

Seltzer Caplan McMahon Vitek
750 B Street, Suite 2100
San Diego, CA 92101
ATTN: Matthew D. Seltzer, Esq.

RED SAGE HOMEOWNERS ASSOCIATION, INC.
SANDY, UTAH

**DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, & RESTRICTIONS
FOR
RED SAGE HOMEOWNERS ASSOCIATION
AN EXPANDABLE PLANNED UNIT DEVELOPMENT**

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This Declaration of Protective Covenants, Conditions, & Restrictions for Red Sage Homeowners Association, an expandable residential project, is made as of the date of the recording in the Salt Lake County Recorder's Office by Sandy Home Development, LLC, a Delaware limited liability company ("Declarant").

RECITALS

1. Declarant is the owner of fee simple title to that certain real property situated in the city of Sandy, County of Salt Lake, and more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof (hereinafter the "Property").
2. Declarant will create within and upon the Property a strictly residential complex made up of 150 Lots to be known as Red Sage Homeowners Association. In order to do so, Declarant desires to establish protective covenants and conditions and restrictions upon the Property, which will constitute a general scheme for the improvement, development and management of said Property, and for the use, occupancy and enjoyment thereof, all for the purpose of enhancing and protecting the value desirability and attractiveness of the Property and enhancing the quality of the environment within Red Sage Homeowners Association.
3. To provide efficient management for Red Sage Homeowners Association and to preserve its value, desirability and attractiveness, Declarant will incorporate a Utah nonprofit corporation called Red Sage Homeowners Association, Inc. and Declarant delegates and assigns to such Association the powers of managing Red Sage Homeowners Association, of maintaining and administering the Common Areas and Facilities, of administering and enforcing all covenants, conditions and restrictions, of collecting and disbursing funds pursuant to the assessments and charges hereinafter created and referred to and of performing such other acts as shall generally benefit Red Sage Homeowners Association.
4. Declarant will hereafter hold and convey title to all of the property subject to the protective covenants, conditions and restrictions hereinafter set forth.
5. Notwithstanding the foregoing, no provision of this Declaration shall prevent the Declarant from doing any of the following, which shall be deemed to be among Declarant's reserved rights in addition to such rights as may be described elsewhere in this Declaration: (1) installation and completion of Improvements; (2) use of any Residence owned by the Declarant as a model home, or for the placement of a temporary construction or sales office; (3) installation and maintenance of signs incidental to sales or construction which are in compliance with applicable City or County ordinances; (4) assignment of Declarant's rights under this Declaration in whole or part; and (5) retention of Declarant's rights with respect to subsequent phases of the Project. This Declaration shall be binding upon the Declarant, as well as its successors in interest, and may be enforced by the Declarant or the Association. A supplemental declaration, with such modifications or supplemental provisions as may be deemed appropriate by Declarant on a phase-by-phase basis, may be recorded to address differences in the circumstances affecting any Lots to be constructed after the initial phase.

SUBMISSION

1. The Property described with particularity on Exhibit A attached hereto and incorporated herein by this reference is hereby submitted to the Utah Community Association Act (the "Act").
2. The Property is made subject to, and shall be governed by the Act, this Declaration, and the covenants, conditions and restrictions set forth herein. The Property is also subject to the right of Sandy City to access the roads within the Project for emergency vehicles, service vehicles, and for all of the utility installations up to the residential meters.
3. The Property is subject to described easements and rights of way including those depicted on the Plat. Easements and rights-of-way in favor of Sandy City include any dedicated roadways and public utility easements and are depicted on the Plat, together with all easements, rights-of-way, and other appurtenances and rights incident to, appurtenant to, or accompanying the above-described parcel or real property.

COVENANTS, CONDITIONS, AND RESTRICTIONS GENERALLY

NOW THEREFORE, in consideration of the Recitals above, the Declarant, in order to further preserve and maintain the integrity and of the Project, hereby covenants, agrees and declares that all of its interest as the same may from time to time appear in the Property shall be held and conveyed subject to the following covenants, conditions, restrictions and easements which are hereby declared to be for the benefit of said interests in the Property, and the owners of said interests, their successors and assigns.

ARTICLE 1 DEFINITIONS

When used in this Declaration (including the "Recitals" and "Submission"), the following terms have the meaning indicated. Capitalized terms are defined in this Article. Terms that are applicable to a single section are defined in that section. Any term used in this Declaration which is defined by the Act, to the extent permitted by the context of this Declaration, has the meaning given by the Act. This Declaration incorporates all terms defined in the Act under Utah Code Ann. § 57-8a-102.

1.1 "Articles" and "Bylaws" shall mean the Articles of Incorporation and Bylaws of the Association as the same may from time to time be duly amended. The Articles, among other things, establish the Board to manage the affairs of the Association. The Bylaws, among other things, set forth the number of persons constituting the Board, the method of the Board's selection, the Board's general powers, the method of calling a meeting of Members of the Association and the Members required to constitute a quorum for the transaction of business.

1.2 "Assessments" shall mean any monetary charge, fine or fee imposed or levied against an Owner by the Association, as provided in this Declaration or the Bylaws, regardless of

whether said assessment is identified as a regular assessment, special assessment, capital improvement assessment, reconstruction assessment, reinvestment fee, fine, or other charge.

1.3 "Association" shall mean Red Sage Homeowners Association, Inc., a Utah non-profit corporation, incorporated under the laws of the State of Utah, and its successors and assigns.

1.4 "Association Rules" shall mean the rules adopted from time to time by the Association pursuant to ARTICLE 7 hereof.

1.5 "Building" shall mean any structure which (a) is permanently affixed to the land, and (b) has one or more floors and a roof.

1.6 "Board" shall mean the Board of Directors of the Association.

1.7 "Capital Improvement" shall mean all new improvements with a life expectancy of five (5) years or more intended to add to, enhance, or upgrade the nature, scope, utility, value, or beauty of the Project, as opposed to ordinary repair and maintenance.

1.8 "City" shall mean the City of Sandy, Utah, a municipal corporation of the State of Utah.

1.9 "Common Areas" shall mean and refer to:

(a) all real and personal property and easements and other interests therein, together with the facilities and improvements located thereon, which the Association now or hereafter owns or otherwise holds for the common use and enjoyment of all Owners and related improvements, including any additional areas contained in any Expansion Property which are subsequently annexed herein. Common areas shall include, without limitation, all parts of each Lot which are from time to time devoted primarily to sidewalks, exterior landscaping, incidental and interior roadways, service roads, parking (other than parking garages appurtenant to a residence), approaches, exits, entrances, walkways, parks, open spaces, paths, trails, slopes, Common Facilities, and other similar areas;

(b) all parts of the Project normally in common use or necessary or convenient to its use, existence maintenance, safety, or management, including all property rights, improvements, fixtures and personal property which are from time to time devoted primarily for the common use and benefit of the Owners and situated upon public property or the private property of the Owners, including, without limitation all easements running in favor of the Association and the improvements, fixtures situated within or upon said easements, landscaping, irrigation systems and associated pumps and hardware, street lighting systems, project identification, directional and street signs, and street fixtures;

(c) all Common Areas and Facilities specifically set forth and designated as such on the Plat or Plats of the Property;

(d) all Common Areas and Facilities as defined in the Act, whether or not expressly listed herein or on the Plat or Plats of the Property.

1.10 “Common Expenses” shall mean the actual and estimated costs of:

(a) maintenance, management, operation, repair, and replacement of the Common Areas and Facilities, and all other areas within the Property and outside of the Property which are maintained by the Association, including, without limitation, the landscaped areas, the roadways, the sidewalks and the parking areas, etc., as provided in this Declaration or pursuant to agreement with the City or other governmental agency or authority;

(b) unpaid Special, Reconstruction and Capital Improvement Assessments;

(c) costs of management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;

(d) the costs of utilities, trash pickup and disposal, gardening and other services benefiting the Owners and their Lots to the extent such services are paid for by the Association;

(e) the costs of fire, casualty, liability, workmen’s compensation and other insurance covering the Common Areas and Facilities;

(f) the costs of any other insurance obtained by the Association;

(g) reasonable reserves as deemed appropriate by the Board;

(h) the costs of bonding the members of the Board, any professional managing agent: or any other person handling the funds of the Association;

(i) taxes paid by the Association

(j) amounts paid by the Association for discharge of any lien or encumbrance levied against the Common Areas and Facilities or portions thereof;

(k) the costs of any other item or items approved by the Board and incurred in connection with the Common Areas and Facilities, this Declaration, the Articles or the Bylaws, or in furtherance of the purposes of the Association or in the discharge of any obligations imposed on the Association by this Declaration.

1.11 “Common Facilities” shall mean:

(a) all real property and the improvements and fixtures thereto and the personal property thereon owned by or leased to the Association from time to time for the use and benefit of the Owners, including, without limitation, streets, landscaped areas, parks, open spaces, paths, trails, slopes, swimming pools, clubhouses, fences, and other similar areas; and

(b) all property rights, improvements, fixtures and personal property owned by or leased to the Association from time to time for the common use and benefit of the Owners and situated upon public property or the private property of the Owners, including, without limitation all easements running in favor of the Association and the improvements, fixtures situated within or upon said easements, landscaping, irrigation systems and associated pumps and hardware, street lighting systems, project identification, directional and street signs, and street fixtures. The Common Facilities designated in each final subdivision Plat recorded by Declarant with regard to the property shall be deemed conveyed by Declarant to the Association concurrently with the recording thereof. Unless otherwise stated in writing, the conveyance of Common Facilities from the Declarant to the Association shall be deemed a conveyance free of all liens and encumbrances except current real property taxes (which taxes shall be prorated as of the date of the conveyance), title exceptions of record and the covenants, conditions, reservations, restrictions and easements contained in this Declaration.

1.12 “Declarant” shall mean Sandy Home Development, LLC, a Delaware limited liability company, and its successors and assigns.

1.13 “Design Guidelines” shall mean the guidelines adopted from time to time by Declarant at its sole discretion or, after the Turnover Date, by the Board at its sole discretion, setting forth certain architectural standards and specifications regarding the location and design of the improvements, construction materials, lighting, landscaping, signage and other matters relating to Improvements on the Association Property. The Design Guidelines are incorporated in this Declaration by reference.

1.14 “Expansion Property” shall mean real property that may be added to the Project by the Declarant by recording additional Plats.

1.15 “Improvements” shall mean any object, thing or activity of any kind installed, located or occurring on the Property which changes the external appearance of any portion of the Property or any Lot or of any structure or thing affixed on the Property or any Lot, from its external appearance as it existed immediately prior to the installation, location or occurrence of the object, thing or activity. Improvements include, but are not limited to, all Buildings, structures, landscaping and lawns, exterior walkways, parking areas, drives and truck loading areas, signs, fences, poles, walls, utility lines, lighting, excavations, grading, berms, drainage facilities, repairs, alterations, painting and all other structures or objects of any type or kind installed or constructed on the Property.

1.16 “Institutional Mortgage” shall mean a Mortgagee which is a bank, or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any insurance company, any federal or state agency, or any other institution specified by the Board.

1.17 “Lot” shall mean each or any individual lot as more particularly described in this Declaration, and any other lot or parcel shown on any Plat to the extent such lots or parcels are part of the Property. References in the Declaration to a specific Lot shall refer to the particular Lot as set forth in, this Declaration and, as applicable, on the Plat for such Lot.

1.18 “Member” shall mean every individual or entity who qualifies for membership in the Association pursuant to ARTICLE 2, including Declarant.

1.19 “Mortgage” shall mean any duly recorded mortgage or deed of trust encumbering a Lot.

1.20 “Mortgagee” shall mean the mortgagee or beneficiary under any Mortgage. A “First Mortgagee” shall refer to a Mortgagee whose Mortgage has priority over any other Mortgage encumbering a specific Lot.

1.21 “Occupant” shall mean and include the Declarant, the Owners, their respective heirs, successors and assigns (including Mortgagees) and any person who shall be from time to time entitled to the use and occupancy of space located within the Project under any lease, sublease, license or concession agreement, or other instrument or arrangement under which such rights are acquired.

1.22 “Owner” shall mean one or more persons or entities who are alone or collectively the record owner of fee simple title to a Lot, including Declarant, and the purchaser under an installment land sales contract, but excluding those having such interest merely as security for the performance of an obligation.

1.23 “Party Wall” shall mean and refer to a wall that forms part of a Residence and is located on or adjacent to a boundary line between two adjoining Lots, which wall may be separated by a sound board between two adjoining Residences.

1.24 “Permittees” shall mean all Occupants and all other invitees of Occupants.

1.25 “Plat” shall mean any subdivision plat, any plat of a planned unit development, or any plat or map similar to any of the foregoing: (a) which covers the Property; (b) which describes or creates one or more Lots, Buildings, improvements, or Residences; (c) on which or in an instrument recorded in conjunction therewith there is expressed the intent that the Buildings, improvements, or Residences created by the Plat shall comprise the Project; and (d) which is filed for record in the office of the County Recorder of Salt Lake. Recorded prior to this Declaration is a subdivision plat for Red Sage Homeowners Association executed and acknowledged by Declarant on August ____, 2017, creating separately numbered Lots, Buildings, improvements, or Residences. Said subdivision plat each constitutes a Plat.

1.26 “Project” shall mean all of the Property, together with all of the Buildings and other Improvements constructed thereon.

1.27 “Property” shall mean the real property described on Exhibit “A” attached hereto and incorporated herein by this reference and, subsequent to the annexation thereof pursuant to this Declaration, any real property which shall become subject to this Declaration.

1.28 “Residence” shall mean and refer to any Residence situated upon a Lot in the Project which has its own principal access to the outside, is not located over or under another Residence, is separated from any adjoining Residences by one or more Party Walls, and is designed and intended for separate, independent residential use and occupancy. All pipes, wires, conduits, or other public utility lines or installation constituting part of a particular Residence or serving only that Residence shall be considered part of the Residence.

1.29 “Set Back” shall mean the distance from the property line of the Lot to the Building or improvement that is subject to the Set Back requirement provided in this Declaration, the Design Guidelines for the Project, and in any recorded final subdivision Plat affecting the Project or in the City’s applicable zoning ordinance.

1.30 “Supplementary Declaration” shall mean each of those certain supplementary declarations of protective covenants, conditions and restrictions or similar instruments, if any, recorded subsequent to this Declaration, which annex portions of the Expansion Property and thereby extend the plan of this Declaration to such additional property as provided herein.

1.31 “Turnover Date” shall mean the earlier of: (i) the date upon which none of the Residences remain owned by and not sold by the Declarant; or (ii) the date the Declarant, at its sole and absolute discretion, selects as the Turnover Date for the Property then covered by and subject to this Declaration, evidenced by an instrument recorded in the Office of the Salt Lake County Recorder.

1.32 “Utah Community Association Act” or the “Act” shall refer to the applicable provisions of the Community Association Act described in Utah Code 57-8a-101 et seq., as amended from time to time.

ARTICLE 2 MEMBERSHIP IN THE ASSOCIATION

2.1 Membership. Every Owner shall be a Member of the Association subject to the terms of this Declaration, the Articles, Bylaws and Association Rules. The terms and provisions set forth in this Declaration, which are binding upon all Owners, are not exclusive, as Owners shall also be subject to the terms and provisions of the Articles and Bylaws of the Association to the extent the provisions thereof are not in conflict with the Declaration. Membership in the Association shall be appurtenant to each Lot and may not be separated from the interest of an Owner in any Lot. Ownership of a Lot shall be the sole qualification for membership in the Association; provided, however, that a Member’s voting rights and privileges in the Common

Areas and Facilities may be regulated or suspended as provided in this Declaration, the Bylaws, or the Association Rules. Not more than one membership in the Association shall exist with respect to ownership of a single Lot.

2.2 Transfer. The membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the conveyance or encumbrance of such Lot and then only to the transferee or Mortgagee of such Lot. Any attempt to separate the membership in the Association from the Lot to which it is appurtenant shall be void and will not be reflected upon the books and records of the Association. In the event an Owner should fail or refuse to transfer the membership registered in such Owner's name to the transferee of such Owner's interest in such Lot, the Association shall have the right to record the transfer upon the books of the Association so that the name of the Member corresponds with the ownership of the Lot set forth in the Salt Lake County Recorder's office.

2.3 Voting Rights. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws, and Association Rules. The Association shall have two (2) classes of voting membership, Class "A" and Class "B," as follows:

a. Class "A" Members shall be all Owners with the exception of Class "B" membership, if any. Class "A" Membership shall be entitled to one (1) vote for each Lot such Member owns. When more than one person owns a portion of the interest in a Lot, each such person shall be a Member, but the vote for such Lot shall be exercised as they among themselves determine. Absent any other agreement among co-Owners of a single Lot, (i) a single co-Owner appearing at an Association meeting will be entitled to cast the one vote for the Lot, and (ii) if multiple co-Owners appear at an Association meeting, each Co-Owner will have a pro rata fractional vote based upon the ownership interests of the co-Owners appearing at such meeting. In no event shall more than one vote be cast with respect to any single Lot. The Association shall not be required to recognize the vote or written consent of any co-Owner that is not authorized to vote based upon a written designation of all such co-Owners delivered to the Association.

b. The Class "B" Member shall be the Declarant. In all matters requiring a vote, the Class "B" membership shall receive one hundred (100) votes for each recorded Lot owned by Declarant and one hundred (100) votes for each acre of property owned by Declarant within the Project but not yet depicted on a recorded Plat.

2.4 Approval of Members. Unless a different percentage is otherwise provided for in this Declaration, the Articles, or the Bylaws, the vote of a majority of the voting interest shall be required to approve any matter before the Members. Votes may be taken at a meeting held pursuant to the requirements set forth in the Bylaws, or by an action by written consent. Quorum requirements for meetings of the Members shall be set forth in the Bylaws.

2.5 Declarant's Control of Association Prior to Turnover Date. Prior to the Turnover Date, the Declarant has the right to appoint all of the members of the Board and the officers of the Association. Notwithstanding anything to the contrary in this Declaration, Declarant may (but is not required to) exercise its discretionary termination of control in whole or in part as to any portion of the Project at its sole election and determination. In doing so as to a portion of the

Project, it does not waive any reversionary or remaining control as to all other portions of the Project, the control of which is not expressly terminated by Declarant.

ARTICLE 3 COVENANT FOR ASSESSMENTS

3.1 Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot by acceptance of a deed or other conveyance creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association: Regular Assessments, Special Assessments, Capital Improvement Assessments and Reconstruction Assessments, such Assessments to be fixed, established and collected from time to time as hereinafter provided. The Assessments, together with interest thereon provided, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment is made. Each such Assessment, together with such interest, late charges and costs and reasonable attorney's fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment fell due, and of each subsequent Owner other than a Mortgagee. Any subsequent Owner of a Lot shall be deemed to have notice of the Assessments, whether or not a lien has been recorded. No Owner may waive or otherwise escape liability for an Assessment by abandonment of the Lot. Notwithstanding the foregoing or anything to the contrary in this Declaration, an Assessment shall not be charged to the Declarant for Lots or Residences held by the Declarant that have not yet received a certificate of occupancy from the City.

3.2 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the comfort, health, safety, security and welfare of the Owners and to perform the duties and exercise the powers of the Association enumerated in its Articles, Bylaws, and this Declaration.

3.3 Regular Assessments. The amount and timing of payment of Regular Assessments shall be determined by the Board pursuant to the Articles and Bylaws after giving due consideration to the current maintenance, operational, and other costs and the future needs of the Association. Prior to the beginning of each fiscal year of the Association, the Board shall estimate the total Common Expenses to be incurred for the upcoming fiscal year. The Board shall then determine the amount of the Regular Assessment to be paid by each Owner. Written notice of the annual Regular Assessments shall be sent to every Owner; provided that failure to provide adequate notice does not relieve the Owner's obligation to pay the Regular Assessment in installments as established by the Board. In the event the Board shall determine that the estimate of total charges for the current year is, or will become inadequate to meet all Common Expenses for any reason, it shall immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of Regular Assessment against each Owner, and the date or dates when due

3.4 Capital Improvement Assessments. In addition to the Regular Assessments, the Association may levy in any fiscal year, a Capital Improvement Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or replacement of a described capital improvement upon the Common Areas and Facilities to the extent the same is not covered by the provision affecting Reconstruction Assessments herein,

including the necessary fixtures and personal property related thereto. All amounts collected as Capital Improvement Assessments may only be used for capital improvements and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Said funds shall not be commingled with any other funds of the Association. Notwithstanding the foregoing, after the Turnover Date, the Board shall not undertake any Capital Improvement of the Common Areas and Facilities requiring a cost of \$5,000.00 or more without the affirmative vote of Members holding not less than sixty-seven percent (67%) of the voting power of the Members.

3.5 Rate of Assessment. All Regular, Reconstruction and Capital Improvement Assessments shall be fixed by the Board at a rate computed and assessed with respect to each improved Lot in the ratio that such Lot bears the total number of all improved Lots. All Regular, Reconstruction and Capital Improvement Assessments may be collected at intervals selected by the Board. For purposes of this paragraph, "improved Lots" means Lots that have a Building located thereon and that have received a certificate of occupancy. Prior to the Turnover Date, the Declarant must approve the allocation of Assessments to unimproved Lots. After the Turnover Date, the total amount of Regular Assessments shall not exceed the previous year's Regular Assessments (determined for an entire 12 month period) by more than 15% without the affirmative vote of Members holding not less than sixty-seven (67%) of the voting power of the Members. Notwithstanding the foregoing and anything contrary therein, until a Lot has been owned by an Owner other than the Declarant for the first time, the Regular Assessment applicable to such Lot shall not exceed ten percent (10%) of the Regular Assessment which would otherwise apply to such Lot.

3.6 Certificate of Payment. The Association shall, upon demand, furnish to any Owner liable for Assessments, a certificate in writing signed by an officer or authorized agent of the Association, setting forth whether the Assessments on a specified Lot have been paid, and the amount of delinquency, if any. A reasonable charge may be collected by the Board for the issuance of these certificates, such certificates shall be conclusive evidence of payment of any Assessments therein stated to have been paid.

3.7 Exempt Property. The following portions of the Property shall be exempt from the Assessments created herein: all properties dedicated to and accepted by, or otherwise acquired by a public authority; the Common Areas and Facilities; any Lots and Residences owned by the Declarant that have not received a certificate of occupancy from the City.

3.8 Special Assessments. In addition to the Regular Assessments authorized herein, the Association may levy a Special Assessment or Special Assessments from time to time. Special Assessments may be levied against one or more individual Lot or against all Lots. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved, if the Board so determines. The Association also may levy a Special Assessment against any owner individually and against such Owner's Lot to reimburse the Association for costs incurred in bringing an Owner and his Lot into compliance with the provisions of this Declaration, the Articles, the Bylaws or Association Rules, or any other charges designated as a Special Assessment in this Declaration, the Articles, Bylaws, or Association Rules, together with attorney's fees, interest and other charges related thereto which

special assessment may be levied by the Association after notice to an Owner and an opportunity for a hearing.

3.9 Board Discretion to Reduce or Abate. In the event the amount budgeted to meet Common Expenses for any year proves to be excessive in light of the actual Common Expenses, the Board in its sole discretion may either reduce the amount of the Regular Assessment or may abate collection of Regular Assessments as it deems appropriate.

3.10 Date of Commencement of Regular Assessments. The Regular Assessments shall commence as to all Lots within the Property (unless exempted by this Declaration) on the first day of the month following the conveyance of the first Lot within the Property by Declarant to an Owner other than Declarant. In the event the amount budgeted to meet Common Expenses for any year proves to be excessive in light of the actual Common Expenses, the Board in its discretion may either reduce the amount of the Regular Assessment or may abate collection of Regular Assessments as it deems appropriate.

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

3.12 Reserves. The Regular Assessments shall include reasonable amounts as determined by the Board collected as reserves for the future periodic maintenance, repair or replacement of all or a portion of the Common Areas and Facilities. After the Turnover Date, all amounts collected as reserves, whether pursuant to the preceding sentence of this Section or otherwise, shall be deposited by the Board in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association.

3.13 Reinvestment Fee. The initial Owner purchasing a Unit from the Declarant, and each subsequent Owner of a Unit, shall be obligated to pay the Association a fee pursuant to the provisions and conditions of this Section 3.13 (the "Reinvestment Fee"); provided, however, the Reinvestment Fee shall not be payable upon an Owner's purchase of a Unit from the Declarant. If not paid at the closing of such Owner's purchase of a Unit, the Reinvestment Fee shall be due and payable to the Association within the first calendar month of ownership of a Unit. The Reinvestment Fee shall be dedicated to meeting the Association's obligations and benefitting the Property and the Project and may be used for any purpose allowed by law. Initially, the Reinvestment Fee shall be one-half of one percent (0.50%) of the gross sales price of a Unit. The amount of the Reinvestment Fee may be adjustment from time to time by Declarant at any time on or prior to the Turnover Date and thereafter by the Board.

ARTICLE 4 NONPAYMENT OF ASSESSMENTS

4.1 Delinquency. Any Assessment provided for in this Declaration which is not paid when due shall be delinquent on said due date (the "delinquency date"). If any such Assessment is not paid within ten (10) days after the delinquency date, a late charge in an amount determined

by the Board but not exceeding \$50 shall be levied and the Assessment shall earn interest from the delinquency date at the rate of eighteen percent (18%) per annum.

4.2 Enforcement Rights. The Association shall have the right to take any of the following actions against one or more Owners(s) after the delinquency date:

a. The Association may bring an action to recover a money judgment against the Owner for unpaid Assessments, interests, late fees, costs, and attorney's fees.

b. The Association may foreclose the Association's lien against the Lot for the unpaid Assessments, interest, late fees, costs, and attorney's fees pursuant to Utah Code 57-8a-304.

c. The Association may, after giving notice and an opportunity to be heard in accordance with Utah Code 57-8a-309(2), terminate an Owner's right to receive utility services for which the Owner pays for as a common expense and access to and use of Common Areas and Facilities.

d. Subject to Utah Code 57-8a-310, the Association may require tenants of a Lot to make future lease payments directly to the Association so long as Assessments remain unpaid for such Lot.

4.3 Other Remedies. The Association shall have all other rights and remedies available by applicable law, including the right to assess fines and suspend voting rights for any period during which any Assessment against an Owner's Lot remains unpaid.

All rights and remedies of the Association shall be cumulative and the exercise of one right or remedy shall not preclude the exercise of any other right or remedy. The "One Action Rule" shall not be a defense to the enforcement of all rights and remedies of the Association. The Association may elect to bring an action to recover for a delinquent Assessment against the Owner or other obligee personally. Any attorney fees or costs incurred in these efforts shall also be assessed against the Owner(s), their Lot(s), and/or other obligees jointly and severally.

4.4 Intent. No provision of this Article shall be interpreted so as to limit in any way the rights of the Association for collection of Assessments.

4.5 Payment by Tenant. The Association shall be entitled to demand and collect from a tenant of any Lot, the amount of any assessment that is more than sixty (60) days past due.

4.6 Appointment of Trustee. The Declarant hereby conveys and warrants pursuant to U.C.A. Sections 57-1-20 and 57-8a-402 to B. Scott Welker, Esq., a licensed member of the Utah State Bar, with power of sale, the Lot and all Improvements to the Lot for the purpose of securing payment of assessments under the terms of this Declaration.

ARTICLE 5 COVENANTS, CONDITIONS, AND RESTRICTIONS

5.1 Permitted Use. No Lot shall be used except for single-family, residential purposes. All Buildings must comply with the Design Guidelines. Except as otherwise protected by applicable law, no Residence may be used as rehabilitation center, halfway house, or for similar purposes.

5.2 Emissions/Discharge, Etc. To maintain a degree of protection of the investment which Owners in the Project make, the following are prohibited within the Project:

a. Emission of smoke, fumes, odors, gases, vapors, steam, dust, sweepings, dirt, cinders or other particles or substances into the atmosphere which are detectable outside the boundaries of the Lot where created and/or which may be detrimental to the health, safety, welfare or comfort of any Owner or any other person, to the condition of any other portion of the Property, or to any vegetation within the Property.

b. Discharge of fluids, gases, solid wastes or other harmful materials into any drainage canal or other waterway which may adversely affect the health, safety, welfare or comfort of any Owner or other person or the condition of any portion of the Property.

c. Discharge of glare or heat, subsonic or ultrasonic sounds, or atomic, electromagnetic, microwave, ultra-violet, laser or other radiation which is detectable from any point exterior to the Lot upon which the operation is being conducted.

d. Recurrent or continuous emission of sound or noise from any Lot which may be heard without instruments outside the boundaries of the Lot of origination.

e. Recurrent or continuous ground vibrations perceptible without instruments at any point exterior to the Lot of origination.

f. Physical hazard by reason of fire, radiation, explosion or other similar cause to either the Property or the surrounding area.

g. Persisting unsightly condition (as determined by the Board in its sole discretion) on any Lot which is visible from any street or any other portion of the Property.

h. Excessive risk of fire or explosion that increases the casualty insurance premiums for improvements on adjacent Lots.

i. Violation of any applicable statute, ordinance, rule, regulation, permit or other validly imposed requirement of any governmental body

5.3 Waste Disposal. No trash, garbage or waste material, including, but not limited to, scraps, grass, shrub or tree clippings, lumber, metals and plant waste, shall be kept, stored or allowed to accumulate on any portion of the Property except in an approved bin or contained within an enclosed structure appropriately screened from view. All trash, garbage and other waste materials shall be regularly removed from each Lot and the Property. Incineration of trash,

garbage, or waste materials on the Property is prohibited; provided, however, that the Association is permitted to burn weeds.

5.4 Hazardous Materials.

a. Restriction on Hazardous Materials. Any Hazardous Materials brought upon, kept, used, generated, stored, treated, disposed of or released in or about any Lot, or soils or groundwater of the same, by any Owner of such Lot, any Occupant or Permittee of such Owner, or any party acting on behalf of any of them and in a manner which does not comply with applicable Environmental Regulations shall be referred to herein as a "Hazardous Condition." In the event any Hazardous Condition occurs on a Lot, the Owner of such Lot shall promptly take all actions at its sole expense as are reasonably necessary to correct said violation to the satisfaction of the regulating entity.

b. Indemnity. If an Owner of a Lot breaches the obligations stated in Section 5.4(a) above or if a Hazardous Condition exists at any time, the Owner of such Lot shall indemnify, defend and hold the Owners of each other Lot within the Property harmless from any and all claims, judgments, damages, penalties, fines, costs, expenses liabilities or losses, including, without limitation, (1) diminution in value of the Property, (2) damages for the loss or restriction on use of usable space or of any amenity of the Property, (3) sums paid in settlement of, payment of, or in order to comply with any claims, suits, actions, judgments, proceedings, or investigations, (4) costs, expenses, reasonable attorneys' fees, consultant fees, expert fees and incidental costs incurred in connection with any of the above or any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any governmental or quasi-governmental entity. The obligations contained in this ARTICLE 5 shall survive the termination of this Declaration

5.5 Restrictions on Signs. Unless otherwise established by resolution of the Board in Association Rules or another written instrument, the following regulations regarding signs apply: No signs or advertising devices of any nature, including without limitation, commercial, political, informational, or directional signs or devices, shall be erected or maintained on any Lot or other part of the Project, without the prior inspection and written approval of the Board, except as may be necessary temporarily to caution or warn of danger. If the Board consents to the erection of any such signs or devices, the same shall be removed promptly at the request of the Board. The Declarant shall be exempt from the provisions of this Section and shall be authorized to erect signs on Common Area or other property owned by the Declarant.

5.6 Pets and Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot 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 Residences when expressly permitted by resolution of the board in Association Rules or in another written instrument. Each Owner who desires to keep a pet on such Owner's Lot shall apply in writing to the Association for permission to keep such pet. In no event shall any pet be permitted in any portions of the Common Area unless carried or on a leash. Each owner who keeps a pet on a Lot shall promptly remove all pet waste from the Common Areas and Common Facilities. Each Owner who keeps a pet on a Lot 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 Association 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 Association may revoke its permission to keep the pet in the Project and the pet shall be removed therefrom.

5.7 No Alterations. No Owner shall, without the prior written consent of the Association 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 thereon, or jeopardize the safety of persons or property or impair any easement or hereditament appurtenant to the Project. The Board shall have authority to create and enforce Association Rules regulating the placement of satellite dishes, outdoor antennas, and other similar appliances for the purpose of addressing legitimate safety concerns in a manner that is no more burdensome to the Owner than necessary. No satellite dishes, outdoor antennas, or other similar appliances shall be larger than one meter in width or shall extend higher than twelve (12) feet above the Owner's roofline unless expressly permitted by resolution of the Board in Association Rules or in another written instrument. The Declarant shall be exempt from the provisions of this Section.

5.8 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 shall consent thereto in writing. The Declarant shall be exempt from the provisions of this Section.

5.9 Prohibition of Damage and Certain Activities. Except with the prior written consent of the Association, nothing shall be done or kept on any Lot, 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 on any Lot 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 on any Lot 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 an 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, licensee, or invitees of such Owner.

5.10 Commercial Business. Commercial Business shall not be permitted within the Project. However, nothing in this article shall be construed to prevent (a) the Association from entering into contracts with utility providers which contracts would involve installing and maintaining equipment within the Project which may be used for providing services to parties that are not members of the Association; (b) the Declarant, or other builders, from using one or more Residences for purposes of a construction office or sales office until 100% of the Lots or Residences are sold in the Project; or (c) the use by any Owner of his Residence for a home occupation pursuant to City or County ordinance. Businesses, professions or trades may not require heavy equipment or create a nuisance within the Subdivision, and may not noticeably

increase the traffic flow to the Project.

5.11 No Lease for Transient or Hotel Purposes. The Lots are to be used for residential housing purposes only. No Owner shall be permitted to lease a Lot for transient or hotel purposes, boarding house, a bed and breakfast, or other uses for providing accommodations to travelers, or for an initial term of less than thirty (30) days. No Owner shall lease less than the entire Lot. 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. Any Owner who shall lease his Lot shall be responsible for assuring compliance by such Owner's lessee with this Declaration, the Articles, Bylaws and Association Rules. All leases shall be in writing. No Residence shall be subjected to time interval ownership.

5.12 Parking and Parking Garage Restrictions.

a. No recreational vehicles, trailers, or boats may be parked within the Project except in designated areas, if any, and pursuant to Association Rules and other regulations adopted by the Association by resolution.

b. All abandoned vehicles left on the Project over five (5) days, whether or not parked in a designated parking area, may be removed from the Project by the Association at the expense of the owner of the said vehicle.

c. Each parking garage appurtenant to a Residence must be maintained in such a manner as to have sufficient space to park two (2) vehicles in the garage at all times. No such garage shall be used to store an inoperable vehicle.

d. Parking in surface stalls and spaces shall be only for residents of Red Sage Homeowners Association and their guests. All other vehicles may be removed from the Project by the Association at the expense of the owner of the said vehicle.

e. All vehicles parked in the Project must be in a parking garage or surface stall or space specifically designated for parking. No vehicle may be parked on a street in the Project at any time. Any vehicle parked in an unauthorized location may be removed from the Project by the Association at the expense of the owner of the said vehicle.

5.13 Rules and Regulations. Each Owner shall comply strictly with all Association Rules and other regulations adopted by the Association for the governance of the Lots, the Common Areas, and the Project, as such rules and regulation may be modified, amended, and construed by the Association.

5.14 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 provision, covenants, conditions or restrictions upon completion of the construction.

5.15 Subdivision of Lots. After recording of the applicable Plat, a Lot may not be subdivided without the consent of the Declarant. After the Turnover Date, a Lot may not be subdivided without the consent of sixty-seven percent (67%) of all Owners. Each Owner waives the right of partition as may be permitted under applicable law.

5.16 Yard Sales. Yard sales, garage sales, estate sales, sample sales and similar kinds of sales activity from Lots is not permitted without the consent of the Association.

5.17 Single Family. All Lots shall be used only for single-family residential purposes, and no more than one Residence shall be constructed on any Lot. "Single Family" shall mean one household of a person living alone or persons related to each other by blood, marriage, adoption, or legal guardianship, or one group of not more than four unrelated persons.

5.18 No Noxious or Offensive Activity. No noxious or offensive activity shall be carried out on any Lot or the Project, including the creation of loud or offensive noises or odors that detract from the reasonable enjoyment of nearby Lots. No Owner or occupant shall engage in activity within the Project in violation of any law, ordinance, statute, rule or regulation of any local, county, state or federal body.

5.19 No Hazardous Activity. No activity may be conducted on any Lot that is, or would be considered by a reasonable person to be unreasonably dangerous or hazardous, which would cause the cancellation of conventional homeowners' insurance policy. This includes, without limitation, the storage of caustic, toxic, flammable, explosive or hazardous materials in excess of those reasonable and customary for household uses, the discharge of firearms or fireworks, and setting open fires (other than property supervised and contained).

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

5.21 Temporary Structures. No Owner or resident shall place upon any part of the Project any temporary structures including, but not limited to tents and trailers without the prior written consent of the Board of Directors.

5.22 Energy Conservation Equipment. No solar energy device, solar energy collector panels, other energy conservation equipment or attendant hardware shall be constructed or installed within the Project without the prior written consent of the Board of Directors.

ARTICLE 6 GENERAL CONSTRUCTION REQUIREMENTS

6.1 Construction of Improvements on Each Lot. All work performed in the construction, maintenance, repair replacement, alteration or expansion of any Improvement on a Lot shall be effected as expeditiously as possible and in such a manner as not to unreasonably

interfere, obstruct or delay (a) access to or from any other Lot, or part thereof, to or from any of the Common Areas and Facilities, (b) construction work being performed on any other Lot; or (c) the use, enjoyment or occupancy of any other Lot. Any replacement, alteration or expansion of any Improvement on a Lot shall be in compliance with all applicable laws, rules, regulations, orders and ordinances of the city, county, state and federal government, or any department or agency thereof and no such work shall cause any Improvement located on any other Lot to be in violation of any such laws, rules, regulations, orders or ordinances. All work performed in the construction, maintenance, repair, replacement, alteration or expansion of any Improvement on a Lot shall be done in a good and workmanlike manner and in accordance with engineering standards.

6.2 Staging of Construction of Improvements. Staging for the construction, maintenance, repair, replacement, alteration or expansion of any Improvement on a Lot, including, without limitation, the location of any temporary buildings or construction sheds, the storage of building materials, and the parking of construction vehicles and equipment, shall be limited to such Lot.

6.3 Declarant Exemption. The Declarant is exempt from the provisions of Sections 6.1 and 6.2 herein.

6.4 Approved Builder. Prior to the Turnover Date, only contractors approved in advance by Declarant, in its sole discretion, may construct Improvement(s) upon the Lots and Residences.

ARTICLE 7 DUTIES AND POWERS OF THE ASSOCIATION

7.1 General Duties and Powers of the Association. In addition to the duties and powers enumerated in its Articles and Bylaws, or elsewhere provided for herein, and without limiting the generality thereof, the Board shall:

a. enforce the provisions of the Declaration, the Articles and the Bylaws by appropriate means and carry out the obligations of the Association hereunder, including without limitation, the expenditure of funds of the Association, the employment of legal counsel, the commencement of actions, the promulgation for the Association Rules as provided in the Bylaws and Section 7.2 below, which shall include the establishment of a system of fines or penalties enforceable as Special Assessments;

b. acquire, maintain and otherwise manage all of the Common Areas, Common Facilities, and all improvements and landscaping thereof, and all personal property acquired by the Association, and maintain all other areas within and in the vicinity of the Property which the Association deems appropriate to maintain or is obligated to maintain, including, without limitation, the landscaped areas, the roadways, the sidewalks and the parking areas, as provided in this Declaration or pursuant to agreement with the City or other governmental agency or authority;

- c. pay any real and personal property taxes and other charges assessed against the Common Areas and Facilities unless the same are separately assessed to the Owners;
- d. obtain, for the benefit of the Common Areas and Facilities, all water, gas and electric, refuse collections and other services;
- e. grant easements where necessary for utilities and sewer facilities over the Common Areas and Facilities to serve the Property as provided herein;
- f. contract for and maintain such policy or policies of insurance as may be required by this Declaration or as the Board deems necessary or desirable in furthering the purposes of and protecting the interest of the Association and its Members;
- g. delegate its powers to committees, officers, or employees as provided in the Bylaws, employ a manager or other persons and contract with independent contractors or managing agents who have professional experience in the management of condominium developments or planned unit developments to perform all or any part of the duties and responsibilities of the Association;
- h. establish and maintain a working capital and contingency fund in an amount to be determined by the Board;
- i. have the power of entry upon any Lot where necessary in connection with construction, maintenance or repair for the benefit of the Common Areas and Facilities, or the Owners;
- j. at its sole discretion, provide trash pickup and disposal and snowplowing service for the benefit of the Owners and their Lots;
- k. acquire real property by lease or purchase for offices or other facilities that may be necessary or convenient for the management of the Common Areas and Facilities, the administration of the affairs of the Association or for the benefit of the Members;
- l. at its sole discretion, contract for communication services (e.g., cable television, Internet, telephone, etc.) for the benefit of the Owners who have subscribed for the service; and
- m. have the power to establish in cooperation with the City a special tax assessment district for the performance of all or a portion of the maintenance and other functions now within the responsibility of the Association, together with the right to convey or lease, with or without the payment of monetary consideration, all or any portion of the Common Areas and Facilities to said district.
- n. for the purposes of this paragraph, the term "Easement Property" shall mean the property owned by the Utah Transit Authority over which the Association is the holder of an easement. The Association shall be solely responsible for all construction, maintenance, repair, and replacement of any and all roadway improvements on the Easement Property, including without limitation, snow and ice removal, weed control, paving, repaving, sealing, stripping,

concrete work, and all other work thereon. All such construction, maintenance, repair and replacement shall be done in a good and workmanlike manner, consistent with other roadway improvements within the Project.

7.2 Association Rules. The Board shall also have the power pursuant to the procedures set forth in the Bylaws to adopt, amend, and repeal such rules and regulations as it deems reasonable (the "Association Rules"). The Association Rules shall govern such matters in furtherance of the purposes of the Association, including, without limitation, the use of the Common Areas and Facilities; provided, however, that the Association Rules may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles, or Bylaws. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be delivered to each Owner in the same manner established in this Declaration for the delivering of notices. Upon such delivery, said Association Rules shall have the same force and effect as if they were set forth in and were part of this Declaration. The Association Rules, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner and Mortgagee upon request. In the event of any conflict between any such Association Rules and any other provisions of this Declaration, the Articles or the Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such inconsistency. Prior to the Turnover Date, Declarant shall be exempt from the rule making procedure required by Utah Code § 57-8a- 217.

7.3 Delegation of Powers. The Association shall have the right according to law, to delegate any of its powers under this Declaration, the Articles and Bylaws; provided, however, no such delegation, whether to a professional management company, committee or otherwise shall relieve the Association of its obligation to perform such delegated duty.

7.4 Schedule of Fines and Penalties. The Association has the authority, from time to time, to set forth in the Association Rules a schedule of fines and penalties for violations of the Association's governing documents.

7.5 Statement of Account & Payoff Information. Upon a written request from an Owner that the Association provide the Owner with a statement of his/her account, the Association may charge a fee, as allowed by the Act. In addition, when a request is made to the Association to provide payoff information needed in connection with the financing, refinancing, or closing of an Owner's sale of his/her Lot, the Association may charge a fee as allowed by the Act.

ARTICLE 8 INDEMNIFICATION

8.1. Indemnification – Third Party Actions. The Association shall indemnify any person who was or is a party to any 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 Board Member or officer of the Association, 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 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 order or settlement, 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 the best interests of the Association or with respect to any criminal action or proceeding, that the person had reasonable cause to believe that his conduct was unlawful.

8.2. 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 by reason of the fact that he is or was a Board Member or officer of the Association, against expenses (including attorneys' 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 the best interests of the Association; provided, however, 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 gross negligence or intentional 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 and in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

8.3. Determination. To the extent that a person who is or was a Board Member or officer of the Association has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Sections 8.1 or 8.2 of Article VII hereof, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith. Any other indemnification under Sections 8.1 or 8.2 hereof shall be made by the Association only upon a determination that indemnification of the person is proper in the circumstances and that he has met the applicable standard of conduct set forth respectively in Sections 8.1 or 8.2 hereof. Such determination shall be made by a quorum of Board Members. If the Board of Directors cannot authorize indemnification because the number of Board Members who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of Board Members who are not parties to that proceeding, the disinterested Board Members shall, in their sole discretion, either (a) appoint independent legal counsel who shall make the determination regarding indemnification in a written opinion, or (b) cause that the determination regarding indemnification be made by the Members of the Association by the affirmative vote of more than fifty percent (50%) of the total votes of the Association at a meeting duly called for such purpose

8.4. Insurance. The Board of Directors, in its discretion, may direct that the Association purchase and maintain insurance on behalf of any person who is or was a Board Member, officer, or employee of the Association or is or was serving at the request of the Association as a Board Member, officer, employee or agent of another association, corporation, partnership, joint venture, trust or other enterprise against any liability asserted against, and incurred by, such person in any such capacity or arising out of such person's status as such, whether or not the Association would have the power to indemnify such person against liability under the provisions of this Article VII.

8.5. Settlement by the Association. The right of any person to be indemnified shall be subject always to the right of the Association by the Board of Directors, in lieu of such indemnity, to settle any such claim, action, suit or proceeding at the expense of the Association by the payment of the amount of such settlement and the costs and expenses incurred in connection therewith.

ARTICLE 9 REPAIR AND MAINTENANCE

9.1 Repair and Maintenance by Association. Without limiting the generality of the statement of duties and powers contained in this Declaration, the Association shall have the duty to accomplish the following upon the Lots, Common Areas and Facilities or other land within and about the Project in such a manner and at such times as the Board shall prescribe and shall have a right of entry sufficient to allow accomplishment of the same:

a. maintain the Common Areas and Facilities (including all portions of the trail west of and adjacent to the East Jordan Canal that are within the Project) and all landscaping whether or not on an Owner's Lot in a clean, safe, and attractive condition at all times, and maintain all other areas within and in the vicinity of the Property which the Association deems appropriate to maintain or is obligated to maintain in a clean, safe, and attractive condition at all times, including, without limitation, the landscaped areas, the roadways, the sidewalks and the parking areas (other than parking garages appurtenant to a Residence);

b. repair, restore, replace and make necessary improvements to the Common Areas and Facilities;

c. maintain all drainage facilities and easements which constitute Common Areas and Facilities in accordance with the requirements of any applicable flood control district;

d. cause the appropriate public utility to maintain any utility easements located within the Common Areas and Facilities;

e. maintain the public rights-of-way within the Project; and maintain all other areas, facilities, equipment, services or aesthetic components of whatsoever nature.

f. The Association shall have the authority but not the obligation to paint, re-finish, repair, and replace roofs, gutters, downspouts, and exterior building surfaces of any Residence. The Association shall give thirty (30) days' written notice to the Owners of the Residences that are to undergo such repairs or replacements prior to commencement of the same. If the Association pays for the repairs or replacements, such amount shall be a Special Assessment to the Owners of the Residences that underwent repairs or replacements.

9.2 Repair, Replacement, and Maintenance by Owner. Every Owner shall:

a. repair, replace, and maintain all portions of such Owner's Lot, Residence, and

Improvements thereto including, without limitation, any exteriors, roofs, plumbing fixtures, water heater, heating equipment, air conditioner, lighting fixtures, and appliances in and connected to the Residence in a clean, safe, and attractive condition at all times, and in compliance with this Declaration, the Articles, Bylaws and the Association Rules;

b. keep such Owner's Lot free from trash and debris, and keep all lighting clean and functional;

c. Notwithstanding the foregoing and anything contrary therein, no Owner shall be responsible for the repair, replacement, or maintenance of any landscaping on such Owner's Lot.

9.3 Association Approval Required for Certain Modifications and Alterations. An owner shall not commence any structural modification, alterations or installations to the outside of his Residence, replacement of his roof or exterior surfaces or cause to be placed or erected on the Common Areas and Facilities any out buildings without obtaining written consent from the Association. The consent required by this Section shall be in addition to any consent an Owner is required to obtain pursuant to any other section herein.

9.4 Architectural Review Committee and Design Guidelines.

a. The Board shall serve as the Architectural Review Committee (the "ARC") unless it delegates the responsibilities of the ARC, which it shall have the authority to do. The ARC shall prepare or adopt and promulgate on behalf of the Association, design and development guidelines, and application and review procedures, applicable to the Association Properties or any portion thereof (the "Design Guidelines"). The guidelines and procedures shall be those of the Association, and the ARC shall have the sole and full authority to prepare and to amend the same, subject to approval of the City (if applicable). The Association shall make copies of the guidelines and procedures available, upon request, to Owners, builders and developers who seek to engage in development of or construction upon any portion of the Association Properties, and such Owners, builders and developers shall conduct their operations strictly in accordance therewith.

b. Any construction, alteration, modification, removal or destruction, within the Project, including the location of all improvements, must be approved in writing by the ARC prior to the commencement of the same. No person commencing such construction, alteration, modification, removal or destruction prior to receipt of such written approval shall acquire any vested rights in any such improvement. A majority of the members of the ARC shall have the power to act on behalf of the ARC, without the necessity of a meeting and without the necessity of consulting the remaining member or members of the ARC. All decisions rendered by the ARC must be by written instrument setting forth the action taken by the members consenting thereto.

c. The ARC may, at its sole discretion, withhold approval of any proposal if the ARC finds the proposal would be inappropriate for the particular Lot or Residence or incompatible with the Design Guidelines. Considerations such as siding, shape, size, color, design, height, solar access or other effects on the enjoyment of other Lots, Residences, or

Common Area, and any other factors which the ARC reasonably believes to be relevant, may be taken into consideration by the ARC in determining whether or not to approve any proposal.

d. Approval or disapproval by the ARC of any matter proposed to it or within its jurisdiction shall not be deemed to constitute precedent, waiver or estoppel impairing its right to withhold approval or grant approval as to any similar matter thereafter proposed or submitted to it.

e. Any Owner adversely impacted by action of the ARC may appeal such action to the Board. If, however, the ARC's duties are being carried out by the Board, then no such right to appeal shall exist.

f. All appeals and hearings shall be conducted in accordance with procedures set forth by the Board by resolution.

g. The ARC's approval of any proposal shall automatically be revoked within three (3) months after issuance unless construction or other work relating to the proposal has been commenced or the Owner has applied for and received an extension of time from the ARC.

h. The ARC may inspect from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ARC finds that the work was not performed in substantial conformation with the approval granted, or if the ARC finds that the approval required was not obtained, the ARC shall notify the Owner in writing of the noncompliance. The notice of noncompliance shall specify the particulars of noncompliance and shall require the owner to remedy the noncompliance by a specific date. The ARC shall have authority to record a document giving notice of the noncompliance with recorder's office in the county where the Lot is located. Any Owner who receives a notice of noncompliance may appeal the notice in accordance with the appeals procedure set forth by the Board.

i. Neither the Board nor the ARC shall be liable to any Owner, occupant, builder or other person for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the ARC or a member thereof, provided only that the member has in accordance with the actual knowledge possessed by him or her, acted in good faith. The ARC is not responsible for determining compliance with structural and building codes, solar ordinances, zoning codes or other governmental regulations, all of which are the responsibility of the Owner.

j. Notwithstanding anything to the contrary herein, prior to the Turnover Date, Declarant need not submit or receive any approval from the ARC.

9.5 Standards for Maintenance and Construction.

a. Maintenance of the exterior of Buildings and Improvements shall be accomplished in accordance with the Design Guidelines.

b. Throughout any period of construction upon a Lot, the Owner of such Lot shall keep the Lot and all streets used by construction equipment or trucks in clean and safe condition, shall remove daily all trash, rubbish, debris, mud and dirt therefrom, shall take all measures necessary or appropriate to control dust, blowing sand and erosion, whether by wind or water, on the Lot and shall so conduct all such construction so as not to interfere with free and ready access to existing Buildings and neighboring Lots.

c. The Declarant shall be exempt from the provisions of this Section.

9.6 Right of Association to Maintain and Install. In the event that the need for any exterior maintenance or repair of a Residence or the Improvements thereto is caused through the willful or negligent acts of the Owner or the Owner's Occupants or Permittees, the cost of such exterior maintenance or repair shall be assessed against the Owner and his Lot as hereinafter set forth.

a. Upon finding by the Board that the need for exterior maintenance or repair was caused by the willful negligent acts of the Owner or the Owner's Occupants or Permittees, the Board shall give notice of its finding to the responsible Owner which shall briefly describe the maintenance or repair needed and the willful or negligent acts and set a date for hearing before the Board or a committee selected by the Board for such purpose.

b. Such hearing shall be held not less than ten (10) nor more than thirty (30) days from the date of said notice.

c. Such hearing shall be conducted according to such reasonable rules and procedures as the Board shall adopt and which shall provide the Owner with the right to present oral and written evidence and to confront and cross-examine adverse witnesses. If the Board or any committee renders a decision against the responsible Owner, it shall further set a date by which the deficiency is to be corrected by the responsible Owner. A decision of a committee may be appealed to the Board, but a decision of the Board shall be final.

d. If, after a hearing as described herein, the Board reaches a decision that the need for exterior maintenance or repair was caused by the willful or negligent acts of the Owner, its Occupants or Permittees, the Owner does not sufficiently correct the deficiency on or before the date set by the Board, and the Association then pays for such maintenance or repair, such amount shall be a Special Assessment to the affected Owner and Lot.

e. The Declarant shall be exempt from the provisions of this Section.

ARTICLE 10 INSURANCE

10.1 Insurance Requirement. The Association shall obtain insurance as required in this Declaration and as required by applicable law subject to reasonable availability. The Association may obtain insurance that provides more or additional coverage than the insurance required in this Declaration. Different policies may be obtained from different insurance carriers and

standalone policies may be purchased instead of or in addition to embedded, included coverage, or endorsements to other policies.

As used in this Article:

- (1) "Covered Loss" means a loss, resulting from a single event or occurrence that is covered by the Association's property insurance policy.
- (2) "Residence Damage" means damage to any Residence or a combination of Residences.
- (3) "Residence Damage Percentage" means the percentage of total damage resulting in a covered loss that is attributable to each Residence damaged.

10.2 Property Insurance.

a. Blanket Policy of Property Insurance. The Association shall maintain a blanket policy of property insurance covering all Common Areas and, to the extent the Project contains Residences or structures that share Party Walls, blanket insurance on all attached Residences (including fixtures and building service equipment) is required.

- (i) At a minimum, any required blanket policy shall afford protection against loss or damage by: (1) fire, windstorm, hail, riot, aircraft, vehicles, vandalism, smoke, and theft; and (2) all perils normally covered by "special form" property coverage.
- (ii) Any blanket policy shall be in an amount not less than one-hundred percent (100%) of current replacement cost of all property covered by such policy (including the Residences if applicable) at the time the insurance is purchased and at each renewal date. The actual replacement cost of the property shall be determined by using methods generally accepted in the insurance industry.
- (iii) A blanket policy shall include either of the following endorsements to assure full insurable value replacement cost coverage: (1) a Guaranteed Replacement Cost Endorsement under which the insurer agrees to replace the insurable property regardless of the cost; or (2) a Replacement Cost Endorsement under which the insurer agrees to pay up to one-hundred percent (100%) of the Property's insurable replacement cost but not more. If the policy includes a coinsurance clause, it must include an Agreed Amount Endorsement which must waive or eliminate the requirement for coinsurance.
- (iv) Each property policy that the Association is required to maintain shall also contain or provide for the following: (i) "Inflation Guard Endorsement," if available (ii) "Equipment Breakdown," if the Subdivision has central heating or cooling or other equipment or other applicable fixtures, equipment, or installations, which shall

provide that the insurer's minimum liability per accident at least equals the lesser of one million dollars (\$1,000,000) or the insurable value of the building containing the equipment.

- (v) The maximum deductible the Association will carry on its blanket policy of property insurance is ten thousand dollars (\$10,000).

b. Owner Responsibility for Payment of Deductible. If a loss occurs that is covered by a property insurance policy in the name of the Association and another property insurance policy in the name of an Owner:

- (i) The Association's policy provides primary insurance coverage;
- (ii) The Owner is responsible for the Association's policy deductible;
- (iii) The Owner's policy, if any, applies to that portion of the loss attributable to the Association's policy deductible;
- (iv) An Owner who owns a Residence and has suffered Residence Damage as part of Covered Loss is responsible for an amount calculated by applying the Residence Damage Percentage for that Residence to the amount of the deductible under the Association's property insurance policy; and
- (v) If an Owner does not pay the amount required under this Article within 30 days after substantial completion of the repairs to, as applicable, the Residence or the appurtenant to the Residence, the Association may levy an assessment against the Owner for that amount.

c. Flood Insurance. If any part of the property insured by the Association comes to be situated in a Special Flood Hazard Area as designated on a Flood Insurance Rate Map, a policy of flood insurance shall be maintained. If the property insured by the Association is not situated in a Special Flood Hazard Area, The Association may nonetheless, if approved by a majority of Owners, purchase flood insurance to cover floods not otherwise covered by blanket property insurance.

d. Earthquake Insurance. The Association may, if approved by a majority of Owners, purchase earthquake insurance to cover earthquakes not otherwise covered by blanket property insurance.

e. Association's Right to Not Tender Claims that are Under the Deductible. If, in the exercise of its business judgment, the Board of Directors determines that a claim is likely not to exceed the Association's property insurance policy deductible: (a) the Owner's policy is considered the policy for primary coverage to the amount of the Association's policy deductible; (b) an owner who does not have a policy to cover the Association's property insurance policy deductible is responsible for the loss to the amount of the Association's policy deductible; and (c) the Association need not tender the claim to the Association's insurer.

f. Notice Requirement for Deductible. The Association shall provide notice to each Owner of the Owner's obligation for the Association's policy deductible and of any change in the amount of the deductible.

10.3 Comprehensive General Liability (CGL). The Association shall obtain CGL Insurance insuring the Association, the agents and employees of the Association, and the Owner, against liability incident to the use, ownership or maintenance of the Common Area, or membership in the Association. The coverage limits under such policy shall not be less than one million dollars (\$1,000,000) covering all claims for death of or injury to any one person or property damage in any single occurrence. Such insurance shall contain a Severability of Interest Endorsement or equivalent coverage which would preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or another Owner.

10.4 Workers Compensation Insurance. In the event that the Association hires any employees, it shall, at that time, obtain worker's compensation insurance in compliance with Utah state law with employers liability limits of \$1,000,000.

10.5 Directors and Officers Insurance. The Association shall obtain Directors and Officers liability insurance with a minimum limit of \$1,000,000 protecting the Board of Directors, the Officers, and the Association against claims of wrongful acts, mismanagement, failure to maintain adequate reserves, failure to maintain books and records, failure to enforce the Governing Documents, and breach of contract (if available). The policy shall:

- a. Include coverage for volunteers and employees;
- b. Include coverage for monetary and non-monetary claims;
- c. Provide for the coverage of claims made under any fair housing act or similar statute or that are based on any form of discrimination or civil rights claims; and

10.6 Insurance Coverage for Theft and Embezzlement of Association Funds. The Association may obtain a fidelity bond and insurance covering the theft or embezzlement of funds that shall:

- a. Provide coverage for an amount of not less than the sum of three months regular assessment in addition to the prior calendar year's highest monthly balance on all operating and reserve funds; and
- b. Provide coverage for theft or embezzlement of funds by:
 - (i) Officers, Board of Directors, or Members of the Association;
 - (ii) Employees and volunteers of the Association;
 - (iii) Any manager of the Association; and
 - (iv) Officers, directors and employees of any manager of the Association

10.7 Business Auto Insurance. In the event that the Association acquires any vehicle in the Association's name, it shall, at that time, obtain business auto insurance with minimum limits

of \$1,000,000 combined single limits for liability plus applicable no fault coverage and uninsured/underinsured limits of \$1,000,000. In the sole discretion of the Board, the Association may also obtain physical damage insurance.

10.8 Terrorism Insurance. In the sole discretion of the Board, the Association may obtain terrorism insurance including any insurance pursuant to the Terrorism Risk Insurance Act.

10.9 Certificates. Any insurer that has issued an insurance policy to the Association shall issue a certificate of insurance to the Association and upon written request, to any Owner or Lender.

10.10 Named Insured. The named insured under any policy of insurance shall be the Association. Each Owner shall also be an insured under all property and CGL insurance policies.

10.11 Association's Right to Negotiate All Claims and Losses and Receive Proceeds. Insurance proceeds for a loss under the Association's property insurance policy shall be payable the Association, and shall not be payable to a holder of a security interest. Insurance proceeds shall be disbursed first for the repair or restoration of the damaged property, if the property is to be repaired and restored as provided for in this Declaration. After any repair or restoration is complete and, if the damaged property has been completely repaired or restored, any remaining proceeds shall be paid to the Association. If the property is not to be repaired or restored, then any proceeds remaining after such action as is necessary related to the property has been paid for, shall be distributed to the Owners and lien holders, as their interests remain with regard to the Residences. Each Owner hereby appoints the Association, as attorney-in-fact for the purpose of negotiating all losses related thereto, including: the collection, receipt of, and the execution of releases of liability, and the execution of all documents and the performance of all other acts necessary to administer such insurance and any claim. This power-of-attorney is coupled with an interest, shall be irrevocable, and shall be binding on any heirs, personal representative, successors or assigns of an Owner.

10.12 Owner Act Cannot Void Coverage Under Any Policy. Unless an Owner is acting within the scope of the Owner's authority on behalf of the Association and under direct authorization of the Association, an Owner's act or omission may not void an insurance policy or be a condition to recovery under a policy.

10.13 Waiver of Subrogation against Owners and Association. All property and CGL policies must contain a waiver of subrogation by the insurer as to any claims against the Association and the Owners and their respective agents and employees.

10.14 Owners' Individual Coverage. **EACH OWNER SHOULD PURCHASE INDIVIDUAL PROPERTY AND/OR EXTENDED COVERAGE IN THE AMOUNT RECOMMENDED BY THE OWNER'S INDEPENDENT INSURANCE AGENT.**

ARTICLE 11 DESTRUCTION OF IMPROVEMENTS

In the event of partial or total destruction of Improvements upon the Common Areas and Facilities, it shall be the duty of the Association to restore and repair the same to its former condition as promptly as practical. The proceeds of any insurance maintained pursuant hereto shall be used for such purpose. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be insufficient to accomplish such repair or restoration, a Reconstruction Assessment may be levied by the Association to provide the necessary funds or such reconstruction, over and above the amount of any insurance proceeds available for such purpose. In the event any excess insurance proceeds remain, the Board shall distribute pro rata such excess funds to the Members, subject to the prior rights of Mortgagees whose interest may be protected by insurance policies carried by the Association. The rights of an Owner and the Mortgagee of his Lot as to such pro rata distribution shall be governed by the provisions of the Mortgage encumbering such Lot. All amounts collected as Reconstruction Assessments shall only be used for the purposes set forth in this Article and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Such funds shall not be commingled with any other funds of the Association.

ARTICLE 12 EMINENT DOMAIN

The term "taking" as used in this Article shall mean condemnation by eminent domain or sale under threat of condemnation. In the event of a threatened taking of all or any portion of the Common Areas and Facilities, the Members hereby appoint the Board and such persons as the Board may delegate to represent all of the Members in connection with the taking. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemner in lieu of engaging in a condemnation action. Any awards received on account of the taking shall be paid to the Association. In the event of a taking of less than all of the Common Areas and Facilities, the rules as to restoration and replacement of the Common Areas and Facilities and the improvements thereon shall apply as in the case of destruction of the improvements upon the Common Areas and Facilities. In the event of a total taking, the Board shall distribute pro rata any award to the Members. The rights of an Owner and the Mortgagee of such Owner's Lot as to such pro rata distribution shall be governed by the provisions of the Mortgage encumbering such Lot.

ARTICLE 13 RIGHTS TO THE COMMON AREAS AND FACILITIES

13.1 Members' Right of Enjoyment. There is hereby reserved and established for the benefit of each Owner and such Owner's Occupants and Permittees a nonexclusive easement for use and enjoyment in and to the Common Areas and Facilities and such right shall be appurtenant to and shall pass with the interest required to be an Owner to every Lot, subject to the following provisions:

a. The right of the Association to establish reasonable rules and regulations pertaining to the use of the Common Areas and Facilities.

b. The right of the Association subject to the approval rights of Mortgagees pursuant to ARTICLE 15 hereof, to dedicate or transfer all or any part of the Common Areas and Facilities to any public agency, authority or utility or other entity for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer, including, without limitation, the conveyance, lease or other transfer of any portion of the Common Areas and Facilities to a special tax assessment district or to the City, shall be effective unless approved by Members holding not less than sixty-seven percent (67%) of the voting power of the Members.

c. The right of the Association to establish, in cooperation with the City, a special assessment district for the performance of all or a portion of the maintenance and other functions now within the responsibility of the Association, together with the right of the Association to convey, lease or otherwise transfer, subject to the provisions of subsections 13.1(b) above, all or any portion of the Common Areas and Facilities to said district.

13.2 Waiver of Use. No member may exempt such Member from personal liability for Assessments duly levied by the Association, nor release the Lot owned by such Member from the liens and charges hereof, by waiver of the use and enjoyment of the Common Areas and Facilities or the abandonment of his Lot.

ARTICLE 14 EASEMENTS AND LICENSES

14.1 Owners' Rights and Duties: Utilities and Communication Lines. The rights and duties of the Owners with respect to water, sewer, electricity, gas, telephone, cable television lines and drainage facilities shall be governed by the following:

a. Wherever sanitary sewer, water, electricity, gas, telephone and communication lines or drainage facilities are installed within the Property, there is hereby reserved and established for the benefit of the Owners of any Lot served by said lines or facilities a nonexclusive easement for the full extent necessary therefore, to enter upon the Lots owned by others, in or upon said lines or facilities, or any portion thereof, to repair, replace and generally maintain said lines and facilities as and when the same may be necessary as set forth below, provided that such Owner or utility company shall promptly repair any damage to a Lot caused by such entry as promptly as possible after completion of work thereon.

b. Wherever sanitary sewer, water, electricity, gas, telephone or communication lines or drainage facilities are installed within the Property, which lines or facilities serve more than one (1) Lot, the Owner of each Lot served by said lines or facilities shall be entitled to the full use and enjoyment of such portions of said lines or facilities which service such Owner's Lot.

c. The foregoing provisions of this Section shall not be deemed to give any Owner the right to connect to any utility line or facility without first complying with all the requirements of the utility company providing the service in question, including without limitation, the payment of all required connection fees and related charges.

14.2 Reservation of Access and Utilities. Easements over the Property for the installations and maintenance of electric, telephone, communication lines, water, gas, sanitary sewer lines and drainage facilities as shown on the recorded subdivision maps of the Property are hereby reserved and established for the benefit of each Owner and their respective successors and assigns. Declarant hereby reserves an easement for access and utilities (including but not limited to: electrical, gas, communication, phone, internet, cable, sewer, drainage and water facilities) over, under, along, across and through the Property, together with the right to grant to a City and County, or any other appropriate governmental agency, public utility or other utility corporation or association, easements for such purposes over, under, across, along and through the Property upon the usual terms and conditions required by the grantee thereof for such easement rights, provided, however, that such easement rights must be exercised in such manner as not to interfere unreasonably with the use of the Property by the Owners and the Association and those claiming by, through or under the Owners or the Association; and in connection with the installation, maintenance or repair of any facilities as provided for in any of such easements, the Property shall be promptly restored by and at the expense of the person owning and exercising such easement rights to the approximate condition of the Property immediately prior to the exercise thereof. Each Owner in accepting the deed to a Lot expressly consents to such easements and rights-of-way and authorizes and appoints the Association as attorney-in-fact for such Owner to execute any and all instruments conveying or creating such easements or rights-of-way.

14.3 Common Area Easements. The following nonexclusive easements are hereby reserved and established for the benefit of each Owner and the Occupants and Permittees of each Owner:

a. Nonexclusive easements over, upon, across and between each Lot for the purpose of pedestrian traffic between each Lot and (1) each other Lot which is contiguous thereto; (2) the public streets and alleys now or hereafter abutting or located on any portion of the Property; (3) the Common Areas and Facilities; (4) the parking areas now and hereafter located on each Lot; (5) over and across the Common Areas located on each Lot; limited, however, to those portions of each Lot which are improved by the Owner thereof from time to time for pedestrian walkways and made available by such Owner for general use, as such portions may be reduced, increased or relocated from time to time by each such Owner.

b. Nonexclusive easements for the purpose of vehicular traffic over, upon, across and between each Lot and (1) the public streets and alleys now and hereafter abutting any portion of the Property; and (2) the Common Areas and Facilities; limited, however, to those portions of the Property which are improved by the Owner thereof from time to time for vehicular access ways as such portions may be relocated from time to time by such Owner.

c. Nonexclusive easements over, upon, across and between the access points and driving lanes from time to time established on each Lot for the purpose of providing ingress, egress, and access to (1) the easements hereby created; (2) the public streets and alleys now and hereafter abutting any portion of the Property; and (3) the Common Areas and Facilities.

d. Nonexclusive easements in and to the parking areas from time to time located on each Lot for access to and use for vehicular parking purposes.

14.4 Maintenance of Exteriors. A nonexclusive easement and right of way on, over, across, through, above, and under each Lot, Residence and Building for the maintenance, repair, and replacement of the exteriors of each Residence and Building and any landscaping located on any Owner's Lot as provided herein is reserved and granted to the Association.

14.5 Easements for Encroachments. If any part of the Common Areas as improved by Declarant now or hereafter encroaches upon any Lot or Residence or if any structure constructed by Declarant on any Residence now or hereafter encroaches upon any other Lot or Residence or upon any portion of the Common Area, a valid easement for such encroachment and the maintenance thereof, so long as it continues, shall exist. If any structure on any Lot or Residence shall be partially or totally destroyed and then rebuilt in a manner intended to duplicate the structure so destroyed, minor encroachments of such structure upon any other Lot or Residence or upon any portion of the Common Area due to such reconstruction shall be permitted; and valid easements for such encroachments and the maintenance thereof, so long as they continue, shall exist.

14.6 Easements for Construction and Development Activities. Declarant reserves easements and rights of ingress and egress over, under, along, across and through the Property and the right to make such noise, dust and other disturbance as may be reasonably incident to or necessary for the (a) construction of Residences, (b) to maintain sales or leasing offices, management offices and models throughout the Project and to maintain one or more advertising signs on the Common Area with respect to the sales of Residences, or other property in the Project or within any undeveloped land, (c) improvement of the Common Area and construction, installation and maintenance thereon of roadways, walkways, buildings, structures, landscaping, and other facilities designed for the use and enjoyment of some or all of the Owners, and (d) construction, installation and maintenance on lands within, adjacent to, or serving the Property of roadways, walkways, and other facilities, planned for dedication to appropriate governmental authorities.

14.7 Income Generated from Service Providers. Declarant, as owner of the real property at the time it is annexed into the Project through recordation of a plat, which includes the dedication of certain utility easements to the City, County or Association, may negotiate terms with service providers that desire to install infrastructure to provide services to Owners in the Project. During the Class B Control Period, any income gained from these Bulk Service Agreement with Bulk Providers by Declarant may be retained by the Declarant. For purposes of this Section, a "Bulk Provider" shall mean a private, public, or quasi-public utility or other company which provides, or proposes to provide, cable television, satellite television, high speed internet, security monitoring, or other electronic entertainment, information, communication, or security services, or concierge or other personal services to the Owners, Occupants, or Residences within the Project pursuant to a Bulk Service Agreement; a "Bulk Service Agreement" shall mean an agreement between the Association and a Bulk Provider pursuant to which the Bulk Provider would provide cable television, satellite television, high speed internet, security monitoring, or other electronic entertainment, information, communication, or security services, or concierge or other personal services, to Owners,

Occupants, or Residences within the Project.

ARTICLE 15
NATURE OF EASEMENTS, LICENSES, AND RIGHTS GRANTED

15.1 Easements Appurtenant. Each and all of the easements, licenses, and rights granted or created herein are appurtenances to the affected portions of the Property and none of the easements and rights may be transferred, assigned or encumbered except as an appurtenance to such portions. For the purposes of such easements, licenses, and rights, the particular areas of the Property which are benefitted by such easements shall constitute the dominant estate, and the particular areas of the Property which are burdened by such easements and rights shall constitute the servient estate.

15.2 Nature and Effect of Easements. Each and all of the easements, covenants, restrictions and provisions contained in this Declaration:

- d. are made for the direct, mutual and reciprocal benefit of the Owners, Occupants and Permittees of the respective Lots;
- e. create mutual equitable servitudes upon each Lot in favor of the other Lots;
- f. constitute covenants running with the land; and
- g. shall bind every person or entity having any fee, leasehold or other interest in any portion of the Property at any time or from time to time to the extent that such portion is affected or bound by the easement, covenant, restriction or provision is to be performed on such portion.

ARTICLE 16
RIGHTS OF LENDERS

16.1 Filing Notice; Notices and Approvals. A mortgagee shall not be entitled to receive any notice which this Declaration requires the Association to deliver to Mortgagees unless and until such Mortgagee, or its mortgage servicing contractor, has delivered to the Board a written notice stating that such Mortgagee is the holder of a mortgage encumbering a Lot within the Property. Such notice shall state whether such mortgagee is a First Mortgagee. If the approval of any percentage of Mortgagees is required pursuant to this Declaration, it shall be deemed to mean the vote or approval of the percentage of only those mortgagees which have delivered such notice to the Board. Notwithstanding the foregoing, if any right of a Mortgagee under this Declaration is conditioned on a specific written request to the Association, in addition to having delivered the notice provided in this Section, a Mortgagee must also make such request, either in a separate writing delivered to the Association or in the notice provided above in this Section, in order to be entitled to such right. Except as provided in this Section, a Mortgagee's rights pursuant to this Declaration, including, without limitation, the priority of the lien of Mortgages over the lien of Assessments levied by the Association hereunder shall not be

affected by the failure to deliver a notice to the Board. Any notice or request delivered to the Board by a Mortgagee shall remain effective without any further action by such Mortgagee for so long as the facts set forth in such a notice or request remain unchanged.

16.2 Priority of Mortgage Lien. No breach of the covenants, conditions, or restrictions herein contained nor the enforcement of any lien provisions herein, shall affect, impair, defeat or render invalid the lien or charge of any Mortgage made in good faith and for value encumbering any Lot, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Lot, except as otherwise provided in this Article.

16.3 Relationship with Assessments Liens.

a. The lien provided for in ARTICLE 3 hereof for the payment of Assessments shall be subordinate to the lien of any Mortgage which is recorded prior to the date any such Assessment becomes due.

b. If any Lot subject to a monetary lien created by any provision hereof shall be subject to the lien of a Mortgage, the foreclosure of the lien of said Mortgage, the acceptance of a deed in lieu of foreclosure of the Mortgage, or sale under a power of sale included in such Mortgage (such events being hereinafter referred to as "Events of foreclosure") shall not operate to affect or impair the lien hereof, except that any persons who obtain an interest through any of the Events of Foreclosure, and their successors in interest, shall take title free of the lien hereof or any personal obligation for said charges as shall have accrued up to the time of any of the Events of Foreclosure, but subject to the lien hereof for all said charges that shall accrue subsequent to the Events of Foreclosure.

c. Any Mortgagee who obtains title to a Lot by reason of any of the Events of Foreclosure, or any purchaser at a private or judicial foreclosure sale shall take title to such Lot free of any lien or claim for unpaid Assessments against such Lot which accrue prior to the time such Mortgagee or purchaser takes title to the Lot, except for liens or claims for a share of such Assessments resulting from a reallocation of such Assessments to all Lots within the Property.

d. Nothing in this Section shall be construed to release any Owner from his obligation to pay for any Assessment levied pursuant to this Declaration.

**ARTICLE 17
PARTY WALLS**

17.1 Boundary Line between Residences. The boundary line between two (2) Residences shall be deemed to be the center line of the airspace between the exterior walls of the two (2) Residences which abut such airspace (the "Party Walls") or, if there is no airspace, where the Party Walls abut, notwithstanding the fact that the common boundary line for the Residences may not be located precisely upon said center line of the Party Walls. The Owner of each Residence from time to time shall have the full rights of ownership, use and occupancy of such Residence and the Owner of a Residence shall not have any right, title or interest in any part of the other Residences located primarily adjacent to such unit.

17.2 Limitation on Alterations to Party Walls. No Owner of a Residence shall have the right, except with the prior written consent of the adjacent Owner, to (i) make any alteration or additions to any Party Wall or any part thereof, except non-structural, interior alterations made within the Residence of such Owner's unit, or (ii) take any action which would adversely affect the structural integrity or sound transmission prevention qualities of the Party Walls.

17.3 Exterior of Party Walls – Colors and Materials. The exterior portions of any Party Wall visible outside a Residence shall be of the same color and/or materials as the exterior walls thereof.

17.4 State Law Governs. To the extent inconsistent with the provisions of this Article, the laws of the State of Utah regarding party walls shall be application with respect to each Party Wall.

ARTICLE 18 EXPANSION RIGHTS AND SUBMISSION

18.1 Right to Expand. There is hereby granted unto Declarant, and Declarant hereby reserves, the absolute right and option to expand the Project at any time (within the limits herein prescribed) and from time to time by adding to the Project all or a portion of the Expansion Property. The Buildings on the Expansion Property are required to be substantially similar to those constructed upon the Property.

18.2 Annexation without Approval and Pursuant to General Plan. All or any part of the Expansion Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, consent or vote of the Association or its Members or any other persons or parties, provided that a Supplementary Declaration covering the portion of said Expansion Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, consent or vote of the Association or its Members or any other persons or parties, provided that a Supplementary Declaration covering the portion of said Expansion Property sought to be annexed, shall be executed by the then Owner or Owners thereof, consented to by Declarant, and recorded; provided, however, no Supplementary Declaration shall be so executed and recorded pursuant to this Section subsequent to the Turnover Date. The recordation of said Supplementary Declaration shall constitute and effectuate the annexation of the said real property described therein, making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter said annexed real property shall be part of the Property and all of the Owners of Units in said annexed real property shall automatically be Members of the Association.

18.3 Supplementary Declaration. The annexations authorized under section 18.2 may be made by recording a Supplementary Declaration of Protective Covenants, Conditions and Restrictions, or similar instrument, with respect to the Expansion Property which shall extend the plan of this Declaration to such property. Such Supplementary Declaration contemplated above may contain such complementary additions and modifications of the covenants, conditions and

restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration revoke, modify or add to the covenants established by this Declaration within the existing property unless such Supplementary Declaration is approved in the manner required herein for an amendment to this Declaration.

18.4 No Obligation to Expand. This Declaration is not intended, and shall not be construed so as, to impose upon Declarant an obligation respecting, or to restrict Declarant in any way with regard to: (i) the addition to the Project of any of the Expansion Property.

18.5 Owners' Obligations Concerning Expansion of Project. Each Owner, by acquiring his interest in the Project, agrees not to inhibit or oppose Declarant's future development of the Expansion Property (whether or not added to the Project) and the obtaining of necessary approvals therefore. Without limiting the scope of the immediately foregoing sentence, no Owner, directly or indirectly, shall oppose such development in public meetings, by petition, or by legal actions.

ARTICLE 19 AMENDMENTS

19.1 Manner of Amending. This Declaration may be amended as follows:

b. At all times on or prior to the Turnover Date, this Declaration may be amended, altered or modified by a Supplementary Declaration or by another amending document approved and signed by the Declarant. No other Members will be required to approve such amendment

c. After the Turnover Date, this Declaration may be amended by the affirmative vote or written consent, or any combination thereof, of voting Members representing sixty-seven percent (67%) of the total votes of the Association. However, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

19.2 Consent to Amend. If an Owner consents to the Amendment of this Declaration or the Association bylaws, it will be conclusively presumed that such Owner has the authority so to consent and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

19.3 Mortgagee's Rights. No amendment may impair the validity or priority of the lien of any Mortgage held by any Mortgagee or impair the rights granted to Mortgagees herein without the prior written consent of such Mortgagees.

19.4 Acceptance of Deed. By acceptance of a deed of conveyance to a Lot or Residence each Owner thereby gives its full, irrevocable and unqualified consent on behalf of itself, its mortgagees, and its successors-in-title to the amendment of this Declaration in the

manner provided in this Article.

19.5 Certain Amendments Requiring Consent. No amendment of this Declaration changing the allocation of assessments with regard to Declarant or Declarant Related Entities shall be valid without the consent of the Declarant.

ARTICLE 20 ASSOCIATION LITIGATION

20.1 Certain Litigation Requiring Consent. In recognition of the expenses and disruption associated with litigation, except as otherwise provided by this Article, the Association shall not commence a judicial or administrative proceeding without the approval of the Declarant for so long as the Members govern the Association and thereafter only upon the approval of Owners representing at least 75% of the total vote of the Association.

20.2 Actions Arising Out Of an Alleged Defect. The Association shall not institute proceedings of any nature on its own behalf or on behalf of any Owner against any person based upon alleged defective design or construction in the development of the Subdivision until: (i) Declarant and the person(s) who designed or constructed the portion of the Subdivision in which the alleged defect exists have been notified and given a reasonable time and opportunity in which to inspect, assess, correct, or redesign any alleged defect or other portions of the Subdivision (provided, however, that the terms of this Article shall not create an obligation of any person to effect a repair of an alleged defect); (ii) the Association or Owner(s) have pursued their remedies under any express warranty covering all or any portion of the alleged defect; (iii) the Declarant and the person(s) who designed or constructed the portion of the Subdivision in which the alleged defect exists have been given the opportunity to be heard at a meeting of the Association regarding the alleged defect; and (iv) all proposed parties to the proceeding have participated in a mediation of any claims for such alleged defective design or construction before a neutral affiliated with Judicial Arbitration and Mediation Services ("JAMS").

Notwithstanding anything to the contrary contained herein, any and all controversies, claims or disputes (collectively "Disputes") brought by the Association or an Owner against Declarant which arises out of alleged defective design or construction, whether based on contract, tort, or statute, shall be determined exclusively by submission to mandatory, binding arbitration as set forth below, instead of by a lawsuit or resort to court action. Such disputes include, without limitation, disputes relating to any alleged breach of contract, misrepresentation, nondisclosure, fraud or defective design or construction, as well as the enforceability or interpretation of this or any other provision(s) of this Declaration. No arbitration proceeding shall involve more than one Unit.

The Association and the Owners hereby waive their rights to have any such Disputes decided in a court of law before a jury, and instead are accepting and agreeing to the use of arbitration.

Any arbitration proceeding pursuant or related to this Declaration shall be conducted in Salt Lake City, Utah, and be administered by JAMS in accordance with JAMS' Comprehensive

Arbitration Rules and Procedures. The parties to the arbitration shall share equally the arbitrator's fees and the JAMS administrative fees; however, each party shall each bear their own attorneys' fees and costs (including expert costs) for the arbitration.

Any arbitration pursuant or related to this Section 20.2 shall be conducted in accordance with the expedited procedures set forth in the JAMS Comprehensive Arbitration Rules and Procedures as those rules and procedures exist on the recordation of this Declaration, including Rules 16.1 and 16.2 thereof.

In deciding the arbitration, the arbitrator shall follow the Utah Rules of Evidence and the substantive law of the State of Utah, exclusive of conflict or choice of law rules.

The parties to the arbitration shall adopt and agree to implement the JAMS optional Arbitration Appeal Procedure (as it exists on the recordation of this Declaration) with respect to any final award in an arbitration arising out of or related to this Declaration. Judgment on the arbitrator's final award, following completion of any appeal procedure implemented, may be entered in any court of competent jurisdiction.

20.3 Compensation of Legal Counsel. No action affected by this Article shall be conducted utilizing legal counsel who are compensated on a contingency fee or similar means of compensation in which litigation costs and attorneys' fees are not paid on a current basis or are paid out of the settlement or judgment amount recovered by the Association in such action.

20.4 Application and Amendment of this Article. This Article shall not apply to: (i) actions brought by the Association to enforce the Governing Documents (including, without limitation, the foreclosure of liens); (ii) the collection of assessments; (iii) proceedings involving challenges to ad valorem taxation; (iv) counterclaims brought by the Association in proceedings instituted against it; or, (v) actions brought by the Association against any contractor, vendor, or supplier of goods or services arising out of an express contract with the Association or its manager for services or supplies. This Article shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

20.5 Repurchase Option for Construction Defect Claims. In the event any Owner shall commence action against Declarant or its assigns, successors, subsidiaries, related construction entities, or other entities established by Declarant, or Declarant's members, for the purpose of constructing Residences on the Lot (collectively "Declarant") in connection with any alleged construction defects in such Owner's Residence or Lot, Declarant shall have the option, but not the obligation, to purchase such Residence or Lot on the following terms and conditions:

(a) The purchase price shall be an amount equal to the sum of the following, less any sums paid to such Owner under any homeowner's warranty, in connection with the alleged defect:

(i) The purchase price paid by the original Owner of the Residence & Lot when originally purchased from Declarant;

(ii) The agreed upon value of any improvements made to the Residence by anyone other than Declarant;

(iii) The Owner's reasonable moving costs; and

(iv) Any closing costs incurred by the Owner in connection with the purchase of another primary residence within ninety (90) days after closing of repurchase provided for herein.

(b) Close of escrow shall occur not later than forty-five (45) days after written notice from Declarant to the Owner of Declarant's intent to exercise the option herein.

(c) Title shall be conveyed to Declarant free and clear of all monetary liens and other encumbrances other than non-delinquent real estate taxes.

(d) Exercise of the repurchase option as provided for herein above shall constitute full and final satisfaction of all claims relating to the subject Residence and Lot. The Owner shall promptly execute and deliver any notice of dismissal or other document necessary or appropriate to evidence such satisfaction.

(e) Declarant's option to repurchase granted herein with respect to any particular Residence and Lot shall automatically terminate upon the expiration of the last applicable statute of limitations applicable to any construction or warranty claim governing such Residence and Lot including all applicable tolling periods.

20.6 Amendment Requires Consent of Declarant. Notwithstanding any other provision of this Declaration, this Article and its subsections may not be amended except with the prior written consent of the Declarant.

ARTICLE 21 GENERAL PROVISIONS

21.1 Enforcement. Either the Association or any Owner shall have the right to enforce by proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration or any amendment hereto, including the right to prevent the violation of any such restrictions, conditions, covenants, or reservations, and the right to recover damages for such violation; provided, however, that the Association shall have the exclusive right to enforce assessment liens. The Association or any Member shall also have the right to enforce by proceedings at law or in equity the provisions of the Articles, Bylaws, or Association Rules, and any amendments thereto. Failure by the Association, Declarant, or by any Member to enforce any covenant, condition, or restriction herein contained, or the Articles and the Bylaws, in any certain instance or on any particular occasion, shall not be deemed a waiver of such right on any such future breach of the same covenant, condition or restriction.

21.2 Not a Public Dedication. Nothing contained in this Agreement shall, or shall be deemed to, constitute a gift or dedication of any portion of the property to the general public or for the benefit of the general public or for any public purpose whatsoever, it being the intention of the parties that this Agreement will be strictly limited to and for the purposes expressed herein.

21.3 Severability. Notwithstanding invalidation of any one of these covenants, conditions or restrictions by judgment or court order, all other provisions hereof shall remain in full force and effect.

21.4 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of residential units on the Property and for the maintenance of the Property and the Common Areas and Facilities. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

21.5 Singular Includes Plural. Whenever the context of this Declaration requires, the singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine and neuter.

21.6 Nuisance. The result of every act or omission, whereby any provision, condition, restriction, covenants, easement, or reservation contained in this Declaration is violated in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result, and may be exercised by the Association or any Member. Such remedy shall be deemed cumulative and not exclusive.

21.7 Attorneys' Fees. In addition to the recovery of costs and attorney fees as provided herein, the Association shall be entitled to recover all reasonable attorney fees and costs incurred as a result of an Owner breach of the Governing Documents, including meetings, research, memoranda, monitoring and other legal work incurred in response to an Owner breach or violation of the Governing Documents. These fees may be collected by special or individual assessment against the subject Owner(s) or Lot(s).

21.8 Notices. Any notice to be given to an Owner or Mortgagee or mortgage servicing contractor under the provisions of this Declaration shall be in writing and may be delivered as follows:

a. Notice to an Owner shall be deemed to have been properly delivered when delivered personally, sent by fax or email, or placed in the first class United States mail, postage prepaid, to the most recent address furnished by such Owner in writing to the Association for the purpose of giving notice or, if no such address shall have been furnished, then to the street address of such Owner's Lot. Any notice sent by fax or email shall be deemed delivered the earlier of twenty-four (24) hours after being sent or confirmed receipt. Any notice deposited in the mail shall be deemed delivered the earlier of forty-eight (48) hours after such deposit or

upon confirmed receipt. In the case of co-Owners, any such notice may be delivered or sent to any one of the co-Owners, on behalf of all co-Owners, and shall be deemed delivered on all such co-Owners.

b. Notice to a Mortgagee or its mortgage servicing contractor shall be deemed to have been properly delivered when placed in the first class United States mail, postage prepaid, to the address furnished to the Association by such Mortgagee or such contractor for the purposes of notice.

21.9 Effect of Declaration. This Declaration is made with the intent to establish a general scheme for the use, occupancy and enjoyment of the Property and each and every Lot and portion thereof. Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances and regulations applicable thereto.

21.10 Personal Covenant. To the extent the acceptance of a conveyance of a Lot creates a personal covenant between the Owner of such Lot and the Association or other Owners, such personal covenant shall terminate and be of no further force or effect from and after the date when a person or entity ceases to be an Owner except to the extent this Declaration may provide otherwise with respect to the payment of money to the Association.

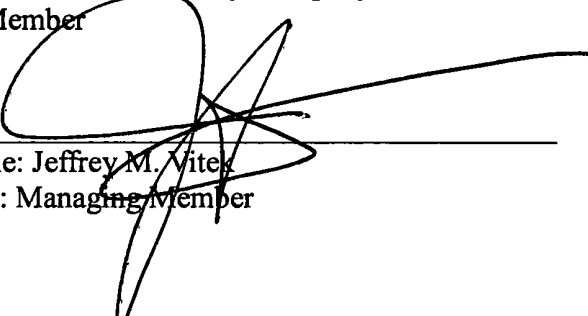
21.11 Non-liability of Officials. To the fullest extent permitted by law, neither the Declarant, the Board, nor any other committee of the Association or any member of such Board or committee shall be liable to any Member or the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

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IN WITNESS WHEREOF, the Declarant has adopted this Declaration of Covenants, Conditions, and Restrictions for and respecting Red Sage Homeowners Association on the 29th day of August, 2017.

**SANDY HOME DEVELOPMENT, LLC
A DELAWARE LIMITED LIABILITY COMPANY**

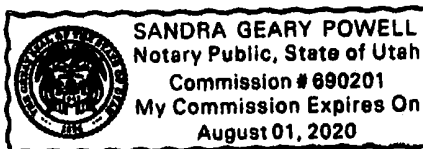
By: Sandy Home Development Associates, LLC
a Utah Limited Liability Company
Its Member

BY: 
Name: Jeffrey M. Vitek
Title: Managing Member

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

On the 29th day of August, 2017, the foregoing did execute this document who by me being duly sworn, did represent that he/she is the Managing Member of Sandy Home Development Associates, LLC, a Utah limited liability company.


Notary Public



**EXHIBIT A
LEGAL DESCRIPTION**

Legal Description: Red Sage Homeowners Association

Beginning at a point North 89°38'31" West 293.77 feet from the center of Section 18, Township 3 South, Range 1 East, Salt Lake Base and Meridian, and running thence North 89°38'31" West, a distance of 120.25 feet; thence North 00°25'49" East, a distance of 40.00 feet; thence North 19°01'13" West, a distance of 135.22 feet; thence North 06°58'47" East, a distance of 178.00 feet; thence North 10°23'47" East, a distance of 162.05 feet; thence North 32°39'13" West, a distance of 201.63 feet; thence North 04°48'47" East, a distance of 149.79 feet; thence North 28°42'13" West, a distance of 159.61 feet; thence North 03°43'47" East, a distance of 102.41 feet; thence North 46°58'47" East, a distance of 205.00 feet; thence North 00°01'13" West, a distance of 173.00 feet; thence North 14°55'59" West, a distance of 51.74 feet; thence North 25°01'13" West, a distance of 144.51 feet; thence North 06°58'47" East, a distance of 566.65 feet; thence North 17°29'23" West, a distance of 171.74 feet; thence North 27°01'13" West, a distance of 201.78 feet; thence North 44°14'13" West, a distance of 166.34 feet; thence North 51°01'13" West, a distance of 50.73 feet; thence North 89°52'59" East, a distance of 290.45 feet; thence South 15°40'10" East, a distance of 1,821.77 feet to the point of curve of a non tangent curve to the right, of which the radius point lies South 74°22'02" West, a radial distance of 5,679.68 feet; thence southerly along the arc, through a central angle of 08°30'44", a distance of 843.81 feet; thence North 89°38'38" West, a distance of 220.84 feet; thence North 00°24'15" East, a distance of 570.16 feet; thence North 13°26'37" West, a distance of 66.83 feet; thence North 89°59'42" West, a distance of 288.45 feet; thence South 00°00'18" West, a distance of 65.50 feet to the point of curve of a non tangent curve to the right, of which the radius point lies South 59°56'14" West, a radial distance of 175.00 feet; thence southerly along the arc, through a central angle of 42°02'33", a distance of 128.41 feet; thence South 11°58'47" West, a distance of 236.00 feet to a point of curve to the left having a radius of 175.00 feet and a central angle of 34°00'00"; thence southerly along the arc a distance of 103.85 feet; thence South 22°01'13" East, a distance of 27.00 feet to a point of curve to the right having a radius of 225.00 feet and a central angle of 22°27'02"; thence southerly along the arc a distance of 88.16 feet; thence South 00°25'49" West, a distance of 40.00 feet to the point of beginning.
Containing 843,487 square feet or 19.36 acres, more or less.

Tax ID:

28:18:251-001

28:18:179-007-4001

28:18:179-007-4002

EXHIBIT B
Bylaws

BYLAWS
OF
RED SAGE HOMEOWNERS ASSOCIATION, INC.
SALT LAKE COUNTY, UTAH

THESE BYLAWS OF RED SAGE HOMEOWNERS ASSOCIATION, INC. are effective upon recording in the Salt Lake County Recorder's Office pursuant to the Utah Community Association Act and the Utah Revised Nonprofit Corporation Act.

RECITALS

1. Capitalized terms in these Bylaws are defined in Article I of THE DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, & RESTRICTIONS, FOR RED SAGE HOMEOWNERS ASSOCIATION ("Declaration").
2. These Bylaws are adopted in order to complement the Declaration and to eliminate ambiguity, to further define the rights of the Association and the Lot Owners, to provide for the ability to more easily govern and operate the Association, and, to further the Association's efforts to safely, efficiently, and economically provide a quality living environment.

ARTICLE I DEFINITIONS

Except as otherwise provided herein or as may be required by the context, all terms defined in the Declaration shall have the same meanings when used in these Bylaws.

- 1.1 "Board Member" means a member of the Board of Directors.

ARTICLE II APPLICATION

All present and future Lot Owners, tenants, or any other persons who may use the facilities at Red Sage Homeowners Association in any manner are subject to these Bylaws. The mere acquisition or rental of any of the Lots or parts thereof, or the mere act of occupancy or use of any said Lots or part thereof or the Common Areas will signify that these Bylaws are accepted, ratified, and will be complied with by said persons. These Bylaws govern the management of the business and the conduct of the affairs of the Association II except as otherwise provided by statute, the Declaration, or the Articles of Incorporation. In the event of any conflict between the Declaration and these Bylaws, the Declaration shall govern.

ARTICLES III MEMBERS

3.1 Annual Meetings. The annual meeting of the Members shall be held each year in January on a day and at a time established by the Board of Directors. The purpose of the annual meeting is to elect Board Members and transact such other business as may come before the meeting. If the election of Board Members cannot be held at the annual meeting of the Members, or at any adjournment thereof, the Board of Directors shall cause the election to be held either at a special meeting of the Members to be convened as soon thereafter as may be convenient or at the next annual meeting of the Members. The Board of Directors 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 a majority of the Board of Directors, the President, or upon the written request of Members holding not less than 25% of the voting interests of the Association. Any written request for a special meeting presented by the Members shall be delivered to the President and shall include the original signature of each Member affirmatively supporting such request along with a complete statement of the purpose of the meeting on each page containing signatures. The President shall then call, provide notice of, and conduct a special meeting within 20 days of receipt of the request. In case of failure to call such meeting within twenty (20) days after such request, such members may call the same. Notwithstanding, the Board remains the only authorized body to act for and in behalf of the Association.

3.3 Place of Meetings. The Board of Directors may designate any place in Salt Lake County, State of Utah reasonably convenient for the Members of the Association as the place of meeting for any annual or special meeting called by the Board of Directors. 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, which shall be the home of the current president. A waiver of notice signed by all of the members of the Association may designate any place, within the State of Utah, as the place for holding such meeting.

3.4 Notice of Meetings of the Members. The Board of Directors shall cause written or printed notice of the date, time, and place (and in the case of a special meeting, the purpose or purposes) for all meetings of the Members. Such written or printed notice shall be delivered to each Member of record entitled to vote at such meeting not more than sixty (60) nor less than 15 days prior to the meeting. Such notice may be emailed, hand-delivered, or mailed. If emailed, such notice shall be deemed delivered when sent to the Member's email address registered with the Association. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. mail addressed to the Member at the Member's address registered with the Association, with first-class postage thereon prepaid. Each Member shall register with the Association such Member's current email address and mailing address for purposes of notice hereunder. Such registered email and mailing addresses 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 Lot address shall be deemed to be the Member's registered address. An Owner may opt out of receiving notices from the Association via email by giving written notice to the President or manager that he/she will not accept notices by way of email.

3.5 Qualified Voters. A Member shall be deemed to be in "good standing" and "entitled to vote" at any meeting of the Association if he or she has fully paid his or her share of any Assessments (together with any interest and/or late fees) prior to the commencement of the meeting.

3.6 Record Date for Notice Purposes. Upon purchasing a Unit in the Project, each Owner shall promptly furnish to the Association a certified copy of the recorded instrument by which ownership of such Unit 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 may designate a record date, which shall be no more than sixty (60) and no less than ten (10) days prior to the

meeting. If no record date is designated, the date on which notice of the meeting is mailed shall be deemed to be the record date for determining members entitled to notice of or to vote at the meeting.

3.7 Quorum. At any meeting of the Members, the presence of Members and holders of proxies entitled to cast more than fifty percent (50%) of the voting interests of the Association shall constitute a quorum for the transaction of business. If however, such quorum shall not be present or represented at any meeting, the members present (whether represented in person or by proxy), though less than a quorum, may adjourn the meeting and reschedule for a time no earlier than twenty-four (24) hours, nor later than thirty (30) days after the set time for the original meeting. No notice of such rescheduled meeting shall be required except an oral announcement at the meeting to be rescheduled. The presence of Members and holders of proxies entitled to cast more than ten percent (10%) of the voting interests of the Association shall constitute a quorum for the transaction of business at the rescheduled meeting.

3.8 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 or by the Member's attorney when duly authorized in writing. If a Lot is jointly owned, the instrument authorizing a proxy to act may be executed by any one (1) owner of such Lot or the Members' attorneys when duly authorized in writing. Such instrument authorizing a proxy to act shall be dated, set forth the specific matters or issues upon which the proxy is authorized to act, and may allow the proxy to vote on any issue arising at any particular meeting or meetings. Such instrument 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. The notice of meeting and/or the proxy form provided with any notice of meeting may also provide a deadline to return proxies, after which time further proxies will not be received.

3.9 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 Lot 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, these Bylaws, the Declaration, or the Act. The Association shall have two (2) classes of voting membership, Class "A" and Class "B," as follows:

a. Class "A" Members shall be all Owners with the exception of Class "B" membership, if any. Class "A" Membership shall be entitled to one (1) vote for each Lot such Member owns. When more than one person owns a portion of the interest in a Lot, each such person shall be a Member, but the vote for such Lot shall be exercised as they among themselves determine. Absent any other agreement among co-Owners of a single Lot, (i) a single co-Owner appearing at an Association meeting will be entitled to cast the one vote for the Lot, and (ii) if multiple co-Owners appear at an Association meeting, each Co-Owner will have a pro rata fractional vote based upon the ownership interests of the co-Owners appearing at such meeting.

In no event shall more than one vote be cast with respect to any single Lot. The Association shall not be required to recognize the vote or written consent of any co-Owner that is not authorized to vote based upon a written designation of all such co-Owners delivered to the Association.

b. The Class "B" Member shall be the Declarant. In all matters requiring a vote, the Class "B" membership shall receive one hundred (100) votes for each recorded Lot owned by Declarant and one hundred (100) votes for each acre of property owned by Declarant within the Project but not yet depicted on a recorded Plat.

3.10 Waiver of Irregularities. All inaccuracies and irregularities in calls or notices of meetings and in the manner of voting, in the form of proxies and the method of ascertaining Members present, and in the decision and votes of the Board of Directors or of the Owners shall be deemed waived if no objection is made either at the meeting or within thirty (30) days of the date of the meeting, or within 30 days of notice of any decision by the Board of Directors. The presence of a Lot Owner in person at any meeting of the Lot Owners shall be deemed a waiver on any notice requirements.

3.11 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 enough Members such that the vote would have passed if all of Association Members had been in attendance at a regularly called meeting. In addition, the Board may obtain approvals and conduct business through mail or email/electronic ballots. The ballot must set forth each proposed action and provide the option of voting for or against each proposed action with the requisite number of members approving the action that would be necessary to authorize or take the action at a meeting at which all members entitled to vote on the action were present and voted. The ballot must specify the period during which the Association shall accept written ballots for counting. Following this period, the Association shall provide notice of whether such action was or was not approved. An Owner may revoke a prior consent if the revocation is provided to the Board in writing and is received by the Board prior to the effectiveness of the action taken, as provided for in this Section.

ARTICLE IV BOARD OF DIRECTORS

4.1. General Powers. The property, affairs and business of the Association shall be managed by the Board of Directors. The Board of Directors may exercise all of the powers of the Association, whether derived from the Act, the Declaration or these Bylaws, except such powers that the Articles, these Bylaws, the Declaration, or the Act vest solely in the Members. The Board of Directors shall, among other things, prepare or cause to be prepared, plan and adopt an estimated annual budget for the estimated annual common expenses, provide the manner of assessing and collecting assessments, and keep or cause to be kept sufficient books and records with a detailed account of the receipts and expenditures affecting the Project and its administration, and specifying the maintenance and repair expenses of the Common Areas. The books and records shall be available for examination by all members at convenient hours on working days that shall be set and announced for general knowledge. All books and records shall be kept in accordance with generally accepted accounting principles and shall be audited at least once a year by an auditor independent of the organization, as required by the Declaration. The Board of Directors 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 Board of Directors shall be composed of three (3) persons. Prior to the Turnover Date, the Declarant shall appoint the members of the Board of Directors. After the Turnover Date, each member of the Board of Directors shall be an Owner or an Owners' spouse or significant other that resides with Owner in the Residence. After the Turnover Date, only one member of a single household can be a member of the Board at any one time except that, if there are insufficient Owners or Owners' spouses or significant others that are willing to serve on the Board, then other residents within the Project may serve on the Board. Each Board Member shall hold his position for two (2) years or 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.

4.3. Regular Meetings. The Board of Directors shall hold regular meetings at least annually, at the discretion of the Board of Directors. The Board of Directors may designate any place in Salt Lake County, Utah as the place of meeting for any regular meeting called by the Board of Directors. Meetings may also be held with Board Members appearing telephonically so long as any Board Member appearing telephonically consents to such appearance. If no designation is made, the place of the meeting shall be at the clubhouse located in the Project.

4.4. Special Meetings. Special meetings of the Board of Directors may be called by the President, Vice President, or a majority of the Board Members on at least five (5) days prior notice to each Board Member. Each Member of the Board of Directors shall provide an email address to the other Board Members and agrees to accept notice of all meetings of the Board via said email address. The person or persons authorized to call special meetings of the Board of Directors may fix any place, within Salt Lake County, as the place for holding the meeting. Notice shall be given personally, by regular U.S. Mail at such Board Member's registered address, by email, or by telephone. 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. Any Board Member may waive notice of a meeting.

4.5. Notice to Owners of Meetings of the Board of Directors. The Board of Directors shall cause written notice of the date, time, and place for all meetings of the Board of Directors to be sent via email to each Owner who has requested such notice. Such written notice shall be delivered no less than 48 hours prior to the meeting except that, when a meeting is called to address an emergency and each member of the Board of Directors receives less than 48-hours' notice of the meeting, such Owners shall receive notice equal to that received by the members of the Board of Directors. Notice to Owners under this Section 4.5 shall be sent via email and shall be deemed delivered when sent to the Owner's email address registered with the Association. Such registered email may be changed from time to time by notice in writing to the Association. If members of the Board of Directors may attend the meeting by electronic means, notice to the Owners shall include information necessary to allow the Owner to attend by electronic means. For the purposes of this Section 4.5, a meeting of the Board of Directors shall mean a gathering of the Board of Directors, whether in person or by electronic means, at which the Board can take binding action.

4.6. Meetings of the Board of Directors Open to Owners. Each meeting of the Board

of Directors shall be open to each Owner except that the Board of Directors may close a meeting to consult with an attorney for the purpose of obtaining legal advice; discuss ongoing or potential litigation, mediation, arbitration, or administrative proceedings; discuss a personnel matter; discuss a matter relating to contract negotiation, including review of a bid or proposal; discuss a matter that involves an individual if the discussion is likely to cause the individual undue embarrassment or violate the individual's reasonable expectation of privacy; or discuss a delinquent assessment or fine. At each meeting of the Board of Directors, each Owner shall be provided a reasonable opportunity to offer comments; the Board of Directors may limit comments of the Owners to a specific time period during the meeting. For the purposes of this Section 4.6, a meeting of the Board of Directors shall mean a gathering of the Board of Directors, whether in person or by electronic means, at which the Board can take binding action.

4.7. Quorum and Manner of Action. A majority of the then authorized number of Board Members shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The act of a majority of the Board Members present at any meeting at which a quorum is present and for which proper notice was provided to the Board Members shall be the act of the Board of Directors. The Board Members shall act only as the Board of Directors, and individual Board Members shall have no powers as such.

4.8. Compensation. No Board Member shall receive compensation for any services that such member may render to the Association as a Board Member; provided, however, that a Board Member may be reimbursed for expenses incurred in performance of such duties as a Board Member to the extent such expenses are approved by a majority of the other Board Members. Nothing herein contained shall be construed to preclude any Board Member from serving the Project in any other capacity and receiving compensation therefore.

4.9. Resignation and Removal. A Board Member may resign at any time by delivering a written resignation to either the President or the Secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery. A Board Member may be removed at any time, with or without cause, at a special meeting of the Members duly called for such purpose upon the affirmative vote of more than fifty percent (50%) of the voting interests of the Association. A Board Member may also be removed by the affirmative vote of a majority of the other Board Members if he or she, in any twelve (12) month period, misses either three (3) consecutive or seventy-five percent (75%) of the regularly scheduled Board of Directors meetings.

4.10. Vacancies and Newly Created Board Memberships.

a. Before the Turnover Date, the Declarant shall appoint a new Board member to fill any vacancy in the Board.

b. After the Turnover Date, the following provisions shall apply: If vacancies shall occur in the Board of Directors by reason of the death, resignation, disqualification, or removal of a Board Member as provided in Section 4.9, the Board Members then in office shall continue to act, and such vacancies shall be filled by a majority vote of the Board Members then in office, though less than a quorum. Any vacancy in the Board of Directors occurring by reason of removal of a Board Member by the Members may be filled by election by the Members at the

meeting at which such Board Member is removed. Any Board Member elected or appointed hereunder to fill a vacancy shall serve for the unexpired term of his predecessor.

4.11. Waiver of Notice. Before or at any meeting of the Board of Directors, any Board Member may waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board Member at any meeting thereof shall be a waiver of notice by that Board Member of the time, place, and purpose thereof.

4.12. Adjournment. The Board of Directors may adjourn any meeting from day to day for such other time as may be prudent or necessary, provided that no meeting may be adjourned for longer than thirty (30) days.

4.13. Nomination and Election of Board Members after the Turnover Date. After the Turnover Date, nomination for election to the Board of Directors shall be made by the Members of the Association by petition filed with the secretary of the Association prior to or at the Annual Meeting. Nominations may also be made from the floor at the annual meeting of Members. Members of the Board shall be elected either by a voice vote or by secret written ballot. Association Members or their proxies shall vote in accordance with the provisions of the Declaration and these Bylaws. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted. No two Board Members shall be related by blood or marriage nor shall any Board Member share joint ownership in a Unit with another Board Member.

4.14. Action Taken Without a Meeting. The Directors may take any action in the absence of a meeting that they could take at a meeting by obtaining the written approval of a majority of the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Board. Further, a manager or Director may set forth a reasonable deadline for a response to a proposed action, whereby a non-response becomes an affirmative vote by the non-responsive Director.

ARTICLE V OFFICERS

5.1. Officers. The officers of the Association shall be a President, a Secretary, and a Treasurer, and such other officers as may from time to time be appointed by the Board of Directors. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors may from time to time determine.

5.2. Election Tenure and Qualifications. The initial officers shall be determined by the Declarant. Thereafter, the officers of the Association shall be chosen by the Board of Directors annually at the first regular meeting of the Board of Directors following the annual meeting of the Members. Officers who are also members of the Board of Directors shall serve for a term equal to their term as a Director. Officers who are not also members of the Board shall serve for a term determined by the Board. In the event of failure to choose officers at such regular meeting of the Board of Directors, officers may be chosen at any regular or special meeting of the Board of Directors. Each such officer (whether chosen at a regular meeting of the

Board of Directors or otherwise) shall hold such office at least until the next ensuing regular meeting of the Board of Directors and until a successor has been chosen and qualified, or until such officer's death, or until resignation, disqualification, or removal in the manner provided in these Bylaws, whichever first occurs. Any person may hold any two (2) or more of such offices, except that the President may not also be the Secretary. No person holding two (2) or more offices shall act in or execute any instrument in the capacity of more than one (1) office. The President, Vice President (if any), Secretary, and Treasurer may be, but are not required to be, Board Members of the Association.

5.3. Subordinate Officers. The Board of Directors 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 Directors may from time to time determine. Subordinate officers need not be Board Members of the Association.

5.4. Resignation and Removal. Any officer may resign at any time by delivering a written resignation to any Board Member or to any managing agent of the Association. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any officer may be removed and replaced upon the affirmative vote of a majority of the Board of Directors at any time, with 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 Directors at any regular or special meeting.

5.6. The President. The President shall be the chief executive of the Association. The President shall preside at meetings of the Board of Directors and at meetings of the Members. At the meetings, the President shall have all authority typically granted to the person presiding over the meeting including but not limited to: (1) the right to control the order of the meeting, (2) the right to arrange for the removal of any disruptive Owner or person, (3) the right to impose and enforce reasonable rules and procedures related to the meeting such as those found in "Robert's Rules of Order" or "The Modern Rules of Order." The President shall sign on behalf of the Association all conveyances, mortgages, documents, and contracts, and shall do and perform all other acts and things as required by the Board of Directors. Prior to the Turnover Date, the President may delegate some or all of his powers and authority to another officer of the Association.

5.7. The Secretary. The Secretary shall keep the minutes of the Association and shall maintain such books and records as these Bylaws, the Declaration, Rules, or any resolution the Board of Directors may require such person to keep. The Secretary shall also act in the place of the Vice President in the event of the President's and Vice President's absence or inability or refusal to act.

5.8. The Treasurer. The Treasurer shall have the custody and control of the funds of the Association, subject to the action of the Board of Directors, and when requested by the President, shall report the state of the finances of the Association at each meeting of the Members and at any meeting of the Board of Directors. The Treasurer shall perform such other duties as required by the Board of Directors. The offices of Secretary and Treasurer may be held

by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant these Bylaws.

5.9. Compensation. No officer shall receive compensation for any services rendered to the Association as an officer, provided, however, that an officer may be reimbursed for expenses incurred in performance of such duties as an officer to the extent such expenses are approved by the Board of Directors.

ARTICLE VI COMMITTEES

6.1. Designation of Committees. The Board of Directors may from time to time by resolution designate committees as it may deem appropriate in carrying out its duties, responsibilities, functions, and powers ("Committee" for purposes of this Article). The membership of each such Committee designated hereunder shall include at least one (1) Board Member ("Committee Member" for purposes of this Article). No Committee Member shall receive compensation for services rendered to the Association as a Committee Member; provided, however, that the Committee Member may be reimbursed for expenses incurred in performance of such duties as a Committee Member to the extent that such expenses are approved by the Board of Directors. A Committee shall not have any powers, duties, or responsibilities beyond those specifically assigned by the Board of Directors in a written resolution. The Board of Directors may terminate any Committee at any time.

6.2. Proceeding of Committees. Each Committee designated hereunder by the Board of Directors 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 Directors.

6.3. Quorum and Manner of Acting. At each meeting of any Committee designated hereunder by the Board of Directors, the presence of Committee Members constituting at least a majority of the authorized membership of such Committee, but in no event less than two (2) Committee Members, shall constitute a quorum for the transaction of business, and the act of a majority of the Committee Members present at any meeting at which a quorum is present shall be the act of such Committee. Any Committee Members designated by the Board of Directors hereunder shall act only as a Committee, and the individual Committee Members thereof shall have no powers as such. A Committee may exercise the authority granted by the Board of Directors.

6.4. Resignation and Removal. Any Committee Member designated hereunder by the Board of Directors may resign at any time by delivering a written resignation to the President, the Board of Directors, or the presiding officer of such Committee. Unless otherwise specified therein, such resignation shall take effect upon delivery. The Board of Directors may at any time, with or without cause, remove any Committee Member designated by it thereunder.

6.5. Vacancies. If any vacancy shall occur in any Committee designated by the Board of Directors due to disqualification, death, resignation, removal, or otherwise, the remaining

Committee Members shall, until the filling of such vacancy by the Board of Directors, constitute the then total authorized membership of the Committee and, provided that two (2) or more Committee Members are remaining, may continue to act. Such vacancy may be filled at any meeting of the Board of Directors.

ARTICLE VIII RECORDS, AUDITS, AND FISCAL YEAR

The Association shall maintain within the State of Utah all documents, information, and other records of the Association in accordance with the Declaration, these Bylaws, and the Utah Revised Nonprofit Corporation Act in the manner prescribed by a resolution adopted by the Board of Directors.

8.1. General Records. The Board of Directors or managing agent for the Association shall keep records of the actions of the Board of Directors and managing agent or manager; minutes of the meetings of the Board of Directors; minutes of the Member meetings of the Association, and financial records of the receipts and expenditures affecting the Property.

8.2 Financial Reports and Audits.

a. An annual report of the receipts and expenditures of the Association and a balance sheet showing assets and liabilities shall be made available by the Board of Directors to all Owners and to all First Mortgagees of Lots who have requested notice of certain matters from the Association in accordance with this Declaration ("Eligible Mortgagee" for purposes of this Article).

b. From time to time the Board of Directors, at the expense of the Association, may obtain an audit by a certified public accountant or other financial review of the books and records pertaining to the Association and furnish copies thereof to the Owners. At any reasonable time, any Owner may, at such Owner's own expense, cause an audit or inspection to be made of the books and records of the Association.

8.3 Inspection of Records by Owners. Except as provided in Section 8.4 below, all records of the Association shall be reasonably available for examination by an Owner and any Eligible Mortgagee of a Lot pursuant to Rules adopted by resolution of the Board of Directors. The Board, by resolution, may adopt reasonable Rules governing the frequency, time, location, notice and manner of examination and duplication of Association Records and the imposition of a reasonable fee for furnishing copies of any documents, information or records described in this Section. The fee may include reasonable personnel costs incurred to furnish the information, including any and all fees the Association may be charged by its designee that assists the Association in furnishing this information.

8.4 Records Not Subject to Inspection. Records kept by or on behalf of the Association may be withheld from examination and duplication to the extent the records concern matters including but not limited to:

- a. Personnel matters relating to a specific identified person or a person's medical records;
- b. Contracts, leases, and other business transactions that are currently under negotiation to purchase or provide goods or services;
- c. Communications with legal counsel that relate to matters specified in subsections a. and b. of this Section, or current or pending litigation;
- d. Disclosure of information in violation of law;
- e. Documents, correspondence or management or Board of Director reports compiled for or on behalf of the Association or the Board by its agents or committees for consideration by the Board in executive session;
- f. Documents, correspondence, or other matters considered by the Board of Directors in executive session; or
- g. Files of individual Owners, other than those of a requesting Owner or requesting Eligible Mortgagee of an individual Owner, including any individual Owner's file kept by or on behalf of the Association.

8.5 Investment. Association funds may only be deposited into institutions that are federally insured. The Board may deposit Association funds into savings accounts, money market accounts, or purchase certificates of deposits. Other investment options that may pose additional risks must be approved by at least 51% of the total membership prior to the investment.

ARTICLE IX RULES AND REGULATIONS

9.1. Establishment of Rules and Regulations. The Board of Directors shall have the authority to adopt and establish by resolution such Project management and operational Rules and Regulations as it may deem necessary for the maintenance, operation, management, and control of the Project.

9.2. Amendment. The Board of Directors may from time to time, by resolution, alter, amend, and repeal such Rules and Regulations.

9.3. Enforcement. Owners shall use their best efforts to see that the Rules and Regulations are strictly observed by their lessees and the persons over whom they have or may exercise control or supervision, it being clearly understood that such Rules and Regulations shall apply and be binding upon all Lot Owners of the Project.

9.4. Copies of Rules. After the Turnover Date, copies of all Rules and Regulations and

resolutions newly adopted by the Board of Directors shall be sent to all Lot Owners at least ten (10) days prior to the effective date thereof.

ARTICLE X AMENDMENTS

10.1 Except as otherwise provided by law, the Articles of Incorporation, the Declaration, or these Bylaws, at all times on or prior to the Turnover Date, these Bylaws may be amended, altered or modified by an amending document approved and signed by the Declarant. No other Members will be required to approve such amendment

10.2 Except as otherwise provided by law, the Articles of Incorporation, the Declaration, or these Bylaws, after the Turnover Date, these Bylaws may be amended, modified, or repealed and new bylaws may be made and adopted by the members upon the affirmative vote of not less than 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 (a) the amended, modified, repealed, or new bylaws, (b) the number of votes cast in favor of such action, and (c) 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 Salt Lake County.

ARTICLE XI MISCELLANEOUS PROVISIONS

11.1. Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

11.2. Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws. As used in these Bylaws, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

11.3. Conflicts. These Bylaws are intended to comply with the Declaration. In case of any irreconcilable conflict, the Declaration shall control over these Bylaws.

[SIGNATURES ON THE FOLLOWING PAGE]

EXECUTED this ____ day of _____, 20__.

SANDY HOME DEVELOPMENT, LLC
A DELAWARE LIMITED LIABILITY COMPANY

By: Sandy Home Development Associates, LLC
a Utah Limited Liability Company
Its Member

BY: _____
Name: Jeffrey M. Vitek
Title: Managing Member

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

On the ____ day of _____, 20__, the foregoing did execute this document who by me being duly sworn, did represent that he/she is the Managing Member of Sandy Home Development Associates, LLC, a Utah limited liability company.

Notary Public