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RANDALL A. COVINGTON
UTAH COUNTY RECORDER
2005 May 13 4:00 pm FEE 198.00 BY SS
RECORDED FOR SARATOGA SPRINGS CITY

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
OF THE
HILLCREST CONDOMINIUMS,
AN EXPANDABLE UTAH CONDOMINIUM PROJECT**

This Declaration is made on the date hereinafter set forth by HILLCREST SARATOGA CONDOMINIUMS, LLC, a Utah limited liability company, hereinafter referred to as the "Declarant."

RECITALS:

A. The Declarant is the owner of the following described parcels of land, hereinafter collectively the "Land," which are located in Utah County, State of Utah:

A PARCEL OF LAND LOCATED IN UTAH COUNTY, UTAH WHICH IS IN THE SOUTHWEST QUARTER AND THE NORTHWEST QUARTER OF SECTION 11, TOWNSHIP 5 SOUTH, RANGE 1 WEST, SALT LAKE BASE AND MERIDIAN, SAID PARCEL ALSO BEING A PART OF LOT 1, PLAT A, HILLCREST OVERALL SUBDIVISION, BEING MORE PARTICULARLY DESCRIBED ACCORDING TO THE FOLLOWING COURSES AND DISTANCES, TO WIT:

BEGINNING AT A POINT ON THE SOUTH LINE OF HILLCREST ROAD, SAID POINT BEING LOCATED WEST 1047.77 FEET AND SOUTH 2915.98 FEET FROM THE NORTH QUARTER CORNER OF SAID SECTION 11 (FOUND CORNER - BASIS OF BEARING IS N 89°54'48" E, BETWEEN THE NORTH QUARTER CORNER AND THE NORTHEAST SECTION CORNER OF SAID SECTION 11), THENCE ALONG THE ARC OF A 328.00 FOOT RADIUS CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 13°51'33" FOR 79.34 FEET (CHORD BEARS SOUTH 70°59'35" EAST 79.15 FEET); THENCE SOUTH 18°01'38" WEST 97.06 FEET; THENCE SOUTH 34°34'59" EAST 48.17 FEET; THENCE NORTH 78°00'31" EAST 220.48 FEET; THENCE SOUTH 11°59'29" EAST 207.64 FEET; THENCE SOUTH 55°25'01" WEST 740.62 FEET; THENCE NORTH 34°34'59" WEST 143.26 FEET; THENCE NORTH 55°25'01" EAST 70.37 FEET; THENCE NORTH 34°34'59" WEST 174.98 FEET; THENCE NORTH 24°31'07" EAST 245.18 FEET; THENCE NORTH 78°57'04" EAST 235.11 FEET; THENCE NORTH 47°05'57" EAST 36.96 FEET; THENCE ALONG THE ARC OF A 124.00 FOOT RADIUS CURVE TO THE LEFT THROUGH A CENTRAL ANGLE OF 44°31'49" FOR 96.37 FEET (CHORD BEARS NORTH 24°50'02" EAST 93.97 FEET); THENCE NORTH 02°34'08" EAST 54.96 FEET TO THE POINT OF BEGINNING.

AREA CONTAINED: 6.086 ACRES

B. The Declarant has constructed or will construct on the Land certain buildings and other improvements as shown on the Map referred to below.

C. The Declarant intends to execute, acknowledge, and record in the office of the County Recorder of Utah County, State of Utah, a certain instrument pertaining to the Project entitled "Condominium Plat for the Hillcrest Condominiums."

D. The Declarant intends by recording this Declaration and the Map to submit the land, the buildings, and all other improvements situated in or upon the land to the provisions of the Utah Condominium Ownership Act, Utah Code Ann., § 57-8-1, et seq. (hereinafter the "Condominium Act") as a fee simple Condominium Project and to impose on said property mutually beneficial restrictions under a general plan of improvement for the benefit of all Condominiums within said project and the Owners thereof.

DECLARATION

NOW, THEREFORE, the Declarant hereby declares as follows:

ARTICLE 1. DEFINITIONS

Unless the context clearly indicates otherwise, certain terms as used in this Declaration shall have the meanings set forth in this Article

1.1 "Additional Land" shall mean the real property described in Section 16.7 which has not yet been submitted to the provisions of the Act, but which may hereafter be added as a whole or in part to the Project as provided in Article 16 and in the Act.

1.2 "Association" shall mean the Hillcrest Condominium Owner's Association, a Utah nonprofit corporation, organized to be the Association referred to herein.

1.3 "Board of Trustees" shall mean the governing board or management committee of the Association, appointed or elected in accordance with the Declaration and in accordance with the Articles of Incorporation and Bylaws of the Hillcrest Condominium Owner's Association, attached hereto as Exhibit B and Exhibit C, respectively, and incorporated herein by this reference.

1.4 "Building" shall mean one of the six (6) buildings containing one or more units that have been or will hereafter be constructed on the land, as such buildings are shown on the Map.

1.5 "Common Areas" shall mean all physical portions of the Project, except all Units.

1.6 “Common Expense Fund” shall mean the fund created or to be created pursuant to the provisions of Article 9 of this Declaration and into which all monies of the Association shall be deposited.

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

1.8 “Condominium” shall mean a Unit and the undivided interest (expressed as a percentage of the entire ownership interest) in the Common Areas appurtenant to such Unit, as set forth in Exhibit A attached hereto and by this reference made a part hereof.

1.9 “Condominium Act” shall mean the Utah Condominium Ownership Act, Utah Code Ann., § 57-8-1, et seq.

1.10 “Declarant” shall mean HILLCREST SARATOGA CONDOMINIUMS, LLC, a Utah limited liability company.

1.11 “Eligible First Mortgagee” shall have the meaning set forth in Section 14.3 below.

1.12 “FHLMC” shall mean the Federal Home Loan Mortgage Corporation.

1.13 “First Mortgage” shall mean a first Mortgage lien on any Unit in the Project.

1.14 “First Mortgagee” shall mean the holder of a First Mortgage.

1.15 “FNMA” shall mean the Federal National Mortgage Association.

1.16 “HUD” shall mean the Department of Housing and Urban Development.

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

1.18 “Lease” shall mean any agreement for leasing or rental of the property.

1.19 “Limited Common Areas” shall mean any Common Areas designated as reserved for the use of a certain Unit or Units to the exclusion of the other Units in the Project. Structural separations between Units or the space which would be occupied by such structural separations may become Limited Common Areas for the exclusive use of the Owner or Owners of the Units on either side thereof as provided in Section 4.3 hereof.

1.20 "Map" shall mean the Condominium Plat for Hillcrest Condominiums, attached hereto as Exhibit D and incorporated herein by this reference and any Supplemental Maps pertaining to the Project and recorded or to be recorded in the office of the County Recorder of Utah County, State of Utah.

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

1.22 "Mortgagee" shall mean i) any persons named as the mortgagee or beneficiary under any mortgage or deed of trust by which the interest of any Owner is encumbered, or ii) any successor to the interest of such person under such mortgage or deed of trust.

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

1.24 "Project" shall mean the land, the buildings, and all improvements submitted by this Declaration and the Map to the provisions of the Condominium Act.

1.25 "Total Votes of the Association" shall mean the total number of votes appertaining to all Condominiums in the Project, as shown on Exhibit A attached hereto.

1.26 "Unit" shall mean an individual air space unit, consisting of enclosed rooms occupying part of a building and bounded by the unfinished interior surfaces of the walls, floors, ceilings, windows, and doors along the perimeter boundaries of the air space, as said boundaries are shown on the Map, together with all fixtures and improvements therein contained. Paint and other wall, ceiling, or floor coverings on interior surfaces shall be deemed to be part of the Unit. Notwithstanding the fact that they may be within the boundaries of such air space, the following are not part of a Unit insofar as they are necessary for the support or for the use and enjoyment of any other Unit: Bearing walls floors, ceilings, and roofs (except the interior surfaces thereof), foundations, ceiling equipment, tanks, pumps, pipes, vents, ducts, shafts, flues, chutes, conduits, wires, and other utility installations, except the outlets thereof when located within the Unit. The interior surfaces of a window or door mean the points at which such surfaces are located when the window or door is closed.

1.27 "VA" shall mean the Department of Veterans Affairs.

ARTICLE 2. SUBMISSION AND DIVISION OF PROJECT

2.1 Submission to Condominium Act. The Declarant hereby submits the Land, the buildings, and all other improvements now or hereafter made in or upon the land to the provisions of the Condominium Act. All of said property is and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, and improved as a fee simple Condominium Project to be known as Hillcrest Condominiums, an Expandable Utah Condominium Project. All of said property is and shall be subject to the covenants, conditions, restrictions, uses, limitations, and obligations set forth herein, each and all of which are declared and agreed to be for the benefit of said Project and in furtherance of a plan for improvement of said property and division thereof into Condominiums further, each and all of the provisions hereof shall be deemed to run with the land and shall be a burden and a benefit on the land and shall be binding upon the Declarant, its successors and assigns, and to any person acquiring, leasing, or owning an interest in the real property and improvements comprising the Project, and to their respective personal representatives, heirs, successors, and assigns.

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

ARTICLE 3. BUILDINGS AND IMPROVEMENTS

3.1 Buildings and Improvements. The buildings and other improvements constructed or to be constructed on the land are described on the Map. The buildings will be wood framed with vinyl windows, brick wainscoat, and vinyl siding. The following information regarding the buildings is also contained on the Map: i) the number of floors and basements in a building; and ii) the number of units on each floor of a building.

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

3.3 Description of Common Areas. The Map contains a description of the Common Area of the Project.

3.4 Description of Limited Common Areas. The Map contains a description of the Limited Common Areas of the Project. Each balcony shown on the Map is Limited Common Area for the exclusive use of the Unit to which such balcony is attached. The entry-ways immediately outside the front door of each Unit are Limited Common Area for the exclusive use of the Units that are serviced by such entry-ways. The Map designates a block of garages as Limited Common Area for the Units in each Building. The Association shall, from time to time, assign for the exclusive use of each Unit one garage from the block of garages which are designated on the Map as Limited Common Area for the Building in which such Unit is located. Each garage shall be for the exclusive use of the Unit to which it has been assigned. Each block of garages designated as Limited Common Area for the Units of a Building has one garage that has been designed for "Handicapped Parking." If the Owner or occupant of a Unit is or becomes handicapped for an extended and continuous period

and the "Handicapped Parking" garage from the block of garages designated for the Building in which such Unit is located has not previously been assigned by the Association, such "Handicapped Parking" garage shall be assigned to the Unit in which the Owner or occupant is handicapped and the garage previously assigned to such Unit shall be assigned to another Unit. If (a) the Owner or occupant of a Unit is or becomes handicapped for an extended and continuous period, (b) the "Handicapped Parking" garage from the block of garages designated for the Building in which such Unit is located has previously been assigned to another Unit, and (c) neither the Owner nor any occupant of such other Unit is handicapped, such "Handicapped Parking" garage shall be assigned to the Unit in which the Owner or occupant is handicapped and such other Unit shall be assigned another garage from the block of garages designated as Limited Common Area for the Building in which such other Unit is located. Evidence of handicap status shall be by distinguishing license plat or placard issued by the Utah Department of Motor Vehicles.

ARTICLE 4. NATURE AND INCIDENTS OF OWNERSHIP

4.1 Interior of Units. Each Owner shall have the exclusive right to paint, repaint, tile, wax, paper, carpet, or otherwise decorate the interior surfaces of the walls, ceilings, floors, and doors forming the boundaries of such Owner's Unit and the surfaces of all walls, ceilings, floors, and doors within such boundaries. Each Owner shall also have the right, to construct partition walls, fixtures, and improvements within the boundaries of such Owner's Unit; provided however, that such partition walls, fixtures and improvements i) shall comply with all applicable laws, ordinances, and building codes, ii) shall not interfere with facilities necessary for the support, use, or enjoyment of any other part of the Project, iii) shall not impair the structural soundness or integrity of the Building in which it is located, and iv) shall not encroach upon the Common Areas or any part thereof, unless the Board of Trustees shall consent in writing to such encroachment.

4.2 Maintenance of Units. Each Owner shall keep the interior of his Unit, including without limitation, interior walls, windows, ceilings, floors, and permanent fixtures and appurtenances thereto, in a clean and sanitary condition and in a state of good repair. In the event that any such Unit shall develop an unsanitary or unclean condition or fall into a state of disrepair, and in the event that the Owner of such Unit shall fail to correct such condition or state of disrepair promptly following written notice from the Board of Trustees, the Board of Trustees in behalf of the Association shall have the right, at the expense of the Owner and without liability to the Owner for trespass or otherwise, to enter said Unit and correct or eliminate said unsanitary or unclean condition or state of disrepair; provided, however, that the Association shall in no event have the obligation to correct or eliminate any such condition or state of disrepair.

4.3 Right to Combine Units. With the written consent of the Board of Trustees, which consent shall not be unreasonably withheld, two or more Units may be utilized by the Owner or Owners thereof as if they were one Unit. To the extent permitted in the written consent of the Association, any walls, floors, or other structural separations between any two such Units, or any space which would be occupied by such structural separations but for the utilization of the two Units as one Unit, may, for as long as the two Units are utilized as one Unit, be utilized by the Owner or

Owners of the adjoining Units as Limited Common Areas, except to the extent that any such structural separations are necessary or contain facilities necessary for the support, use, or enjoyment of other parts of the Project. At any time, upon the request of the Owner of one of such adjoining Units, any opening between the two units which, but for joint utilization of the two Units, would have been occupied by structural separation, shall be closed, at the equal expense of the Owner or Owners of each of the two Units and the structural separations between the two Units shall thereupon become the common areas.

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

4.5 Ownership of Common Areas. The undivided ownership interests in the Common Areas shall be allocated equally to all of the Units in the Project regardless of the size or value of the Units. The initial undivided ownership interest in the Common Areas appurtenant to each Unit in the Project shall be as set forth in Exhibit A attached hereto. The percentages appurtenant to each Unit as shown in said Exhibit A shall have a permanent character and shall not be altered i) except with the unanimous written consent of all Owners expressed in an amendment to this Declaration duly recorded, or ii) except to the extent necessary to allow for the expansion of the project as provided in Article 16 of this Declaration and the Condominium Act. Except as otherwise provided in this Declaration, any Owner shall be entitled to nonexclusive use of the Common Areas (other than Limited Common Areas) in any manner that does not hinder or encroach upon the rights of other Owners and is not contrary to any rules and regulations promulgated by the Association. Except as otherwise provided in this Declaration, any Owner shall have the exclusive right to use and enjoy any Limited Common Areas that may be designated for exclusive use by such Owner.

4.6 Inseparability. Title to no part of a Condominium within the Project may be separated from any other part thereof, and each Unit and the undivided interest in the Common Areas appurtenant to each Unit shall always be conveyed, devised, encumbered, and otherwise affected only as a complete Condominium. Every devise, encumbrance, conveyance, or other disposition of a Condominium, or any part thereof, shall be construed to be a devise, encumbrance, conveyance, or other disposition, respectively, of the entire Condominium, together with all appurtenant rights created by law or by this Declaration, including appurtenant rights created by law or by this Declaration, including appurtenant membership in the Association as hereinafter set forth.

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

4.8 Separate Mortgages by Owners. Each Owner shall have the right separately to mortgage or otherwise encumber such Owner's Condominium. No Owner shall attempt to or shall have the right to mortgage or otherwise encumber the Common Areas or any part thereof, except the undivided interest therein appurtenant to such Owner's Condominium. Any mortgage or other

encumbrance of any Condominium within the Project shall be subordinate to all of the provisions of this Declaration, and in the event of foreclosure the provisions of this Declaration shall be binding upon any Owner whose title is derived through foreclosure by private power of sale, judicial foreclosure, or otherwise.

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

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

4.11 Description of Condominium. Every contract for the sale of a Condominium and every other instrument affecting title to a Condominium within the Project may describe a Unit by its identifying number or symbol as indicated in this Declaration or as shown on the Map. Such description will be construed to describe the Unit, together with its appurtenant undivided interest in the Common Areas, and to incorporate all of the rights incident to ownership of a Condominium within the Project and all of the limitations on such ownership.

ARTICLE 5. EASEMENTS

5.1 Easements for Encroachments. If any part of the Common Areas encroaches or shall hereafter encroach upon any Unit, an easement for such encroachment and for the maintenance of the same shall and does exist. If any part of a Unit encroaches or shall hereafter encroach upon the Common Areas, or upon an adjoining Unit, an easement for such encroachment and for the maintenance of the same shall and does exist. If any part of the Common Areas or any part of a Unit shall hereafter encroach on real property now owned by the Declarant outside the boundaries of the land, an easement for such encroachment shall and does exist. Such encroachments shall not be considered to be encumbrances either on the Common Areas or the Units. Encroachments referred to herein include, but are not limited to, encroachments caused by error in the original construction of the Building or any Improvements constructed or to be constructed within the Project, by error in the Map, by settling, rising, or shifting of the earth, or by changes in position caused by repair or

reconstruction of the Project, or any part thereof, in accordance with the provisions of this Declaration.

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

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

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

5.5 Easement for Completion of Project. The Declarant shall have a transferable easement over and on the Common Areas for the purpose of completing construction of the Project and making improvements therein as shown on the Map and for the purpose of doing all things reasonably necessary or appropriate in connection therewith. To the extent that damage is inflicted on any part of the Project by any person utilizing said easement, the Declarant and the person causing the damage shall be liable to the Association for the prompt repair of such damage.

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

ARTICLE 6. RESTRICTIONS ON USE

6.1 Primary Residential Use. All Units within the Project shall be used exclusively for residential purposes and for no other purpose.

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

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

6.4 Pets and Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept in any Unit or in the Common Areas except for service animals of Owners or their guests or invitees with disabilities and except that household pets may be kept or housed in units when expressly permitted in writing by the Board of Trustees. Each Owner who desires to keep a pet in such Owner's Unit shall apply in writing to the Board of Trustees for permission to keep such pet. In no event shall any pet be permitted in any portions of the Common Areas unless carried or on a leash. Each Owner who keeps a pet in a Unit shall promptly remove all pet waste from the Common Areas and Common Facilities. Each Owner who keeps a pet in a Unit shall indemnify and hold all other Owners and the Association harmless against any loss or liability of any kind or character whatsoever arising from or as a result of having such pet in the Project. If a pet disturbs other Owners by barking or biting or in other ways becoming obnoxious, the Board of Trustees will give notice to the Owner of such pet to cause such annoyance to be discontinued; and if such annoyance is not discontinued and corrected, the Board of Trustees may revoke its permission to keep the pet in the Project and the pet shall be removed therefrom.

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

6.6 No Obstructions. No Owner shall obstruct the Common Areas or any part thereof. No Owner shall store or cause to be stored in the Common Areas any property whatsoever, unless the Board of Trustees shall consent thereto in writing.

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

6.8 Prohibition of Damage and Certain Activities. Except with the prior written consent of the Board of Trustees, nothing shall be done or kept in any Unit, in the Common Areas, or in any other part of the Project that would result in cancellation of the insurance on the Project or any part thereof, nor shall anything be done or kept in any Unit that would increase the rate of insurance on the Project or any part thereof over that which the Association, but for such activity, would pay. Nothing shall be done or kept in any Unit or in the Common Areas or any part thereof which would be in violation of any statute, rule, ordinance, regulation, permit, or other validly imposed requirement of any governmental authority. No damage to, or waste of, the Common Areas or any part thereof shall be committed by any Owner or guest of any Owner, and each Owner shall indemnify and hold Harmless the Association and the other Owners from and against all loss resulting from any such damage or waste caused by such Owner or by the guests, tenants, licensees, or invitees of such Owner.

6.9 No Commercial Business. No commercial business shall be permitted within the Project.

6.10 No Lease for Transient or Hotel Purposes. With the exception of a lender in possession of a condominium unit following a default in a First Mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no Owner shall be permitted to lease such Owner's Unit for transient or hotel purposes or for an initial term of less than seven (7) days. No Unit owner shall lease less than the entire Unit. Any lease agreement shall be required to provide that the terms of such lease shall be subject in all respects to the provisions of the Declaration, the Articles, and the Bylaws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All leases shall be in writing.

6.11 Rules and Regulations. Each Owner shall comply strictly with all rules and regulations adopted by the Association for the governance of the Units, the Common Areas, and the Project, as such rules and regulations may be modified, amended, and construed by the Association in the sole discretion of its Board of Trustees.

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

ARTICLE 7. THE ASSOCIATION

7.1 Membership. Each Owner shall be entitled and required to be a Member of the Association; Membership shall begin immediately and automatically upon becoming an Owner and shall terminate immediately and automatically upon ceasing to be an Owner. If title to a

Condominium is held by more than one person, the Membership appurtenant to that Condominium shall be shared by all such persons in the same proportionate interest and by the same type of tenancy in which title to the Condominium is held. An Owner shall be entitled to one Membership for each Condominium owned by such Owner. Each Membership shall be appurtenant to the Condominium to which it relates and shall be transferred automatically by conveyance of that Condominium. Ownership of a Condominium within the Project cannot be separated from Membership in the Association appurtenant thereto, and any devise, encumbrance, conveyance, or other disposition of a Condominium shall be construed to be a devise, encumbrance conveyance, or other disposition respectively of the Owner's Membership in the Association and rights appurtenant thereto. No person or entity other than an Owner may be a Member of the Association, and Membership in the Association may not be transferred except in connection with the transfer of the Condominium.

7.2 Board of Trustees. Until either of the following events has occurred, the Declarant shall have the exclusive right to appoint and to remove all Trustees of the Association:

- (a) The fifth anniversary of the date on which this Declaration is recorded, or
- (b) One hundred and twenty days has expired after seventy-five percent (75%) of the Condominiums have been conveyed to purchasers.

Upon the occurrence of either of the foregoing events, the Trustees of the Association shall be elected by the Members in accordance with the Bylaws.

7.3 Votes. Each Unit in the Project shall have one vote in the Association regardless of the size or value of the Unit. The number of votes appurtenant to each respective Condominium shall be as set forth in Exhibit A. The number of votes appurtenant to each Condominium as set forth in said Exhibit A shall have a permanent character and shall not be altered without the unanimous written consent of all Owners expressed in a duly recorded amendment to this Declaration except to the extent necessary to allow for the expansion of the project as provided in Article 16 of this Declaration and the Condominium Act.

7.4 Amplification. The provisions of this Article 7 may be amplified by the Articles of Incorporation and Bylaws of the Association; provided, however, that no such amplification shall substantially alter or amend any of the rights or obligations of the Owners set forth in this Declaration. The initial Bylaws of the Association shall be in the form of Exhibit C.

ARTICLE 8. CERTAIN RIGHTS AND OBLIGATIONS OF ASSOCIATION AND TRUSTEES

8.1 The Common Areas. The Board of Trustees, acting on behalf of the Association and, subject to the rights and duties of the Owners as set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Areas and all Improvements thereon (including the Common Facilities), and shall keep the same in a good, clean, attractive, safe, and

sanitary condition, order, and repair; provided, however, that unless otherwise stated herein, each Owner shall keep the Limited Common Areas designated for use in connection with his Unit, if any, in a clean, sanitary, and attractive condition. The Association shall be responsible for the maintenance and repair of the exterior of the Buildings, other Improvements and grounds, including without limitation painting thereof, repair and replacement of exterior trim, roofs and fences, and maintenance of landscaping, walkways, driveways, and parking areas. The Board of Trustees shall also be responsible for maintenance, repair, and replacement of Common Areas within the Buildings, including without limitation landings, stairways utility lines, Common Facilities, and all Improvements and other items located within or used in connection with the Common Areas. The specification of duties of the Board of Trustees with respect to particular Common Areas shall not be construed to limit its duties with respect to other Common Areas. All goods and services procured by the Board of Trustees in performing its responsibilities under this Section shall be paid for with funds from the Common Expense Fund.

8.2 Miscellaneous Goods and Services. The Board of Trustees may, in behalf of the Association, obtain and pay for the services of such personnel as the Board of Trustees shall determine to be necessary or desirable for the proper operation of the Project, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or which it contracts. The Board of Trustees may, in behalf of the Association, obtain and pay for legal and accounting services necessary or desirable in connection with the operation of the Project or the enforcement of this Declaration. In addition to the foregoing, the Board of Trustees may, in behalf of the Association, acquire and pay for out of the Common Expense Fund water, sewer, garbage collection, electrical, gas, and other necessary or desirable utility services for the Common Areas (and for the Units to the extent not separately metered or billed), insurance, bonds, and other goods and services common to the units.

8.3 Real and Personal Property. The Board of Trustees may acquire and hold on behalf of the Association real, personal, and mixed property of all types for the use or benefit of all of the Owners and may dispose of such property by sale or otherwise; provided that any acquisition or disposition of any real, personal or mixed property by the Board of Trustees wherein the value of such property exceeds \$5,000 must be approved by a vote of at least fifty-one percent (51%) of the Total Votes of the Association at a Meeting duly called for that purpose. All such property, including Common Facilities, shall be paid for out of the Common Expense Fund and all proceeds from the disposition thereof shall be part of such fund.

8.4 Rules and Regulations. The Board of Trustees may make reasonable rules and regulations governing the use of the Units, the Common Areas, the Limited Common Areas, and all parts of the Project, which rules and regulations shall be consistent with the rights and duties established by this Declaration. The Board of Trustees in behalf of the Association may take judicial action against any Owner to enforce compliance with such rules and regulations or other obligations of such Owner arising hereunder, or to obtain damages for noncompliance therewith, as permitted by law. In the event of such judicial action, the Association shall be entitled to recover its costs, including reasonable attorneys' fees, from the offending Owner.

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

8.6 Statutory Duties and Powers. All duties, responsibilities rights, and powers imposed upon or granted to the "management committee" or to the "manager" under the Condominium Act shall be duties, responsibilities, rights, and powers of the Board of Trustees hereunder.

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

ARTICLE 9. ASSESSMENTS

9.1 Agreement to Pay Assessments. The Declarant, for each Condominium owned by it within the Project, and for and as the owner of the Project and every part thereof, hereby covenants and each Owner of any Condominium by the acceptance of instruments of conveyance and transfer therefor, whether or not it be so expressed in said instruments, shall be deemed to covenant and agree with each other and with the Association to pay to the Association all assessments made by the Association for the purposes provided in this Declaration. Such assessments shall be fixed, established, and collected from time to time as provided in this Article 9; provided, however, that all Units shall be allocated full assessments no later than sixty (60) days after the first Unit is conveyed.

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

(a) Common Expense. Annual Assessments shall be based upon advance estimates of the Association's cash requirements to provide for payment of all estimated expenses arising out of or connected with maintenance and operation of the Common Areas and/or furnishing utility services and other common items to the Units. Such estimated expenses may include, among other things, the following: Expenses of management; real property taxes and special assessments (unless and until the Condominiums are separately assessed); premiums for all insurance that the Association is required or permitted to maintain hereunder; repairs and maintenance; wages for Association employees, including fees for a Manager (if any); utility charges, including charges for utility services to the Units to the extent not separately metered or billed; legal and accounting fees; any deficit remaining from a previous period; creation of an adequate contingency reserve, major maintenance reserve, and/or sinking fund; creation of an adequate reserve fund for maintenance repairs, and replacement of those Common Areas and Facilities that must be replaced on a periodic basis, and such reserve shall be funded by monthly payments rather than extraordinary special assessments; and any other expenses and liabilities which may be

incurred by the Association for the benefit of the Owners under or by reason of this Declaration. Such shall constitute the Common Expense, and all funds received from assessments under this Section 9.2(a) shall be part of the Common Expense Fund.

(b) Apportionment. Expenses attributable to the Common Expense or to the Project as a whole shall be apportioned among and assessed to the Owners in proportion to their respective undivided interests in the Common Areas. The Declarant shall be liable for the amount of any assessments against the Condominiums owned by it.

(c) Annual Budget. Annual Assessments shall be determined on the basis of a fiscal year beginning January 1 of each year and ending the December 31 next following; provided the first fiscal year shall begin on the date of this Declaration and end on the December 31 next following. On or before December 15 of each year, the Board of Trustees shall prepare and furnish to each Owner, or cause to be prepared and furnished to each Owner, an operating budget for the upcoming fiscal year. The budget shall itemize the estimated expenses of Common Expense for such fiscal year, anticipated receipts (if any), and any deficit or surplus from the prior operating period. The budget shall serve as the supporting document for the Annual Assessment for the upcoming fiscal year and as the major guideline under which the Project shall be operated during such annual period. Such budgets shall be unnecessary for Annual Assessments relative to, or for operation of the Project during, any operating period ending before January 1, 2003.

(d) Notice and Payment. Except with respect to the first fiscal year, the Board of Trustees shall notify each Owner as to the amount of the Annual Assessment against such Owner's Condominium on or before December 15 each year for the fiscal year beginning on January 1 next following. Each Annual Assessment shall be payable in twelve equal monthly installments, one such installment due on the first day of each calendar month during the fiscal year to which the assessment relates; provided, however, the Annual Assessment for the first fiscal year shall be based upon such portion of the first fiscal year and shall be payable in such installments and at such times as the Association, in the sole discretion of its Board of Trustees, may determine. All unpaid installments of any Annual Assessment shall bear interest at the rate of fifteen percent (15%) per annum from the date each such installment becomes due until paid. In addition, in the event that any installment of any Annual Assessment is not paid on the date such installment becomes due, it shall be subject to a penalty for late payment of three dollars (\$3.00) per day from the date each such installment becomes due until paid. The failure of the Board of Trustees to give timely notice of any Annual Assessment as provided herein shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of any Owner from the obligation to pay such assessment or any other assessment; but the date when the payment shall become due in such case shall be deferred to a date fifteen (15) days after notice of such assessment shall have been given to the Owner in the manner provided in this Declaration.

(e) Inadequate Funds. In the event that the Common Expense Fund proves inadequate at any time for whatever reason, including nonpayment of any Owner's assessment, the Board of Trustees may on behalf of the Association levy additional assessments in accordance with the procedure set forth in Section 9.3 below, except that the vote therein specified shall be unnecessary.

(f) It is anticipated that the initial annual assessment shall be approximately \$1200 (or \$100/month).

9.3 Special Assessments. In addition to the Annual Assessments authorized by this Article 9, the Board of Trustees may, on behalf of the Association, levy, at any time and from time to time, upon the affirmative vote of at least fifty-one percent (51%) of the Total Votes of the Association, Special Assessments, payable over such periods as the Board of Trustees may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expenses incurred or to be incurred as provided in this Declaration (including without limitation Common Expenses). This Section shall not be construed as an independent source of authority for the Association to incur expenses, but shall be construed to prescribe the manner of assessing for expenses authorized by other Sections or Articles hereof. Any Points assessed pursuant hereto shall be assessed to owners in proportion to their respective undivided interests in the Common Areas. Notice in writing of the amount of each such Special Assessment and the time for payment thereof shall be given promptly to the Owners; no payment shall be due less than fifteen (15) days after such notice shall have been given. All unpaid portions of any Special Assessment shall bear interest at the rate of fifteen percent (15%) per annum from the date such portions become due until paid. In addition, in the event that any Special Assessment is not paid on the date such Special Assessment becomes due, it shall be subject to a penalty for late payment of three dollars (\$3.00) per day from the date each such Special Assessment becomes due until paid. All funds received from assessments under this Section shall be part of the Common Expense Fund.

9.4 Lien for Assessments. All sums assessed to Owners of any Condominium within the Project pursuant to the provisions of this Article 9, together with penalties and interest thereon as provided herein, shall be secured by a lien on such Condominium in favor of the Association. To evidence a lien for sums assessed pursuant to this Article 9, the Board of Trustees may prepare a written notice of lien setting forth the amount of the assessment, the date due, the amount remaining unpaid, the name of the Owner of the Condominium, and a description of the Condominium. Such a notice shall be signed and acknowledged by a duly authorized officer of the association and may be recorded in the office of the County Recorder of Utah County, State of Utah. No notice of lien shall be recorded until there is a delinquency in payment of the assessment. Such lien may be enforced by sale or foreclosure conducted in accordance with the provisions of law applicable to the exercise of powers of sale or foreclosure in deeds of trust or mortgages or in any other manner permitted by law. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees) and such costs and expenses shall be secured by the lien being foreclosed. The Owner shall also be required to pay to the Association any assessments

against the Condominium which shall become due during the period of foreclosure, and all such assessments shall be secured by the lien being foreclosed. The Board of Trustees shall have the right and power in behalf of the Association to bid in at any foreclosure sale, and to hold, lease, mortgage, or convey the subject Condominium in the name of the Association.

9.5 Personal Obligation of Owner. The amount of any Annual or Special Assessment against any Condominium shall be the personal obligation of the Owner of such Condominium to the Association. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosing or waiving the lien securing the same. No Owner may avoid or diminish any such personal obligation by waiver of the use and enjoyment of any of the Common Areas or by abandonment of his Condominium or by waiving any services or amenities provided for in this Declaration. In the event of any suit to recover a money judgment for unpaid assessments hereunder, the involved Owner shall pay the costs and expenses incurred by the Association in connection therewith, including reasonable attorneys' fees. The personal obligation for delinquent Annual or Special Assessments shall not pass to successors in title or interest to an Owner unless assumed by such successors.

9.6 Restrictions on Right to Use Common Areas and Common Facilities. During any period in which an Owner is in default in the payment of the Annual or Special Assessments against such Owner's Condominium, the Board of Trustees may, in addition to any other rights or remedies available at law or pursuant to this Declaration and upon twenty (20) days prior written notice to such Owner, restrict such Owner's right to use the Common Areas and Common Facilities.

9.7 Working Capital Fund. The Declarant shall establish and maintain for the Project, a working capital fund equal to at least three (3) monthly installments of the annual assessment of each Unit. Each Unit's share of the working capital fund must be collected and transferred to the Association upon the first to occur of the following events: (a) by the transferee of such Unit at the time that the first transfer of such Unit by the Declarant is closed or (b) by the Declarant upon termination of the Declarant's control of the Association as described in Section 7.2. With respect to each Unit for which the Declarant pays the contribution to the working capital fund, Declarant shall be reimbursed for such contribution by the Purchaser of such Unit at the time of closing of the sale to such purchaser. The working capital funds must be maintained in as segregated account for the use and benefit of the Association. The purpose of the working capital funds is to ensure that the Association will have cash available to meet unforeseen expenditures or to acquire additional equipment or services deemed necessary or desirable by the Association. Amounts paid into the working capital fund are not to be considered advance payments of any regular assessment. The working capital fund shall be transferred to the association for deposit to a segregated fund when control of the Association is transferred to the Owners. The Declarant shall not use the working capital fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits.

9.8 Amendment of Article. This Article 9 shall not be amended unless Owners of all Condominiums in the Project unanimously consent and agree to such amendment in a duly recorded instrument.

ARTICLE 10. INSURANCE

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

(a) Master Property Insurance. The Association shall obtain and maintain a “master” or “blanket” multi-peril policy of property insurance equal to a full replacement value (i.e., 100% of current “replacement cost” exclusive of land, foundation, excavation and other items normally excluded from coverage) of the Project (including all building service equipment and the like and any fixtures or equipment within the Condominium unit which are financed under the mortgage) with an Agreed Amount Endorsement or its equivalent, if available, or an Inflation Guard Endorsement and, if required by either FNMA or FHLMC, Demolition and Contingent Liability From Operation of Building Laws Endorsements, an Increased Cost of Construction Endorsement, an Earthquake Damage Endorsement, and other endorsements as necessary. Such insurance shall afford protection against loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, and water damage; and such other risks as are customarily covered in similar projects or as are commonly required by private institutional mortgage investors for projects similar in construction, location and use. All policies or property insurance shall provide that, despite any provisions giving the insurance carrier the right to elect to restore damage in lieu of a cash settlement, such option shall not be exercisable without the prior written approval of the Association (or any Insurance Trustee) or when in conflict with the provisions of any Insurance Trust Agreement to which the Association may be a party, or any requirement by law. Any blanket policy of property insurance shall contain or have attached a standard mortgagee clause (without contribution) customarily used in the area in which the Project is located which must be endorsed to provide that any proceeds shall be paid to the Hillcrest Condominium Owners Association for the use and benefit of the Owners and their respective First Mortgagees, as their interests may appear.

(b) Public Liability Insurance. The Association shall obtain and maintain a comprehensive policy of public liability insurance covering all of the Common Areas and Facilities, commercial spaces and public ways (if any) in the Project, with a Severability of Interest Endorsement or equivalent coverage which would preclude the insurer from denying the claim of a Condominium Owner because of the negligent acts of the Association, such Owner, or another Owner, with limits of not less than \$1,000,000 covering all claims for personal injury and/or property damage arising out of a single occurrence, including protection against water damage liability, liability for non-owned and hired automobile,

liability for property of others, and such other risks as are customarily covered in similar projects. The scope of coverage also includes all other coverage in the kinds and amounts required by private institutional mortgage investors for projects similar in construction, location and use.

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

(d) Fidelity Insurance or Bond. The Association shall obtain and maintain adequate fidelity coverage to protect against dishonest acts by its officers, members of the Board of Trustees, and employees and all others who are responsible for handling funds of the Association. Such fidelity bonds shall meet the following requirements:

(1) all shall name the Association as an obligee;

(2) all shall be written in an amount which shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond, but in no event less than the sum of three (3) months aggregate assessments on all Units plus reserves;

(3) all shall contain waivers of any defenses based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression, or shall contain an appropriate endorsement to the policy to cover any persons who serve without compensation if the policy would not otherwise cover volunteers;

(4) all shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premiums) without at least ten (10) days prior written notice to the Association or any Insurance Trustee. If applicable, such bonds shall also provide that the FNMA Servicer, on behalf of FNMA, receive such notice of cancellation or modification.

(e) Flood Insurance. The Project is not presently located in an area identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. In the event that at some future time the Project should be declared to be in such a flood area, the Association shall at that time obtain and maintain at all times a blanket policy of flood insurance that meets the then existing FHLMC/FNMA flood insurance requirements for similar condominium projects. Such policy shall contain the standard mortgagee clause customarily used in the area in which the Project is located and

provide that any proceeds shall be paid to the Hillcrest Condominium Owners Association for the use and benefit of mortgagees as their interest may appear.

(f) Governmental Requirements. Notwithstanding any other provisions contained herein to the contrary, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond coverage meeting the insurance and fidelity bond requirements for condominium projects established by Federal National Mortgage Association and Government National Mortgage Association so long as either is a mortgagee or owner of a Condominium within the Project, 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.

10.2 Insurance Policy Requirements. The Master Multi-Peril Property, Public Liability and Flood Insurance policies obtained by the Association pursuant to Section 10.1 above shall be subject to the following additional requirements:

(a) the named insured under any such policies shall be the Association, as a trustee for the Owners, or its authorized representative, including any trustee with which such Association may enter into any Insurance Trust Agreement, or any successor trusts, each of which shall be referred to as the "Insurance Trustee" who shall have exclusive authority to negotiate losses under these policies;

(b) insurance coverage obtained and maintained pursuant to the requirements of Sections 10.1(a) and 10.1(b) shall not be brought into contribution with any insurance purchased by any Owner or such Owner's mortgagee;

(c) coverage must not be prejudiced by (1) any act or neglect of the Association, any employee or agent of the Association, or any Owner, or (2) any failure of the Association to comply with any warranty or condition regarding any portion of the promises over which the Association has no control;

(d) coverage may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days prior written notice to any and all insureds, including each First Mortgagee scheduled as a holder of a first mortgage in the applicable policy;

(e) all policies must contain a waiver of subrogation by the insurer as to any and all claims against the Association, the Owners and/or their respective agents, employees or tenants, and of any defenses based on coinsurance or on invalidism arising from the acts of the insured;

(f) each hazard insurance policy shall be written by a hazard insurance carrier which has a financial rating by Best's Insurance Reports of Class VI or better;

(g) policies shall be deemed unacceptable where (1) under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against a Condominium Owner, such Owner's First Mortgagee or any First Mortgagee's designee or such designee's designee; (2) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members; or (3) the policy includes any limiting clauses (other than insurance conditions) which could prevent a Condominium Owner, his First Mortgagee or any First Mortgagee's designee or such designee's designee from collecting insurance proceeds;

(h) all policies of hazard insurance shall contain or have attached the standard mortgagee clause commonly accepted by private institutional mortgage investors in the area in which the Project is located.

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

10.4 Owner's Own Insurance. Each Owner, at his own expense, may, procure and maintain at all times fire and extended coverage insurance covering personal property of such owner and additional fixtures and improvements added by such Owner against loss by fire and other casualties, including without limitation vandalism and malicious mischief. All policies providing such casualty insurance shall provide that they do not diminish the insurance carrier's coverage for liability arising under insurance policies obtained by the Association pursuant to this Article. Notwithstanding the provisions hereof, each Owner may obtain insurance at his own expense providing such other coverage upon such Owner's Condominium, such Owner's personal property, such Owner's personal liability, and covering such other risks as such Owner may deem appropriate provided that each such policy shall provide that it does not diminish the insurance carrier's coverage for liability arising under insurance policies obtained by the Association pursuant to this Article. If obtainable under industry practice without an unreasonable additional charge for such waiver, all such insurance shall contain a waiver of the insurance company's right of subrogation against the Association, the Declarant, the Manager, other Owners, and their respective servants, agents and guests.

10.5 Review of Insurance. The Association shall review annually the coverage and policy limits of all insurance on the Project and adjust the same at its discretion. Such annual review may include an appraisal of the improvements in the Project by a representative of the insurance carrier or carriers providing the policy or policies on the Project, or by such other qualified appraisers as the Association may select.

ARTICLE 11. DAMAGE OR DESTRUCTION

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

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

11.3 Procedures. In the event any part of the Project is damaged or destroyed, the Association shall proceed as follows:

(a) Notice to Eligible First Mortgage Holders. The Association shall give timely written notice to any each Eligible First Mortgagee holding a First Mortgage on a Unit in the event of substantial damage to or destruction of such Unit or any part of the Common Areas.

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

(c) Sufficient Insurance. If the proceeds of the insurance maintained by the Association exceed the estimated costs to repair and reconstruct the damaged or destroyed part of the Project such repair and reconstruction shall be carried out.

(d) Insufficient Insurance – Less than 75% Destruction. If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and if less than seventy-five percent (75%) of the Project is damaged or destroyed, such repair and reconstruction shall nevertheless be carried out. The Association shall levy a Special Assessment sufficient to provide funds to pay the actual costs of such repair and reconstruction to the extent that such insurance proceeds are insufficient to pay such costs. Such Special Assessment shall be allocated and collected as provided in Section 9.3 hereof, except that the vote therein specified shall be unnecessary. Further levies may be made in like manner if the amounts collected (together with the proceeds of insurance) are insufficient to pay all actual costs of such repair and reconstruction.

(e) Insufficient Insurance – 75% or More Destruction. If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and

reconstruct the damaged or destroyed part of the Project and if seventy-five percent (75%) or more of the Project is damaged or destroyed, such damage or destruction shall be repaired and reconstructed if, but only if, within one hundred (100) days following the damage or destruction, the Owners shall elect by a vote of at least seventy-five percent (75%) of the Total Votes of the Association to carry out such repair and reconstruction. If, however, the Owners shall not, within one hundred (100) days after such damage or destruction, elect by a vote of at least seventy-five percent (75%) of the Total Votes of the Association to carry out such repair and reconstruction, the Association shall, subject to the provisions of Section 14.3, record in the office of the County Recorder of Utah County, State of Utah, a notice setting forth such facts. Upon the recording of such notice, the following shall occur:

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

(2) The undivided interest in the Project owned in common which shall appertain to each Owner shall be the percentage of the undivided interest precisely owned by such Owner in the Common Areas;

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

(4) The Project shall be subject to an action for partition at the suit of any Owner, in which event the net proceeds of any sale resulting from such suit for partition, together with the net proceeds of the insurance of the Project, if any, shall be considered as one fund and shall be divided among all Owners in a percentage equal to the percentage of undivided interest owned by each respective Owner in the Common Areas, as set forth in Exhibit A hereto, after first paying out of the respective share of each Owner, to the extent sufficient for the purposes, all liens on the undivided interest in the Project owned by such Owner.

(f) In no event shall an owner of a Unit or any other party have priority over any First Mortgagee holding a First Mortgage on such Unit with respect to the distribution to such unit of any insurance proceeds.

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

11.5 Disbursement of Funds for Repair and Reconstruction. If repair or reconstruction is to occur, the insurance proceeds held by the Association and any amounts received from assessments made pursuant to Section 11.3(d) hereof shall constitute a fund for the payment of costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for costs of repair and reconstruction shall be made from insurance proceeds; if there is a balance after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners in proportion to their respective percentages of Ownership of the Common Areas.

11.6 Amendment of Article. This Article 11 shall not be amended unless the Owners of all Condominiums in the Project unanimously consent and agree to such amendment by duly executed and recorded instruments.

ARTICLE 12. CONDEMNATION

12.1 Condemnation. If at any time or times all or any part of the Project shall be taken or condemned by any public authority under power of eminent domain, the provisions of this Article shall apply. A voluntary sale or conveyance of all or any part of the Project in lieu of condemnation, but under threat of condemnation, shall be deemed to be a taking by power of eminent domain. If any Unit or portion thereof or the Common Areas or Facilities or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, the Board of Trustees shall give prompt written notice of any such proceeding or proposed acquisition to each Owner in the Project and to any Eligible First Mortgagee holding a First Mortgage on a Unit in the Project.

12.2 Proceeds. All compensation, damages, and other proceeds from any such taking by power of eminent domain (hereinafter the "condemnation award") shall be made payable to the Association and shall be distributed by the Board of Trustees, on behalf of the Association, as herein provided.

12.3 Complete Taking. In the event the entire Project is taken by power of eminent domain, condominium ownership pursuant hereto shall terminate and the condemnation award shall be allocated among and distributed to the Owners in proportion to their respective undivided interests in the Common Areas. Such distribution shall be made by check payable jointly to the respective Owners and their respective Mortgagees, as appropriate.

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

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

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

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

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

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

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

(6) Distribution of allocated proceeds shall be made by check payable jointly to individual Owners and their respective Mortgagees, as appropriate; and

(7) No provision of this Article 12 or any other provisions in this Declaration, the Articles, or the Bylaws shall entitle the Owner of a Unit or other party to priority over any First Mortgagee holding a First Mortgage lien on such Unit with respect to the distribution to such Unit of the proceeds of any award, settlement, or proceeds from any eminent domain or condemnation proceeding.

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

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

(2) If any partial taking results in the taking of a portion of a Unit and if no determination is made by the Board of Trustees that such taking makes it impractical to use the remaining portion of such Unit for any lawful purpose permitted by this Declaration, then the fair market value of such remaining portion of

the Unit shall be determined by the Board of Trustees and all voting rights and the undivided interest in the Common Areas appertaining to such Unit shall be reduced in proportion to the diminution in fair market value of such Unit resulting from the taking. The voting rights and undivided interest in the Common Areas so divested from such Unit shall be reallocated to, and shall appertain to, such Unit and the other Units in the Project in proportion to their respective undivided interests in the Common Areas; provided, however, that such Unit shall participate in such reallocation on the basis of the undivided interest reduced in accordance with the preceding sentence.

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

(4) The Board of Trustees shall have the duty and authority to make all determinations and to take all actions necessary or appropriate to effectuate reorganization of the Project under the provisions of this Section 12.4(b); provided, however, that if any such determination shall have been or such action taken by judicial decree, the Board of Trustees shall defer thereto and proceed in accordance therewith.

(c) Repair and Reconstruction. Any repair and reconstruction necessitated by condemnation shall be governed by the provisions of Article 11 hereof for cases of Damage or Destruction; provided, however, that the provisions of said Article dealing with sufficiency or insufficiency of insurance proceeds shall not be applicable.

ARTICLE 13. OBSOLESCENCE

13.1 Adoption of Plan. Subject to the provisions of Article 14 hereof, Owners holding seventy-five percent (75%) or more of the Total Votes of the Association may agree that the Project is obsolete and adopt a written plan for the renewal and reconstruction of the Project. Written notice of adoption of such a plan shall be given to all Owners and Mortgagees.

13.2 Payment for Renewal and Reconstruction. The Association shall levy a Special Assessment sufficient to provide funds to pay the estimated expenses of renewal or reconstruction. Such Special Assessment shall be allocated and collected as provided in Section 9.3 hereof, except that the vote therein specified shall be unnecessary. Further levies may be made in like manner if the amounts collected prove insufficient to pay the actual expenses of such renewal or reconstruction. In

the event amounts collected pursuant hereto are in excess of the amounts required for renewal or reconstruction, such excess shall be distributed to the Owners in proportion to their respective percentages of ownership of the Common Areas.

13.3 Sale of Project. Subject to the provisions of Article 14 hereof, the Owners may at any time, by an affirmative vote of at least seventy-five percent (75%) of the Total Votes of the Association, at a special meeting of the Members of the Association duly called for such purpose, elect to sell or otherwise dispose of the Project. In such event, the Board of Trustees shall forthwith record in the office of the County Recorder of Utah County, State of Utah, a notice setting forth such facts, and upon the recording of such notice by the Board of Trustees, the Project shall be sold or otherwise disposed of by the Board of Trustees as attorney in fact for all of the Owners. Such action shall be binding upon all Owners and each Owner shall have the duty to execute and deliver such instruments and to perform all acts in such manner and form as may be necessary or appropriate to effect such sale or other disposition of the Project. The proceeds of such sale or disposition shall be apportioned among the Owners in proportion to their respective undivided interests in the Common Areas, and such apportioned proceeds shall be paid into separate accounts, each such account representing one Condominium. Each such account shall remain in the name of the Association, and shall be further identified by the Condominium designation and the name of the Owner. The Board of Trustees, as attorney in fact, shall use and disburse the total amount of each such account, without contribution from one account to another, first to the payment of valid tax and special assessment liens on the Condominium in favor of any governmental assessing authority, second to the payment of any First Mortgagee holding a First Mortgage lien on the Condominium, third to the payment of assessments made pursuant to this Declaration, fourth to the payment of other holders of liens or encumbrances on the Condominium in the order of priority of their liens, and the balance remaining, if any, to the respective Owners.

13.4 Amendment of Article. This Article 13 shall not be amended unless the Owners of seventy-five percent (75%) of the Condominiums in the Project and at least seventy-five percent (75%) of all First Mortgagees holding First Mortgage liens on Units in the Project, based on one vote for each mortgage, unanimously consent and agree to such amendment by duly executed and recorded instruments.

ARTICLE 14. MORTGAGE PROTECTION

14.1 Notices of Action. A holder, insurer, or guarantor of a First Mortgage, upon written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and identify the Unit encumbered by such First Mortgage) shall be entitled to timely written notice of the following:

(a) Any proposed action that, pursuant to the provisions of this Declaration, the Articles or the Bylaws, requires the consent of a specified percentage of First Mortgagees (except to the extent necessary to allow for the expansion or phasing of the Project as provided in Article 16 below and the Condominium Act);

- (b) Any proposed termination of the Condominium Project;
- (c) Any condemnation loss or any casualty loss which affects a material portion of the Project or which affects any Unit on which there is a First Mortgage held, insured, or guaranteed by such holder, insurer or guarantor;
- (d) Any delinquency in the payment of assessments or charges owed by an Owner of a Unit subject to the First Mortgage of such holder, insurer or guarantor where such delinquency has continued for a period of 60 days;
- (e) Any lapse, cancellation or material modification of any insurance policy maintained by the Association pursuant to this Declaration.

14.2 Matters Requiring Prior Approval of Sixty-Seven Percent of Eligible First Mortgagees. Unless sixty-seven percent (67%) of the Eligible First Mortgagees which hold First Mortgage liens on Condominium Units in the Project (based upon one vote for each First Mortgage owned) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

- (a) Cause any amendment to be made to the Declaration, the Articles, or the Bylaws, which would change the percentage interests of the Owners in the Project except to the extent necessary to allow for the expansion or phasing of the Project as provided in Article 16 below and the Condominium Act;
- (b) Partition or subdivide any Condominium; or
- (c) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Areas and Common Facilities of the Project.

14.3 Matters that Require Approval of 51% of Eligible First Mortgage Holders. Except to the extent that any provision of this Declaration requires approval of a greater number of First Mortgagees, unless at least fifty-one percent (51%) of the Eligible First Mortgagees holding First Mortgage liens on Condominium Units in the Project (based upon one vote for each First Mortgage owned) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

- (a) elect to terminate the Project after substantial destruction of the Project or substantial taking by exercise of the power of eminent domain of the Project;
- (b) repair and reconstruction of the Project following any partial condemnation or damage due to an insurable hazard in a manner different than as specified in Articles 11 and 12 of this Declaration;

(c) materially amend any provisions of this Declaration, the Bylaws or the Articles to add any material provisions which establish, provide for, govern, or regulate any of the following:

- (1) Voting;
- (2) Increases in assessments that raise the previously assessed amount by more than twenty-five percent (25%), assessment liens or subordination of such liens;
- (3) Reduction in reserves for maintenance, repair and replacement of Common Areas and Common Facilities;
- (4) Hazard or fidelity insurance requirements;
- (5) Rights to use the Common Areas and/or Common Facilities;
- (6) Responsibility for maintenance and/or repair of the Common Areas and/or Facilities;
- (7) Except as provided in Article 16, expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project;
- (8) The boundaries of any Unit;
- (9) The interests in the Common Areas and/or Facilities and/or the Limited Common Areas;
- (10) Convertibility of Units into Common Areas or Facilities and/or convertibility of Common Areas or Facilities into Units;
- (11) Leasing of Units; and
- (12) Imposition of any right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer, or otherwise convey such Owner's Unit.

As used in this Section 14.3, eligible First Mortgagees shall mean First Mortgagees who have delivered a written request for notice to the Association (such request to state the name and address of such First Mortgagee and identify the Unit encumbered by such First Mortgage).

14.4 Prior Liens Relate Only to Individual Units. All taxes, assessments, and charges which may become liens prior to the first mortgage under local law shall relate only to the individual Condominiums and not to the Project as a whole.

14.5 Subordination of Common Expense Lien. Any lien which the Association may have on any Unit in the Project for the payment of any assessments of the Association attributable to such Unit shall be subordinate to the lien or equivalent security interest of any First Mortgage on the Unit recorded on or before the date on which any such assessments became due.

14.6 Information Made Available to Mortgage Holder upon Request. Any First Mortgagee holding a First Mortgage on a Condominium shall, upon request, be entitled to: i) inspect the books and records of the Association during normal business hours; and ii) receive an annual audited financial statement of the Association within 120 days following the end of any fiscal year of the Project; and iii) written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

14.7 Priority of Mortgage Holder in Event of Damage. In the event of substantial damage to or destruction of any Unit or any part of the Common Areas and/or Facilities, any Eligible First Mortgagee holding a First Mortgage on a Condominium shall be entitled to timely written notice of any such damage or destruction and no provision of the Declaration, Articles, or Bylaws or any amendment thereto shall entitle the Owner of a Unit or other party to priority over a First Mortgagee with respect to the distribution to such Unit of any insurance proceeds.

14.8 Priority of Mortgage Holder in Event of Condemnation. If any Unit or portion thereof or the Common Areas and Facilities or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then any Eligible First Mortgagee holding a First Mortgage on a Unit shall be entitled to timely written notice of any such proceeding or proposed acquisition and no provision of the Declaration, Articles, or Bylaws (or any amendment thereto), shall entitle the Owner of a Unit or other party to priority over a First Mortgagee with respect to the distribution to such unit of the proceeds of any award or settlement.

14.9 Mortgage Holder Rights in Event of Foreclosure. Each holder of a First Mortgage lien on a Unit who comes into possession of the Unit by the virtue of mortgage, or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Unit free of any claims for unpaid assessments and charges against the Unit which accrue prior to the time such holder comes into possession of the Unit, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Units in the Project, including the Unit which is the subject of such mortgaged unit.

14.10 Notice to First Mortgage Holders. The Association shall give each Eligible First Mortgagee holding a First Mortgage on a Unit prompt notice of any default in the Unit Mortgagor's obligations under the Condominium documents not cured within thirty (30) days of default.

14.11 No Right of First Refusal. No "right of first refusal" shall be included in or added by amendment to the Declaration, Articles, or Bylaws.

14.12 Amendment. No provision of this Article 14 shall be amended without the prior written consent of at least fifty-one percent (51%) of all Eligible First Mortgagees holding First Mortgagees on Units in the Project, based on one vote for each Mortgage.

ARTICLE 15. COMPLIANCE WITH DECLARATION AND BYLAWS

15.1 Compliance. Each Owner shall comply strictly with the provisions of this Declaration, the Articles of Incorporation and Bylaws of the Association, rules and regulations promulgated by the Association, and the decisions and resolutions of the Association adopted pursuant thereto, as the same may lawfully be modified and amended from time to time. Failure to comply with any of the same shall be grounds for an action to recover sums due for damages or for injunctive relief or for both, maintainable by the Association or by an aggrieved Owner.

15.2 Enforcement of Remedies. The obligations, provisions, covenants, restrictions, and conditions contained in this Declaration, or in any Supplemental or amended Declaration, with respect to the Association or Condominiums within the Project shall be enforceable by the Declarant or by any Owner of a Condominium within the Project, subject to this Declaration, by a proceeding for a prohibitive or mandatory injunction. The obligations, provisions, covenants, restrictions, and conditions contained in this Declaration, or in any Supplemental or amended Declaration, with respect to a person or entity or property of a person or entity other than the Association or the Declarant shall be enforceable by the Declarant or by the Association or by an aggrieved Owner by a proceeding for a prohibitive or mandatory injunction or by a suit or action to recover damages or to recover any amount due or unpaid.

ARTICLE 16. EXPANDABLE CONDOMINIUM

16.1 Reservation of Right to Expand. The Declarant hereby expressly reserves the option and right, from time to time, to expand the Hillcrest Condominiums pursuant to Section 57-8-13.6 of the Condominium Act and subject to the provisions of this Article.

16.2 Consent of Owners Not Required. The consent of the Owners in the Project shall not be required for such expansion and the Declarant may proceed with such expansion at its sole option and as its sole action.

16.3 Preparation and Recording of Supplemental Map and Amendment. Prior to adding any portion or all of the Additional Land to the Project, the Declarant shall:

- (a) record, with regard to the Additional or any portion thereof that is being added to the Project, a supplemental condominium plat (the "Supplemental Map") which shall describe the land added to the Project and comply in, all respects with the Condominium Act. Each such Supplemental Map shall be certified as to its accuracy and compliance with the

requirements of the Condominium Act by the land surveyor who prepared or supervised the preparation thereof; and

(b) prepare, execute and record simultaneously with each Supplemental Map an amendment to the Declaration (hereinafter the "Amendment") which shall contain a legal description by metes and bounds of the land added to the Project and shall reallocate individual interests in the Common Areas so that the Units created in the land added to the Project shall be allocated undivided interests in the Common Areas on the same basis as Units initially constructed in the Project. Each such Amendment shall assign an identifying number to each Unit, if any, formed out of the land added to the Project. Each such Amendment shall describe or delineate the Limited Common Areas and Limited Common Facilities, if any, formed out of the Land added to the Project.

16.4 Consent of HUD, VA, and FNMA. If at the time all or any portion of the Additional Land is added to the Project HUD, VA, or FNMA holds, insures, or guarantees any Mortgage on an existing Unit, no Additional Land can be added to the Project without the prior written consent of each of HUD, VA, and/or FNMA to the extent that they hold, insure, or guarantee any Mortgage on an existing Unit in the Project.

16.5 Completion of Improvements. Prior to adding any portion or all of the Additional Land to the Project, Declarant shall substantially complete all improvements to such portion of the Additional Land being added to the Project.

16.6 Expiration of Right to Expand. The option to expand the Project pursuant to the provisions of this Article 16 shall expire seven (7) years after the recording of this Declaration; however, the Declarant may, at any time prior to the expiration of such period, terminate its option to expand by recording among the land records wherein this Declaration is recorded an executed and notarized document terminating this option.

16.7 Description of Additional Land. The Additional Land which may at the option of Declarant be added to and made part of the Project is located in Utah County, State of Utah and is more particularly described as follows:

A parcel of land located in Utah County, Utah which is in the Southwest Quarter and the Northwest Quarter of Section 11, Township 5 South, Range 1 West, Salt Lake Base and Meridian, said parcel also being a part of Lot 1, Plat A, Hillcrest Overall Subdivision, being more particularly described according to the following courses and distances, to wit:

Beginning at a point on the westerly line of Hillcrest Road and the southerly line of Harvest Hills Blvd, said point being located West 1,269.17 feet and South 2,580.86 feet from the North Quarter Corner of Section 11, Township 5 South, Range 1 West, Salt Lake Base and Meridian (found corner - basis of bearing is N89°54'48"E, between the

North Quarter Corner and the Northeast Section Corner of said Section 11); thence S20°23'34"E 164.78 feet to the beginning of a tangent curve to the left, having a radius of 328.00 feet; thence southeasterly along the arc of said curve 250.00 feet through a central angle of 43°40'15" (chord bears S42°13'42"E 243.99 feet); thence S02°34'08"W 54.96 feet to the beginning of a tangent curve to the right, having a radius of 124.00 feet; thence southwesterly along the arc of said curve 96.37 feet through a central angle of 44°31'49" (chord bears S24°50'03"W 93.97 feet); thence S47°05'57"W 36.96 feet; thence S78°57'04"W 235.11 feet; thence S24°31'07"W 245.18 feet; thence S34°34'59"E 174.98 feet; thence S55°25'01"W 70.37 feet; thence S34°34'59"E 143.26 feet; thence S55°25'01"W 661.48 feet; thence N12°44'38"E 1,368.08 feet to a point on the south line of Harvest Hills Blvd; thence N69°36'26"E 320.30 feet to the point of beginning.

Containing 11.31 acres, more or less.

16.8 Declarant's Right to Add All or Portions of Additional Land. The Declarant need not add all or any portion of the Additional Land to the Project; however, the Declarant may, at its sole discretion and without limitation, add all or any portion or portions of the additional land to the Project and may do so at different times.

16.9 Location of Improvements. Declarant makes no assurances as to the locations of any improvements that may be made on any portions of the Additional Land added to the Project.

19.10 Maximum Number of Units. The improvements to be placed on the Additional Land shall contain no more than 140 residential condominium units; and no more than twelve units per acre may be created on any portions of the Additional Land hereafter added to the Project.

16.11 Compatibility with Structures in Initial Project. Although Declarant intends to erect structures on any portion of the Additional Land added to the Project that will be compatible with the structures on the land initially within the Project, Declarant makes no assurances in those regards. Declarant hereby reserves the right to select the design and configuration of any improvements erected on any portion of the Additional Land added to the Project that in the judgment of the Declarant may be required to achieve the best development of the Project.

16.12 Other Improvements. Other improvements to be placed on the additional land shall be limited to roads, parking, recreational and service facilities.

16.13 Units Not Identical to Initial Units. Although Declarant intends to create units in the improvements on the additional land that will be compatible with the units initially constructed within the Project, Declarant makes no assurances as to whether units that may be created in the improvements on the additional land will be compatible with or identical to units initially constructed within the Project.

16.14 Limited Common Areas. The Declarant reserves the right, in its sole discretion and without limitation, to create Limited Common Areas within any portion of the Additional Land and to designate Common Areas and Common Facilities therein which may subsequently be assigned as Limited Common Areas for the purpose of making parking spaces, carports, patios, decks, entries, landscaped yards, and such other traditional types of Limited Common Areas as the Declarant may see fit to create.

ARTICLE 17. GENERAL PROVISIONS

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

17.2 Construction. The provisions of this Declaration shall be in addition and supplemental to the provisions of the Condominium Act and all other provisions of law. Whenever used herein, unless the context shall otherwise require, the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof, and any gender shall include both genders. The Article and Section headings set forth herein are for convenience and reference only and are not intended to expand, limit, or otherwise affect the meaning or interpretation of this Declaration or any provision hereof. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provisions hereof.

17.3 Notices and Registration of Mailing Address. Each Owner shall register from time to time with the Association his current mailing address. All notices, demands, and other communications to any Owner as provided for in this Declaration shall be in writing and shall be sufficient for all purposes if personally served or if sent by first class U.S. mail postage prepaid, addressed to the Owner at his registered mailing address or, if no address has been registered, to the Unit of such Owner. All notices, demands, and other communications to the Association as provided for in this Declaration shall be in writing and shall be sufficient for all purposes if personally served or if sent by first class U.S. mail, postage prepaid, addressed to the Association at its offices at 251 West River Park Drive, Suite 200, Provo, Utah 84604, or to such other address as the Association may hereafter specify to the Owners in writing. Any notice, demand, or communication referred to in this Declaration shall be deemed to have been given and received when personally served or when deposited in the U.S. mail, postage prepaid, and in the form provided for in this Section, as the case be.

17.4 Audit. Any Owner may at any reasonable time, upon appointment and at his own expense, cause an audit or inspection to be made of the books and records maintained by the

Association. The Association, at the expense of the Common Expense Fund, shall obtain an audit, by certified public accountants, of all books and records pertaining to the Project at no greater than annual intervals, and copies thereof shall be furnished to the Owners.

17.5 Disclosure of Information. Upon the written request of any person or entity that has either an interest or a prospective interest in a Condominium, the Association shall, within a reasonable time, provide such person or entity with a copy of an audited financial statement of the Association for the immediately preceding fiscal year. The Association shall, upon request, during normal business hours or under reasonable circumstances, make available to Owners, lenders, and holders and insurers of any First Mortgage current copies of the Declaration, Bylaws, and other rules governing the Project and other books, records and financial statements of the Association. The Association shall also, upon request, during normal business hours and under reasonable circumstances, make available to prospective purchasers current copies of the Declaration, Bylaws, other rules governing the Project, and the most recent audited financial statement for the Association, if such is prepared.

17.6 Amendment. Except as otherwise provided herein (including, but not limited to, Article 14), this Declaration may be amended if Owners holding at least sixty-seven percent (67%) of the Total Votes in the Association consent and agree to such amendment by instruments which are duly recorded in the office of the County Recorder of Utah, State of Utah.

17.7 Termination. Subject to the provisions of Article 14 and except as provided by law or in this Declaration in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain, the prior written approval of all of the Owners of Condominium Units in the Project shall be required before the Project may be abandoned or terminated.

17.8 Effective Date. This Declaration shall be effective upon recording.

17.9 Agent for Service. The name and address of the person to receive service of process in all cases provided by the Condominium Act shall be the registered agent and address of the Association as shown in the official corporate records maintained in the office of the Utah Department of Commerce, Division of Corporations and Commercial Code. On the date of this Declaration, the registered agent of the Association is: Terry Krieger, whose address is 251 West River Park Drive, Suite 200, Provo, Utah 84604.

17.10 Limitation on Association's Liability. The Association shall not be liable for any failure of water service or other utility service (if any) to be obtained and paid for by the Association hereunder, or for injury or damage to any person or property caused by the elements or by another Owner or person in or upon the Project, or resulting from electricity, water, rain, snow, or ice which may leak or flow from outside or from any parts of the Building or its drains, pipes, conduits, appliances, or equipment, or from any other place, unless caused by the grossly negligent or willful misconduct of the Association. No diminution or abatement of any assessments under this

Declaration shall be claimed or allowed for inconvenience or discomfort arising from the making of any repairs or improvements to or maintaining the Project or any part thereof, or from, any action taken to comply with the provisions of this Declaration or with the laws, ordinances, regulations, rules, or order of any governmental authority.

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

17.12 Model Units, Sales Offices, and Advertising Signs. Declarant and Declarant's duly authorized agents, representatives and employees shall have the right to establish and maintain model units and sales offices on the land within the Project, and the right to use such model units and sales offices during the period that Units in the Project remain unsold. No more than two model units and one sales office will be established and maintained by Declarant in the Project at any time. Declarant reserves the right to relocate the same from time to time within the Project. Declarant further reserves the right to maintain advertising signs on the Project and to place the same in any location, and to relocate, replace, and remove the same at the sole discretion of Declarant during the period that Units in the Project remain unsold.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the ___ day of April, 2005.

DECLARANT:

**HILLCREST SARATOGA CONDOMINIUMS,
LLC**

SRC 7 LLC

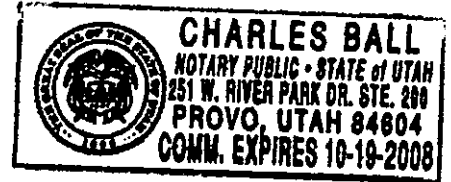


By: _____
Name: STEVEN CASHMAN
Title: Manager

STATE OF UTAH)
 : ss.
COUNTY OF UTAH)

The foregoing instrument was acknowledged before me this 25 day of April, 2005, by Steven Clostman, the Manager of HILLCREST SARATOGA CONDOMINIUMS, LLC, a Utah limited liability company.

Charles Ball
NOTARY PUBLIC



My Commission Expires:

Residing At:

10-19-08

EXHIBIT A

(Units, Undivided Ownership Interests, and Votes)

<u>UNIT NO.</u>	<u>SIZE</u> (Square Feet)*	<u>UNDIVIDED</u> <u>OWNERSHIP</u> <u>INTERESTS</u> (Percentage)	<u>VOTES</u>
A-1	1,261	1.3888%	1
A-2	1,261	1.3888%	1
A-3	1,261	1.3888%	1
A-4	1,261	1.3888%	1
A-5	1,261	1.3888%	1
A-6	1,261	1.3888%	1
A-7	1,261	1.3888%	1
A-8	1,261	1.3888%	1
A-9	1,261	1.3888%	1
A-10	1,261	1.3888%	1
A-11	1,261	1.3888%	1
A-12	1,261	1.3888%	1
B-1	1,261	1.3888%	1
B-2	1,261	1.3888%	1
B-3	1,261	1.3888%	1
B-4	1,261	1.3888%	1
B-5	1,261	1.3888%	1
B-6	1,261	1.3888%	1
B-7	1,261	1.3888%	1
B-8	1,261	1.3888%	1

<u>UNIT NO.</u>	<u>SIZE</u> (Square Feet)*	<u>UNDIVIDED</u> <u>OWNERSHIP</u> <u>INTERESTS</u> (Percentage)	<u>VOTES</u>
B-9	1,261	1.3888%	1
B-10	1,261	1.3888%	1
B-11	1,261	1.3888%	1
B-12	1,261	1.3888%	1
C-1	1,261	1.3888%	1
C-2	1,261	1.3888%	1
C-3	1,261	1.3888%	1
C-4	1,261	1.3888%	1
C-5	1,261	1.3888%	1
C-6	1,261	1.3888%	1
C-7	1,261	1.3888%	1
C-8	1,261	1.3888%	1
C-9	1,261	1.3888%	1
C-10	1,261	1.3888%	1
C-11	1,261	1.3888%	1
C-12	1,261	1.3888%	1
D-1	1,261	1.3888%	1
D-2	1,261	1.3888%	1
D-3	1,261	1.3888%	1
D-4	1,261	1.3888%	1
D-5	1,261	1.3888%	1
D-6	1,261	1.3888%	1
D-7	1,261	1.3888%	1

<u>UNIT NO.</u>	<u>SIZE</u> (Square Feet)*	<u>UNDIVIDED</u> <u>OWNERSHIP</u> <u>INTERESTS</u> (Percentage)	<u>VOTES</u>
D-8	1,261	1.3888%	1
D-9	1,261	1.3888%	1
D-10	1,261	1.3888%	1
D-11	1,261	1.3888%	1
D-12	1,261	1.3888%	1
E-1	1,261	1.3888%	1
E-2	1,261	1.3888%	1
E-3	1,261	1.3888%	1
E-4	1,261	1.3888%	1
E-5	1,261	1.3888%	1
E-6	1,261	1.3888%	1
E-7	1,261	1.3888%	1
E-8	1,261	1.3888%	1
E-9	1,261	1.3888%	1
E-10	1,261	1.3888%	1
E-11	1,261	1.3888%	1
E-12	1,261	1.3888%	1
F-1	1,261	1.3888%	1
F-2	1,261	1.3888%	1
F-3	1,261	1.3888%	1
F-4	1,261	1.3888%	1
F-5	1,261	1.3888%	1
F-6	1,261	1.3888%	1

<u>UNIT NO.</u>	<u>SIZE</u> (Square Feet)*	<u>UNDIVIDED</u> <u>OWNERSHIP</u> <u>INTERESTS</u> (Percentage)	<u>VOTES</u>
F-7	1,261	1.3888%	1
F-8	1,261	1.3888%	1
F-9	1,261	1.3888%	1
F-10	1,261	1.3888%	1
F-11	1,261	1.3888%	1
F-12	1,261	1.3888%	1

*Size has been determined on the basis of the approximate number of square feet of floor space within each respective Unit, as shown on the Map and rounded off.

EXHIBIT B

(Articles of Incorporation)

ARTICLES OF ORGANIZATION
OF
HILLCREST SARATOGA CONDOMINIUMS, LLC

RECEIVED
FEB 27 2003
Utah Div. of Corp. & Comm. Affs.

By Agreement, the undersigned Manager, on behalf of the Members who desire to form a limited liability company pursuant to the Utah Revised Limited Liability Company Act (hereinafter referred to as the "Act"), hereby set forth the following Articles of Organization for such limited liability company (hereinafter referred to as the "Company").

ARTICLE 1: NAME

ENT 51908:2005 PG 43 of 59

The name of this limited liability company is Hillcrest Saratoga Condominiums, LLC.

ARTICLE 2: PERIOD OF DURATION

The period of duration of the Company shall begin as of the effective date of the filing of these Articles with the state of Utah, and shall continue thereafter until the 28th day of February, 2102, or until such time as it is dissolved upon the occurrence of any of the events provided for in the Act.

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ARTICLE 3: PURPOSE

The purposes for which this Company is organized are:

1. To do all things reasonable and proper in the operation, acquisition, management, lease, and sale of assets and investments and to deal generally therein; and
2. To engage in any other lawful business activities for which limited liability companies may be organized pursuant to the Act.

02-27-03P02:33 RCVD

ARTICLE 4: REGISTERED OFFICE AND AGENT

The name of the original registered agent of the Company is Heath Johnston, and the address of the Company's initial registered office shall be 251 W. River Park Drive, Suite 225, Provo, Utah 84604.

ARTICLE 5: FAILURE TO MAINTAIN REGISTERED AGENT

The Director of the Division of Corporations and Commercial Code of the Utah Department of Commerce (the "Division") is appointed the agent of the Company for service of process in the event (i) the registered agent has resigned, (ii) the registered agent's authority has been revoked, or (iii) the agent cannot be found or served with the exercise of reasonable diligence.

ARTICLE 6: DESIGNATED OFFICE

Date: 02/27/2003
Receipt Number: 801102
Amount Paid: \$50.00

The designated office of the Company shall be 251 W. River Park Drive, Suite 225, Provo, Utah 84604-7715.

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ARTICLE 7: MANAGEMENT

The management of the Company shall be vested in Managers. The names and street addresses of the initial Managers, who shall serve until a successor is elected, are as follows:

<u>Name</u>	<u>Address</u>
Steven Croshaw	251 W. River Park Drive, Suite 200 Provo, Utah 84604-7715
Heath Johnston	251 W. River Park Drive, Suite 225 Provo, Utah 84604-7715
Boyd R. Poulton	251 W. River Park Drive, Suite 225 Provo, Utah 84604-7715

ARTICLE 8: AMENDMENT TO THE ARTICLES OF ORGANIZATION

The Articles of Organization of the Company shall be amended if there is a change in Manager of the Company (or for any of the other applicable reasons stated in the Act), and may otherwise only be amended by majority vote of the Members of the Company.

ARTICLE 9: OPERATING AGREEMENT

All provisions pertaining to control, operations, and records of the Company shall be stated in the Operating Agreement of the Company, which shall only be altered, amended, or repealed as provided therein. Any significant changes in the purposes of the Company or any matters of significant consequence to the existence of the Company, including but not limited to the distribution of substantially all or all of the assets of the Company, shall only be made with the majority written approval of the Members of the Company.

ARTICLE 10: AUTHORITY

No Member or Officer of the Company shall have authority to act on behalf of or bind the Company without the written approval of the Managers. Only the Managers of the Company, as indicated above, or their successors, and those given authority by such written approval may sign contracts or other instruments on behalf of the Company.

ARTICLE 11: INTEREST OF A MEMBER

An interest of a Member in the Company may only be adjusted, transferred, or assigned in accordance with the provisions of the Operating Agreement of the Company. If all of the Members of the Company do not consent to a transfer or assignment, the transferee has no right


to participate in the management of the business or affairs of the Company or become a Member and is only entitled to receive the transferor's share of profits or other compensation.

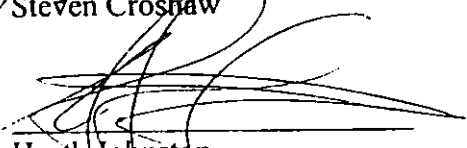
ARTICLE 12: LIABILITY

Neither the Members, Managers, employees, nor agents of the Company shall be personally liable for any debt, obligation, or liability of the Company nor of any other Member, Manager, employee, or agent of the Company. Neither shall the Company be liable for any debts, obligations, or liabilities of any Member, Manager, employee, or agent.

In witness whereof, the parties have executed these Articles this 27 day of February, 2003.

MANAGERS:


Steven Croshaw


Heath Johnston



Boyd R. Poulton

EXHIBIT C

(Bylaws)

EXHIBIT D

(Condominium Plat)

ARTICLES OF AMENDMENT
TO THE ARTICLES OF ORGANIZATION OF
HILLCREST SARATOGA CONDOMINIUMS, LLC.


Pursuant to the provision of Section 48-2c-408, Utah Code Annotated, the undersigned LLC adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the Limited Liability Company is Hillcrest Saratoga Condominiums, LLC.
2. The document attached hereto as Exhibit "A" sets forth the Amendment to the Articles of Organization of Hillcrest Saratoga Condominiums, LLC.
3. The attached Amendment was adopted on April 12, 2005.
4. The amendment was adopted by the managers, as provided for in the articles of organization or operating agreement.
5. Under penalty of perjury, I declare that this Amendment of Articles of Organization has been examined by me and is, to the best of my knowledge and belief, true, correct, and complete.

DATED, April 12, 2005.

HILLCREST SARATOGA
CONDOMINIUMS, LLC
A Utah Limited Liability Company


BY: STEVEN CROSHAW, MANAGER


BY: BOYD R. POULTON, MANAGER


BY: HEATH JOHNSTON, MANAGER

EXHIBIT "A"

AMENDMENT
TO THE ARTICLES OF INCORPORATION OF SNAPP, NORRIS GROUP, INC.

Pursuant to the provisions of the UCA Section 48-2c-408, , adopts the following Articles of Amendment to its Articles of Organization, by action of the Managers of the LLC effective on April 12, 2005, in the manner prescribed by the above-mentioned code, for the purpose of changing the managers of the LLC.

ARTICLE 7, "MANAGEMENT," of the Articles of Organization is hereby deleted in its entirety, and amended and restated to read in full as follows:

ARTICLE 7- "MANAGEMENT"

The management of the Company shall be vested in Managers. The names and street addresses of the Managers, who shall serve until a successor is elected, are as follows:

Name:

SRC7, LLC

251 W. River Park Drive, Suite 200

Provo, Utah 84604-7715

G&J Business Holdings, LLC

251 W. River Park Drive, Suite 200

Provo, Utah 84604-7715

Krieger Holdings, LLC

251 W. River Park Drive, Suite 200

Provo, Utah 84604-7715

Schoolhouse, LLC

380 S. 900 W.

Provo, Utah 84601

BYLAWS FOR
HILLCREST CONDOMINIUM OWNER'S ASSOCIATION
A Utah Nonprofit Corporation

Pursuant to the provisions of the Utah Revised Nonprofit Corporation Act, the Board of Trustees of Hillcrest Condominium Owner's Association, a Utah nonprofit corporation, hereby adopt the following Bylaws for such nonprofit corporation.

ARTICLE 1: NAME AND PRINCIPAL OFFICE

1.1 Name. The name of the nonprofit corporation is Hillcrest Condominium Owner's Association, hereinafter referred to as the "Association."

1.2 Offices. The principal office of the Association shall be at 251 West River Park Drive, Suite 200, Provo, Utah 84604.

ARTICLE 2: DEFINITIONS

2.1 Definitions. Except as otherwise provided herein or as may be required by the context, all terms defined in Article 1 of the Declaration of Covenants, Conditions and Restrictions of the Hillcrest Condominiums, an Expandable Utah Condominium Project, hereinafter referred to as the "Declaration", shall have such defined meanings when used in these Bylaws.

ARTICLE 3: MEMBERS

3.1 Annual Meetings. The annual meeting of Members shall be held on the second Saturday in February of each year at the hours of 10:00 o'clock a.m., beginning with the year following the year in which the Articles of Incorporation are filed, for the purpose of electing Trustees and transacting such other business as may come before the meeting. If the election of Trustees shall not be held on the day designated herein for the annual meeting of the Members, or at any adjournment thereof, the Board of Trustees shall cause the election to be held at a special meeting of the Members to be convened as soon thereafter as may be convenient. The Board of Trustees may from time to time by resolution change the date and time for the annual meeting of the Members.

3.2 Special Meetings. Special meetings of the Members may be called by the Board of Trustees, the President, or upon the written request of Members holding not less than ten percent (10%) of the Total Votes of the Association, such written request to state the purpose or purposes of the meeting and to be delivered to the Board of Trustees or the President.

3.3 Place of Meetings. The Board of Trustees may designate any place in Utah County, State of Utah as the place of meeting for any annual meeting or for any special meeting called by the Board. A waiver of notice signed by all of the Members may designate any place, either within or without the State of Utah, as the place for

holding such meeting. If no designation is made, or if a special meeting is otherwise called, the place of the meeting shall be at the principal office of the Association.

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

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

3.6 Quorum. At any meeting of the Members, the presence of Members holding, or holders of proxies entitled to cast, more than fifty percent (50%) of the Total Votes of the Association shall constitute a quorum for the transaction of business. In the event a quorum is not present at a meeting, the Members present (whether represented in person or by proxy), though less than a quorum, may adjourn the meeting to a later date. Notice thereof shall be delivered to the Members as provided above. At the reconvened meeting, the Members and proxy holders present shall constitute a quorum for the transaction of business.

3.7 Proxies. At each meeting of the Members, each Member entitled to vote shall be entitled to vote in person or by proxy; provided, however, that the right to vote by proxy shall exist only where the instrument authorizing such proxy to act shall have been executed by the Member himself or by his attorney thereunto duly authorized in writing. If a Membership is jointly held, the instrument authorizing a proxy to act must have been executed by all holders of such Membership or their attorneys thereunto duly authorized in writing. Such instrument authorizing a proxy to act shall be delivered at the beginning of the meeting to the Secretary of the Association or to such other officer or

person who may be acting as secretary of the meeting. The secretary of the meeting shall enter a record of all such proxies in the minutes of the meeting.

3.8 Votes. With respect to each matter submitted to a vote of the members, each Member entitled to vote at the meeting shall have the right to cast, in person or by proxy, the number of votes appertaining to the Condominium of such Member, as shown in the Declaration. The affirmative vote of a majority of the votes entitled to be cast by the Members present or represented by proxy at a meeting at which a quorum was initially present shall be necessary for the adoption of any matter voted on by the Members, unless a greater proportion is required by the Articles of Incorporation, these Bylaws, the Declaration, or Utah law. The election of Trustees shall be by secret ballot. If a membership is jointly held, all or any holders thereof may attend each meeting of the Members, but such holders must act unanimously to cast the votes relating to their joint Membership.

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

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

ARTICLE 4: BOARD OF TRUSTEES

4.1 General Powers. The property, affairs, and business of the Association shall be managed by its Board of Trustees. The Board of Trustees may exercise all of the powers of the Association, whether derived from law or the Articles of Incorporation, except such powers as are by law, by the Articles of Incorporation, by these Bylaws, or by the Declaration vested solely in the Members. The Board of Trustees may by written contract delegate, in whole or in part, to a professional management organization or person such of its duties, responsibilities, functions, and powers as are properly delegable.

4.2 Number, Tenure and Qualifications. The number of Trustees of the Association shall be five (5). The initial Board of Trustees specified in the Articles of Incorporation shall serve until the Declarant turns over to the Members, as provided in Section 7.02 of the Declaration, the responsibility for electing Trustees. At the first annual meeting of the Members held after the Declarant turns over to the members responsibility for electing Trustees, the Members shall elect five (5) Trustees to serve for the following respective terms: Two (2) Trustees to serve for terms of three (3) years each; two (2) Trustees to serve for a term of two (2) years each; and one (1) Trustee to serve for a term of one (1) year. At each annual meeting thereafter, the Members shall elect for terms of three (3) years each the appropriate number of Trustees to fill all

vacancies created by expiring terms of Trustees. All Trustees, except Trustees appointed by the Declarant, shall be Members of the Association.

4.3 Regular Meetings. The regular annual meeting of the Board of Trustees shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the Members. The Board of Trustees may provide by resolution the time and place, within Utah County, State of Utah, for the holding of additional regular meetings without other notice than such resolution.

4.4 Special Meetings. Special meetings of the Board of Trustees may be called by or at the request of any Trustee. The person or persons authorized to call special meetings of the Board of Trustees may fix any place, within Utah County, State of Utah, as the place for holding any special meeting of the Board of Trustees called by such person or persons. Notice of any special meeting shall be given at least five (5) days prior thereto by written notice delivered personally, or mailed to each Trustee at his registered address, or by Telegram. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. mail so addressed, with first-class postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to have been delivered when the telegram is delivered to the telegraph company. Any Trustee may waive notice of a meeting.

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

4.6 Compensation. No Trustee shall receive compensation for any services that he may render to the Association as a Trustee; provided, however, that a Trustee may be reimbursed for expenses incurred in performance of his duties as a Trustee to the extent such expenses are approved by the Board of Trustees and (except as otherwise provided in these Bylaws) may be compensated for services rendered to the Association other than in his capacity as a Trustee.

4.7 Resignation and Removal. A Trustee may resign at any time by delivering a written resignation to either the President or the Board of Trustees. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any Trustee, except a Trustee appointed by Declarant, may be removed at any time, for or without cause, by the affirmative vote of seventy-five percent (75%) of the Total Votes of the Association at a special meeting of the Members duly called for such purpose.

4.8 Vacancies and Newly Created Trusteeships. If vacancies shall occur in the Board of Trustees by reason of the death, resignation or disqualification of a Trustee (other than a Trustee appointed by Declarant), or if the authorized number of Trustees shall be increased, the Trustees then in office shall continue to act, and such vacancies or newly created Trusteeships shall be filled by a vote of the Trustees then in office, though less than a quorum, in any way approved by such Trustees at the meeting. Any vacancy

in the Board of Trustees occurring by reason of removal of a Trustee by the Members may be filled by election at the meeting at which such Trustee is removed. If vacancies shall occur in the Board of Trustees by reason of death, resignation or removal of a Trustee appointed by the Declarant, such vacancies shall be filled by appointments to be made by the Declarant. Any Trustee elected or appointed hereunder to fill a vacancy shall serve for the unexpired term of his predecessor or for the term of the newly created Trusteeship, as the case may be.

4.9 Informal Action by Trustees. Any action that is required or permitted to be taken at a meeting of the Board of Trustee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Trustees.

ARTICLE 5: OFFICERS

5.1 Officers. The officers of the Association shall be a President, Vice President, Secretary, Treasurer and such other officers as may from time to time be appointed by the Board of Trustees.

5.2 Election, Tenure and Qualifications. The officers of the Association shall be chosen by the Board of Trustees annually at the regular annual meeting of the Board of Trustees. In the event of failure to choose officers at such regular annual meeting of the Board of Trustees, officers may be chosen at any regular or special meeting of the Board of Trustees. Each such officer (whether chosen at a regular annual meeting of the Board of Trustees or otherwise) shall hold his office until the next ensuing regular annual meeting of the Board of Trustees and until his successor shall have been chosen and qualified, or until his death, or until his resignation, disqualification, or removal in the manner provided in these Bylaws, whichever first occurs. Any one person may hold any two or more of such offices, except that the President may not also be the Secretary. No person holding two or more offices shall act in or execute any instrument in the capacity of more than one office. The President, Vice President, Secretary and Treasurer shall be and remain Trustees of the Association during the entire term of their respective offices. No other officer need be a Trustee.

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

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

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

5.6 The President. The President shall preside at meetings of the Board of Trustees and at meetings of the Members. He shall sign on behalf of the Association all conveyances, mortgages, documents, and contracts, and shall do and perform all other acts and things that the Board of Trustees may require of him.

5.7 The Vice President. The Vice President shall act in the place and stead of the President in the event of the President's absence or inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board of Trustees.

5.8 The Secretary. The Secretary shall keep the minutes of the Association and shall maintain such books and records as these Bylaws, the Declaration, or any resolution of the Board of Trustees may require him to keep. The Secretary shall also act in the place and stead of the President in the event of the President's absence or inability or refusal to act. He shall be the custodian of the seal of the Association, if any, and shall affix such seal, if any, to all papers and instruments requiring the same. He shall perform such other duties as the Board of Trustees may require of him.

5.9 The Treasurer. The Treasurer shall have the custody and control of the funds of the Association, subject to the action of the Board of Trustees, and shall, when requested by the President to do so, report the state of the finances of the Association at each annual meeting of the Members and at any meeting of the Board of Trustees. He shall perform such other duties as the Board of Trustees may require of him.

5.10 Compensation. No officer shall receive compensation for any services that he may render to the Association as an officer; provided, however, that an officer may be reimbursed for expenses incurred in performance of his duties as an officer to the extent such expenses; are approved by the Board of Trustees and (except as otherwise provided in these Bylaws) may be compensated for services rendered to the Association other than in his capacity as an officer.

ARTICLE 6: COMMITTEES

6.1 Designation of Committees. The Board of Trustees may from time to time by resolution designate such committees as it may deem appropriate in carrying out its duties, responsibilities, functions, and powers. The membership of each such committee designated hereunder shall include at least one (1) Trustee. No committee member shall receive compensation for services that he may render to the Association as a committee member; provided, however, that a committee member may be reimbursed for expenses incurred in performance of his duties as a committee member to the extent that such expenses are approved by the Board of Trustees and (except as otherwise provided in

these Bylaws) may be compensated for services rendered to the Association other than in his capacity as a committee member.

6.2 Proceedings of Committees. Each committee designated hereunder by the Board of Trustees may appoint its own presiding and recording officers and may meet at such places and times and upon such notice as such committee may from time to time determine. Each such committee shall keep a record of its proceedings and shall regularly report such proceedings to the Board of Trustees.

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

6.4 Resignation and Removal. Any member of any committee designated hereunder by the Board of Trustees may resign at any time by delivering a written resignation to the President, the Board of Trustees, or the presiding officer of the committee of which he is a member. Unless otherwise specified therein, such resignation shall take effect upon delivery. The Board of Trustees may at any time, for or without cause, remove any member of any committee designated by it hereunder.

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

ARTICLE 7: INDEMNIFICATION

7.1 Indemnification Third Party Actions. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Association) by reason of the fact that he is or was a Trustee or officer of the Association, or is or was serving at the request of the Association as a Trustee, trustee, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by an adverse judgment, order, settlement, or conviction, or

upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Association and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

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

7.3 Determinations. To the extent that a person has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Sections 7.1 or 7.2 hereof, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him in connection therewith. Any other indemnification under Sections 7.1 or 7.2 hereof shall be made by the Association only upon a determination that indemnification of the person is proper in the circumstances because he has met the applicable standard of conduct set forth respectively in Sections 7.1 or 7.2 hereof. Such determination shall be made either (i) by the Board of Trustees by a majority vote of disinterested Trustees or (ii) by independent legal counsel in a written opinion, or (iii) by the Members by the affirmative vote of at least fifty percent (50%) of the Total Votes of the Association at any meeting duly called for such purpose.

7.4 Advances. Expenses incurred in defending a civil or criminal action, suit, or proceeding as contemplated in this ARTICLE 7 may be paid by the Association in advance of the final disposition for such action, suit, or proceeding upon a majority vote of a quorum of the Board of Trustees and upon receipt of an undertaking by or on behalf of the person to repay such amount or amounts unless it ultimately be determined that he is entitled to be indemnified by the Association as authorized by this ARTICLE 7 or otherwise.

7.5 Scope of Indemnification. The indemnification provided for by this ARTICLE 7 shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any provision in the Association's Articles of Incorporation,

Bylaws, agreements, vote of disinterested Members or Trustees, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. The indemnification authorized by this ARTICLE 7 shall apply to all present and future Trustees, officers, employees, and agents of the Association and shall continue as to such persons who cease to be Trustees, officers, employees, or agents of the Association and shall inure to the benefit of the heirs and personal representatives of all such persons and shall be in addition to all other rights to which such persons may be entitled as a matter of law.

7.6 Insurance. The Association shall purchase and maintain insurance on behalf of any person who was or is a Trustee, officer, employee, or agent of the Association, or who was or is serving at the request of the Association as a trustee, Trustee, officer, employee, or agent of another corporation, entity, or enterprise (whether for profit or not for profit), as may be required by Article 10 of the Declaration.

7.7 Payments and Premiums. All indemnification payments made, and all insurance premiums for insurance maintained pursuant to this ARTICLE 7 shall constitute expenses of the Association and shall be paid with funds from the Common Expense Fund referred to in the Declaration.

ARTICLE 8: FISCAL YEAR AND SEAL

8.1 Fiscal Year. The fiscal year of the Association shall begin on the first day of January each year and end on the 31st day of December next following except that the first fiscal year shall begin on the date of incorporation.

8.2 Seal. The Board of Trustees may by resolution provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Association, the state of incorporation, and the words "Corporate Seal".

ARTICLE 9: RULES AND REGULATIONS

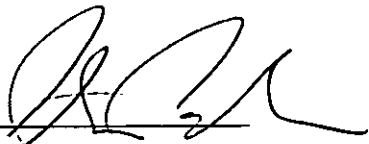
9.1 Rules and Regulations. The Board of Trustees may from time to time adopt, amend, repeal, and enforce reasonable rules and regulations governing the use and operation of the Project, to the extent that such rules and regulations are not inconsistent with the rights and duties set forth in the Articles of Incorporation, the Declaration, or these Bylaws. The Members shall be provided with copies of all rules and regulations adopted by the Board of Trustees, and with copies of all amendments and revisions thereof.

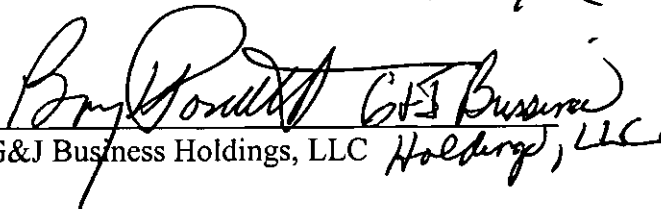
ARTICLE 10: AMENDMENTS

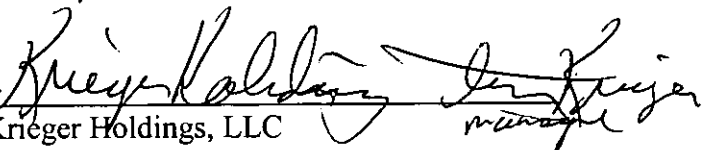
10.1 Amendments. Except as otherwise provided by law, by the Articles of Incorporation, by the Declaration (e.g., Article 14), or by these Bylaws, these Bylaws may be amended, altered, or repealed and new bylaws may be made and adopted by the Members upon the affirmative vote of at least fifty-one percent (51%) of the Total Votes of the Association; provided, however, that such action shall not be effective unless and until a written instrument setting forth (i) the amended, altered, repealed, or new bylaw,

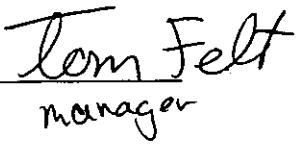
(ii) the number of votes cast in favor of such action, and (iii) the Total Votes of the Association, shall have been executed and verified by the current President of the Association and recorded in the office of the County Recorder of Utah County, State of Utah.

IN WITNESS WHEREOF the undersigned, constituting all of the Trustees of Owners Association For The Sunpointe Cove, A Condominium, a Utah nonprofit corporation, have executed these Bylaws on the 25 day of April, 2005.

SRC7, LLC 
SRC7, LLC *manager*

G&J Business Holdings, LLC 
G&J Business Holdings, LLC *Holder, LLC*

Krieger Holdings, LLC 
Krieger Holdings, LLC *manager*

Schoolhouse, LLC 
Schoolhouse, LLC *manager*