turnover Date; and (g) other miscellaneous charges incurred by the Association or the Board pursuant to this Declaration, the Bylaws or Association Rules in furtherance of the purposes of the Association or in discharge of the duties and powers of the Association.

1.10 “Declarant” shall mean Millcreek Homes, Inc., a Utah corporation, and the successors and assigns of Declarant’s rights hereunder.

1.11 “Declaration” shall mean this Declaration including all exhibits attached hereto, which are hereby incorporated by reference, and any and all amendments hereof and supplements hereto.

1.12 “Lender” shall mean a holder of a mortgage or deed of trust on a Lot.

1.13 “Limited Common Area and Facility” means a portion of the Common Areas and Facilities specifically designated as a Limited Common Area and Facility in this Declaration or the Plat and allocated by this Declaration or the Plat for the exclusive use of one or more but fewer than all of the Lots.

1.14 “Lot” shall mean part of the Project, including a portion of a building comprising part of the Project, designed or intended for independent ownership and occupancy as a dwelling. The respective Allocated Interest in the Common Area and Facilities is appurtenant to the Lot.

1.15 “Lot Number” shall mean the number, symbol, or address that identifies one Lot in the Project.

1.16 “Occupant” shall mean a Person or Persons, other than an Owner, in possession of, or using a Lot, including without limitation, family members, tenants, guests, or invitees.

1.17 “Owner” shall mean the Person or Persons who are vested with record title of a Lot, and whose interest in the Lot is held in fee simple, according to the records of the County Recorder of Salt Lake County, Utah; however, Owner shall not include a Person who holds an interest in a Lot merely as security for the performance of an obligation. Declarant shall be considered the record Owner of any Lot prior to its initial conveyance by Declarant.

1.18 “Parcel” shall mean the real property legally described on EXHIBIT “A” and all the buildings, improvements and permanent fixtures located thereon, and all easements and rights appurtenant thereto.

1.19 “Person” shall mean a natural individual, corporation, estate, partnership, trustee, association, joint venture, government, governmental subdivision or agency or other legal entity capable of holding title to real property.

1.20 “Plat” means the record of survey map of the Parcel submitted with respect to this Project and showing thereon Sixty-six (66) Residential Lots each of which is identified by a Lot Number. The original Plat is recorded in Entry No. 85698:2006, page 6, in the records of the County Recorder of Utah County, State of Utah. “Plat” shall also refer to any additional plat that may be recorded with any Supplemental Declaration.

1.21 “Project” means Phase 3 of the Gray Farms Subdivision wherein fee simple title to single Lots in a planned unit development, together with an undivided interest in the Common Areas and Facilities of the property, are owned separately.

1.22 “Property” shall mean the Parcel, together with all the building, improvements and permanent fixtures located thereon, and all easements and rights appurtenant thereto.

1.23 “Restrictions” shall mean the covenants, conditions, assessments, easements, liens and restrictions set forth in this Declaration.

1.24 “Supplemental Declarant Rights” shall mean the rights granted to Declarant in this Declaration to do any of the following:

- (a) Construct any improvements provided for in this Declaration;
- (b) Maintain sales offices, models, and signs advertising the Project;
- (c) Use easements upon the Common Areas and Facilities for the purpose of making improvements or marketing Lots within the Parcel; and
- (d) Appoint or remove any Officer or Board Member of the Association prior to the Turnover Date.
- (e) Designate certain limited common areas (parking and storage areas) for use by designated Lot owners until changed or modified by a supermajority vote of the Owners as set forth in this Declaration.

1.25 “Supplemental Declaration” shall mean a written instrument recorded in the County Recorder of Utah County, State of Utah, which refers to this Declaration and which amends, modifies, or supplements this Declaration in accordance with its terms.

1.26 “Turnover Date” shall have the meaning set forth in Section 5.3 below.

ARTICLE 2 -- CREATION OF THE PROJECT

2.1 Declaration. Declarant hereby declares and agrees that the Project and all of the Lots shall be held, conveyed, transferred, sold, leased, mortgaged, encumbered, occupied, used, and improved subject to the Restrictions, which Restrictions shall constitute covenants and conditions running with the land and shall be binding upon and

inure to the benefit of Declarant, the Association, and each Owner, including their respective heirs, executors, administrators, personal representatives, successors and assigns.

2.2 Name and Location. The Project shall be named and known as THE GRAY FARMS SUBDIVISION, PHASE 3. The Project is located in Lehi City, Utah County, State of Utah, and the legal description of the real estate included in the Project is the Parcel set forth on EXHIBIT "A."

ARTICLE 3 -- DESCRIPTION OF THE LOTS, LIMITED
COMMON AREAS AND FACILITIES, COMMON AREAS AND
FACILITIES, ALLOCATED INTERESTS AND PLAT

3.1 Description of Boundaries of Each Lot and Lot Number. The location and Lot Number of each of the Lots within the Project are set forth on the Plat. The boundaries of each Lot shall be the exterior surface of the walls of the building on the Lot as shown on the Plat; provided that, when the boundary of a Lot runs through a building, the boundary shall be the center of the shared wall between the Lots. All portions of the building located on a Lot are part of the Lot. If the actual location of a wall varies from the location shown on the Plat, the actual location of the wall shall establish the boundary of the Lot. If any pipes, wires, conduits, chutes, flues, ducts, shafts, eaves, soffits, roof overhangs, public utility, water or sewer lines, or any other similar fixtures lie partially or wholly within or outside the designated boundaries of a Lot, any portion serving only that Lot is a Limited Common Area and Facility allocated solely to that Lot and any portion serving more than one Lot or any portion of the Common Area and Facilities is part of the Common Areas and Facilities. Conveyance of a Lot includes the use of the Limited Common Areas and Facilities appurtenant to said Lot.

3.2 D escription of Limited Common Areas and Facilities for Patios, and Entryways.

3.2.1 General. The patio, entryway, roof overhangs, private landscaped areas, eaves and soffits, if any, which are adjacent to each respective Lot as set forth and depicted on the Plat shall be exclusive Limited Common Areas and Facilities for the Lot. The Limited Common Areas and Facilities shall be appurtenant to each respective Lot where so identified and may not be severed from the ownership of the Lot.

3.2.2 Backyard Space. Declarant will erect fencing across a portion of the Common Area immediately behind and adjacent to each Lot, and each such fenced-off area ("Backyard Space") shall be considered a Limited Common Area appurtenant to that Lot. Declarant will fence off an area extending fifteen (15) feet from the back of the structure of the following Lots: Lot Nos. 305-316 and 350-362. Declarant will fence off an area extending ten (10) feet from the back of the structure of the following Lots: Lots 301-304, 317-349, and 363-366. Each Lot Owner may construct or erect a patio or deck, or other improvements or facilities that have been approved in writing by the Association, in the respective Backyard Space adjacent to such Owner's Lot, but the

height of any such improvement or facility shall not exceed the height of existing fencing.

3.3 Description of Common Areas and Facilities. The Common Areas and Facilities shall consist of the entire Project, excluding the Lots and any Limited Common Areas and Facilities appurtenant thereto. Significant improvements to the common areas shall consist of roads, sidewalks, landscaping, and playground facilities at the locations depicted on the Plat.

3.4 Allocated Interest of Each Lot in the Common Areas and Facilities. Each Lot has the same Allocated Interest in the Common Areas and Facilities; specifically, one sixty-sixth (1/66).

3.5 Allocated Interest of Each Lot in the Votes of the Association. Each Lot has the same Allocated Interest in the votes of the Association; specifically, one sixty-sixth (1/66).

3.6 Allocated Interest of Each Lot in the Common Expenses of Project. Each Lot bears the same Allocated Interest in the Common Expenses of the Project; specifically, one sixty-sixth (1/66).

3.7 Plat. The Plat is hereby incorporated into, and made an integral part of, this Declaration and all requirements and specifications set forth on the Plat are deemed included in this Declaration.

ARTICLE 4 -- MAINTENANCE AND UTILITIES

4.1 Maintenance of Lots and Exclusive Limited Common Areas and Facilities. Each Owner shall furnish and be responsible for, at the Owners own expense, all of the maintenance, repairs, and replacements within the portion of a building located on the Owner's respective Lot and within any Limited Common Area and Backyard Space appurtenant to the Owner's Lot, together with any improvements or facilities that may located thereon. Such obligation shall include, without limitation: (a) the maintenance of all interior and exterior doors, including thresholds and door jams, all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting the finished surfaces of floors, ceilings, or interior walls (all other portions of the walls, floors, or ceilings are part of the Common Areas and Facilities); (b) repair and replacement of all window, skylights, and door glass or equivalent materials and the interior and exterior cleaning of such window and door glass; (c) the maintenance of, in an open and unobstructed condition, all sewer and drainage pipes, water and other utility lines serving an Owner's respective Lot between the points at which the same enter the respective Lot and the points where the same join the utility lines serving other Lots; (d) maintenance, replacement repair and restoration of all of the following which service an Owner's Lot exclusively: lighting fixtures (except exterior building mounted lights and walkway lights which are not located within patios), fans, plumbing fixtures, stoves, refrigerators, washers, dryers, water heaters, air

conditioning units (including compressors, condensers and forced air units), intercoms, security systems, and such other appliances, fixtures, and decorations as an Owner may install; (e) the maintenance of the Lot and all exclusive Limited Common Areas and Facilities, such as patios, entrance areas, and chimney flues, together with any improvements or facilities that an Owner may erect or install in his or her respective Backyard Space, that are within the Owner's exclusive control, in a clean and sanitary condition, free of pests and rodents, and in good order and repair, except that the sweeping and maintenance of any parking spaces and driveways that are designated as Limited Common Areas and Facilities hereunder, and any routine and recurring landscape maintenance required in Backyard Spaces, shall be the responsibility of the Association. An Owner may make non-structural alterations within the portion of a building located on the Owner's Lot, but an Owner shall not make any structural or exterior alterations of the Building, the Lot, the Common Areas and Facilities or the Limited Common Areas and Facilities without the prior written approval of the Board, with the exception of the improvements and facilities in Backyard Spaces as allowed in Section 2.3.3. above.

4.2 Maintenance of Common Areas and Facilities and Non-exclusive Limited Common Areas and Facilities. The Association, or its fully delegated representative, shall:

(a) Maintain the structural elements and exterior surfaces of the buildings located on Lots or on Common Areas, including siding, stucco, roofs and flashings and other materials on patios and roofs that were installed to exclusively function as an exterior surface or roof, however, excluding windows and skylights.

(b) Maintain and otherwise manage the Common Areas and Facilities and non-exclusive Limited Common Area and Facilities, including, but not limited to the landscaping, parking areas, streets and recreational facilities, if any, located thereon and maintain all parking areas and exterior building mounted lights not within patios, roofs and flashings and other materials on patios and roofs that were installed to exclusively function as a roof, however, excluding skylights;

(c) Replace injured and diseased trees or other vegetation in any Common Areas and Facilities, and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil or for aesthetic purposes;

(d) Place and maintain upon any Common Areas and Facilities, such signs, markers and lights as the Board may deem appropriate for the proper identification, use and regulation thereof, subject to the approval of the Board,

(e) Pay all electrical, water, gas and other utility charges or fees for services furnished to the Common Areas and Facilities as the same become due and payable; and

(f) Do all such other and further acts which the Board deems necessary to preserve and protect the Common Areas and Facilities and the beauty thereof, in accordance with the general purposes specified in this Declaration.

The Board shall determine, in its sole discretion, the appropriate maintenance of the structural elements and exterior surfaces of buildings and the Common Areas and Facilities. If the need for any maintenance or repair is caused through the willful or negligent act of an Owner, his family, guests, licensees, lessees or invitees, the cost of such maintenance or repair shall be paid by such Owner, upon demand, to the Association, and the Association may enforce collection of such amounts as provided hereinbelow for the collection of such amounts as provided hereinbelow for the collection of Assessments.

4.3 Owner Default in Maintenance. If an Owner fails to maintain his Lot or make repairs thereto, as required pursuant to Section 4.1 above, in such a manner as may be deemed reasonably necessary in the judgment of the Board to preserve and protect the attractive appearance and value of the Project, or if an Owner shall fail to observe any covenant or restriction imposed on such Owner by the terms of the Declaration, then the Board or its authorized representative shall give written notice to such Owner stating with particularity the nature of the default and the collective action which the Board determines to be required and requesting that the same be carried out within a period of fourteen (14) days after the giving of such written notice. If such Owner fails to carry out such action within the period specified by the notice, the Board may cause such action to be taken and may levy a special Assessment for the cost thereof on such Owner, such special Assessment to be due and payable within thirty (30) days after the Board gives written notice thereof and to be secured by the Assessment lien created in Section 6.1 of this Declaration.

4.4 Utilities. All utilities for individual Lots (except those utility costs that are metered collectively and paid by the Association as a Common Expense item) will be metered separately to each Lot and such utility charges shall be the responsibility of the respective Owners.

ARTICLE 5 -- MANAGEMENT

5.1 The Association will be organized no later than the date the first Lot in the Project is conveyed to an Owner other than Declarant to serve as the governing body for all Owners and shall make provisions for the maintenance, repair, replacement, administration and operation of the Common Areas and Facilities, assessment of expenses, payment of losses, division of profits, acquisition of hazard insurance and disposition of such hazard insurance proceeds, and other matters as provided in the Declaration and the Bylaws. The Association shall have all rights and powers granted to it under this Declaration, the Articles and Bylaws, including, without limitation, the right to assign its future income. The Association shall not be deemed to be conducting a business of any kind, and all funds received by the Association shall be held and applied

by it for the Owners' benefit in accordance with the Declaration, the Articles and the Bylaws.

5.2 Membership. Membership in the Association shall at all times consist exclusively of the Lot Owners and each Owner shall be a member of the Association so long as he shall be an Owner and such membership shall automatically terminate when he ceases to be an Owner. Upon the transfer of an ownership interest in a Lot, the new Owner succeeding to such ownership interest shall likewise succeed to such membership in the Association.

5.3 Voting. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners (including the Declarant). Class A Members shall be entitled to a percentage vote equal to the percentage listed in Section 3.5 above. When more than one Person owns an Interest in a Lot, each such Person shall be a member of the Association and each Co-Owner shall be entitled to a percentage vote calculated by dividing the percentage vote allotted to the Lot by the number of Co-Owners for such Lot, but in no event shall more than the allotted percentage vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Declarant. Declarant, as the Class B Member, shall have the right to control the Association to the extent of having the exclusive right (either directly or through a person designated by the Declarant) to elect, appoint and remove the members of the Board and the officers of the Association until the Turnover Date (as hereinafter defined). The special control rights of the Declarant as the Class B Member, shall cease and terminate upon the earlier of the following (the "Turnover Date"):

(a) The date ninety (90) days after the conveyance by Declarant of ninety percent (90%) of the Lots which may be created at any time or from time to time by this Declaration to Owners (other than Declarant or an affiliate of Declarant);

(b) The date four (4) years after Declarant (or any successor) has ceased offering Lots for sale in the ordinary course of business; or

(c) The date which is the third (3rd) anniversary of the first conveyance of a Lot by Declarant to an Owner other than Declarant.

Upon the Turnover Date, Declarant shall retain the voting rights of a Class A Member to the extent that Declarant is the Owner of a Lot or Lots even though the special voting and control rights of the Class B Member have ceased and terminated. Declarant may voluntarily surrender the right to elect, appoint and remove the members of the Board and the officers prior to the Turnover Date, but, in that event, Declarant may require that specified actions of the Association or the Board taken prior to the Turnover Date, as described in a recorded instrument executed by Declarant, be approved by Declarant before they become effective. Upon the Turnover Date, the process of transferring

control of the Association from the Declarant to the Owners shall commence and be completed within a reasonable period of time. This process shall include the Owners' election of the Board of Directors and shall be considered completed on the date of the initial meeting of the Board of Directors elected by the Owners. The Owners' election of the initial Board of Directors may be conducted at a regular or special meeting of the Association or by a mailed balloting procedure, within thirty (30) days following the Turnover Date.

5.4 Board of Directors. The governing body of the Association shall be the Board of Directors elected pursuant to the Bylaws. Cumulative voting shall apply for the purpose of electing members of the Board. The Board shall consist of not less than three (3) members and not more than five (5) members. Except as otherwise provided in this Declaration, the Bylaws, or the Association Rules, the Board may act in all instances on behalf of the Association. The Board shall act to adopt Bylaws at the time the Association is organized, and the Board may, as it deems appropriate, adopt, amend and repeal Association Rules.

5.5 Qualifications of Directors. Except for Board members elected or appointed by Declarant, each Director shall be an Owner or the spouse of an Owner (or if an Owner is a corporation, partnership, limited liability company, or trust, a Director may be an officer, partner, member, manager, trustee or beneficiary of such Owner). If a Director shall cease to meet such qualifications during his term, he will thereupon cease to be a Director and his place shall be filled by a replacement Director appointed by the remaining members of the Board for the remainder of that Director's term.

5.6 Action by Owners. Except as specifically provided herein, the Board may not act on behalf of the Association to amend or terminate this Declaration, to elect members of the Board, except in filling vacancies in its membership for the unexpired portion of any term, or to determine the qualifications, powers and duties or terms of the Board of Directors.

5.7 Annual Meeting. The Association shall conduct an annual meeting as provided in the Bylaws.

5.8 Right of Association to Enter Lots. The Association acting through the Board or its duly authorized agent shall have the right at all times upon reasonable notice (and at any time in case of an emergency) to enter upon or in any Lot to abate any infractions, to make repairs, or correct any violation of any of the Restrictions herein set forth, and in connection therewith shall have the further right to assess all costs incurred against the Owner, such assessment to be secured by the lien provided in Section 6.1.

5.9 Association Rules. The Board may adopt and administer Association Rules in furtherance of the Bylaws for the regulation and operation of the Project.

5.10 Working Capital Fund. Declarant shall establish a working capital fund to meet unforeseen expenditures or to purchase any additional equipment or services needed for the operation of the Project. The Declarant can collect these charges at the earlier to

occur of (i) the time the sale of each Lot is closed, or (ii) when control of the Project is transferred pursuant to Section 5.3. Any amounts collected and paid into this fund shall not be considered advance payments of Assessments. This fund cannot be used by the Declarant to defray any of its expenses, reserve contributions or construction costs or to make up any budget deficits; provided, however, that to the extent Declarant has paid the Association for an unsold Lot's share of this fund, Declarant shall be entitled to a reimbursement, to be paid at the time of closing out of the closing proceeds, for such amounts when such Lot is sold. Once the Declarant has transferred control to the Association, pursuant to Section 5.3, this fund shall be transferred to the Association.

5.11 Reserve Fund. The Association shall maintain an adequate reserve fund for maintenance, repair and replacement of those Common Areas and Facilities that must be replaced or maintained on a periodic basis, and such reserve shall be a part of monthly Assessments. To the extent the Board deems necessary, surplus monies of the Association may be retained as additional reserves rather than being paid to Lot Owners or being credited to future Assessments.

5.12 Availability of Project Documents. The Association will maintain current copies of this Declaration, the Articles, By-laws, and Association Rules concerning the Project and the Association's own books, records, and financial statements available for inspection, upon request, during normal business hours by any Owner or Lender (or any insurer or guarantor of a Lender).

5.13 Managing Agent. The Board may contract with a professional management agent to assist the Board in the management and operation of the Project and may delegate such of its powers and duties to the management agent as it deems appropriate; provided, however, that only the Board shall have the right to approve Association budgets, to impose a special Assessment and to authorize foreclosure of an Assessment lien.

ARTICLE 6 -- COVENANT FOR ASSESSMENTS

6.1 Creation of Lien and Personal Obligation for Assessment. Each Owner, including Declarant to the extent Declarant is an Owner as defined herein, of any Lot, by acceptance of a deed or other instrument creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other instrument, is deemed to covenant and agree to pay to the Association such Assessments to be fixed, established and collected from time to time as provided in this Declaration. The Assessments, together with interest thereon, collection charges, attorneys' fees, court costs and other costs of collection as hereinafter provided shall be secured by a continuing lien upon the Lot against which each such Assessment is made in favor of the Association. Each such Assessment, together with such interest, collection charges, costs and attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time the Assessment becomes due. The personal obligation shall not pass to the successor in title of an Owner unless expressly assumed by such successor.

6.2 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the purposes of promoting the health, safety and welfare of the Owners, the management, maintenance, care, preservation and protection of the Project, enhancing the quality of life in the Project and the value of the Project including, without limitation, the improvement and maintenance of the services and facilities devoted to this purpose and related to the use and enjoyment of the Common Areas and Facilities, or in furtherance of any other duty or power of the Association.

6.3 Regular Assessment. The Board is expressly authorized to adopt and amend budgets from time to time. Not later than thirty (30) days prior to the beginning of each fiscal year, the Board shall adopt a pro forma operating statement or budget for the upcoming fiscal year which shall, among other things, estimate the total Common Expenses to be incurred for such fiscal year. The Board may, but is not required to, send a written summary of the budget to all Owners within thirty (30) days after the adoption of the proposed budget. The Board shall at that time determine the amount of the regular Assessments to be paid by each Owner. Each Owner shall thereafter pay to the Association his regular Assessment in equal monthly installments on the first day of each month. In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of the regular Assessment against each Owner, and the date or dates when due. The Owners shall have no right to ratify any budget, or amendment thereof, adopted by the Board.

6.4 Capital Improvement Assessments. In addition to regular Assessments, the Board may levy in any fiscal year a capital improvement Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction or replacement (other than due to destruction) of a described capital improvement upon the Common Areas and Facilities, including the fixtures and personal property related thereto. The Board shall not impose a capital improvement Assessment exceeding ten percent (10%) of the then estimated annual Common Expenses without the approval of Owners holding a majority of the Allocated Interests in the votes of the Association. All amounts collected as capital improvement Assessments may only be used for capital improvements and shall be deposited by the Board in a separate bank account or the Association's account for reserve funds, to be held in trust for such purposes and said funds shall not be commingled with any other funds (other than reserve funds) of the Association.

6.5 Percentage Assessments. Except as otherwise provided herein, all Assessments (other than Special Assessments) shall be an amount based on the percentage interest for each Lot set forth in Section 3.6 above.

6.6 Rules Regarding Billing and Collection Procedures. The Board shall have the right and responsibility to adopt rules and regulations setting forth procedures for the purpose of making the Assessments provided herein and for the billing and collection of

regular and special Assessments, provided that said procedures are not inconsistent with the provisions hereof. The failure of the Association to send a bill to an Owner shall not relieve any Owner of his liability for any Assessment or charge under this Declaration, but the Assessment lien therefor shall not be foreclosed nor otherwise enforced until the Owner has been given not less than thirty (30) days' written notice prior to such foreclosure or enforcement, at the address of the Owner on the records of the Association, that the Assessment or any installment thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment.

6.7 Certificate of Payment. The Association shall, within twenty (20) business days after written demand, furnish to any Owner liable for Assessments a recordable written statement or certificate signed by an officer or authorized agent of the Association setting forth whether the Assessments relating to a specified Lot have been paid and the amount of delinquency, if any. To the extent permitted by law, a reasonable charge may be collected by the Board for the issuance of each such certificate. Each certificate shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

6.8 Special Assessments. Special Assessments shall be levied by the Board against a Lot and its Owner to reimburse the Association for:

- (a) costs incurred in bringing an Owner and his Lot into compliance with the provisions of the Declaration, the Articles, the Bylaws or Association Rules;
- (b) costs associated with maintenance, repair or replacement of the portion of a building on a Lot, or the Limited Common Area and Facility assigned to such Lot;
- (c) any other charge designated as a special Assessment in this Declaration, the Articles, the Bylaws or Association Rules; and
- (d) attorneys' fees, interest and other charges relating thereto as provided in this Declaration.

In the event the Association undertakes to provide materials or services which benefit individual Lots and which can be accepted or not by Individual Owners, such Owners, in accepting such materials or services, agree that the costs thereof shall be a special Assessment.

6.9 Date of Commencement of Assessments. Regular and other Assessments as to Lots within the Project for which a final inspection has been completed shall commence as to all such Lots on the first day of the month following the conveyance of the first Lot by Declarant to an Owner. Thereafter, regular and other Assessments shall commence as to newly completed Lots on the first day of the month following the date on which a final inspection has been completed. Until the Association makes an Assessment, the Declarant shall pay all Common Expenses of the Association. No Assessments shall be payable on Lots for which a final inspection has not been

completed, provided, however, that Declarant shall be obligated to pay to the Association any deficiencies in monies available to pay Common Expenses due to the Declarant not having paid an Assessment on uncompleted Lots and which are necessary for the Association to be able to pay all Common Expenses in a timely manner. Notwithstanding the above, all Lots, including uncompleted Lots, shall be allocated full Assessments no later sixty (60) days after the first Lot is conveyed from Declarant to an Owner.

6.10 Application of Excess Assessments. In the event the amount budgeted to meet Common Expenses for a particular fiscal year proves to be excessive in light of the actual Common Expenses, the Board in its discretion may apply the excess to reserves, credit the excess against future Assessments, or pay the excess to the Owners in proportion to the Allocated Interests of each Lot in the Common Expenses of the Project, as the Board deems appropriate. The decision of the Board shall be binding and conclusive. In addition, the Association shall not be obligated to reduce the amount of Assessments in succeeding years if an excess exists for a prior year.

6.11 No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in this Declaration.

6.12 Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of Utah now in effect, or in effect from time to time hereafter.

ARTICLE 7 -- EFFECT OF NON-PAYMENT OF ASSESSMENTS AND REMEDIES

7.1 Due Date and Delinquency. The first day of each month shall be the Assessment due date for that month. Any Assessment that is not paid within thirty (30) days after it becomes due shall be delinquent. Whenever an Assessment is delinquent, the Board may at its option invoke any or all of the sanctions provided for herein.

7.2 Collection Charge. If any Assessment is delinquent, the Owner shall be obligated to pay the collection charge then provided for in the Bylaws. The amount of such collection charge until paid shall constitute part of the Assessment lien as provided for in Section 6.1 of this Declaration.

7.3 Interest. If any Assessment is delinquent, interest at the rate set forth in the Bylaws at the time may be assessed on the amount owing from the date due until such time as it is paid.

7.4 Action at Law. The Association may bring an action to recover a delinquent Assessment either personally against the Owner obligated to pay same or foreclose the Assessment lien; provided, however, that the Association's choice of one

remedy shall not prejudice or constitute a waiver of the Association's right to exercise the other. The costs of preparing and filing the complaint shall be assessed against the delinquent Owner and his Lot and reasonable attorneys' fees and court costs will thereafter be added to the amount in delinquency (plus interest and/or collection charges, if appropriate) in the event that a judgment is obtained by the Association. Each Owner vests in the Association or its assigns the right and power to bring actions at law and/or lien foreclosures against such Owner or Owners for the collection of delinquent Assessments.

7.5 Foreclosure Sale. Any foreclosure provided for in this Declaration is to be conducted in compliance with applicable provisions relating to the foreclosure of realty mortgages in the State of Utah. The Association, upon approval by a majority of the Allocated Interests in the votes of the Association, may through its duly authorized agents have and exercise the power to bid on the Lot at the foreclosure sale and to acquire, hold, lease, mortgage and convey such Lot.

7.6 Suspension of Votes. The Board may suspend the obligated Owner's right to vote on any matter at regular or special meetings of the Association and the Owner's right to use all or any portion of the Common Areas and Facilities (exclusive of the Limited Common Areas and Facilities appurtenant to the Owner's Lot) for the entire period during which an Assessment or other amount due under any of the provisions of the Declaration remains delinquent.

ARTICLE 8 -- EASEMENTS

8.1 General Easements to Common Areas and Facilities and Lots. Subject to this Declaration and the Association Rules, non-exclusive reciprocal easements are hereby reserved and created for the purpose of support, ingress and egress to each Lot, access, use and enjoyment in favor of each Owner, upon, across, over, under and through the Common Areas and Facilities (exclusive of the Limited Common Areas and Facilities), including the use of all pipes, wires, ducts, cables, conduits, and public utility lines, which easements shall be appurtenant to each Lot. The Association, acting through the Board or its authorized agent, and public utility companies providing service to the Project, shall have non-exclusive easements with the right of access to each Lot to make inspections, to remove violations, to maintain, repair, replace or effectuate the restoration of the Common Areas and Facilities accessible from such Lot; provided, however, such rights shall be exercised in a reasonable manner and at reasonable times with prior notification, unless emergency situations demand immediate access. The Association, acting through the Board or its authorized agent, shall have non-exclusive right to grant permits, licenses and easements upon, across, over, under, and through the Common Areas and Facilities for purposes necessary for the proper operation of the Project; provided, however, such rights shall be exercised in a reasonable manner and at reasonable times with proper notification, unless emergency situations demand immediate access.

8.2 Public Utilities. Easements and rights over the Project for the installation and maintenance of electricity lines, telephone lines, cable television, water lines, gas

lines, sanitary sewer lines, drainage facilities, and such other public utilities needed to serve the Project are hereby reserved by Declarant and, after the Turnover Date, to the Association, together with the right to grant and transfer the same; provided, however, such easements and rights shall not unreasonably interfere with the use of the Common Areas and Facilities and the Lots by the Owners or Occupants. Declarant or the Association shall have the power to grant and convey, in the name of all of the Owners as their attorney-in-fact, to any other person easements and right-of-way in, on, over or under the Common Areas and Facilities for the purpose of constructing, erecting, operating or maintaining lines, cable, wires, conduits, or other devices for electricity, cable television, power, telephone, public sewers, storm water drains and pipes, water systems, sprinkling systems, water heating and gas lines or pipes and any similar public or quasi public improvements or facility, and each Owner in accepting the deed in a Lot expressly consents to such easements and rights of way and authorizes and appoints the Association and Declarant (as long as Declarant owns one or more Lots in the Project) as attorney in fact of such Owner to execute any and all instruments conveying or creating such easements or right-of-way. However, no such easement can be granted if it would permanently interfere with the use, occupancy, or enjoyment by any Owner or such Owner's Lot.

8.3 Easements for Encroachments. If any portion of the Common Areas and Facilities now encroaches upon any Lot, or if any Lot now encroaches upon any other Lot or the Common Areas and Facilities, or if any such encroachment shall occur hereafter as a result of the manner in which the buildings have been constructed or due to settling, shifting, alteration, replacement, repair, or restoration by Declarant or the Association, a valid easement for encroachment, and maintenance of such encroachment, shall exist so long as the buildings stand.

8.4 Development Easements for Declarant. Until all Lots have been sold by Declarant, there are hereby reserved to Declarant, together with the right to grant and transfer the same to others, including Declarant's sales agents, representatives and assigns, easements and rights upon, across, over, under and through the Project for construction, display (including the use of the Lots as models or ~~the Clubhouse~~ for marketing events), maintenance, sales and exhibit purposes (including the use of signs and other advertising devices) in connection with the erection, remodeling and sale or lease of Lots within the Project; provided, however, that no such use by Declarant or its agents shall otherwise restrict Owners or Occupants in the reasonable use and enjoyment of their Lots.

ARTICLE 9 -- USE RESTRICTIONS

9.1 Signs and Flags. Unless approved in advance by the Association, no signs or flags whatsoever (including, but not limited to commercial, political, sale or rental and similar signs) shall be erected or maintained on the Property whether in a window or otherwise; except:

- (a) signage as required by the laws, ordinances or regulations of Lehi City, Utah;

- (b) such signs as may be required by legal proceedings;
- (c) one house number identification as originally placed by the Declarant;
- (d) one United States flag located on or attached to an entry porch not larger than 3 feet by 6 feet;
- (e) one for sale sign advertising the sale of the Lot not larger than 2 feet by 3 feet;
- (f) such signs, the nature, number and location of which have been approved by the Board in advance; and
- (g) street identification and traffic directional signs erected on or adjacent to the Project by Lehi City, Utah County, or any other municipal entity, which signs shall not require prior approval from the Board.

Nothing included herein shall prevent Declarant and its agents and assigns from utilizing reasonable signs, flags, markers, and sales devices in furtherance of sales activities until all Lots have been sold by Declarant.

9.2 Nuisance. No noxious or offensive activity shall be carried on upon the Project, nor shall any activity which might be or become an annoyance or nuisance to Owners or Occupants be permitted to interfere with their rights of quiet enjoyment or increase the rate of any insurance or decrease the value of the Lots. No Owner or Occupant shall engage in activity within the Project in violation of any law, ordinance, statute, rule or regulation of any local, county, state or federal body. Nothing included herein shall be construed to prevent Declarant and its agents from engaging in all forms of construction and sales activities until all Lots have been sold by Declarant.

9.3 Temporary Structures. No structure or building of a temporary character, including a tent or shack, shall be placed upon the Project or used therein unless the same and its proposed use are approved by the Board. Nothing included herein shall be construed as preventing Declarant from using temporary structures or trailers for construction and/or sales purposes or engaging in all forms of construction and sales activities within the Project.

9.4 Parking. Unless otherwise permitted by the Association, and except for "customary parking" and "temporary parking," as permitted by this Section 9.4, no automobiles or other vehicles of any type (including, without limitation, motorcycles, trailers, campers, vans, recreational vehicles or boats) shall be parked, stored, or located within any portion of the Project, including any Lot, Limited Common Areas and Facilities, or Common Areas and Facilities. "Customary parking" shall mean the parking of operable automobiles, motorcycles, ATVs, small trucks and vans (each of which must not be used for commercial purposes and each of which must not exceed 3/4 ton in size and/or seven (7) feet in height measured from ground level and eighteen (18) feet in length) within a garage located within a Lot or within parking spaces designated as a

Common Area and Facility for each respective Lot, if any. "Temporary parking" shall mean the use of designated parking areas within Project for parking of operable vehicles belonging to invitees of Owners and Occupants including the parking of delivery trucks, service vehicles, and other commercial vehicles being used in a furnishing of goods and services to the Owners and Occupants as well as parking of vehicles belonging to or being used by Owners, Occupants and invitees during social engagements and for loading and unloading purposes (for periods not to exceed twelve (12) hours. The Association may adopt Association Rules relating to the admission and temporary parking of vehicles within the Project and the use of the visitor parking spaces identified on the Plat, if any, including, without limitation, the right to loan or license the visitor parking spaces in the discretion of the Association, the right to remove or cause to be removed any vehicles that are improperly parked, restrictions on the time visitor spaces may be used, and the assessment of charges to Owners and Occupants who violate, or whose invitees violate, such rules. Any charges so assessed shall be special Assessments. Nothing included herein shall be construed to prevent Declarant from using temporary structures or trailers for construction and/or sales purposes or engaging in all forms of construction and sales activities within the Project.

9.5 External Fixtures. No external items such as, but not limited to, television and radio antennas, satellite dishes, flag poles, clotheslines, wiring, insulation, air conditioning equipment, water softening equipment, hot tubs or spas, fences, awnings, ornamental screens, screen doors, porch or patio, sunshades, lighting fixtures, walls, landscaping and planting, other than those provided in connection with the original construction of the Project, and any replacements thereof, and other than those approved by the Board, and any replacements thereof, shall be constructed, erected, or maintained on the Project. The foregoing notwithstanding, nothing included herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Project.

9.6 Window Covers. Except as approved by the Association, each window of a building located on a Lot shall have window covers. Only curtains, drapes, shades, shutters, and blinds may be installed as window covers, and all such window covers shall be approved in advance by the Board. No window shall be covered by paint, foil, sheets or similar items. The Board may adopt Association Rules regulating the type, color and design of the external surface of window covers. The Board may also require use of a uniform color and fabric for draperies, under-draperies and drapery linings to the extent such are visible from outside a Lot.

9.7 Laundrying. Unless otherwise permitted by the Board, external laundrying and drying of clothing and other items is prohibited.

9.8 Outside Speakers and Amplifiers. No radio, stereo, broadcast or loudspeaker Lots and no amplifiers of any kind shall be placed upon or outside, or be directed to the outside of, any Lot without the prior written approval of the Board.

9.9 Repairs. No repairs of any detached machinery, equipment or fixtures, including without limitation, motor vehicles, shall be made upon the Project.

9.10 Unightly Items. All rubbish, debris or unsightly materials or objects of any kind shall be regularly removed from Lots and shall not be allowed to accumulate therein or thereon. Refuse containers and machinery and equipment not a part of the Lots, shall be prohibited upon any Lot unless obscured from view of adjoining Lots and Common Areas and Facilities. Trash and garbage not disposed of by equipment contained within the Lots shall be placed in containers by Owners and Occupants for removal from the Project in accordance with Association Rules applicable thereto adopted by the Board. The Board may adopt rules applicable to the provisions of this Section and their enforcement, including the assessment of charges to Owners and Occupants who violate, or whose invitees violate, such rules. Any charges so assessed shall be a special Assessment. The foregoing notwithstanding, nothing included herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Project.

9.11 Oil and Mineral Activity. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon the surface of the Project, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be installed upon the surface of the Project or within five hundred (500) feet below the surface of the Project. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the Project.

9.12 Animals. No animals, livestock, birds, reptiles, or poultry of any kind shall be raised, bred or kept in any Lot or upon the Project, except that one (1) dog, if more than 25 pounds, or two (2) dogs, if both are less than 25 pounds; or two (2) domestic cats; or caged birds or tropical fish, or other household pets approved by the Board may be kept by Owners within a Lot provided such pets are not raised, bred, kept or maintained for any commercial purposes. Notwithstanding the foregoing, no animal may be kept within a Lot which, in the good faith judgment of the Board, results in a hazard or an annoyance or is obnoxious to Owners or Occupants within the Project and the Board may exercise this judgment for specific pets even though others are permitted to remain. The Association may remove any such pets from the Project. All animals permitted to be kept by this Section shall be kept on a leash at all times when outdoors, and all fecal matter shall be immediately cleaned up when on any portion of the Project. The Board may adopt Association Rules applicable to the provisions of this Section and to the keeping of pets within the Project, including but not limited to the prohibition of aggressive breeds, and their enforcement, including the assessment of charges to Owners and Occupants who violate such rules and the physical removal of pets. Any charges so assessed shall be special Assessments.

9.13 Leases.

- (a) The Association may regulate or limit rentals of Lots;
- (b) The Association may require the rental of any residential Project Lot to be conducted through the Association or a designated management company, and may require that all lease agreements be reviewed and approved by the Association or the

management company, that any residential tenants be screened and approved by the Association or the management company prior to renting the residential Lot. The approval of the Association or management company may not be unreasonably withheld;

(c) Prior to renting any Lot, the Owner and the tenant shall execute a written lease agreement which shall include the following provisions:

(1) The tenant shall agree to comply with all of the terms and conditions of the Project declaration and bylaws, including but not limited to the age requirements set forth in Section 9.22 below;

(2) The tenant shall agree not to allow or commit any nuisance, waste, unlawful or illegal act upon the premises; and,

(3) The owner and the tenant shall acknowledge that the Association is an intended third party beneficiary of the lease agreement, that the Association shall have the right to enforce compliance with the Project declaration and the bylaws and to abate any nuisance, waste, unlawful or illegal activity upon the premises; and that the Association shall be entitled to exercise all of the owner's rights and remedies under the lease agreement to do so.

(d) Prior to the tenant's occupancy of a Project Lot, the Project owner must provide to the Association the name, address and telephone number of the tenant and a copy of the written lease agreement.

(e) The Association shall have the right and the obligation to enforce compliance with the Project declaration and bylaws against any owner and/or occupant of any Project Lot, and shall have all rights and remedies available under state or local law, in addition to its rights and remedies as a third party beneficiary under any lease agreement, to enforce such compliance.

(f) In addition to and without varying any of the foregoing provisions, every lease shall provide that the terms of such lease shall be subject in all respects to the provisions of this Declaration, the Bylaws and the Association Rules. Said lease shall further provide that any failure by the Occupant thereunder to comply with the terms of the foregoing documents shall be a default under the lease. If any lease does not contain the foregoing provisions, such provisions shall nevertheless be deemed to be a part of the lease and binding on the Owner and Occupant by virtue of their inclusion in this Declaration. No Owner shall be permitted to lease his Lot for transient or hotel purposes, which shall be defined as rental for any period of less than thirty (30) days. No Owner may lease less than his entire Lot. Failure by an Owner to take legal action, including the institution of a forcible entry and detainer proceeding against his Occupant who is in violation of this Declaration, the Bylaws or the Association Rules within ten (10) days after receipt of written demand so to do from the Board, shall entitle the Association, through the Board, to take any and all such action including the institution of proceedings in forcible entry and detainer on behalf of such Owner against his Occupant. Neither the Association, the management company nor any agent retained by the Association to

manage the Project shall be liable to the Owner or Occupant for any eviction under this Section that is made in good faith. Any expenses incurred by the Association, including attorney's fees and costs of suit, shall be repaid to it by such Owner. Failure by such Owner to make such repayment within ten (10) days after receipt of a written demand therefor shall entitle the Board to levy a Special Assessment against such Owner and his Lot for all such expenses incurred by the Association. In the event such Special Assessment is not paid within thirty (30) days of its due date, the Board may resort to all remedies of the Association for the collection thereof. Other than as stated in this Section 9.13, there is no restriction on the right of any Owner to lease or otherwise grant occupancy rights to a Lot.

9.14 Landscape Maintenance. The Declarant and the Association shall have the right to maintain all landscaping in the Common Areas and Facilities, Limited Common Areas and Facilities and Backyard Spaces as specified in Article 4 thereof. The Declarant and the Association shall have the right of access to all areas of the Project that are necessary for such landscape maintenance.

9.15 Floor Load. There shall be no floor load in excess of the weight for which the floor was designed, unless special arrangements are made, and an engineering determination of floor load capacity in the area of the heavy use is approved in writing by the Association.

9.16 Single Family Occupancy. The use of each Residential Lot is restricted to single family occupancy and accessory uses as permitted herein. Except for those activities conducted as part of the marketing and development program for the Project by Declarant, no industry, business, trade, or commercial activities (other than home professional pursuits without employees, public visits, or nonresidential storage and mail), or other use of the Residential Lot, shall be conducted, maintained, or permitted in any part of a Lot, nor shall any Lot be used or rented for transient, hotel, or motel purposes. Single family occupancy is defined as a single housekeeping unit, operated on a nonprofit, noncommercial basis between its occupants, cooking and eating with a common kitchen and dining area, where all residents are members of a family related by blood, adoption, or marriage, except for not more than two (2) additional persons not so related may reside in a Lot.

9.17 Subdivision of Lots or Further Restrictions. No Lot shall be split, subdivided, or separated into two or more Lots, and no Owner of a Lot shall sell or lease less than all of the Lot. An owner of two (2) or more adjacent Lots may, however, combine those Lots to make a single Lot and then separate the combined Lot into the original Lots for purposes of selling one or more of the Lots; provided however, that no such combination or subsequent separation shall be allowed until the Board has approved such combination or separation. No subdivision plat or further covenants, conditions, or restrictions shall be recorded by any Owner or other Person with respect to any Lot unless the Board has first approved the plat or the proposed covenants, conditions, or restrictions, such approval to be evidenced by the Association's signature on the final recorded plat or instrument imposing the covenants, conditions, or restrictions. Any plat or covenants, conditions, or restrictions recorded in violation of this Section shall be

absolutely null and void. The Board's review shall be for the purpose of assuring, in the sole and absolute discretion of the Board, that the plat or covenants, conditions, and restrictions are consistent and compatible with the overall plan of development of the Property. However, in no event shall the approval of the Board of any plat or covenant, condition, or restriction be an abandonment or waiver of any provision of this Declaration. The provisions of this Declaration shall be and remain superior to any such plat or covenant, conditions or restriction.

9.18 Architectural Control. No exterior changes whatsoever shall be commenced, erected, maintained, made or done without the prior written approval of the Board or any committee established by the Board for that purpose. By way of illustration but not of limitation, the following are considered exterior changes: painting, landscaping, repairs, excavation, patio covers, screens, doors, evaporative coolers, fireplaces, skylights, satellite dishes, storage buildings, solar collectors, fences, dog runs, dog enclosures, shade screens, awnings, window coating or tinting, decorative alterations or other work which in any way alters the exterior appearance of the Property. The Board, or committee established by the Board for that purpose, may designate the design, style, model and manufacturer of any exterior improvement or alteration that is acceptable to the Board. Such designations shall be for the purpose of achieving uniformity of appearance and preservation of property values. No interior structural changes whatsoever shall be commenced, erected, maintained, made or done without the prior written approval of the Board, or any committee established by the Board for the purpose. By way of illustration, but not of limitation, the following are considered interior structural changes: moving, removing, adding, or altering walls, doorways, and the like.

9.19 Lighting. Exterior lighting fixtures and walkway and landscaping lights shall be allowed only to the extent approved by the Board.

9.20 Association Rules. The Association shall have the power to make and adopt reasonable Association Rules with respect to activities that may be conducted on any part of the Project. The Board's determination as to whether a particular activity being conducted or to be conducted violates or will violate such Association Rules shall be conclusive unless, at a regular or special meeting of the Association, Owners representing a majority of the Allocated Interests in the votes of the Association vote to the contrary.

9.21 Variations. The Board may, at its option and in extenuating circumstances, grant variations from the Restrictions set forth in Article 9 of this Declaration if the Board determines in its discretion (a) either (i) that a Restriction would create an unreasonable hardship or burden on an Owner or Occupant, or (ii) that a change of circumstances since the recordation of this Declaration has rendered such Restriction obsolete and (b) that the activity permitted under the variance will not have any substantial adverse effect on the Owners or Occupants of the Project and is consistent with the high quality of life intended for residents of the Project.

ARTICLE 10 -- INSURANCE

10.1 Authority to Purchase. Commencing not later than the date a Lot is conveyed to a Person other than Declarant, the Association shall have the authority to and shall obtain and maintain, to the extent reasonably available, the insurance specified in this Article.

10.2 Hazard Insurance. To the extent available, the Board shall obtain a master or blanket policy of property insurance on the entire Project including the Lots and the Common Areas and Facilities (excluding land and personal property) insuring the Project against loss or damage by fire, and other hazards covered by the standard extended coverage endorsement, and against loss or damage by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, and water damage not resulting from poor design or workmanship or lack of routine maintenance. Such master policy of property insurance shall be in a total amount of insurance equal to the greater of (i) 80% of the actual cash value of the insured property at the time insurance is purchased and at each renewal date or (ii) 100% of the current replacement cost, exclusive of land, excavation, foundations and other items normally excluded from such property policies. Such master policy of property insurance shall contain an Agreed Amount Endorsement or its equivalent, if available, or an Inflation Guard Endorsement, together with such endorsements as the Association deems appropriate to protect the Association and the Owners.

10.3 Comprehensive Public Liability Insurance. To the extent available, the Association shall obtain comprehensive general liability insurance insuring the Association, the Declarant, the agents and employees of the Association and the Declarant, the Owners and Occupants and the respective family members, guests and invitees of the Owners and Occupants, against liability incident to the use, ownership, or maintenance of the Common Areas and Facilities or membership in the Association. The limits of such Insurance shall not be less than \$2,000,000.00 covering all claims for death of or injury to any one person and/or property damage in any single occurrence. Such insurance shall contain a Severability of Interest Endorsement or equivalent coverage that would preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or another Owner or Occupant. Such Insurance shall also include protection against water damage liability, liability for non-owned and hired automobiles, and liability for the property of others. Such Insurance must provide that, despite any provisions giving the carrier the right to elect to restore damage in lieu of a cash settlement, such option shall not be exercisable without the approval of the Association. The Board shall adjust the amount of the insurance carried under this Section from time to time.

10.4 Workmen's Compensation Insurance. The Board shall purchase and maintain in effect workman's compensation insurance for all employees of the Association to the extent that such insurance is required by law.

10.5 Fidelity Insurance. The Board shall obtain fidelity coverage against dishonest acts on the part of directors, officers, employees or volunteers who handle or

who are responsible for handling funds of the Association. Such fidelity bonds shall name the Association as obligee and shall be written in an amount equal to one hundred fifty percent (150%) of the estimated current annual Common Expenses of the Association, including reserves, and shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

10.6 Premiums. Premiums upon insurance policies purchased by the Board on behalf of the Association shall be paid by the Association as part of the Common Expenses.

10.7 Policy Provisions.

(a) Any insurer that has issued an insurance policy to the Association under this Article shall also issue a certificate or memoranda of insurance to the Association and upon request, to any Owner or Lender.

(b) The named insured under any policy of insurance shall be the Association, as trustee for the owners, or its authorized representative, including any trustee with which the Association may enter into any Insurance Trust Agreement, or any successor trustee each of which shall be referred to as the "Insurance Trustee" who shall have exclusive authority to negotiate losses under the policies. The policy shall provide that each Owner shall be an insured person under the policy with respect to liability arising out of his or her interest in the Common Areas and Facilities or membership in the Association. Each Owner hereby appoints the Association, or any Insurance Trustee, as attorney-in-fact for the purpose of purchasing and maintaining insurance required by this Article, and adjustment of all losses related thereto, including; the collection and appropriate disposition of all insurance proceeds, the negotiation of all losses and execution of releases of liability, the execution of all documents and the performance of all other acts necessary to administer such insurance. The Association shall receive, hold, or otherwise properly dispose of any proceeds of insurance in trust for the Owners and their Lenders, as their interests may appear. This power-of-attorney is coupled with an interest, shall be irrevocable, and shall be binding on any heirs, personal representatives, successors or assigns of an Owner.

(c) Insurance coverage obtained by the Association shall be primary insurance and may not be brought into contribution with Insurance purchased by the Owners.

(d) Coverage must not be limited by (i) any act or neglect by Owners or Occupants which is not within control of the Association, or (ii) any failure of the Association to comply with any warranty or condition regarding any portion of the Project over which the Association has no control.

(e) Coverage may not be canceled or substantially modified (including cancellation for nonpayment of premium) and the Insurer may not refuse to renew the

policy without at least thirty (30) days prior written notice to the Association and all Lenders, and to any owner to whom a certificate has been issued.

(f) All policies must contain a waiver of subrogation by the insurer as to any and all claims against the Association, Owners, Occupants and their respective agents and employees, and any defenses based on co-insurance or on invalidity arising from acts of the insured.

10.8 Supplemental Insurance. The Board may obtain such other policies of insurance in the name of the Association as the Board deems appropriate to protect the Association and Owners. The Board shall obtain director's and officer's liability insurance for officers and directors of the Association in accordance with the Articles.

Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood, and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for Project projects established by Federal National Mortgage Association and Government National Mortgage Association, so long as either is a mortgagee or Owner of a Lot, except to the extent such coverage is not available or has been waived in writing by Federal National Mortgage Association or Government National Mortgage Association.

10.9 Annual Insurance Report. Not later than sixty (60) days prior to the beginning of each fiscal year, the Board may obtain a written report by a reputable independent insurance broker or consultant setting forth the existing insurance obtained pursuant to this Article and stating whether, in the opinion of such broker or consultant, the Insurance complies with the requirements of this Article. Such report may also set forth recommendations regarding current policy provisions and for additional insurance reasonably required for the protection of the Owners and Lenders in light of the insurance then available and the prevailing practice with respect to other similar Project projects. The Board shall be fully protected in relying on the written report furnished pursuant to this Section provided reasonable care and prudence were exercised in selecting such independent insurance broker or consultant.

10.10 Insurance Obtained by Owners. Notwithstanding the above, an Owner or Occupant shall be permitted to insure his own Lot for his own benefit.

ARTICLE 11 -- DESTRUCTION OF IMPROVEMENTS

11.1 In the event of partial or total destruction of a building or buildings or any portion of the Common Areas and Facilities within the Project, the Board shall promptly take the following action:

(a) The Board shall ascertain the cost of reconstruction by obtaining fixed price bids from at least two (2) reputable contractors, including the obligation of obtain performance and lien payment bonds;

(b) The Board shall determine the amount of insurance proceeds, if any, payable by contacting the appropriate representative of the insurer carrying the policy covering the Project.

(c) The Insurance proceeds shall be applied to such reconstruction.

(d) In connection with any reconstruction, the Board shall levy a uniform Special Assessment against each owner at such time and in such amount as the Board shall determine is necessary to cover the costs of reconstruction in excess of insurance proceeds and available reserves.

(e) If the Board in good faith determines that none of the bids submitted under this Section reasonably reflects the anticipated reconstruction costs, the Board shall continue to attempt to obtain an additional bid which it determines reasonably reflects such costs. Such determination shall be made by the Board as soon as possible. However, if such determination cannot be made within ninety (90) days after the date of such destruction because of the unavailability or unacceptability of an Insurance estimate or reconstruction bid, or otherwise, the Board shall immediately call a meeting of the affected Owners and all Lenders pursuant to Section 11.2.

(f) If the Board determines that any Lot is uninhabitable by reason of its total or partial destruction, Assessments may abate against the Owner thereof until the Board determines that habitability has been restored. However, if the management, maintenance and operation of the Project is ongoing, it may elect to disallow such abatement.

11.2 Reconstruction by Vote. If reconstruction is not to take place pursuant to Section 11.1, as soon as practicable after same has been determined the Board shall call a special meeting of the Owners by mailing a notice of such meeting to each such Owner. Such meeting shall be held not less than ten (10) days and not more than sixty (60) days after the date of such notice. Unless the Owners, by a vote at such meeting or by the written consent of not less than eighty percent (80%) of the Allocated Interests in the votes of the Association (including every Owner of a Lot or an allocated Limited Common Area and Facility which will not be rebuilt) determine not to proceed with such reconstruction, reconstruction must take place and the Board shall levy a uniform special Assessment against each Owner at such time and in such amount as the Board shall determine is necessary to cover the costs of reconstruction in excess of insurance proceeds and available reserves.

11.3 Procedure for Minor Reconstruction. If the cost of reconstruction is equal to or less than ten percent (10%) of the estimated fair market value of all of the Lots in the Project, then the Board shall contract with a licensed contractor or contractors to rebuild or repair such damaged or destroyed portion of the Project in conformance with the original plans and specifications, or if the Board determines that adherence to such original plans and specifications is impracticable or is not in conformance with applicable laws, ordinances, building codes, or other governmental rules or regulations

then in effect, then such repairs or rebuilding shall be of a kind and quality substantially equivalent to the original construction of such improvements.

11.4 Procedure for Major Reconstruction. If the cost of reconstruction is greater than ten percent (10%) of the estimated fair market value of all of the Lots in the Project, all Insurance proceeds, together with such amounts from available reserves or Special Assessments as are needed to complete the cost reconstruction, shall be paid directly to a bank or savings and loan association located in Utah County, State of Utah, whose accounts are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or the successor to either agency, as designated by the Board, as trustee (hereinafter called the "Insurance Trustee") for all Owners and Lenders. Such proceeds shall be received, held and administered by the Insurance Trustee subject to the provisions of an insurance trust agreement which shall be consistent with the provisions of this Declaration and which shall be entered into between the Insurance Trustee and the Board. Disbursement of such funds shall be made only upon the signatures of two members of the Board and upon the terms and conditions provided in this Section as soon as practicable after notification of the receipt of Insurance proceeds by the Insurance Trustee, the Board shall enter into a contract with a licensed contractor or contractors for the repair or rebuilding of all of the damaged or destroyed Lots and Common Areas and Facilities according to the original plan and specifications of said improvements or, if the Board determines that adherence to such original plans and specification is impracticable or not in conformity with applicable statutes, ordinances, building codes, or other governmental rules and regulations then in effect, then of a quality and kind substantially equivalent to the original construction of such improvements. The contract with such licensed contractor or contractors shall provide for payment to the contractor or contractors of a specified sum for performance and execution of the work therein described, and shall have provisions for periodic disbursement of funds by the Insurance Trustee, which shall be consistent with procedures then followed by prudent lending institutions doing business in Utah County, State of Utah. Such periodic disbursements of funds shall be for specific dollar amounts and shall not be paid until the contractor who is engaged by the Board shall furnish to the Board before the commencement of construction a full performance and lien payment bond written by a good and responsible corporate surety. Disbursements to the contractor shall be made subject to the prior presentation of an architect's certificate or other documentation containing such provisions as may be appropriate in the circumstances and deemed suitable by the Board. The Board may employ a licensed architect to supervise the repair and rebuilding to insure that all work, services and supplies are in conformity with the requirements of the construction contract.

11.5 Negotiations with Insurer. The Association shall have full authority to negotiate in good faith with representatives of the insurer of any totally or partially destroyed building or any other portion of the Common Areas and Facilities, and to make settlements with the insurer for less than full insurance coverage on the damage to such building or any other portion of the Common Area and Facilities. Any settlement made by the Association in good faith shall be binding upon all Owners and Lenders.

11.6 Repair of Lots. Installation of improvements to, and repair of any damage to, the interior of a building on a Lot shall be made by and at the individual expense of the Owner of that Lot and, in the event of a determination to reconstruct after partial or total destruction, shall be completed as promptly as practicable and in a lawful and workmanlike manner.

11.7 Priority. Nothing contained in this Article shall entitle an Owner to priority over any Lender under a lien encumbering his Lot as to any portion of insurance proceeds allocated to such Lot.

ARTICLE 12 -- EMINENT DOMAIN

12.1 Total Taking of a Lot. If a Lot is taken by eminent domain, or sold under threat thereof, or if part of a Lot is taken by eminent domain, or sold under threat thereof, leaving the Owner with a remnant which may not be practically or lawfully used for any purpose permitted by this Declaration, the award must compensate the Owner for his Lot and Allocated Interest in the Common Areas and Facilities, regardless of whether any Common Areas and Facilities are taken. Upon such a taking, unless the decree otherwise provides, that Lot's Allocated Interest in the Common Areas and Facilities shall automatically be reallocated to the remaining Lots in proportion of their respective interests immediately before the taking. Upon such a taking, the Association shall prepare, execute, and record an amendment to the Declaration. Any remnant of a Lot remaining after part of a Lot is taken becomes a Common Area and Facility.

12.2 Partial Taking of a Lot. Except as provided in Section 12.1, if part of a Lot is taken by eminent domain, or sold under threat thereof, so that such Lot may still be practically and lawfully used under this Declaration, the award must compensate the Owner for the reduction in the value of his Lot and Allocated Interest in the Common Areas and Facilities, regardless of whether any Common Areas and Facilities are taken. Upon such a taking, unless the decree otherwise provides, that Lot's Allocated Interest in the Common Areas and Facilities shall remain the same, but if the decree provides for a reduction of the Allocated Interest for such Lot, the reduced amount shall automatically be reallocated to that Lot and the remaining Lots in proportion to their respective Allocated Interests immediately before the taking, with the partially acquired Lot participating in the reallocation on the basis of its reduced Allocated Interest.

12.3 Taking of a Limited Common Area and Facility. If the portion of the Project taken by eminent domain, or sold under threat thereof, is comprised of or includes any Limited Common Area and Facility or portion thereof, the portion of the award attributable to the Limited Common Area and Facility so taken shall be divided among the Owners of the Lots to which such Limited Common Area and Facility was allocated at the time of the acquisition.

12.4 Taking of the Common Areas and Facilities. If the portion of Project taken by eminent domain, or sold under threat thereof, is not comprised of, or includes, any Lot or Limited Common Area and Facility, the Board shall, as soon as practicable,

cause the award to be utilized for the purpose of repairing or restoring the portion of the Project so taken, and the portion of the award not used for restoration shall be divided among the Owners in proportion to their Allocated Interest in the Common Areas and Facilities before the taking.

12.5 Taking of Entire Project. In the event the Project in its entirety is taken by eminent domain, or sold under threat thereof, the Project is terminated.

12.6 Priority and Power of Attorney. Nothing contained in this Article shall entitle an Owner to priority over a Lender under a lien encumbering his Lot as to any portion of any condemnation award allocated to such Lot. Each Owner hereby appoints the Association as attorney-in-fact for the purpose of negotiations and settlement with the condemning authority for the acquisition of the Common Areas and Facilities, or any part thereof. In the event the taking involves all or part of any Lot or the Common Areas and Facilities or Limited Common Areas and Facilities, the award or proceeds shall be payable to the Association for the use and benefit of the Owners and their Lenders as their Interests may appear. This power-of-attorney is coupled with an interest, shall be irrevocable, and shall be binding on any heirs, personal representatives, successors or assigns of an Owner.

ARTICLE 13 -- RIGHTS OF LENDERS

13.1 Notices to Lenders. A Lender shall not be entitled to receive any notice which this Declaration requires the Association to deliver to Lenders for notice, approval or consent regarding a proposed action or otherwise, unless and until such Lender, or its mortgage servicing contractor, has delivered to the Association a written notice stating that such Lender is the holder of a loan encumbering a Lot within the Project and setting forth the information described in Section 14.6. Notwithstanding the foregoing, if any right of a Lender under this Declaration is conditioned on a specific written request to the Association, in addition to having delivered the notice provided in this Section a Lender must also make such request in writing delivered to the Association. Except as provided in this Section, a Lender's rights pursuant to this Declaration, including without limitation, the priority of any mortgage lien over the lien of Assessments levied by the Association hereunder shall not be affected by the failure to deliver a notice or request to the Association.

13.2 Priority of Lenders. No breach of the Restrictions herein contained, nor the enforcement of any lien provision herein, shall affect, impair, defeat or render invalid the lien or charge of any Lender made in good faith and for value encumbering any Lot, but all of said Restrictions shall be binding upon and effective against any Owner whose title to a Lot is derived through foreclosure or trustee's sale, or otherwise.

13.3 Relationship with Assessment Liens.

(a) The lien provided for in Article 6 for the payment of Assessments shall be subordinate to the lien of any Lender which was recorded prior to the date any such Assessment becomes due.

(b) If any Lot which is subject to a monetary lien created by this Declaration is also subject to the lien of a Lender, then: (i) the foreclosure of any lien created by this Declaration shall not operate to affect or impair the lien of such Lender; and (ii) the foreclosure of the lien of a Lender or the sale under a power of sale included in a mortgage or deed of trust shall not operate to affect or impair the lien hereof, except that any Person who obtains an interest thereafter shall take title free of any lien created by this Declaration for any Assessments which became due after the recordation of the mortgage or deed of trust, or any personal obligation for such charges, but such Person shall remain subject to the lien hereof for all charges that shall accrue subsequent to such foreclosure.

(c) Without limiting the provisions of subsection (b) of this Section, any Lender who obtains title to a Lot by reason of any foreclosure, or deed or assignment in lieu of foreclosure, or any Person who obtains title at a private or judicial foreclosure sale, shall take title to such Lot free of any lien or claim for unpaid Assessments against such Lot which accrued prior to the time such Lender or purchaser takes title to such Lot, except for liens or claims for a share of such Assessments resulting from a pro rata reallocation of such Assessments to all Lots within the Project.

(d) Nothing in this Section shall be construed as releasing any Person from his personal obligation to pay for any Assessments levied pursuant to this Declaration during the period such Person is an Owner.

13.4 Required Lender Approval. Except upon the prior written approval of seventy-five percent (75%) of all Lenders which have provided notice to the Association as described in Sections 13.1 and Section 13.6, based on one vote for each Lot encumbered by a loan, neither the Association nor the Board shall be entitled by action or inaction to do any of the following:

(a) Abandon or terminate by any act or omission the legal status of the Project, except for abandonment or termination provided by this Declaration in the case of substantial destruction by fire or other casualty or in the case of a taking by eminent domain; or

(b) Except as specifically provided by this Declaration, amend any provisions governing the following:

(i) voting rights;

(ii) increases in Assessments that raise the previously assessed amount by more than twenty-five (25%), Assessment liens, or the priority of Assessment liens;

(iii) reductions in reserves for maintenance, repair and replacement of Common Areas and Facilities

(iv) reallocation of interests in the Common Areas and Facilities Limited Common Areas and Facilities;

- (v) redefinition of any Lot boundaries;
- (vi) convertibility of Lots into Common Areas and Facilities or vice versa;
- (vii) expansion or contraction of the Project, or the addition, annexation, or withdrawal of property to or from the Project;
- (viii) hazard or fidelity insurance requirements;
- (ix) imposition of any restrictions on the leasing of Lots;
- (x) imposition of any restrictions on an Owner's right to sell or transfer his or her Lot;
- (xi) restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Declaration, Articles of Incorporation or Bylaws, or
- (xii) any provision that expressly benefits Lenders (including their Insurers or guarantors).

Any Lender who receives, by certified or registered mail, a written request, with a return receipt requested, to approve a change and who does not return a negative response within thirty (30) days shall be deemed to have approved such request.

13.5 Other Rights of Lenders. Any Lender (and such Lender's insurer or guarantor) shall, upon written request to the Association, be entitled:

- (a) To inspect current copies of this Declaration (and any amendments), the Association's Articles, Bylaws, Association Rules, and other books and records of the Association during normal business hours; and
- (b) To receive an audited annual financial statement of the Association within ninety (90) days following the end of the Association's fiscal year.

13.6 Notices of Action. Upon written request to the Association identifying the name and address of the Lender (and the name and address of the Lender's insurer or guarantor, if desired) and the Lot Number or address, any such Lender (or any such insurer or guarantor) will be entitled to timely written notice of:

- (a) Any condemnation or casualty loss which affects a material portion of the Project or any Lot on which there is a first lien held by such Lender;
- (b) Any delinquency in the payment of Assessments or charges owed by an Owner of a Lot subject to the lien of a Lender, which remains uncured for a period of sixty (60) days;

(c) Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and

(d) Any proposed action by the Owners or the Association that would amount to a material change in the Declaration as identified in Section 13.4 hereof.

ARTICLE 14 -- LIMITATIONS UPON PARTITION AND SEVERANCE

14.1 No Partition. The right to partition the Project is hereby suspended, except that the right to partition shall revive and the Project may be sold as a whole when the conditions for such action set forth in Article 11 dealing with Destruction of Improvements, and Article 12 dealing with Eminent Domain have been met; provided, however, nothing contained in this Section shall be construed as limiting partition by joint Owners, upon the prior written approval of an applicable Lender, of one or more Lots as to individual ownership of such Lots provided the Project is not terminated.

14.2 No Severance. The elements of a Lot and other rights appurtenant to the ownership of a Lot, including interest in Common Areas and Facilities and Limited Common Areas and Facilities, if any, are inseparable, and each Owner agrees that he shall not, while this Declaration is in effect, make any conveyance of less than an entire Lot and such appurtenances. Any conveyance made in contravention of this Section, including under any conveyance, encumbrance, judicial sale or other transfer (whether voluntary or involuntary) shall be void.

14.3 Proceeds of Partition Sale. If an action is brought for the partition of the Project by sale, whether upon the occurrence of an event of destruction and a decision not to reconstruct or the taking of all or a portion of the Project by eminent domain, Owners shall share in the proceeds of such sale in the same proportion as their Allocated Interest in the Common Areas and Facilities, but in such event, the liens and provisions of all Lenders or Assessment liens encumbering Lots within the Project so encumbered shall extend to each applicable Owner's interest in the proceeds of such partition and sale. The interest of an Owner in such proceeds shall not be distributed to such Owner except upon the prior payment in full of any Assessment lien or lien of a Lender encumbering such proceeds.

ARTICLE 15 -- GENERAL PROVISIONS

15.1 Enforcement. The Association or any Owner shall have the right to enforce, by proceedings at law or in equity, all Restrictions and other provisions now or hereafter imposed by this Declaration, or any amendments thereto, including the right to prevent the violation of any such Restrictions, and the right to recover damages and other sums for such violation. The Association or any Owner shall also have the right to enforce by proceedings at law or in equity the provisions of the Bylaws and Association Rules and any respective amendments thereto.

15.2 No Waiver. Failure by the Association or by any Owner to enforce any Restriction or provision herein contained, or contained in the Bylaws or Association

Rules, in any certain instance or on any particular occasion shall not be deemed a waiver of such right of enforcement as to any such future breach of the same or any other Restriction or provision.

15.3 Cumulative Remedies. All rights, options and remedies of Declarant, the Association, the Owners or the Lenders under this Declaration are cumulative, and no one of them shall be exclusive of any other, and Declarant, the Association, the Owners and the Lenders shall have the right to pursue any one or all of such rights, options and remedies or any other remedy or relief which may be provided by law, whether or not stated in this Declaration.

15.4 Severability. Invalidation of any one or a portion of the Restrictions or provisions set forth in this Declaration or in the Bylaws or Association Rules by judgment or court order shall in no way affect any other Restrictions or provisions contained herein or therein which shall remain in full force and effect.

15.5 Covenants to Run with the Land: Term. The Restrictions and other provisions of this Declaration shall run with and bind the Project as equitable servitudes and also as covenants running with the land and shall inure to the benefit of and be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Declaration is recorded, after which time the Restrictions and other provisions shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed and acknowledged by Owners of not less than seventy-five percent (75%) of the Allocated Interests in the votes of the Association and their Lenders, has been recorded prior to the end of any such period agreeing to change or revoke the Restrictions and other provisions of this Declaration in whole or in part.

15.6 Allocation Upon Termination. Unless provided otherwise herein, upon any liquidation or termination of all or part of the Project, the Association shall represent the owners in any proceedings, negotiations, settlements or agreements related thereto. Each Owner hereby appoints the Association as attorney-in-fact for such purpose, including the allocation of any losses, awards or proceeds resulting from such termination or liquidation. Any proceeds generated by such a termination or liquidation shall be made payable to the Association, who will hold such proceeds for the benefit of the Owners and their Lenders. Owners shall share in the proceeds of such termination or liquidation in the same proportion as their Allocated Interest in the Common Areas and Facilities, but in such event, the liens and provisions of all Lenders or Assessment liens encumbering Lots within the Project so encumbered shall extend to each applicable Owner's Interest in such proceeds. The interest of an Owner in such proceeds shall not be distributed to such Owner except upon the prior payment in full of any Assessment lien or lien of a Lender encumbering such proceeds.

15.7 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose and for the maintenance of the Project. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

15.8 Gender and Number. Whenever the context of this Declaration requires, the singular shall include the plural, and vice versa, and the masculine shall include the feminine and the neuter, and vice versa.

15.9 Nuisance. The result of every act or omission whereby any provision or Restriction contained in this Declaration or any provision contained in the Bylaws or Association Rules is violated in whole or in part is hereby declared to be and shall constitute a nuisance, and every remedy allowed at law or in equity against a nuisance, either public or private, shall be applicable with respect to the abatement thereof and may be exercised by the Association or any Owner. Such remedy shall be deemed cumulative to all other remedies set forth in this Declaration and shall not be deemed exclusive.

15.10 Attorney's Fees. In the event any action is instituted to enforce any of the provisions contained in this Declaration, the Bylaws or Association Rules, the party prevailing in such action shall be entitled to recover from the other party thereto, as part of the judgment, reasonable attorneys' fees and costs of suit.

15.11 Notices. Any notice to be given to an Owner, a Lender or the Association under the provisions of this Declaration shall be in writing and shall be delivered as follows:

(a) Notice to an Owner shall be delivered personally or placed in the first class United States mail, postage prepaid, to the most recent address furnished by such Owner in writing to the Association for the purpose of giving notice, or if no such address shall have been furnished, then to the street address of such Owner's Lot. Any notice so deposited in the mail shall be deemed delivered seventy-two (72) hours after such deposit. In the case of Co-Owners, any such notice may be delivered or sent to any one of the Co-Owners on behalf of all Co-Owners and shall be deemed delivered to all such Co-Owners.

(b) Notice to a Lender shall be delivered by first class United States mail, postage prepaid, to the most recent address furnished by such Lender in writing to the Association for the purpose of notice or, if no such address shall have been furnished, to any office of the Lender in Utah County, State of Utah, or if no such office is located in Utah County, to any office of such Lender. Any notice so deposited in the mail shall be deemed delivered seventy-two (72) hours after such deposit.

(c) The declaration of an officer or authorized agent of the Association declaring under penalty of perjury that a notice has been mailed to any Owner or Owners, or to any Lender or Lenders, to the address or addresses for the giving of notice pursuant to this Section, shall be deemed conclusive proof of such mailing.

(d) Notice to the Association shall be delivered by registered or certified United States mail, postage prepaid, addressed to the office of the statutory agent of the Association or as follows:

GRAY FARMS PHASE 3 HOMEOWNERS ASSOCIATION, c/o Jacob Toombs, 39 East Redwing Court, Saratoga Springs UT 84043

Any notice so deposited in the mail shall be deemed delivered upon the date of receipt.

15.12 Effect of Declaration. This Declaration is made for the purposes set forth in the recitals in this Declaration and Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances, regulations and the like applicable thereto. Declarant shall have no liability whatsoever if any of the provisions of this Declaration, the Bylaws or Association Rules are determined to be unenforceable in whole or in part or under certain circumstances.

15.13 Personal Covenant. To the extent the acceptance of a conveyance of a Lot creates a personal covenant between the Owner of such Lot and Declarant, other Owners or the Association, such personal covenant shall terminate and be of no further force or effect from and after the date when a Person ceases to be an Owner except to the extent this Declaration provides for personal liability with respect to the Assessments incurred during the period a Person is an Owner.

15.14 Nonliability of Officials. To the fullest extent permitted by law, neither the Board nor any officer of the Association shall be liable to any Owner or the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval, course of action, act, omission, error or negligence if such Board member or officer acted in good faith within the scope of his or their duties.

15.15 Use of Funds Collected by the Association. All funds collected by the Association, including Assessments and contributions to the Association paid by Owners, if any, shall be held by the Association in a fiduciary capacity to be expended in their entirety for non-profit purposes of the Association in managing, maintaining, caring for and preserving the Common Areas and Facilities and for other permitted purposes as set forth in this Declaration. No part of said funds shall inure to the benefit of any Owner (other than as a result of the Association managing, maintaining, caring for and preserving the Common Areas and Facilities and other than as a result of expenditures made for other permitted purposes as set forth in this Declaration).

15.16 Notification of Sale and Transfer Fee. Concurrently with the consummation of the sale or other transfer of any Lot, or within fourteen (14) days after the date of such transfer, the transferee shall notify the Association in writing of such transfer and shall accompany such written notice with any non-refundable transfer fee payable pursuant to the Association Rules, to cover Association documentation and processing. The Board may establish a transfer fee, from time to time, which shall be no more than the amount of the then current regular monthly assessment. The written notice shall set forth the name of the transferee and his transferor, the street address of the Lot purchased or acquired by the transferee, the transferee's mailing address, the date of the sale or transfer and the name and address of the transferee's Lender, if any. Prior to the receipt of such written notice, all notices required or permitted to be given by the

Association to the Owner shall be deemed to be duly made or given to the transferee if duly and timely made and given to the transferee's predecessor in interest. The transfer fee shall be the personal obligation of the new Owner and shall be secured by the lien in Section 6.1 hereof. Notwithstanding the other provisions hereof, this Section shall not apply to a Lender who becomes an Owner by a foreclosure proceeding or any deed or assignment in lieu of foreclosure.

15.17 Owner Liability and Indemnification. Each Owner shall be liable to the remaining Owners and to the Association for any damage to the Common Areas and Facilities that may be sustained by reason of the negligence of that Owner or such Owner's family members, tenants, guests or invitees, but only to the extent that any such damage is not covered by casualty insurance in favor of the Association. Each Owner, by acceptance of a deed for a Lot, agrees personally and for family members, tenants, guests and invitees to indemnify each and every other Owner, and to hold such other Owners harmless from, and to defend such Owners against, any claim of any person for personal injury or property damage occurring within the Lot of that particular Owner, including any Limited Common Areas and Facilities, if any, except to the extent (a) that such injury or damage is covered by liability insurance in favor of the Association or any other Owner, or (b) the injury or damage occurred by reason of the willful or negligent act or omission of the Association or other Owner or other person temporarily visiting such Lot.

15.18 Conflicting Provisions. In the case of any conflict between this Declaration and the Bylaws, or Association Rules, this Declaration shall control.

ARTICLE 16 -- AMENDMENTS

16.1 Amendments by Declarant Prior to First Sale. Except as provided elsewhere in this Declaration, prior to the conveyance of the first Lot to an Owner other than a Declarant, this Declaration and any amendments thereto may be amended or revoked by the execution by Declarant of an instrument amending or revoking the same.

16.2 Amendments by Declarant After First Sale. Except as provided elsewhere in this Declaration, Declarant (without obtaining the approval of Owners, the Association, or existing Lenders) may unilaterally amend or modify this Declaration in the exercise of its rights set forth in this Declaration. Also, notwithstanding anything herein to the contrary, Declarant shall have the unilateral right (without obtaining the approval of the Owners, the Association, or existing Lenders) to amend this Declaration until the Turnover Date (as defined in Section 5.3 of the Declaration), if such amendment is required solely: (i) to comply with applicable law or to correct any error or inconsistency of the Declaration and if such amendment does not adversely affect the rights of any Owner or Lender, or (ii) to comply with the rules or guidelines, in effect from time to time, of any governmental or quasi-governmental entity or federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments (including, without limitation, the Veterans Administration, Federal Housing Administration, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or any similar agency). If such amendment bears recitation

that it is recorded based on such technical error or the requirements of any of the foregoing agencies, such amendment shall not require approval of any Owners or Lenders.

16.3 General Amendment Requirements. Except as permitted by Article 3, Section 15.1, Section 16.2, this Declaration may be amended only by vote or agreement of Owners of Lots to which at least eighty (80%) of the votes in the Association are allocated. Prior to the Turnover Date, this Declaration shall not be amended without Declarant's prior written consent.

16.4 Protection of Declarant Rights. An amendment shall not terminate or decrease any unexpired Development Right, Special Declarant Right, or period of Declarant control unless the Declarant approves or consents in writing.

16.5 Execution of Amendments. An amendment or revocation which only requires the execution of an instrument by Declarant as hereinabove provided shall be effective when executed by Declarant and when recorded in the office of the County Recorder of Utah County, State of Utah. An amendment which requires the affirmative written assent or vote of the Owners as hereinabove provided shall be effective when executed by the President and Secretary of the Association who shall certify that the amendment has been so approved and the Declarant if the Declarant's consent is also required, and when the amendment has been recorded in the office of the County Recorder of Utah County, State of Utah.

16.6 Lender Approval. Subject to the foregoing, any provision of this Declaration which expressly requires the approval of a specified percentage of the Lenders for action to be taken under said provision can be amended only with the affirmative written assent or vote of not less than the same percentage of the Lenders; provided that in the event approval is requested in writing from a Lender with respect to a proposed amendment and a negative response is not returned within thirty (30) days following the Lender's receipt of the request, by certified or registered mail, with a return receipt requested, the Lender shall be deemed to have approved the proposed amendment.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of this 15 day of JUNE, 2007.

DECLARANT:

Millcreek Homes, Inc., a Utah corporation

By: Jared Tompkins
 Its: PRESIDENT

EXHIBIT "A"

A parcel of land, situate in the Northwest Quarter of Section 18, Township 5 South, Range 1 East, Salt Lake Base and Meridian, more particularly described as follows:

Beginning at a point which is located North $0^{\circ}08'52''$ West 798.11 feet along the Section line, and East 312.96 feet from the West Quarter Corner of Section 18, Township 5 South, Range 1 East, Salt Lake Base and Meridian, and running:

thence South $89^{\circ}27'09''$ East 514.38 feet to the west line of Gray Farms Subdivision Phase 2;

thence South $0^{\circ}48'00''$ West 506.01 feet along said west line of Gray Farms Subdivision Phase 2 to the north line of Gray Farms Subdivision Phase 1;

thence North $89^{\circ}27'09''$ West 509.38 feet along the north line of said Gray Farms Subdivision Phase 1;

thence North $0^{\circ}14'00''$ East 506.01 feet to the point of beginning.

Parcel contains: 259.011 square feet or 5.95 acres.

EXHIBIT "B"

**BYLAWS OF
GRAY FARMS PHASE 3 HOMEOWNERS ASSOCIATION**

a Utah non-profit corporation

ARTICLE I

OFFICES

The initial offices of the Association in the State of Utah shall be located at c/o Jacob Toombs, Millcreek Homes, Inc., 39 East Redwing Court, Saratoga Springs, UT 84043.

ARTICLE II

DEFINITIONS

SECTION 1. "Association" shall mean and refer to Gray Farms Phase 3 Homeowners Association, its successor and assigns.

SECTION 2. "Common Area" shall mean all property managed by the Association for the common use and enjoyment of the Owners. For purposes hereof, it shall also include the Limited Common Areas. "Limited Common Areas" are portions of the Common Area available only for the use of one or more adjacent Lots, but less than all of the Lots.

SECTION 3. "Declarant" shall mean and refer to Millcreek Homes, Inc., a Utah corporation, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lott from the Declarant for the purpose of development.

SECTION 4. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions for the Gray Farms Subdivision, Phase 3, a Planned Unit Development, recorded in the Office of the Utah County Recorder, State of Utah.

SECTION 5. "Lot" shall mean and refer to each Lot shown upon any recorded subdivision map of the Property, but shall not include the Common Area.

SECTION 6. "Member" shall mean and refer to those Owners entitled to membership as provided in the Declaration.

SECTION 7. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

SECTION 8. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE III

MEETINGS

SECTION 1. Annual Meeting. The annual meeting of the Members shall be held at 7:00 p.m. on the second Wednesday in the month of November of each year beginning with the year 2008, for the purpose of electing directors, approving assessments for the next year, and for the transaction of such other business as may come before the meeting. In the event that such annual meeting is omitted by oversight or otherwise during the month provided for, the directors shall cause a meeting in lieu thereof to be held as soon thereafter as may be convenient, and any business transacted or elections held at such meeting shall be as valid as if transacted or held during the month in which the annual meeting was to be called. If the election of directors shall not be held during the month designated herein for the holding of the annual meeting of Members or at any adjournment of any meeting so called, such subsequent meetings shall be called in the same manner as is provided for the calling of the annual meeting of the Members. Such meeting may also be called without the required advance notice if all of the Members consent to the meeting and a quorum are present at such a meeting. Written waiver of notice of such meeting shall be attached to the minutes of the annual Members' meeting so called, in the corporate minute book. Meetings of Members must be held at least annually, and not more frequently than every other month.

SECTION 2. Special Meetings. Except as otherwise provided by law, special meetings of the members of this Association shall be held whenever called by a member of the Board of Directors, or whenever one or more members who are entitled to vote and who hold at least twenty percent (20%) of the undivided interests in the Association issued and outstanding shall make written application therefor to the Board of Directors stating the time, the place and the purpose of the meeting called.

SECTION 3. Place of Meeting. The Board of Directors may designate any place, within Lehi City, Utah, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all Members entitled to vote at a meeting may designate any other place within the State of Utah, unless otherwise prescribed by statute, as the place for the holding of such meeting.

SECTION 4. Notice of Members' Meeting. Notice of all Members' meetings stating the time and the place and the objects for which such meeting(s) are called shall be given by the President or by a Vice-President or by the Secretary-Treasurer or by any one or more Members entitled to call a special meeting of the Members not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. The notices shall be sent by first class mail, postage prepaid, to each Member of record at his address as it appears on the stock record books of the Association unless he shall have filed with the Secretary-Treasurer of the Association a written

request that notice intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. The person giving such notice shall make an affidavit stating how he has complied with this requirement. The Notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Any meeting of which all Members shall, at any time, waive or have waived notice in writing shall be a legal meeting for the transaction of business notwithstanding that notice has not been given as hereinbefore provided.

SECTION 5. Waiver of Notice. Whenever any notice whatever is required to be given by these Bylaws, or by the Certificate of Incorporation of this Association, or by any of the Association laws of the State of Utah, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated herein, shall be deemed equivalent thereto.

SECTION 6. Quorum of Members. Except as herein provided and as otherwise provided by law, at any meeting of Members twenty percent of all Members (by Class) of record in person or by proxy shall constitute a quorum, but a less interest may adjourn any meeting, and the meeting may be held as adjourned without further notice; provided, Directors may only be elected at a meeting at which a quorum is present. If a meeting has been adjourned because a quorum is not present, the rescheduled and re-noticed meeting on the same subject (except the election of directors) may proceed if ten percent of the votes in each class are present, which one-tenth shall constitute a quorum. If, however, such one-tenth quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a reduced quorum (10%) shall be present or represented in person or by written proxy. When a quorum is present at any meeting, a majority in interest of the stock represented thereat shall decide any question brought before such meeting, unless the question is one upon which by express provision of law or of the Certificate of Incorporation or of these Bylaws or by the Declaration, a larger or different vote is required, in which case such express provision shall govern and control the decision of such question. In all events, the minority attendance standards set forth in the Declaration of Condominium shall control on matters addressed in the Declaration, so that if there is any conflict between the Declaration and these Bylaws, the Declaration shall control.

SECTION 7. Closing of Transfer Books or Fixing Record Date. For the purpose of determining Members entitled to notice or vote at any meeting of Members or at any adjournment thereof, or in order to make a determination of Members for any other proper purpose, the Board of Directors of the Association may provide that the membership books shall be closed for a period not to exceed, in any case, fifteen (15) business days prior to the date that Notice of the meeting is to be given. If the membership books shall be closed for the purpose of determining Members entitled to notice or to vote at a meeting of Members, such books shall be closed for at least ten (10) business days immediately preceding the date determined to be the date of record. If no shorter date of record is determined, it shall be the date that is thirty (30) days prior to the annual meeting, or the scheduled meeting. When a determination of Members

entitled to vote at any meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof.

SECTION 8. Proxy and Voting. Members of record may vote at any meeting, either in person or by proxy in writing. All proxies shall be in writing and filed with the Secretary-Treasurer of the meeting before being voted. Such proxy shall entitle the holders thereof to vote at any adjournment of such meeting but shall not be valid after the final adjournment thereof. No proxy shall be valid after the expiration of eleven (11) months from the date of execution unless the Member executing it shall have specified therein the length of time said proxy is to continue in force, which shall be for some limited period of time. Each proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot. Each Member, except as otherwise provided, shall be entitled to one vote for each Lot owned by him.

SECTION 9. Proceeding by Electronic and other Means. Whenever permitted by relevant Utah law, meetings and other business activities may be conducted by electronic means or by means of telecommunications, but only in the manner provided by Law and which is not otherwise inconsistent with these Bylaws. Action may also be taken by written ballot as provided for in Utah Code Ann. §16-6a-709.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. General Powers. The business and the affairs of the Association shall be managed by a board of directors, which are described herein as its Board of Directors.

SECTION 2. Number, Tenure and Qualifications. The number of directors shall be three (3). Each director shall hold office for three years or until his successor shall have been duly elected and qualified. Provided, however, that of the initial elected Board of Directors, one shall be elected for one year, one for two years and one for three years. Directors need not be Lot Owners. If a Director is an owner, and sells his Lot, he must resign as a director not later than the closing of the sale of his Lot.

SECTION 3. Election of Board of Directors. The Board of Directors shall be chosen by a secret written ballot at the annual meeting of Members or at any meeting held in place thereof, as provided by law. Cumulative voting is not permitted.

Nomination for election to the Board of Directors may be made from the floor at the annual meeting or by a writing received by the Secretary prior to the meeting if the writing is signed by a Member. A Member may nominate himself for election.

Every election of directors by the Members shall be conducted by two (2) inspectors, neither of whom shall be a candidate for the office of director. These inspectors shall be appointed by the presiding officer of the meeting, but inspectors of the first election of directors and all subsequent meetings of the Members shall be appointed by the Board of Directors.

Before entering upon the discharge of their duties, the inspectors shall be sworn as provided by law. The appointment of such inspectors may be waived by the unanimous consent of all Members present or represented by proxy at any given meeting. Voting shall be by secret ballot, or if there is no contest for positions on the board, then by voice vote upon motion from the floor for such a vote.

SECTION 4. Powers of Directors. The Board of Directors shall have the responsibility for the entire management of the business of this Association as described herein and in the Declaration. The Board of Directors shall have power to adopt and publish rules and regulations governing the use of the Common Area and Facilities, and the personal conduct of the members and their guests thereon, and to establish penalties and fines for the infraction thereof; impose sanctions permitted by the Declaration, suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice as permitted by law; exercise for the Association all power, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration; declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors and employ a manager, an independent contractor or such other employees as they deem necessary and to prescribe their duties. In the management and control of the property, business and affairs of the Association, the Board of Directors is vested with all of the powers possessed by the Association itself insofar as this delegation of authority is not inconsistent with the laws of the State of Utah and with the Certificate of Incorporation or with these Bylaws. The Board of Directors shall have the power to determine what constitutes net earnings, profit and surplus, respectively, and what amounts shall be reserved for working capital and of any other purpose. Such determination by the Board of Directors shall be final and conclusive.

SECTION 5. Duties of Directors. The Board of Directors should:

- (a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A members who are entitled to vote;
- (b) elect or employ and supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;
- (c) unless otherwise provided in the Declaration as required by the Declaration, to:
 - (1) establish a budget for each fiscal year, preferably by September 1 of each year for the next succeeding year;
 - (2) fix the amount of the projected annual assessment against each Lot at least thirty (30) days in advance of the annual meeting;

(3) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period (provided, however, that failure to do so shall not affect the validity of the assessment after it is made); and

(4) foreclose the lien against any property for which assessments are not paid within sixty (60) days after due date or pursue any other right against the entity or person obligated to pay the same, and pursue other rights and remedies as they exist in the Declaration.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge not to exceed \$10.00 or such higher amount as may be allowed by statute may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain insurance as required by the Declaration on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, consistent with the Declaration or in addition thereto as it may deem appropriate;

(g) cause the Common Area and Limited Common Areas to be maintained, for which it is authorized and obligated to engage a Property manager in the manner allowed by the Declaration;

(h) levy and collect general and special assessments as authorized by the Declaration;

(i) by majority vote, establish and amend administrative rules governing the details of the operation and use of Common Area and Facilities, which rules shall not be inconsistent with the Declaration;

(j) to give notice as required by the Declaration, and to perform the tasks set forth in the Declaration for the Directors.

SECTION 6. Meeting of Directors. Regular meetings of the Board of Directors shall be held at such places and at such time as the Board of Directors by vote may determine, and if so determined, no notice thereof need be given. Special meetings of the Board of Directors may be held at any time or any place within Utah County, State of Utah whenever called by the President, Secretary-Treasurer or two (2) directors, notice thereof being given to each director by the Secretary-Treasurer or by the officer calling the meeting, or by delivering the same to him personally or telegraphing or telefaxing the same to him at his residence or business address not later than seventy-two (72) hours prior to the date on which the meeting is to be held. In case of emergency, the chairman of the Board of Directors or the President may prescribe a shorter

notice to be given personally or by telefaxing (with confirmation) each director at his residence or business address. Such special meeting shall be held at such time and place as the notice thereof or waiver shall specify. The officers of the Association shall be elected by the board of Directors after its election by the Members, and a meeting may be held without notice of this purpose immediately after the annual meeting of Members and at the same place.

SECTION 7. Quorum of Directors. A majority of the members of the Board of Directors as constituted for the time being shall constitute a quorum for the transaction of business, but a lesser number not less than one (1) may adjourn any meeting and the meeting may be held as adjourned without further notice. When a quorum is present at any meeting, the majority of the members present thereat shall decide any questions brought before such meeting except as otherwise provided by law or by these Bylaws.

SECTION 8. Vacancies. Any vacancy occurring in the board of Directors may be filled by an affirmative vote of the majority of the remaining directors, though not less than a quorum of the Board of Directors, unless otherwise provided by law or by the Articles of Incorporation. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at the annual meeting or at a special meeting of Members called for the purpose.

SECTION 9. Compensation. By resolution of the Board of Directors, directors may be paid their expenses, if any, for attendance at each meeting of the Board of Directors, but shall not be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. A director may serve the Association in any other capacity and receive compensation therefor if approved by the Association.

SECTION 10. Presumption of Assent. A director of the Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent of such action with the person acting as secretary of the meeting or the adjournment thereof, or shall forward such dissent by registered mail to the Secretary-Treasurer of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 11. Formal Action by Directors. Unless otherwise provided by law, any action required to be taken at a meeting of the Board of Directors or any other action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken shall be signed by all the directors entitled to vote with respect to the subject matter thereof.

SECTION 12. Limitation of Liability of Directors. To the maximum extent permitted by the Act, the liability of directors and officers of the Corporation shall be limited.

ARTICLE V

OFFICERS

SECTION 1. Officers of the Association. The officers of this Association shall be a President (who shall at all times be a member of the Board of Directors) and a Secretary-Treasurer. The President who, when present, shall preside at all meetings of the Board of Directors, shall have other such powers as the Board of Directors may, from time to time, prescribe. All of the officers shall be elected by the Board of Directors, and may also be Directors.

SECTION 2. Eligibility of Officers. After January 1, 2009, the President and chairman of the Board of Directors must be a Lot Owner, either directly or as the control person in an entity owning a Lot. Prior to that time, the officers may include members or persons nominated by the Declarant. The Secretary-Treasurer and such other officers as may be elected or appointed, need not be Members of the Association. Any person may hold more than one office provided the duties thereof can be consistently performed by the same person; provided, however, that no person shall, at any time, hold the two (2) offices of President and Secretary-Treasurer. A director may also be an officer.

SECTION 3. Additional Officers and Agents. The Board of Directors at its discretion, may appoint a General Manager, one or more Assistant Secretary-Treasurers, a Vice President, and one or more Assistant Secretaries and such other officers or agents as may be deemed advisable and prescribe the duties thereof, subject to the provisions of the Declaration.

SECTION 4. Election and Term of Office. The officers of the Association to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or have been removed in the manner hereafter provided.

SECTION 5. President. The President shall be the chief executive officer of the Association and, when present, shall preside at all meetings of the Members and shall preside at meetings of the Board of Directors. The President, unless some other person is specifically authorized by vote of the Board of Directors, shall sign all certificates of stock (if any may be issued), bonds, deeds, mortgages, extension agreements, modification of mortgage agreements, leases and contracts of the Association. He shall perform all the duties commonly incident to his office and shall perform such other duties as the board of Directors shall designate from time to time.

SECTION 6. Secretary-Treasurer. The Secretary-Treasurer shall keep accurate minutes of all meetings of the Members and of the Board of Directors and shall perform such other duties

and have such other powers as the Board of Directors shall, from time to time, so designate. In his absence at any meeting, an Assistant Secretary-Treasurer or a Secretary-Treasurer Pro Tempore may be designated to perform his duties thereat. The Secretary-Treasurer and any Secretary-Treasurer Pro Tempore shall be sworn to the faithful discharge of their duties.

The Secretary-Treasurer, subject to the order of the Board of Directors, shall also have the care and custody of the money, funds, valuable papers, records, and documents of the Association (other than his own bond, if any, which shall be in the custody of the President), and shall have and exercise, under the supervision of the Board of Directors, all the powers and duties commonly incident to his office and shall give bond in such form and with such sureties as shall be required by the Board of Directors. He shall deposit all funds of the Association in such bank or banks, trust company or trust companies, or with such firm or firms doing a banking business as the directors shall, from time to time, so designate. The treasurer may endorse for deposit for collection all checks and notes payable to the Association or to its order, may accept drafts on behalf of the Association and, together with the President or Vice-President, may sign certificates of stock. He shall keep accurate books of account of the Association's transactions which shall be the property of the Association and, together with all property in his possessions, shall be subject at all times to the inspection and control of the Board of Directors.

All checks, drafts, notes or other obligations for the payment of money shall be signed by such officer or officers or agent or agents as the Board of Directors shall, by general or special resolution, direct. The Board of Directors may also in its discretion, require by general or special resolutions, that checks, drafts, notes and other obligations for the payment of money shall be countersigned or registered as a condition to their validity by such officer or officers or agent or agents as shall be directed in such resolution.

The duties of the Secretary-Treasurer may be delegated to a professional property management company

SECTION 7. Resignations and Removals. Any director or officer of the Association may resign at any time by giving written notice to the Association, to the Board of Directors, or to the Chairman of the Board, or to the President or Secretary-Treasurer of the Association. Any such resignation shall take effect at the time specified therein or, if the time be not specified therein, upon its acceptance by the Board of Directors.

The Members at any meeting called for the purpose of removing an officer or director, may by vote of a majority of Members, remove from office any director or other officer elected or appointed by the Members or Board of Directors and elect or appoint his successor. The Board of Directors, by vote of not less than a majority of the entire board, may remove from office any officer or agent elected or appointed by it with or without cause.

SECTION 8. Vacancies. If the office of an officer or agent becomes vacant by reason of death, resignation, removal, disqualification or otherwise, the directors may, by vote of a majority of a quorum, choose a successor or successors who shall hold office for the unexpired

term. Vacancies may also be filled for the unexpired term by the Members at a meeting called for that purpose, unless such vacancy shall have been filled by the directors prior to the meeting.

SECTION 9. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Association.

SECTION 10. Limitation of Liability of Officers. To the maximum extent permitted by the Act, the liability of Officers shall be limited.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument which is not inconsistent with the Declaration in the name and on behalf of the Association, and such authority may be general or confined to specific instances.

SECTION 2. Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a unanimous resolution of the Board of Directors, and if required by the Declaration, by vote of the Members. Such authority may be general or confined to specific instances.

SECTION 3. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association, and in such manner as shall, from time to time, be determined by a resolution of the Board of Directors.

SECTION 4. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may, in its sole discretion, select.

SECTION 5. Nothing contained in this Article VI shall, in any way conflict, or in any way otherwise, hamper the duties and obligations as set forth for the Secretary-Treasurer of the Association, as provided in Article V, Section 6 hereof.

ARTICLE VII

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. Certificates of Stock. Every Lot Owner in Phase 3 of the Gray Farms Subdivision shall be entitled to be a Member as provided in the Declaration. No Certificate of Membership or shares shall be issued but such membership shall be appurtenant to the Lot owned by the Member. Membership shall automatically transfer in conjunction with conveyance of the Lot.

If a Lot is owned by more than one person or entity, those owners shall be entitled to only the number of votes allocated to that Lot in the Declaration, and shall designate among themselves the person entitled to vote on behalf of the Lot. If the owners of a single Lot cannot agree on who is entitled to vote, no vote may be cast on behalf of the Lot.

It shall be the buyer's obligation to notify the Association of any assignment or sale of a Lot and to request that the membership be transferred on the books of the Association promptly after the closing.

It shall be the duty of each Member to notify the Association of his current mailing address and telephone number. It is also the duty of each Member to notify the Association of the holders of any mortgage secured by the Member's Lot, and of the purchaser of his Lot if and when the Lot is sold.

ARTICLE VIII

MISCELLANEOUS

SECTION 1. The Board of Directors shall have the power to fix, and from time to time, to change the fiscal year of the Association. Unless otherwise fixed by the Board of Directors, the calendar year shall be the fiscal year.

SECTION 2. The Board of Directors shall, at all times, keep themselves informed and take such steps and necessary actions as a reasonable, prudent person would do to serve the best interest of the Association.

SECTION 3. The Association may appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose. If no Architectural Control Committee is created, the Board of Directors shall fill that function.

SECTION 4. The books, records (including all financial reports and statements), rules and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member, Lot Owner, holder, insurer or guarantor of any first mortgages

secured by a Lot in the Project. Any such inspection shall be at the sole expense of the requesting party, which expense may include the cost of having a representative of the Association present at the inspection. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall also be available for inspection by the same persons and entities at the principal office of the Association during normal business hours. Copies may be purchased at reasonable cost.

SECTION 5. As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

ARTICLE IX

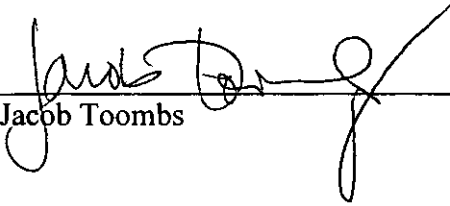
AMENDMENTS

SECTION 1. Unless otherwise provided herein or in the Declaration, the Bylaws of the Association may be amended, added to or replaced by a vote of a majority of a quorum of members present in person or by proxy. The number of votes allocated to a Lot shall be considered in determining whether a quorum exists.

SECTION 2. The Articles of Incorporation may be amended or restated in any manner consistent with Utah Code Ann. §§16-6a-101, et.seq.

SECTION 3. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Bylaws shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In the case of any conflict between these Bylaws and the Act, these Bylaws shall control unless the conflicting provision in the Act is mandatory.

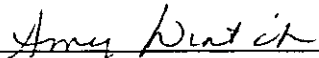
The foregoing Bylaws were adopted by the Incorporators of the Gray Farms Phase 3 Homeowners Association at a meeting of the Incorporators of said Association held on the 15TH day of JUNE, 2007.



Jacob Toombs

STATE OF UTAH }
 }ss
COUNTY OF SALT LAKE }

On this 15th day of June, 2007, Jacob Toombs personally appeared before me and affirmed that he executed the foregoing BYLAWS OF GRAY FARMS PHASE 3 HOMEOWNERS ASSOCIATION on behalf of and with the authorization of Gray Farms Phase 3 Homeowners Association, and that he is an incorporator and authorized agent of that non-profit corporation.



Notary Public

