

Recording Requested By And
When Recorded Return To:

The Homes at Shepards Creek
Homeowners Association, Inc.
132 South 600 East
Salt Lake City, Utah 84102
Attention: Mark B. Cohen

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JAMES ASHAUER, DAVIS CNTY RECORDER
1997 JUN 30 10:12 AM FEE 154.00 DEP REC
REC'D FOR HOMES AT SHEPARDS CREEK HOMEOWN

W/a-13-37-1W; 08-053-0012
08-051-0032, 0109

All of the Homes of Shepards Creek
Phase 1, A Condo Project
08-222-0001 to 0043

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF**

THE HOMES AT SHEPARDS CREEK HOMEOWNERS ASSOCIATION, INC.

**THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF
THE HOMES AT SHEPARDS CREEK HOMEOWNERS ASSOCIATION, INC.,** is executed as of
the 12th day of June, 1997, by Shepard's Creek Homes, L.C., Declarant, as owner of the
Property described herein.

RECITALS

- A. Capitalized terms in this Declaration are defined in Article I.
- B. The Declarant holds legal title to a certain tract of real property located in Davis County, State of Utah, and more particularly described in Article II of this Declaration. It is intended that the various Units described in this Declaration will be conveyed to Owners in fee simple.
- C. By this Declaration, Declarant intends to establish a common scheme and plan for the possession, use, enjoyment, repair, maintenance, restoration and improvement of the Property and the interests therein conveyed and to establish thereon a condominium development in accordance with the terms hereof.

NOW, THEREFORE, it is hereby declared that the Property shall be held, sold, conveyed, leased, rented, encumbered and used, subject to the following Declaration and its covenants, restrictions, limitations, and conditions, all of which shall constitute covenants which run with the land and shall be binding upon and be for the benefit of the Declarant, its successors and assigns and all owners of all or any part of the Property, together with their grantees, successors, heirs, executors, administrators, devisees and assigns, all as set forth herein.

**ARTICLE I.
DEFINITIONS**

When used in this Declaration (including that portion hereof headed "Recitals") the following terms shall have the meanings indicated below. To the extent that those terms are also defined in the Act, the definitions in the Act shall be incorporated herein.

1.1. **"Act"** shall mean the Condominium Ownership Act of the State of Utah set forth at Utah Code Ann. Sections 57-8-1 et. seq., as amended from time to time.

E 1331828 8 2147 P 131

1.2. **"Architectural Committee"** shall mean the committee created pursuant to the Article of this Declaration entitled "Architectural Committee".

1.3. **"Articles" or "Articles of Incorporation"** shall mean and refer to the Articles of Incorporation of the Association, filed with the Utah State Department of Commerce, Division of Corporations and Commercial Code.

1.4. **"Association"** shall mean and refer to THE HOMES AT SHEPARDS CREEK HOMEOWNERS ASSOCIATION, INC., a Utah nonprofit corporation.

1.5. **"Board or Board of Trustees"** shall mean and refer to the governing board of the Association which shall be appointed or elected in accordance with the Declaration the Articles of Incorporation and Bylaws of the Association.

1.6. **"Bylaws"** shall mean the Bylaws of the Association attached to this Declaration and recorded in the official records of the County concurrently with this Declaration and all modifications and amendments thereto.

1.7. **"City"** shall mean the City of Farmington in the County and State.

1.8. **"Common Areas"** shall mean and refer to that part of the Property which is not included within the Units, including all roadways, walkways and utility lines within the Project and all improvements other than utility lines not owned by the Association now or hereafter constructed or located thereon together with easements and rights-of-way appurtenant thereto. The Common Areas are further shown on the Plat.

1.9. **"Common Expense Fund"** shall mean and refer to the fund created or to be created pursuant to the provisions of Article V of the Declaration and into which all monies of the Association shall be deposited. Two separate and distinct funds shall be created and maintained hereunder, one for operational expenses and one for capital expenses which together shall constitute the Common Expense Fund.

1.10. **"Common Expenses"** shall mean and refer to those costs and expenses arising out of or connected with the maintenance and operation of the Project and Association as described in Article V hereof and which determine the assessments made to Owners.

1.11. **"Condominium Building"** shall mean and refer to a structure containing two (2) or more Units, constituting a portion of the Project.

1.12. **"County"** shall mean Davis County in the State.

1.13. **"Declarant"** shall mean and refer to Shepard's Creek Homes, L.C., and/or any successor thereof, which, either by operation of law or through a voluntary conveyance, transfer, or assignment, comes to stand in the same relation to the Property (or a portion thereof) as did its predecessor.

1.14. **"Declaration"** shall mean and refer to this Declaration of Covenants, Conditions and Restrictions of The Homes at Shepards Creek Homeowners Association, Inc., as the same may be hereafter modified, amended and supplemented.

E 1331828 B 2147 P 132

1.15. **"Eligible Mortgagee"** shall mean and refer to a First Mortgagee which has requested notice of certain matters from the Association in accordance with Section 12.1 of this Declaration.

1.16. **"FNMA"** shall mean and refer to the Federal National Mortgage Association.

1.17. **"First Mortgage"** shall mean any Mortgage which is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

1.18. **"First Mortgagee"** shall mean any person named as a Mortgagee under a First Mortgage, or any successor to the interest of any such person under a First Mortgage, which First Mortgage is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

1.19. **"Improvement"** shall mean any structure or appurtenance thereto of every type and kind, including but not limited to buildings, walkways, gutters, curbs, pipes, sprinkler pipes, conduit, garages, room additions, patio covers, spas, recreational facilities, roads, driveways, parking areas, fences, walls, screening walls, retaining walls, stairs, decks, patios, porches, balconies, chimneys, antennas, edges, windbreaks, poles, signs, exterior air conditioning and water softening fixtures or equipment, plantings, planted trees, shrubs, flowers, plants and other vegetation, landscaping of every kind, nature, or description, whether temporary or permanent, excepting personal property or equipment within, or usually within, a structure.

1.20. **"Limited Common Areas"** shall mean any Common Area designated as reserved for use by the Owner of a certain Unit or Units to the exclusion of the other Owners in the Project. Any parking areas and storage facilities which are identified on the Plat as Limited Common Areas are permanently assigned to specific Units, as an appurtenance to such Units, for the exclusive use of such Units. The Plat permanently designates the Unit or Units to which each of the Limited Common Areas is reserved and appurtenant.

1.21. **"Manager"** shall mean and refer to the person, firm or company, if any, designated from time to time by the Association to manage, in whole or in part, the affairs of the Association and Project.

1.22. **"Member"** shall mean and refer to every person who holds membership in the Association.

1.23. **"Mortgage"** shall mean any mortgage, deed of trust, or other document pledging any portion of a Unit or interest therein as security for the payment of a debt or obligation.

1.24. **"Mortgagee"** shall mean a beneficiary of a Mortgage as named Mortgagee.

1.25. **"Owner"** shall mean the person or persons, including the Declarant, owning in fee simple a Unit in the Project, as such ownership is shown on the official records of the County.

The term "Owner" shall not refer to any Mortgagee (unless such Mortgagee has obtained title in fee simple to a Unit pursuant to a judicial or nonjudicial action, including, without limitation, a foreclosure

proceeding or any deed or other arrangement in lieu of foreclosure) or to any person or persons purchasing a Unit under contract (until such contract is fully performed and legal title conveyed of record.)

E 1331828 B 2147 P 133

1.26. "Percentage Interest" shall mean the undivided percentage interest of each Owner in the Common Areas of the Project. The Percentage Interest appurtenant to a Unit shall be equal to the ratio between that Unit and the aggregate number of all Units in the Project, regardless of the size of the Unit in question. The Percentage Interest of each Unit is set forth on Exhibit "A" attached hereto and incorporated herein. The sum total of all Percentage Interests shall equal one-hundred percent (100%).

1.27. "Plat" shall mean and refer to the Record of Survey Plat Map for The Homes at Shepards Creek recorded in the official records of the County, and all amendments thereto.

1.28. "Project" shall mean and refer to the Property and the plan of development and ownership of the Property created and governed by this Declaration, the Articles and the Bylaws.

1.29. "Property" shall mean and refer to the entire tract of real property now or hereafter covered by the Plat. A description of the real property covered by the Plat on the effective date of this Declaration is set forth in Article II this Declaration.

1.30. "State" shall mean the State of Utah in the United States of America.

1.31. "Unit" shall mean and refer to any of the separately numbered and individually described units having been constructed and having received a Certificate of Occupancy issued by the City or hereafter shown on the Plat which is designed and intended for use and occupancy as a single family residence.

ARTICLE II.

PROPERTY DESCRIPTION

The Property initially associated with the Project which is and shall be held, transferred, sold, conveyed, and occupied subject to the provisions of this Declaration consists of the following described real property situated in the County and State:

All that certain real property situate, lying and being in Davis County, State of Utah, described as follows:

All that fractional portion of Sections 13 and 14, Township 3 North, Range 1 West, Salt Lake Base and Meridian, more particularly described as follows:

Commencing at the Northwest corner of said Section 13; thence South 00°12'06" East, along the west line of said Section 13, a distance of 1482.87 feet to a point on the south line of 60-foot wide 1060 North Street; thence along the south line of said 1060 North Street, South 88°52'42" East 3.67 feet to the easterly boundary of Oakridge Country Club Estates Plat III, and the POINT OF BEGINNING of the Parcel herein described; thence South 88°52'42" East 343.94 feet; thence North 72°22'00" East 21.21 feet to a point on a non-tangent curve to the left, having a radius of 330.50 feet, a central angle of 19°55'16" (chord bearing and distance of South 28°54'53" East - 14.33') and from which the radius point bears North

71°02'45" East; thence southeasterly, along the arc of said curve, 114.91 feet; thence South 38°52'31" East 463.63 feet to the beginning of a curve to the right, having a radius of 267.50 feet and a central angle of 39°59'36", (chord bearing and distance of South 18°52'43" East - 182.95') thence southeasterly along the arc of said curve, 186.72 feet; thence South 01°07'05" West 59.52 feet; thence South 89°05'59" West for 198.20 feet; thence North 00°54'01" West for 71.29 feet; thence South 89°24'45" West for 98.89 feet; thence North 36°16'22" West for 108.83 feet; thence North 54°22'01" West for 78.62 feet; thence with a curve to the left having a radius of 484.50 feet; a central angle of 18°45'10" (chord bearing and distance of South 25°35'10" West - 157.87 feet) and for an arc distance of 158.58 feet; thence South 16°12'35" West for 95.48 feet; thence with a curve to the right having a radius of 515.50 feet; a central angle of 07°37'15" (chord bearing and distance of South 20°01'12" West - 68.52 feet) and for an arc distance of 68.57 feet; thence South 23°49'50" West for 119.59 feet; thence with a curve to the left having a radius of 200.00 feet, a central angle of 43°38'38" (chord bearing and distance of South 02°00'31" West-148.69 feet) and for an arc distance of 152.35 feet; thence South 19°48'48" East for 18.29 feet; thence South 70°11'12" West for 31.00 feet; thence North 19°48'48" West for 48.76 feet; thence with a curve to the left having a radius of 100.00 feet; a central angle of 69°05'11" (chord bearing and distance of North 54°21'24" West - 113.41 feet) and for an arc distance of 120.58 feet; thence North 88°53'59" West for 44.51 feet; thence South 57°03'26" West for 9.62 feet; thence North 00°00'18" East for 40.99 feet; thence South 61°12'53" East for 9.89 feet; thence South 88°53'59" East for 75.22 feet; thence with a curve to the left having a radius of 84.50 feet; a central angle of 67°16'11" (chord bearing and distance of North 57°27'55" East - 93.61 feet) and for an arc distance of 99.21 feet; thence North 23°49'50" East for 115.36 feet; thence with a curve to the left having a radius of 484.50 feet, a central angle of 07°37'15" (chord bearing and distance of North 20°01'12" East - 64.40 feet) and for an arc distance of 64.44 feet; thence North 16°12'35" East for 95.48 feet; thence with a curve to the right having a radius 515.50 feet; a central angle of 26°09'06" (chord bearing and distance of North 29°17'08" East - 233.25 feet) and for an arc distance of 235.29 feet; thence North 48°16'15" West for 194.60; thence South 88°28'23" West for 228.20 feet; thence North 01°07'18" East for 293.90 feet to the POINT OF BEGINNING.

Said tract contains 6.558 acres.

2.1. Senior Encumbrances.

The Project is subject to the senior encumbrances described on Exhibit "B" attached hereto and incorporated herein.

**ARTICLE III.
THE ASSOCIATION**

3.1. Membership.

Each Owner shall be entitled and required to be a Member of the Association. Membership will begin immediately and automatically upon becoming an Owner and shall terminate immediately and automatically upon ceasing to be an Owner. If title to a Unit is held by more than one person, the

membership appurtenant to the Unit shall be shared by all such persons in the same proportionate interest and by the same type of tenancy in which title to the Unit is held. An Owner shall be entitled to one membership for each Unit owned. Each membership shall be appurtenant to the Unit to which it relates and shall be transferred automatically by conveyance of that Unit. Ownership of a Unit within the Project cannot be separated from membership in the Association appurtenant thereto and any devise, encumbrance, conveyance or other disposition of the Owner's membership in the Association and rights appurtenant thereto.

E 1331828 B 2147 P 135

No person or entity other than an Owner may be a Member of the Association and membership in the Association cannot be transferred except in connection with the transfer of a Unit. The Association shall make available to the Owners, Mortgagees and the holders, insurers and guarantors of the First Mortgage on any Unit, current copies of the Declaration, Articles Bylaws and other rules governing the Project and other books, records and financial statements of the Association. The term "available" shall mean available for inspection, upon request, during normal business hours or under other reasonable circumstances.

3.2. Board of Trustees.

Until such time as the responsibility for electing the Board of Trustees of the Association is turned over to the Owners, the Declarant shall have the exclusive right to appoint and remove all such Trustees. This exclusive right of the Declarant to appoint the Trustees shall terminate after the first to occur of the following:

3.2.1 Five (5) years from the date on which the first Unit in the Project is conveyed;

3.2.2 Four (4) months after seventy-five percent (75%) of the Units have been conveyed by Declarant; or

3.2.3 Unilateral election by Declarant in its sole discretion.

3.3. Votes.

The Owner of each Unit shall be entitled to one (1) vote for each Unit owned. The number of votes appurtenant to each Unit shall be permanent and shall not change. In the event that there is more than one Owner of a particular Unit, the votes relating to such Unit shall be exercised as such Owners may determine among themselves. No Unit shall have more than one (1) vote, regardless of the number of persons having an ownership interest in the Unit. The votes cast at any Association meeting by any of such Owners, whether in person or by proxy, shall be conclusively presumed to be the votes attributable to the Unit concerned unless an objection is immediately made by another Owner of the same Unit. In the event such an objection is made, the votes involved shall not be counted for any purpose whatsoever other than to determine the existence of a quorum. The Declarant shall have full voting rights with respect to each Unit which it owns.

3.4. Maintenance of Condominium Building Exteriors.

The Association shall maintain the exteriors of all Units and all Condominium Buildings as follows: paint, repair, replacement and care of roofs, gutters, downspouts, foundations, window wells, sump pumps, fences, exterior building surfaces, exterior door and other exterior improvements, as well as all trees, shrubs, grass, walks and steps located on or around a Unit. Such exterior maintenance shall not

include glass surfaces and window screens or patios included on any Unit. The Association shall have the right of entry to any Unit to perform emergency repairs or do other work necessarily required to perform the maintenance obligations hereunder.

E 1331828 8 2147 P 136

In the event the need for maintenance or repair of the exterior of a Unit or Condominium Building is caused through the willful or negligent acts of an Owner, or through the willful or negligent acts of the family, guests, tenants or invitees of an Owner, the costs of such exterior maintenance shall be added to and become a part of the assessment to which such Owner and that Owner's Unit are subject.

3.5. Professional Management.

The Association may carry out through the Manager, those of its functions which are properly the subject of delegation as determined by the Association. The Manager so engaged shall be an independent contractor and not an agent or employee of the Association and shall be responsible for management of the Project for the benefit of the Association and the Owners and shall, to the extent permitted by law and by the terms of the management agreement with the Association, be authorized to perform any of the functions or acts required or permitted to be performed by the Association itself.

3.6. Amplification.

The provisions of this Section may be amplified by the Articles and the Bylaws; provided, however, that no such amplification shall substantially alter or amend any of the rights or obligations of the Owners set forth in this Declaration.

3.7. Initial Agent for Service.

The initial agent for service of process for the Association and on behalf of the Project shall be:

Mark B. Cohen
The Homes at Shepards Creek Homeowners Association, Inc.
132 South 600 East
Salt Lake City, Utah 84102

The agent may be changed at any time by the Association. Upon changing the agent for service, the Association shall file a notice of that change with the Division of Corporations and Commercial Code for the State, and with the County Recorder, without the need to amend this Declaration.

**ARTICLE IV.
PROPERTY RIGHTS IN COMMON AREAS AND UNITS**

4.1. Description of Improvements.

The Improvements contained in the Project are now or will be located upon the Property. The major Improvements contained in the Project include four (4) separate three (3) level buildings (without basements) each of which will have six (6) Units and eight (8) separate two (2) level buildings (without basements) each of which will have two (2) Units. These buildings will have exterior walls consisting primarily of wood, stucco and stone. The buildings will have wood-frame interiors with interior wall finish of sheet rock according to applicable building codes. The Project is further described on the Plat.

4.2. Description and Legal Status of Units.

The Plat shows each Unit number, its location, dimensions from which its Size may be determined, the Common Areas to which it has immediate access and the Limited Common Areas, if any, reserved for each Unit. The undivided ownership interest in the Common Areas appurtenant to a Unit may not be partitioned from the balance of the Common Areas or Units for any reason.

E 1331828 B 2147 P 137

4.3. Estate of an Owner.

The Project is hereby divided into Units, each consisting of a fee simple interest in a Unit and a Percentage Interest. The Percentage Interests are hereby declared to be appurtenant to the respective Units. Each Owner shall have the right to horizontal and lateral support of that Owner's Unit and such rights shall be appurtenant to and pass with the title to each Unit.

4.4. Title.

Title to a Unit may be held or owned by any person or more than one person and in any manner in which title to any other real property may be held or owned in the State, including, without limitation, joint tenants or tenancy in common.

4.5. Inseparability.

No part of a Unit or the legal rights comprising ownership of a Unit may be separated from any other part thereof during the period of ownership prescribed herein, so that each Unit and the Percentage Interest appurtenant to such Unit shall always be conveyed, devised, encumbered or otherwise affected only as a complete Unit. Every gift, devise, bequest, transfer, encumbrance, conveyance or other disposition of a Unit shall be presumed to be a gift, devise bequest, transfer, encumbrance or conveyance, respectively, of the entire Unit and associated Percentage Interest, together with all appurtenant rights created by law or by this Declaration. The Common Areas shall be owned in common by all the Owners and no Owner may bring any action for partition thereof.

4.6. Computation of Percentage Interests.

Declarant reserves the right to make minor adjustments in some or all of the Percentage Interests for the purpose of assuring that the total of all the Percentage Interests equals one-hundred percent (100%). Except as set forth above, the Percentage Interests shall have a permanent character and shall not be altered without the consent of all the Members expressed in an amended declaration duly recorded.

4.7. Owner's Rights Respecting Interiors.

Each Owner shall have the exclusive right at its sole cost to maintain, repair, paint, repaint, tile, wax, paper, or otherwise refinish and decorate the interior surfaces of the walls, ceilings and floors forming the boundaries of that Owner's Unit so long as such actions do not have an adverse impact on the structural components or exterior of the Unit or anything outside the Unit.

4.8. Separate Mortgages.

Each Owner shall have the right separately to mortgage or otherwise encumber that Owner's Unit. No Owner shall have the right to mortgage or otherwise encumber the Common Areas, except the Percentage Interest therein appurtenant to that Owner's Unit. Any Mortgage or other encumbrance of any Unit shall be subordinate to all of the provisions of this Declaration and in the event of foreclosure, this Declaration shall be binding upon any Owner whose title is derived through foreclosure by private power of sale, judicial foreclosure, or otherwise.

4.9. Taxation

Each Unit and appurtenant Percentage Interest, shall be deemed to be a parcel and shall upon conveyance of any Unit by Declarant be assessed separately for all taxes, assessments and other charges of any political subdivision or any special improvement district or of any other taxing or assessing authority. The valuation of the Common Areas and Limited Common Areas shall be apportioned among the Units in proportion to the respective Percentage Interests appurtenant thereto. All such taxes, assessments and other charges of each respective Unit shall be separately levied against that Unit and the Owner thereof. No forfeiture or sale of any Unit for delinquent taxes, assessments or other governmental charges shall divest or in any way affect the title to any other Unit.

4.10. Liens

In the event that any judgment, claim, encumbrance or lien of any type attaches to any particular Unit, with or without the consent of the Owner or that Unit, that judgment, claim, encumbrance or lien shall not attach to or encumber any other Unit.

4.11. Maintenance of Limited Common Areas

Each Owner shall keep the interior portions of the Limited Common Areas designated for use in connection with that Owner's Unit, if any, in a good, clean, sanitary and attractive condition. The Association shall keep the exterior portions of the Limited Common Areas in a good state of repair, including without limitation the exterior of all garage doors.

4.12. Easement for Parking

Temporary guest parking or recreational parking shall be permitted within the Common Areas only within spaces and areas clearly marked for such purpose, excepting spaces and areas as shall be specifically reserved and marked as such. Spaces shall be shown by signs or markings on the paved area. The Association, through its officers, committees and agents, is hereby empowered to establish "parking" and "no parking" areas within the Common Areas, as well as to enforce those parking limitations by all means lawful for such enforcement, including the removal of any violating vehicle by those so empowered.

4.13. Easements for Marketing

In addition to the other easements over the Common Areas, Declarant reserves to itself and its employees and agents easements over the Common Areas and any Units owned by Declarant to the extent necessary to market and sell the Units in the Project. Declarant may maintain sales offices, trailers or model units in the Project in the number, size, location and time-periods reasonably determined by Declarant.

4.14. Easements for Utilities

Easements for installation and maintenance of utilities are reserved as shown on the Plat. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities. Easements for the installation and maintenance of utilities are also reserved within each Unit. It is contemplated that telephone, gas, electricity and other utilities may originate in one Unit and terminate in another Unit. A right of access to all such utilities is reserved to the Association and to all utility suppliers.

4.15. Easements for Vehicular Traffic

In addition to the general easements for use of the Common Area reserved herein, there shall be, and Declarant hereby covenants for itself, its successors and assigns, and all future Owners within the

Project, that each and every Owner shall have a non-exclusive easement appurtenant for vehicular traffic over all private streets within the Project, subject to the parking provisions set forth in Section 4.12 hereof. Declarant reserves the right to grant similar easements to owners of property within adjacent subdivisions or subdivisions annexed hereto, if any, pursuant to Article IV.

E 1331828 B 2147 P 139

4.16. Easements for City and County Use.

In addition to the foregoing easements over the Common Areas, there shall be, and Declarant hereby reserves and covenants for itself and all future Owners, easements for city, county and federal public services, including but not limited to, the right of the police to enter upon any part of the Common Areas for the purpose of enforcing the laws and permanent easements in favor of the City pursuant to the ordinances of the City to guarantee that the open spaces remain perpetually in the uses for which intended.

4.17. Creation of Easements.

Each of the easements provided for in this Declaration shall be deemed to be established upon the recordation of this Declaration, and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the Units superior to all other encumbrances applied against or in favor of any portion of the Project. In furtherance of the easements provided for in this Declaration, the individual grant deeds to Units may, but shall not be required to, set forth said easements.

4.18. Entry Onto Units.

The Association and its representatives shall have the right to enter upon any Unit within the Project, without being liable to any Owner, to the extent such entry is necessary in connection with the enforcement of the provisions of this Declaration or with the performance by the Association of its duties and responsibilities under this Declaration, including, without limitation, the construction, maintenance or effectuation of emergency repairs for the benefit of the Units, the Common Areas, or for any of the Owners within the Project. Reasonable advance notice shall be given to any Owner of a Unit before such entry thereupon, except in the case of emergencies.

4.19. Power to Grant Easements.

The Association shall have the power to grant and convey in the name of all the Owners as their attorney in fact (or in the name of the Association as to any property to which the Association holds title) to any Owner or other party, easements and rights-of-way in, on, over or under the Common Areas for the purpose of constructing and maintaining utility services and infrastructure improvements. Each Owner hereby appoints the Association its attorney in fact for the purposes set forth in this Section.

4.20. Easement of Enjoyment.

Each Owner shall have a right and easement of use and enjoyment in and to the Common Areas. Each Owner shall have an unrestricted right of ingress or egress to and from his or her Unit over and across such Common Areas. Each Owner shall also have the exclusive right to use and enjoy any Limited Common Areas that may be designated for exclusive use by such Owner. Such rights and easements shall be appurtenant to and shall pass the right and easement of use and enjoyment described herein to any family member, household guest, tenant, lessee, contract purchaser, or other person who resides in such Member's Unit.

4.21. Easements for Encroachments.

If any portion of the Common Areas encroaches on any portion of a Unit, regardless of the cause, a

valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all Units and Common Areas are made subject to such easements.

E 1331828 § 2147 P 140

There is also hereby created an easement for any encroachment by any roof overhang upon an adjoining Unit or any part of the Common Areas to the extent that such roof overhang was constructed by Declarant.

Each Unit and Owner is granted an easement over all adjoining Units and Common Areas for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of structures, or any other cause as long as the encroachment remains. However, in no event shall a valid easement for encroachment exist in favor of an Owner if the encroachment occurred due to the willful misconduct of the Owner.

In the event a structure on any Unit is partially or totally destroyed and then repaired or rebuilt, the Owner of such Unit agrees that minor encroachments over adjoining Units and the Common Areas shall be permitted and there shall be valid easements for the maintenance of the encroachments as long as they shall exist.

In no event shall a valid easement for encroachment exist in favor of an Owner if the encroachment occurred due to the willful misconduct of the Owner.

Each Unit and its Owner shall have and is hereby granted an easement appurtenant to such Unit over each adjoining Unit or the Common Areas, for overhanging roofs and eaves, and other structural components as originally constructed or, if partially or totally destroyed, as subsequently rebuilt or repaired in accordance with the original plans and specifications.

4.22. Limitation on Easement.

An Owner's right and easement of use and enjoyment concerning the Common Areas shall be subject to the following:

4.22.1. The right of the Association to suspend an Owner's voting right in the Association and an Owner's right to the use of any recreational facilities included in the Common Areas for any period during which:

4.22.1.A An assessment on such Owner's Unit remains unpaid;

4.22.1.B For a period not exceeding sixty (60) days for any infraction by such Owner of the provisions of this Declaration or of any rule or regulation promulgated by the Association; and

4.22.1.C. For successive sixty (60) day periods if any such infraction is not corrected during any prior sixty (60) day suspension period;

4.22.2. The right of the Association to impose reasonable limitations on the number of guests of each Owner who at any given time are permitted to use the Common Areas;

4.22.3. The right of the County or any other governmental or quasi-governmental body having jurisdiction over the Property to have rights of access, ingress and egress over and across any street,

parking area, walkway or open area contained within the Property for purposes of providing police and fire protection, transporting school children and providing other governmental or municipal service.

E 1331828 B 2147 P 141

4.23. Party Walls.

Each wall or ceiling-floor physical boundary which is built as part of the original construction (or reconstruction) of the Units and placed on the dividing line (whether horizontal or vertical) between the Units shall constitute a "Party Wall" and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to all Party Walls within the Project. The cost of reasonable repair and maintenance shall apply to all Party Walls within the Project. The cost of reasonable repair and maintenance of a Party Wall shall be shared equally by the Owners who make use of such Party Wall. Notwithstanding any other provision of this Section, an Owner who by his negligent or willful act causes a Party Wall to be damaged shall bear the entire cost of furnishing repairs to the Party Wall. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the Unit and shall pass to such Owner's successors in title.

4.24. Conveyance.

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

Unit No. _____, contained within a condominium project as the same is identified in the Record of Survey Plat recorded in the official records of Davis County, State of Utah, as Entry No. _____ in Book _____ and Page _____ and in the Declaration of Covenants, Conditions and Restrictions of The Homes At Shepards Creek Homeowners Association, Inc., recorded in the official records of Davis County, State of Utah, as Entry No. _____ in Book _____ and Page _____ (as that Record of Survey Plat and Declaration may have heretofore been amended or supplemented);

Together with the undivided ownership interest in the Project's Common Areas which are appurtenant to the Unit.

That description shall be construed to describe the Unit, together with the appurtenant Percentage Interest in the Common Areas and to incorporate all the rights incident to ownership of a Unit and all the limitations on that ownership as described in the Declaration.

4.25. Transfer of Title.

The Declarant agrees to cause the conveyance to the Association of the Common Areas free and clear of all liens (other than the lien of current general taxes and the lien of any assessments, charges, or taxes imposed by governmental or quasi-governmental authorities), before the first conveyance of a Unit from Declarant to a third-party purchaser.

**ARTICLE V.
ASSESSMENTS**

5.1. Agreement to Pay Assessments.

The Declarant for each Unit owned by it within the Project and each Owner of any Unit by the acceptance of instruments of conveyance and transfer therefor, whether or not it be so expressed in said

instruments, shall be deemed to covenant and agree with each other and with the Association to pay the Association all assessments made by the Association for the purposes provided in this Declaration. Such assessments shall be fixed, established and collected from time to time as provided in this Article V. In any event, all Units shall be allocated the then applicable assessments upon conveyance of the first Unit.

E 1331828 B 2147 P 142

5.1.1. From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be set and such assessment may then be increased each year by up to fifteen percent (15%) above the maximum assessment for the previous year without a vote of the membership regarding such increases.

5.1.2. From and after January 1 of the second year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be increased above fifteen percent (15%) only by a vote of a majority of the votes (determined in accordance with Section 5.2 of Article V) of Members who are voting in person or by proxy, at a meeting duly called for this purpose.

5.1.3. The Board may fix the annual assessment at an amount not in excess of the maximum.

5.2. Annual Assessments.

Annual assessments shall be computed and assessed against all Units in the Project as follows:

5.2.1. Common Expense.

Annual assessments shall be based upon advance estimates of the Association's cash requirements to provide for payment of all estimated expenses arising out of or connected with the maintenance and operation of the Common Areas, the Condominium Building and Unit exteriors and furnishings common utility service and other common items to the Units. Such estimated expenses may include, without limitation, the following: expenses of management, real property taxes and special assessments on the Common Areas (and the Units until the Units are separately assessed); premiums for all insurance that the Association is required or permitted to maintain hereunder; repairs and maintenance of the Common Areas and Condominium Building and Unit exteriors; landscaping; wages of Association employees, including fees for a Manager; repairs and replacements of window well sump pumps; utility charges, including charges for utility services to the Units to the extent not separately metered or billed; legal and accounting fees; any deficit remaining from a previous period; creation of an adequate contingency reserve, major maintenance reserve and/or sinking fund; creation of an adequate reserve fund for maintenance repairs and replacement of those Common Areas and Condominium Buildings and Unit exteriors that must be replaced on a periodic basis; and any other expenses and liabilities which may be incurred by the Association for the benefit of the Owners under or by reason of this Declaration.

The aggregate of all such items shall constitute the Common Expenses and all funds received from assessments under this Section 5.2.1 shall be part of the Common Expense Fund. Two separate and distinct funds shall be created and maintained hereunder, one for operating expenses and one for capital expenses which together shall constitute the Common Expense Fund.

5.2.2. Apportionment.

Common Expenses shall be apportioned among and assessed to all Units and their Owners

in accordance with the assessment percentages allocated to each Unit, as set forth on Exhibit "A", which is attached hereto and incorporated herein by this reference. The Declarant shall be liable for the amount of any assessments against Units owned by Declarant.

E 1331828 B 2147 P 143

5.2.3. Annual Budget.

Annual assessments shall be determined on the basis of a fiscal year beginning January 1, and ending December 31, next following, provided the first fiscal year shall begin on the date of conveyance of the first Unit by Declarant. On or before December 1, of each year thereafter, the Board of Trustees shall prepare and furnish to each Owner, or cause to be prepared and furnished to each Owner, an operating budget for the upcoming fiscal year. The budget shall itemize the estimated expenses of Common Expense for such fiscal year, anticipated receipts (if any) and any deficit or surplus from the prior operating period. The budget shall serve as the supporting document for the annual assessment for the upcoming fiscal year and as the major guideline under which the Project shall be operated during such annual period.

5.2.4. Notice and Payment.

Except with respect to the first fiscal year, the Board of Trustees shall notify each Owner in writing as to the amount of the annual assessment against his or her Unit on or before December 1, each year for the fiscal year beginning on January 1, next following. Except as otherwise provided by the Board, each annual assessment shall be payable in twelve (12) equal monthly installments, one such installment due on the first day of each calendar month during the fiscal year to which the assessment relates; provided, however, the annual assessment for the first fiscal year shall be based upon such portion of the first fiscal year.

All unpaid installments of any annual assessment shall bear interest at the rate established by the Board of Trustees, not to exceed eighteen percent (18%) per annum from fifteen (15) days after the date each such installment becomes due, until paid. The Board of Trustees shall also have the right to assess a late fee of up to five percent (5%) of any assessment installment not paid within fifteen (15) days following the due date thereof. In addition, in the event that any installment of the annual assessment is not paid within fifteen (15) days of the date such installment becomes due, the Association may, at its option, and upon fifteen (15) days' prior written notice to the Owner, accelerate the due date for all remaining unpaid installments of the annual assessment for the remainder of the fiscal year and all accrued but unpaid interest thereon. Payment of the annual assessment installments so accelerated shall be due at the expiration of said fifteen (15) day notice period and interest shall accrue on the entire sum at the rate established by the Board not to exceed eighteen percent (18%) per annum from such date until paid in full.

The failure of the Board of Trustees to give timely notice of any annual assessment as provided herein shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of any Owner from the obligation to pay such assessment or any other assessment.

5.2.5. Inadequate Funds.

In the event that the Common Expense Fund proves inadequate at any time for whatever reason, including nonpayment of any Owner's assessment, the Board of Trustees may, on behalf of the Association, levy additional assessments in accordance with the procedure set forth in Section 5.3 below.

5.3. Emergency Assessment.

The Board may increase assessments necessary for emergency situations. For purposes of this Section, an emergency situation is any of the following: (i) an extraordinary expense required by an order of the court; (ii) an extraordinary expense necessary to repair or maintain the property or any part of it for which the Association is responsible where a threat to personal safety on the Project is discovered; or (iii) an extraordinary expense necessary to repair or maintain the Project or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board. However, prior to the imposition or collection of such an emergency assessment, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and such resolution shall be distributed to the Members with the notice of assessment.

5.4. Reimbursement Assessment.

The term "Reimbursement Assessment" as used herein shall mean a charge against each Owner and that Owner's Unit for the purpose of reimbursing the Association for any costs incurred by the Association on behalf of an individual Owner. A Reimbursement Assessment may also be levied by the Association for purposes of collecting any monetary penalties which may be imposed by the Association against an Owner who fails to comply with provisions of this Declaration, the determinations of the Board or the Architectural Committee, or any rule or regulation adopted by the Association. The Association shall levy a Reimbursement Assessment against any Owner who fails to comply with the provisions of this Declaration, the determinations of the Architectural Committee or the Board, the Association's Articles or Bylaws, or any rule or regulation adopted by the Association, if such failure results in the expenditure of moneys by the Association in carrying out its functions hereunder or for purposes of collecting any fines which may be levied by the Association. Except for collection of fines, such assessment shall be for the purpose of reimbursing the Association, shall be limited to the amount so expended, and shall be due and payable to the Association when levied.

5.5. Special Assessments.

In addition to the annual assessments authorized by this Article, the Board of Trustees may, on behalf of the Association, levy at any time, and from time to time, upon the affirmative vote of at least sixty-seven percent (67%) of the voting power of the Association in person or by proxy at a meeting called for such purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expenses incurred or to be incurred as provided in this Declaration (including, without limitation, Common Expenses).

This Section shall not be construed as an independent source of authority for the Association to incur expenses but shall be construed to prescribe the manner of assessing for expenses authorized by other Sections or Articles hereof. Any amounts assessed pursuant hereto shall be assessed to Owners in accordance with the percentages allocated to each Unit, as set forth in Exhibit "A". Notice in writing of the amount of each such special assessment and the time for payment thereof shall be given promptly to the Owners; no payment shall be due less than fifteen (15) days after such notice shall have been given. All unpaid portions of any special assessment shall bear interest at the rate established by the Board not to exceed eighteen percent (18%) per annum from the date such portions become due until paid. All funds received from assessments under this Section shall be part of the Common Expense Fund. In connection with any such special assessment, if the Declarant is only obligated to pay twenty-five percent (25%) of the annual assessment attributable to Units it owns pursuant to Section 5.6 below, it shall only be required to

pay twenty-five (25%) of the special assessment otherwise attributable to each such Unit. The provisions of this Section are not intended to preclude or limit the assessment, collection or use of annual assessments for the aforesaid purposes.

E 1331828 B 2147 P 145

5.6. Uniform Rate of Assessment.

The amount of any annual or special assessment against each Unit shall be fixed at a uniform rate based on the assessment percentages allocated to each Unit, as set forth on Exhibit "A", except that Declarant shall pay only twenty five-percent (25%) of the annual assessment attributable to each Unit which it owns until the conveyance by Declarant of such Unit to a third-party purchaser. If the Declarant ceases to qualify for the reduced twenty-five percent (25%) rate during the period to which an annual assessment is attributable, the assessment attributable to the membership shall be prorated between the applicable rate on the basis of the number of days in the period that the Owner qualified for each rate.

Annual assessments may be collected on a monthly basis and special assessments may be collected as specified by the Board unless otherwise determined by a resolution of the Members of the Association approving the special assessment.

So long as the Declarant pays the reduced assessment rate with respect to the Units which it owns, if the assessments of the Association shall fail to equal or exceed the actual expenses incurred by the Association because of the Declarant's right to pay reduced assessments, then the Declarant shall pay to the Association a sufficient amount, up to the amount of the full assessment for each Unit owned by Declarant to meet any such deficit, so long as a written notice of such deficit is given by the Association to the Declarant.

5.7. Notice and Quorum for Any Action Authorized Under Section 5.1.

Written notice of any meeting called for the purpose of taking any action authorized under Section 5.1 shall be sent to all Members no less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast fifty percent (50%) of all votes (exclusive of suspended voting rights) of Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

5.8. Lien for Assessments.

All sums assessed to Owners of any Unit within the Project pursuant to the provisions of this Article V, together with penalties and interest thereon as provided herein, shall be secured by a lien on such Unit in favor of the Association. To evidence a lien for sums assessed pursuant to this Article V, the Board of Trustees may prepare a written notice of lien setting forth the amount of the assessment, the date due, the amount remaining unpaid, the name of the Owner of the Unit and a description of the Unit. Such a notice shall be signed and acknowledged by a duly authorized officer of the Association and may be recorded in the official records of the County. No notice of lien shall be recorded until there is a delinquency in payment of the assessment. Such lien may be enforced by sale or foreclosure conducted in accordance with the provisions of law applicable to the exercise of powers of sale or judicial foreclosure of deeds of trust or mortgages with the attorney for the Association being here designated as the trustee with power of sale, or in any other manner permitted by law. In any such foreclosure, the Owner shall be required to pay the

costs and expenses of such proceeding (including reasonable attorney's fees), and such costs and expenses shall be secured by the lien being foreclosed. The Owner shall also be required to pay to the Association any assessment against the Unit which shall become due during the period of foreclosure and all such assessments shall be secured by the lien being foreclosed. The Board of Trustees shall have the right and power in behalf of the Association to bid in at any foreclosure sale and to hold, lease, mortgage or convey the subject Unit in the name of the Association.

E 1331828 8 2147 P 146

5.9. Personal Obligation of Owner.

The amount of any assessment against any Unit shall be the personal obligation of the Owner of such Unit to the Association. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosing or waiving the lien securing the same. No Owner may avoid or diminish any such personal obligation by waiver of the use and enjoyment of any of the Common Areas or by abandonment of his Unit or by waiving any services or amenities provided for in this Declaration. In the event of any suit to recover a money judgment or unpaid assessment hereunder, the involved Owner shall pay the costs and expenses incurred by the Association in connection therewith, including reasonable attorney's fees.

A transferee of a Unit shall be jointly and severally liable with the transferor for all unpaid assessments against the Unit up to the time of the transfer, without prejudice to the transferee's right to recover from the transferor of the amount paid by the transferee for such assessments.

5.10. Personal Liability of Grantee.

A lien to secure unpaid assessments shall not be affected by the sale or transfer of the Unit unless foreclosure by a First Mortgagee is involved, in which case the foreclosure will extinguish the lien for any assessments that were payable before the foreclosure sale, but shall not relieve any subsequent Grantee from paying further assessments.

5.11. Reserves and Working Capital.

In addition to its day-to-day operating funds, the Association shall establish the following funds:

5.11.1. Reserve Fund.

The Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Areas and Condominium Building and Unit exteriors the Association is obligated to maintain, repair or replace. The reserve fund shall be maintained out of regular assessments for Common Expenses.

5.11.2. Working Capital Fund.

The Declarant shall have the right, but not the obligation, to establish and maintain for the Project, a working capital fund equal to at least two monthly installments of the annual assessment of each Unit. Each Unit's share of the working capital fund must be collected and transferred to the Association at the time of the closing of sale of that Unit. Notwithstanding the foregoing, the contribution to the working capital fund for each unsold Unit shall be paid by the Declarant to the Association within sixty (60) days after the date of conveyance of the first Unit in the Project. With respect to each Unit for which the Declarant pays the contribution to the working capital fund, Declarant shall be reimbursed for such contribution either by the purchaser of such Unit at the time of the closing of the sale to such purchaser or by the Association upon termination of the Declarant's control of the Association as described in Section 5.11.2, whichever is earlier. The working capital fund must be maintained in a segregated

account for the use and benefit of the Association. The purpose of the working capital fund is to ensure that the Association will have cash available to meet unforeseen expenditures or to acquire additional equipment or services deemed necessary or desirable by the Association. Amounts paid into the working capital fund are not to be considered advance payments of any annual or special assessment. The working capital fund shall be transferred to the Association for deposit to a segregated fund when control of the Association is transferred to the Owners. The Declarant shall not use the working capital fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while it is in control of the Association.

E 1331828 P 2147 P 147

5.12. Evidence of Payment of Annual and Special Assessments.

Upon receipt of a written request by a Member or any other person, the Association within a reasonable period of time thereafter shall issue to such Member or other person a written certificate stating:

5.12.1. That all annual and special assessments (including interest, costs and attorneys' fees, if any, as provided in Section 5.12 above) have been paid with respect to any specified Unit as of the date of such certificate, or

5.12.2. Annual and special assessments have not been paid, the amount of such annual and special assessments (including interest, costs and attorneys' fees, if any) due and payable as of such date. The Association may make a reasonable charge for the issuance of such certificates, not to exceed the maximum amount established by law, which charge must be paid at the time the request for any such certificate is issued. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with respect to any matter therein stated as against any bona fide purchaser of, or Mortgagee on, the Unit in question.

ARTICLE VI.

OPERATION AND MAINTENANCE

6.1. Maintenance of Units.

Each Unit shall be maintained by the Owner thereof in good and clean condition and so as not to detract from the appearance of the Property and so as not to affect adversely the value or use of any other Unit. The Association shall have no obligation regarding maintenance or care of any Units except as set forth in Section 6.2 or elsewhere in this Declaration.

6.2. Operation and Maintenance by Association.

The Association shall provide for such maintenance, landscaping, (including the area within the sign easement to City) snow removal and operation of the Common Areas as may be necessary or desirable to make them appropriately usable in conjunction with the Units and to keep them clean, functional, attractive and generally in good condition and repair. The Association shall also provide for the maintenance of all Condominium Building Exteriors. The expenses incurred by the Association for such purposes shall be paid for with funds from the Common Expense Fund.

6.3. Utilities.

The Owner shall pay for all utility services furnished to each Unit except utility services which are not separately billed or metered to individual Units by the utility or other party furnishing such service.

The Association shall pay such bills which are not separately metered and charge an appropriate share to each Unit and Owner as part of the common Expenses.

Wherever utility connections, including, without limitation, sanitary sewer house connections, water hose connections, drainage facilities, and electricity, gas, telephone and cable television lines are installed within the Project, which connections, lines or facilities, or any portion thereof, lie in or upon areas of the Project owned by persons other than the Owner of a Unit served by said connections, the Owner of any Unit served by said connections, lines or facilities shall have the right, and is hereby granted an easement to the full extent necessary therefor, to enter upon, or to have utility companies enter upon, the areas within the Project in or upon which said connection, lines or facilities, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

Wherever utility connections are installed within the Project, which connections serve more than one Unit, the Owner of each Unit served by said connections shall be entitled to the full use and enjoyment of such portions of said connections as service that Owner's Unit.

In the event of a dispute between Owners with respect to the repair or rebuilding of any utility connections or with respect to the sharing of the cost thereof, then upon the written request of one of those Owners addressed to the Association, the matter shall be submitted to the Board and the Board shall decide and make an assessment against any or all of the Owners involved, which assessment shall be final and collected and enforced in the manner provided by this Declaration.

6.4. Damage to Common Area by Owners.

The foregoing maintenance, repairs or replacements within the Common Area arising out of or caused by the willful or negligent act of the Owner, the Owner's family, guests or invitees, shall be done at said Owner's expense or a special assessment therefor shall be made against said Owner's Unit; provided, however, that the liability of an individual Owner for such damage to the Common Area shall not be absolute, but shall only be that for which the Owner is legally responsible under applicable law.

**ARTICLE VII.
INSURANCE**

The Association shall at all times maintain in force insurance meeting the following requirements:

7.1. Hazard Insurance.

A "master" or "blanket" type policy of property insurance shall be maintained covering the entire Project, including: Common Areas; the Condominium Building and Unit exteriors; common fixtures, building service equipment, personal property and supplies comprising a part of the Common Areas or owned by the Association and which are of a class typically encumbered by Mortgages held by FNMA or other similar institutional Mortgage investors; but excluding land, foundations, excavations and other items normally not covered by such policies. References herein to a "master" or "blanket" type policy of property insurance are intended to denote single entity insurance coverage. As a minimum, such "master" or "blanket" policy shall afford protection against loss or damage by fire, by other perils normally covered by the standard extended coverage endorsement and by all other perils which are customarily covered with respect to projects similar to the Project, location and use, including (without limitation) all perils normally covered by the standard "all-risk" endorsement, where such endorsement is available. Such "master or

"blanket" policy shall be in an amount not less than one hundred percent (100%) of current replacement cost of all elements of the Project covered by such policy, exclusive of land, foundations, excavation and other items normally excluded from coverage. The insurance policy shall include either of the following endorsements to assure full insurable value replacement cost coverage:

E 1331828 8 2147 P 149

7.1.1. A Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy included a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance).

7.1.2. 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 no more) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives requirement for co-insurance). The maximum deductible amount for such policy covering the Common Areas shall be the lesser of Ten Thousand Dollars (\$10,000) or one percent (1%) of the policy face amount. However, for losses related to individual Units that are covered by such a policy, the deductible related to each individual Unit shall be One Thousand Dollars (\$1,000). Funds to cover these deductible amounts shall be included in the Association's operating reserve account.

7.2. Flood Insurance.

If any part of the Project is or comes to be situated in a Special Flood Hazard Area as designated on a Flood Insurance Rate Map, a "master" or "blanket" policy of flood insurance shall be maintained covering the Condominium Building and Unit exteriors, any machinery and equipment that are not part of a Condominium Building and Unit exteriors and all Common Areas within the Project (hereinafter "Insurable Property") in an amount deemed appropriate, but not less than the lesser of:

7.2.1. The maximum limit of coverage available under the National Flood Insurance Administration Program for the Condominium Building and Insurable Property within any portion of the Project located within a designated flood hazard area.

7.2.2. One hundred percent (100%) of the insurable value of all such facilities. The maximum deductible amount for any such policy shall be the lesser of Five Thousand Dollars (\$5,000) or one percent (1%) of the policy face amount.

7.2.3. The name of the insured under each policy required to be maintained under Article VII, shall be designated by name, if required. Each such policy may be issued in the name of an authorized representative of the Association, including any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, or any successor to such Trustee, for the use and benefit of the individual Owners. Loss payable shall be in favor of the Association (or Insurance Trustee), as a trustee for each Owner and each such Owner's Mortgagee. Each Owner and each such Owner's Mortgagee, if any, shall be beneficiaries of such policy. Evidence of insurance shall be issued to each Owner and Mortgagee upon request.

7.2.4. Each policy required to be maintained under Article VII, shall contain the standard mortgage clause, or equivalent endorsement (without contribution), commonly accepted by private institutional mortgage investors in the area in which the Project is located. If FNMA is a holder of one or more Mortgages on Units within the Project, such mortgage clause shall name FNMA or

FNMA's servicer of such Mortgages as Mortgagee. If FNMA's servicer named as Mortgagee in such mortgage clause, such servicer's name shall be followed therein by the phrase "its successors and assigns". In addition, such mortgage clause or other appropriate provision of each such policy shall provide that the policy may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association and to each Mortgagee which is listed as a scheduled holder of a Mortgage in the policy.

E 1331828 8 2147 P 150

7.2.5. Each policy required to be maintained under Article VII, shall provide, if available, for the following: recognition of any insurance trust agreement, a waiver of the right of subrogation against Owners individually; the insurance is not prejudiced by any act or neglect of individual Owners which is not in the control of such Owners collectively; and the policy is primary in the event the Owner has other insurance covering the same loss.

7.2.6. Each policy required to be maintained under Article VII, shall also contain or provide the following: (1) "Inflation Guard Endorsement", if available; (2) "Building Ordinance or Law Endorsement", if the enforcement of any building, zoning, or land use law will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction); and, (3) "Steam Boiler and Machinery coverage Endorsement", if the Project has central heating or cooling, which shall provide that the insurer's minimum liability per accident at least equals the lesser of Two Million Dollars (\$2,000,000) or the insurable value of the Condominium Building containing the boiler or machinery. In lieu of obtaining this as an endorsement to the commercial package property, the Association may purchase separate stand-alone boiler and machinery coverage.

7.3. Fidelity Bonds.

The Association shall at all times maintain in force and pay the premiums for "blanket" fidelity bonds for all officers, members and employees of the Association and for all other persons handling or responsible for funds of or administered by the Association whether or not that individual receives compensation for services. Furthermore, where the Association has delegated some or all of the responsibility for the handling of funds to a Manager, the Manager shall provide "blanket" fidelity bonds, with coverage identical to such bonds required of the Association for the Manager's officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association.

The total amount of fidelity bond coverage required shall be based upon the Association's best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association, or the Manager, as the case may be, at any given time during the term of each bond. A lesser amount of fidelity insurance coverage is acceptable for the Project so long as the Association and the Manager adhere to the following financial controls: (1) the Association or the Manager maintains separate bank accounts for the working account and the reserve account, each with appropriate access controls and the bank in which the funds are deposited sends copies of the monthly bank statements directly to the Association; (2) the Manager maintains separate records and bank accounts for each Association that uses its services and the Manager does not have authority to draw checks on or transfer funds from the Association's reserve account; or (3) two members of the Board must sign any checks written on the reserve account. Nevertheless, in no event may the amount of such bonds be less than the sum equal to three (3) months' aggregate assessments in all Units.

The bonds required shall meet the following additional requirements: (1) the fidelity bonds shall name the Association as obligee; (2) the bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of

"employees", or similar term or expressions; (3) the premium on all bonds required herein for the Association, (except for premiums on fidelity bonds maintained by the Manager for its officers, employees and agents) shall be paid by the Association as a part of the Common Expenses; and (4) the bonds shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days prior written notice to the Association, to any Insurance Trustee and to each servicer of loans on behalf of FNMA.

E 1331828 B 2147 P 151

7.4. Liability Insurance.

The Association shall maintain in force, and pay the premium for a policy providing comprehensive general liability insurance coverage covering all of the Common Areas, Condominium Building and Unit exteriors, public ways in the Project, including any dedicated trail system(s), all other areas of the Project under the Association's supervision and commercial spaces owned by the Association, if any, whether or not such spaces are leased to some third party. Coverage limits under such policy shall be in amounts generally required by private institutional Mortgage investors for similar projects, location and use. Nevertheless, such coverage shall be for at least One Million Dollars (\$1,000,000) for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under such policy shall include, without limitation, legal liability of the insured for property damage, bodily injury and death of persons in connection with the operation, maintenance or use of the Common areas, and/or Condominium Building and Unit exteriors and legal liability arising out of lawsuits related to employment contracts of the Association. Additional coverage under such policy shall include protection against such other risks as are customarily covered with respect to projects similar to the Project, location and use, including but not limited to (where economically feasible and if available), host liquor liability, contractual and all-written contract insurance, employers liability insurance and comprehensive automobile liability insurance. If such policy does not include "severability of interest" in the terms, the policy shall include a special endorsement to preclude an insurer's denial of any Owner's claim because of negligent acts of the Association or any other Owner. Such policy shall provide that it may not be canceled or substantially modified, by any party, without at least ten (10) days prior written notice to the Association and each Mortgagee which is listed as a scheduled holder of a Mortgage in such policy.

7.5. Insurance Trustees and General Requirements Concerning Insurance.

Notwithstanding any of the foregoing provisions and requirements relating to property or liability insurance, there may be named as an insured on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement or any successor to such trustee (each of whom shall be referred to herein as the "Insurance Trustee"), who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance.

Each Owner hereby appoints the Association, or any Insurance Trustee or substitute Insurance Trustee designated by the Association, as his or her attorney-in-fact for the purpose of purchasing and maintaining such insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose.

The Association, or any Insurance Trustee, shall receive, hold, or otherwise properly dispose of any proceeds of insurance in trust for the use and benefit of the Owners and their Mortgagees, as their

interests may appear. Each insurance policy maintained under Article VII, shall be written by an insurance carrier which is licensed to transact business in the State of Utah and which has a "B" general policyholder's rating or a financial performance index of "6" or better in the Best's Key Rating Guide or an "A" or better rating from Demotech, Inc., or which is written by Lloyd's of London. No such policy shall be maintained where: (1) under the terms of the carrier's charter, bylaws, or policy, contributions may be required from, or assessments may be made against, an Owner, a Mortgagee, the Board, the Association, FNMA, or the designee of FNMA; (2) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders or members; or (3) the policy includes any limiting clauses (other than insurance conditions) which could prevent the party entitled (including, without limitation, the Board, the Association, an Owner, or FNMA) from collecting insurance proceeds.

E 1331828 0 2147 P 152

The provisions of this Article VII, shall not be construed to limit the power of authority of the Association to obtain and maintain insurance coverage, in addition to any insurance coverage required hereunder, in such amounts and in such forms as the Association may deem appropriate from time to time.

7.6. Annual Review of Policies.

All insurance policies shall be reviewed at least annually by the Board in order to ascertain whether the coverage contained in the policies is sufficient to make any necessary repair or replacement of the Project which may have been damaged or destroyed. In addition, such policies shall be reviewed to determine their compliance with the provisions of this Declaration.

7.7. Insurance Rates.

Nothing shall be done or kept in the Project which will increase the rate of insurance on any property insured by the Association without the approval of the Board, nor shall anything be done or kept in the Project which would result in the cancellation of insurance on any property insured by the Association or which would be in violation of any governing laws.

ARTICLE VIII.

DAMAGE OR DESTRUCTION

8.1. Association as Attorney in Fact.

All of the Owners irrevocably constitute and appoint the Association their true and lawful attorney in fact in their name, place and stead for the purpose of dealing with the Project upon its damage or destruction as hereinafter provided. Acceptance by said grantee of the Association as his or her attorney in fact as herein provided. As attorney-in-fact, the Association shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or other instrument with respect to the interest of an Owner which may be necessary or appropriate to exercise the powers herein granted. All insurance proceeds shall be payable to the Association except as otherwise provided in this Declaration.

8.2. Definition of Repair and Reconstruction.

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

8.3. Procedure.

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

E 1331828 B 2147 P 153

8.3.1. Notice to First Mortgagees.

The Association shall give timely written notice to any holder of any First Mortgage on a Unit who requests such notice in writing in the event of substantial damage to or destruction of any part of the Common Areas or a Unit subject to such First Mortgage.

8.3.2. Estimate of Costs.

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

8.3.3. Sufficient Insurance.

If the proceeds of the insurance maintained by the Association equal or exceed the estimated costs to repair and reconstruct the damaged or destroyed portion of the Project, such repair and reconstruction shall be carried out.

8.3.4. Insufficient Insurance, Less than Seventy-Five Percent (75%) Destruction.

If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and if less than seventy-five percent (75%) of the Project is damaged or destroyed, such repair and reconstruction shall nevertheless be carried out. The Association shall levy a special assessment sufficient to provide funds to pay the actual costs of such repair and reconstruction to the extent that such insurance proceeds are insufficient to pay such costs. Such special assessment shall be allocated and collected as provided in Section 5.5 hereof, except that the vote therein specified shall be unnecessary. Further levies may be made in like manner if the amounts collected, together with the proceeds of insurance are insufficient to pay all actual costs of such repair and reconstruction.

8.3.5. Insufficient Insurance, Seventy-Five Percent (75%) or More Destruction.

If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and if seventy-five percent (75%) or more of the Project is damaged or destroyed, such damage or destruction shall be repaired and reconstructed, but only if within one hundred (100) days following the damage or destruction and Owners entitled to vote at least seventy-five percent (75%) of the votes of the Members elect by a vote to carry out such repair and reconstruction. If, however, the Owners do not, within one hundred (100) days after such damage or destruction, elect by a vote of at least seventy-five percent (75%) of the votes of the Members to carry out such repair and reconstruction but rather elect to terminate the Project and if Eligible Mortgagees who represent fifty-one percent (51%) of the votes of the Units subject to Mortgages held by Eligible Mortgagees approve such termination, the Association shall record in the official records of the County, a notice setting forth such facts. Upon the recording of such notice, the following shall occur:

8.3.5.A The Project shall be deemed to be owned in common by the Owners;

8.3.5.B Each Owner shall own an undivided interest in the Project equal to such Owner's Percentage Interest as set forth on Exhibit "A";

8.3.5.C Any liens affecting any of the Units shall be deemed to be transferred, in accordance with the existing priorities, to the undivided interest of the respective Owner in the Project; and
E 1331828 B 2147 P 154

8.3.5.D The Project shall be subject to an action for partition at the suit of any Owner, in which event the net proceeds of any sale resulting from such suit for partition, together with the net proceeds of the insurance of the Project, if any, shall be considered as one fund and shall be divided among all Owners after first paying out of the respective share of each Owner, to the extent sufficient for the purposes, all liens on the undivided interest in the Project owned by such Owner. The division of funds shall be based on the fair market values of the Units immediately prior to the damage or destruction and the Owners shall divide said funds based upon the relative value of the Units prior to the damage or destruction.
E 1331828 B 2147 P 154

8.3.6. Priority.

In no event shall an Owner of a Unit or any other party have priority over the holder of any First Mortgage on such Unit with respect to the distribution to such Unit of any insurance proceeds.

8.4. Repair or Reconstruction.

If the damage or destruction is to be repaired or reconstructed as provided above, the Association shall, as soon as practicable after receiving the said estimate of costs, commence and diligently pursue to completion the repair and reconstruction of that part of the Project damaged or destroyed. The Association may take all necessary or appropriate action to effect repair and reconstruction as attorney in fact for the Owners and no consent or other action by any Owner shall be necessary in connection therewith, except as otherwise expressly provided herein.

The Project shall be restored or repaired in substantially the same condition in which it existed prior to the damage or destruction, with Unit, Condominium Buildings and Commons Areas having the same vertical and horizontal boundaries as before. Any restoration or repair of the Project, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with this Declaration and the original architectural plans and specifications.

8.5. Disbursement of Funds for Repair and Reconstruction.

If repair or reconstruction is to occur, the insurance proceeds held by the Association and any amounts received from assessments made pursuant to Section 8.3.4. of this Article VIII, shall constitute a fund for the payment of costs of repair after casualty. It shall be deemed that the first money disbursed in payment for costs of repair and reconstruction shall be made from insurance proceeds; if there is a balance after payment of all such repair reconstruction, such balance shall be distributed to the Owners equally.

8.6. Amendment of Article.

This Article VIII shall not be amended unless Owners entitled to vote at least seventy-five percent (75%) of the votes of the Members consent and agree to such amendment and such consent and agreement is reflected in an instrument duly executed by the Board of Trustees of the Association and recorded in accordance with the provisions of this Declaration.

**ARTICLE IX.
CONDEMNATION**

9.1. Condemnation.

If at any time or times all or any part of the Project shall be taken or condemned by any public

authority under power of eminent domain, the provisions of this Article IX shall apply. A voluntary sale or conveyance of all or any part of the Project in lieu of condemnation, but under threat of condemnation, shall be deemed to be a taking by power of eminent domain. If any Unit or portion thereof or the Common Areas or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, the Board of Trustees shall give prompt, written notice of any such proceeding or proposed acquisition to each Owner in the Project and to any First Mortgagee who has requested in writing notice thereof.

E 1331828 8 2147 P 155

The Association shall represent the Owners in any condemnation proceedings or in negotiations, settlements or agreements with the condemning authority for acquisition of the Common Areas, or any part thereof and each Owner hereby appoints the Association as such Owner's attorney in fact for the purposes of such representation.

9.2. Proceeds.

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

9.3. Complete Taking.

In the event the entire Project is taken by power of eminent domain, ownership pursuant hereto shall terminate and the Condemnation Award shall be allocated among and distributed to the Owners and the Owners shall divide the Condemnation Award based upon the relative values of the Units and/or Condominium Buildings immediately prior to the condemnation. Such distribution shall be made by check payable jointly to the respective Owners and their respective Mortgagees, as appropriate.

9.4. Partial Taking.

9.4.1. Partial Taking.

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

9.4.1.A The total amount apportioned to taking of or injury to the Common Areas shall be allocated among and distributed to all Owners (including Owners whose entire Units have been taken).

9.4.1.B The total amount apportioned to severance damages shall be allocated and distributed equally to the Owners of those Units which have not been taken.

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

9.4.1.D The total amount apportioned to consequential damages and any other taking or injuries shall be allocated and distributed as the Association determines to be equitable under the circumstances;

9.4.1.E If apportionment or allocation is already established by negotiation, judicial decree, statute or otherwise, the Association shall employ such apportionment and allocation to the extent it is relevant and applicable.

9.4.1.F Distribution of allocated proceeds shall be made by check payable jointly to individual Owners and their respective Mortgagees, as their interests may appear; and

E 1331828 8 2147 P 156

9.4.1.G No provision of this Article IX or any other provision of this Declaration, the Articles or the Bylaws shall entitle the Owner of a Unit or other party to priority over any First Mortgagee holding such Unit with respect to the distribution to such Unit of the proceeds of any award, settlement or proceeds from any eminent domain or condemnation proceeding.

9.4.2. Continuation and Reorganization.

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

9.4.2.A If any partial taking results in the taking of an entire Unit, then the Owner thereof shall cease to be a member of the Association and all voting rights shall terminate;

9.4.2.B If any partial taking results in the taking of a portion of a Unit, the voting rights appertaining to such Unit shall continue.

9.4.2.C If any partial taking results in the taking of a portion of a Unit and if there is a determination made by the Board of Trustees, after duly considering any recommendations, proposals, or other input from the Owners, that such taking makes it impractical to use the remaining portion of such Unit, then all voting rights terminate and the remaining portion of such Unit shall thenceforth be part of the Common Areas;

9.4.2.D The Board of Trustees, after duly considering any recommendations, proposals or other input from the Owners, shall have the duty and authority to make all determinations and to take all actions necessary or appropriate to effectuate reorganization of the Project under the provisions of this Section 9.4.2.; provided, however, that if any such determination shall have been or such action taken by judicial decree, the Board of Trustees shall defer thereto and proceed in accordance therewith.

9.5. Repair and Reconstruction.

Any repair and reconstruction necessitated by condemnation shall be governed by the provisions specified in Article 8.4 hereof for cases of Damage or Destruction; provided, however, that the provisions of said article dealing with sufficiency or insufficiency of insurance proceeds shall not be applicable.

**ARTICLE X.
TERMINATION**

10.1. Term.

This Declaration shall be effective upon the date of recordation hereof and, as amended from time to time, shall continue in full force and effect until terminated as provided herein. Except as otherwise provided in Articles VIII and IX, the Project may be terminated only by agreement of Owners entitled to vote at least sixty-seven percent (67%) of the votes attributable to all Units.

10.2. Termination Agreement.

An agreement to terminate shall be evidenced by the execution or ratification of a termination agreement, in the same manner as a deed, by the requisite number of Owners. Such an agreement to

terminate shall also be approved by the Eligible Mortgagees who represent Units subject to First Mortgages held by Eligible Mortgagees. Such approval (and any other approval related to an amendment to this

E 1331828 8 2147 P 157

Declaration) shall be deemed given when an Eligible Mortgagee fails to submit a response within thirty (30) days after receipt of proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested. The termination agreement shall specify a date after which the agreement will be void unless it is recorded before that date. A termination agreement, including all ratifications of such termination agreement, shall be recorded in the County, and is effective only upon recordation.

10.3. Sale of Project.

A termination agreement may provide that the entire Project shall be sold following termination. If, pursuant to the agreement, any real estate in the Project is to be sold following termination, the termination agreement shall set forth the minimum terms of the sale.

10.4. Association Duties.

The Association, on behalf of the Owners, may contract for the sale of real estate in the Project, but the contract is not binding on the Owners until approved pursuant to Sections 10.1. and 10.2. of this Article X. If any real estate in the Project is to be sold following termination, title to that real estate on termination vests in the Association as trustee for all Owners. Thereafter, the Association has all powers necessary and appropriate to effect the sale.

Until the sale has been concluded and the proceeds of the sale distributed, the Association continues in existence with all powers it had before termination. Proceeds of the sale shall be distributed to Owners and Mortgagees as their interest may appear, based on the relative value of each Unit and/or Condominium Building. Unless otherwise specified in the termination agreement, as long as the Association holds title to the real estate, each Owner and their successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted their Unit in accordance with the terms of this Declaration.

During the period of that occupancy right, each Owner and their successors in interest remain liable for all assessments and other obligations imposed on Owners by this Declaration.

10.5. Proceeds of Sale.

Following termination of the Project, the proceeds of any sale of real estate, together with the assets of the Association, shall be held by the Association as trustee for Owners and Mortgagees as their interests may appear. Following termination, Mortgagees holding Mortgages on the Units which were recorded before termination may enforce those liens in the same manner as any lienholder.

**ARTICLE XI.
GENERAL USE RESTRICTIONS**

11.1. Rules and Regulations.

The Association shall have authority to promulgate and enforce such reasonable rules, regulations and procedures as may be necessary or desirable to aid the Association in carrying out any of its functions or to insure that the Property is maintained and used in a manner consistent with the interest of the Owners.

11.2. Use of Common Areas.

The Common Areas shall be used only in a manner consistent with their community nature and with the rules, regulations and use restrictions applicable to Units and Condominium Buildings. No

admission fees, charges for use, leases, or other income generating arrangement of any type shall be employed or entered into with respect to any portion of the Common Areas, except for guest or special event charges that may be established by the Board. Provided, however, vending machines and similar devices approved by the Board may be made available within the Common Areas.

E 1331828 B 2147 P 158

11.3. Use of Units.

Each Unit shall be used only as a single-family residence. No Unit or Condominium Building shall be used, occupied, or altered in violation of law, so as to jeopardize the support of any other Unit, so as to create a nuisance or interfere with the rights of any Owners, or in any way which would result in an increase in the cost of any insurance covering the Units, Condominium Buildings or Common Areas.

11.4. Exception for Declarant.

Notwithstanding the restrictions contained in this Article XI, for the five (5) year period following the date on which this Declaration is filed for record in the official records of the County, Declarant shall have the right to use any Unit owned by it and any part of the Common Areas reasonably necessary or appropriate, in furtherance of any activities designed to accomplish or facilitate improvement and sale of all Units owned by Declarant. Declarant shall have the right to maintain one or more sales offices and model Units. Such offices and model Units may be located in any Unit owned or leased by Declarant, or in one or more separate structures or facilities placed upon the Property for the purpose of aiding Declarant's sales efforts, or any combination of the foregoing. Declarant shall also have the right to maintain a reasonable number of promotional, advertising, or directional signs, banners, or similar devices at any place or places on the Property. Declarant shall have the right from time to time to locate or relocate any of its sales offices, model Units, signs, banners or similar devices.

11.5. Leases.

Any lease agreement between an Owner and a lessee respecting a Unit shall be subject in all respects to the provisions of this Declaration, the Articles and Bylaws and any failure by lessee to comply with the terms of such documents shall be a default under the lease. All such lease agreements shall be in writing and shall have a term of at least six (6) months. Other than the foregoing, there is no restriction on the right of any Owner to lease a Unit. An Owner shall be responsible and liable for any damage to the Project caused by its tenant.

11.6. Nuisances.

No rubbish or debris of any kind shall be placed or permitted to accumulate upon the Property and no odors shall be permitted to arise therefrom so as to render any part of the Property unsanitary or unsightly or which would be offensive or detrimental to any other part of the Property or to the occupants thereof. No noise or other nuisance shall be permitted to exist or operate upon any part of the Property so as to be offensive or detrimental to any other part of the Property, or to the occupants thereof. Without limiting the generality of any of the foregoing, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes) shall be located, used or placed on the Property without the prior written approval of the Board.

11.7. Animal Restrictions.

No insects, reptiles, poultry or animals of any kind shall be raised, bred or kept on or within any Unit, Condominium Building, Limited Common Areas, Common Areas, or otherwise within the Project, except usual and ordinary dogs, cats, fish, birds and other household pets (excluding without limitation, equine, bovine, sheep, swine, goats and other such animals) may be kept in Units, subject to rules and regulations adopted by the Association, and provided that they are not kept, bred or maintained for commercial purposes or in unreasonable quantities. As used in this Declaration, "unreasonable quantities"

shall ordinarily mean more than two (2) pets per household, provided, however, that the Association (or the Architectural Committee or other such person or entity as the Association may from time to time designate) may determine that a reasonable number in any instance may be more or less. No pet shall weigh more than sixty (60) pounds.

E 1334828 P 2147 P 159

The Association acting through the Board of Trustees, shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Project must be either kept within an enclosure, an enclosed patio, or on a leash being held by a person capable of controlling said animals. The enclosure must be so maintained that the animal cannot escape therefrom and shall be subject to the approval of the Architectural Committee. Should any animal belonging to an Owner be found unattended, out of the enclosure, and not being held on a leash by a person capable of controlling the animal, such animal may be removed by Declarant or a person designated by the Declarant to do so (for so long as Declarant owns any interest in the Project), to a shelter under the jurisdiction of the local municipality in which the Project is situated and subject to the laws and rules governing such shelter, or to a comparable animal shelter.

Furthermore, any Owner shall be absolutely liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept within the Project by an Owner or by members of his family, his tenants or guests; and it shall be the absolute duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Common Areas or any other area within the Project.

11.8. Trash.

No rubbish, trash or garbage or other waste material shall be kept or permitted on or within any Unit, Condominium Building, Limited Common Areas, Common Areas or otherwise within the Project, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Project, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Units only when set out for a reasonable period of time (not to exceed twenty-four (24) hours before and after scheduled trash collection hours).

There shall be no exterior fires whatsoever except barbecue fires contained within appropriate receptacles therefor, and shall decorative candles.

11.9. Temporary and Other Structures.

No structures of a temporary nature, trailer, basement, house, tent, shack, shed, garage, barn or other outbuildings shall be used at any time as a residence either temporarily or permanently, nor shall said structures be permitted on the Property at any time. All Units erected and maintained within the Property shall be of good construction, of good quality, workmanship and material.

11.10. Unsightly Articles.

No unsightly articles shall be permitted to remain on or near a Unit so as to be visible from any other Unit or the Common Areas. Without limiting the generality of the foregoing, trailers, mobile homes, trucks other than pickups, boats, tractors, vehicles other than automobiles, campers not on a truck, snowmobiles, snow removal equipment and garden or maintenance equipment shall be kept at all times, except when in actual use, in an enclosed structure or screened from view. Refuse, garbage and trash shall

be kept at all times in a covered, noiseless container and any such container shall be kept within an enclosed structure or appropriately screened from view. Service areas storage piles, compost piles and facilities for hanging, drying or airing clothing or household fabrics shall be appropriately screened from view. No lumber, grass, shrub or tree clippings or plant waste, metals, bulk materials or scrap or refuse or trash shall be kept, stored or allowed to accumulate on any Unit except within an enclosed structure or when appropriately screened from view.

E 1331828 B 2147 P 160

11.11. No Further Subdividing.

No Unit or Common Areas may be further subdivided, nor may any easement or other interest therein less than the whole be conveyed by the Owner thereof without the prior written approval of the Association; provided, however, that nothing herein shall be deemed to prevent or require the approval of the Association for the transfer or sale of any Unit, to more than one person to be held by them as tenants in common, joint tenants, or otherwise.

11.12. Signs.

No sign of any kind shall be displayed to the public view without approval of the Association, except such signs as may be used by Declarant in connection with the development of the Project and the sale of Units and except such signs of customary and reasonable dimensions as may be displayed on a Unit advertising a Unit for sale or lease. Display of any "for sale" or "for lease" sign more than three (3) feet by two (2) feet shall require the prior written approval of the Association. A residential identification sign is permitted but should not exceed one (1) square foot in surface area. Numbers on residences shall be located in a position clearly legible. Any existing street sign identifying the Project may not be changed without prior approval by the Association.

11.13. No Hazardous Activities.

No activities shall be conducted on the Property and no improvements shall be constructed on the Property which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon the Property and no open fires nor incinerators shall be lighted or permitted on the Property except in a contained barbecue unit while attended and in use for cooking purposes.

11.14. Repair of Buildings.

No improvement upon the Property shall be permitted to fall into disrepair, and each such improvement shall at all times be kept in good condition and repair and adequately painted or otherwise finished by the Owner thereof or the Association as applicable.

11.15. Improvements and Alterations.

There shall be no excavation, construction or alteration which in any way alters the exterior appearance or structure of any Improvement within the Project, no alteration of any structural component of any Unit, no plumbing or electrical work outside the Unit, no removal of any Unit or other Improvement within the Project (other than repairs or rebuilding) without the prior written approval of the Architectural Committee.

No building, fence, wall or other structure shall be commenced, erected or maintained upon the Property, nor shall any exterior addition to or change or alteration therein be made unless and until the plans and specifications showing the color, nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing by the Architectural Committee.

All Improvements and alterations shall be performed in compliance with all applicable laws. No Owner shall perform any work or make any alterations or changes which would jeopardize the soundness or safety of any portion of the Project, reduce its value or impair any easement or hereditament, without in every such case the unanimous written consent of all the other Owners being first obtained.

E 1331828 1 2147 P 161

11.16. Outside Installations.

No television, ham radio, citizens band or radio antenna, satellite receiving or other similar electronic receiving or sending device shall be permitted upon the rooftop or side of any Unit or elsewhere if exposed to view from any other Unit. Such antennas, if used, must be of the type that are installed within the natural building structure. In no case will any such receiving or sending antenna or other device be allowed to interfere with the peace and quiet enjoyment of any neighboring Unit Owner's premises or home entertainment facilities or equipment. Provided, however, Declarant and the Association reserve the right and option to install cable service lines and antennas as needed throughout the Project in connection with its development.

11.17. General Obligations.

Each Owner shall enjoy and be subject to all rights and duties assigned to Owners pursuant to this Declaration. The Declarant shall enjoy the same rights and assume the same duties with respect to each unsold Unit.

**ARTICLE XII.
MORTGAGEE PROTECTION**

12.1. Notice of Action.

Upon written request made to the Association by a First Mortgagee, or an insurer or governmental guarantor of a First Mortgage, which written request shall identify the name and address of such First Mortgagee, insurer or governmental guarantor and number or address of the Unit, any such First Mortgage, insurer or governmental guarantor shall be entitled to timely written notice of:

12.1.1. Any condemnation loss or any casualty loss which affects a material portion of the Project or any Unit on which there is a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or governmental guarantor;

12.1.2. Any delinquency in the payment of assessments or charges owed by an Owner, whose Unit is subject to a First Mortgage held, insured or guaranteed by such First Mortgagee, insurer or governmental guarantor, which default remains uncured for a period of sixty (60) days;

12.1.3. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

12.1.4. Any proposed action which would require the consent of Eligible Mortgagees as specified in Section 2 below or elsewhere herein.

12.2. Matters Requiring Prior Eligible Mortgagee Approval.

Except as provided elsewhere in this Declaration, the prior written consent of Owners entitled to vote at least sixty-seven percent (67%) of the votes of the Units in the Association (unless pursuant to a specific provision of this Declaration the consent of Owners entitled to vote a greater percentage of the votes in the Association is required, in which case such specific provisions shall control), and Eligible

Mortgagees holding First Mortgages on sixty-seven percent (67%) of Units held by Eligible Mortgagees shall be required to:

E 1331828 B 2147 P 162

12.2.1. Abandon or terminate the legal status of the Project after substantial destruction or condemnation occurs.

12.2.2. To partition or subdivide any Unit;

12.1.3. To abandon, partition, subdivide, encumber, sell or transfer all or any part of the Common Areas (except for the granting of easement for utilities and similar purposes consistent with the intended use of the Common Areas);

12.2.3. To use hazard insurance proceeds resulting from damage to any part of the Project (except within a Unit) for purposes other than the repair, replacement or reconstruction of such improvements, except as otherwise provided in this Declaration;

12.2.4. To materially change the Percentage Interests or obligations of any Unit.

Any Mortgagee, insurer or governmental guarantor who receives a written request from the Association to approve additions or amendments to the constituent documents and who fails to deliver or post to the Association a negative response within thirty (30) days shall be deemed to have approved such request, provided the written request was delivered by certified or registered mail, with a "return receipt" requested.

12.3. Availability of Project Documents and Financial Statements.

The Association shall maintain and have current copies of the Declaration, Articles, Bylaws and other rules concerning the Project as well as its own books, records and financial statements available for inspection by the Owners or by holders, insurers and guarantors of First Mortgages that are secured by Units in the Project. Generally, these documents shall be available during normal business hours. The Association shall make a financial statement for the preceding fiscal year (if the Project has been established for a full fiscal year) available to the holder, insurer, or guarantor of any First Mortgage on submission of a written request for it. The financial statement shall be made available within 120 days of the Association's fiscal year-end.

12.4. Subordination of Lien.

The lien or claim against a Unit for unpaid assessments or charges levied by the Association pursuant to this Declaration shall be subordinate to the First Mortgage affecting such Unit if the First Mortgage was recorded before the delinquent assessment was due and the First Mortgagee thereunder which comes into possession of or which obtains title to the Unit shall take the same free of such lien or claim for unpaid assessment or charges, but only to the extent of assessments or charges which accrue prior to foreclosure of the First Mortgage, exercise of a power of sale available thereunder, or taking of a deed or assignment in lieu of foreclosure. No assessment, charge, lien, or claim which is described in the preceding sentence as being subordinate to a First Mortgage or as not to burden a First Mortgagee which comes into possession of a purchaser from such mortgagee which obtains title shall be collected or enforced by the Association from or against a First Mortgagee, a successor in title to a First Mortgagee, or the Unit affected or previously affected by the First Mortgage concerned.

12.5. Payment of Taxes.

In the event any taxes or other charges which may or have become a lien on the Common Areas are not timely paid, or in the event the required hazard insurance described in Section 12.1. of Article VII lapses, is not maintained, or the premiums therefore are not paid when due, any Mortgagee or any combination of Mortgagees may jointly or singly, pay such taxes or premiums or secure such insurance. Any Mortgagee which expends funds for any of such purposes shall be entitled to immediate reimbursement therefor from the Association.

E 1331828 8 2147 P 163

12.6. Priority.

No provision of this Declaration or the articles gives or may give an Owner or any other party priority over any rights of Mortgagees pursuant to their respective Mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for loss to or taking of all or any part of the Units or the Common Areas.

12.7. Implied Approval.

In the event that the approval of an Eligible Mortgagee is required under this Declaration, that Mortgagee's approval shall be deemed given if the party requesting that approval does not receive any written disapproval from the Mortgagee within thirty (30) days after delivering to that Mortgagee a written request for the same.

ARTICLE XIII.
ARCHITECTURAL COMMITTEE

13.1. Members of Committee.

The Architectural Committee shall consist of not less than three (3) members but not more than five (5) members as shall be determined by the Board. The Declarant shall appoint all of the original members of the Architectural Committee and all replacements until one (1) year following the date of issuance of the Final Plat for the Project. Declarant shall have the right and power to appoint and remove a majority of the members of the Architectural Committee or to fill any vacancy of such majority until the "turnover date" which shall be the date on which either, (i) ninety percent (90%) of the Units subject to this Declaration have been sold and the deeds recorded with the County recorder, or (ii) five (5) years following the date of issuance of the final Plat for the Project, whichever occurs earlier. Commencing one (1) year from the date of close of escrow for the sale of the first Unit in the Project to a purchaser from Declarant, the Board shall have the power to appoint one (1) member to the Architectural Committee, until the turnover date. Thereafter, the Board shall have the power to appoint and remove all of the members of the Architectural Committee. Persons appointed to the Architectural Committee by Declarant need not be Members of the Association, but persons appointed to the Architectural Committee by Declarant need not be Members of the Association. The Architectural Committee shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans conform harmoniously to the exterior design and existing materials of the buildings in the Project. The Architectural Committee may designate and appoint a representative who is a licensed architect and a majority of the members of said Architectural Committee may, from time to time, remove or replace such representative. The designated representative of the Architectural Committee may be, but need not be, a Member of the Architectural Committee.

13.2. Review of Plans and Specifications.

The Architectural Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall

be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Architectural Committee. No construction, alteration, addition, modification, decoration, re-erection or reconstruction of an Improvement in the Project shall be commenced maintained, painted, erected or otherwise altered until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to and approved in writing by the Architectural Committee. The address for submission of such plans and specifications shall be the address of the principal place of business of the Association. The Architectural Committee shall approve plans and specifications submitted for its approval only if it deems that the construction, alterations or additions contemplated thereby in the locations indicated will not be detrimental to the surrounding area of Project as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Areas or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association. The Architectural Committee may condition its approval of proposals or plans and specifications for any Improvement on such changes therein as the Architectural Committee deems appropriate, upon the agreement by the Person (referred to in this Section as "Applicant") submitting the same to grant appropriate easements to the Association for the maintenance of the Improvement, or upon the agreement of the applicant to reimburse the Association for the cost of such maintenance, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The Architectural Committee may also issue rules or guidelines setting forth procedures for the submission of plans for approval, require a fee payable to the Association to accompany each application for approval, or require any additional factors which it will take into consideration in reviewing submissions. The Architectural Committee may provide that the amount of such fee shall be uniform or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The Architectural Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings or descriptions or samples of exterior material and colors. Decisions of the Architectural Committee and the reasons therefor shall be transmitted by the Architectural Committee to the applicant at the address set forth in the application for approval within thirty (30) days after receipt by the Architectural Committee of all materials required by the Architectural Committee. Any application submitted pursuant to this Section shall be deemed approved, unless written disapproval or a request for additional information or materials by the Architectural Committee shall have been transmitted to the applicant within thirty (30) days after the date of receipt by the Architectural Committee of such application or additional information.

13.3. Meetings of the Architectural Committee.

The Architectural Committee shall meet from time to time as necessary to perform its duties hereunder. The Architectural Committee may, from time to time, by resolution unanimously adopted in writing, designate an Architectural Committee representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the Architectural Committee, except the granting of variances pursuant to this Article. In the absence of such designation, the vote of a majority of the members of the Architectural Committee taken without a meeting, shall constitute an act of the Architectural Committee.

13.4. Decisions.

All decisions by the Architectural Committee shall require a majority vote of all the members of that Committee.

13.5. No Waiver of Future Approvals.

The approval of the Architectural Committee of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Architectural Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

13.6. Compensation of Members.

The members of the Architectural Committee shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

13.7. Inspection of Work.

Inspection of work and correction of defects therein shall proceed as follows:

13.7.1. Upon the completion of any work for which approved plans are required under this Article, the Owner shall give written notice of completion to the Architectural Committee.

13.7.2. Within sixty (60) days thereafter, the Architectural Committee or its duly authorized representative may inspect such Improvement. If the Architectural Committee finds that such work was not done in substantial compliance with the approved plans, it shall notify the Owner in writing of such noncompliance within such sixty (60) day period, specifying the particulars of noncompliance, and shall require the Owner to remedy the same.

13.7.3. If, upon the expiration of thirty (30) days from the date of such notification the Owner shall have failed to remedy such noncompliance, the Architectural Committee shall notify the Board in writing of such failure. After affording such Owner notice and hearing, the Board shall determine whether there is noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date of announcement of the Board ruling. If the Owner does not comply with the Board ruling within such period, the Board, at its option, may record a notice of noncompliance in the Office of the County recorder and may remove the noncomplying Improvement or otherwise remedy the noncompliance, and the Owner shall reimburse the Association, upon demand, for all expenses, including legal fees, incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy a special Reimbursement Assessment against such Owner for reimbursement.

13.7.4. If for any reason the Architectural Committee fails to notify the Owner of any noncompliance within sixty (60) days after delivery of said written notice of completion from the Owner, the Improvement shall be deemed to be in accordance with said approved plans.

13.8. Non-liability of Architectural Committee Members.

Neither Declarant, the Architectural Committee nor any Member of the Architectural Committee, the Board nor their duly authorized representatives, shall be liable to the Association, or to any Owner or any other person or entity for any loss, damage or injury arising out of or in any way connected with the performance of the Architectural Committee's duties hereunder, unless due to the willful misconduct or bad faith of the Architectural Committee. The Architectural Committee shall review and approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of

aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Project generally. The Architectural Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The Architectural Committee's approval or disapproval shall be based solely on the considerations set forth in this Article, and the Architectural Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plans or designs from the standpoint of structural safety or conformance with building or other codes.

E 1331828 8 2147 P 166

13.9. Variance.

The Architectural Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, including without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by at least two (2) members of the Architectural Committee, and shall become effective upon recordation in the official records of the County. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting that Owner.

13.10. Appeal.

In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board. The written request for appeal must be received by the Board not more than thirty (30) days following the final decision of the Architectural Committee. Within forty-five (45) days following the receipt of the request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the appellant.

**ARTICLE XIV.
DEFAULTS AND REMEDIES**

14.1. Default.

An "Event of Default" shall occur under the Declaration if any party governed hereby fails to perform its obligations under this Declaration where those obligations are due and that party has not performed the delinquent obligations within thirty (30) days following delivery to that party of written notice of such delinquency (the "Notice of Default"). These provisions shall not supersede any restrictive requirements set forth elsewhere in this Declaration.

14.2. Remedies.

14.2.1. General.

Upon the occurrence of an Event of Default, the Association shall have the right to exercise all rights and remedies available in this Declaration, at law and in equity, including injunctive relief and specific performance. The Owners acknowledge that their obligations under this Declaration are unique and defaults may not be compensated by purely monetary damages. Those rights and remedies shall be cumulative. Under no circumstances, even an Event of Default, shall any Owner have the right to terminate the Declaration or take any action that would damage, injure, impair, prohibit or revoke approvals, licenses, permits, uses or other rights associated with the other Owners or their respective

portions of the Project that are not in default under this Declaration.

E 1331828 B 2147 P 167

14.2.2. Cure.

Furthermore, the Association shall have the right to cure the default and seek reimbursement from the defaulting Owner for the costs incurred in effecting such cure. Notwithstanding any provision herein to the contrary, the Owner shall reimburse the Association for such costs of curing a default within fifteen (15) days following delivery to the defaulting Owner of a written notice of such costs along with reasonable support documentation.

14.2.3. Additional Remedies.

In addition to any other enforcement rights and remedies described in the Declaration, the Association may take any of the following actions against any Owner whose act or failure to act violates or threatens to violate any provision of this Declaration: impose monetary penalties, including late charges and interest; suspend voting rights in the Association; suspend use privileges for the Common Area; and/or remove the defaulting Owner from the Board and/or the Architectural Committee.

14.2.4. No Cross-Defaults.

If any Owner shall create an Event of Default hereunder, only the defaulting Owner shall be subject to remedies and none of the other Owners governed by this Declaration shall be deemed to be in default or be penalized in any manner. For example, if an Owner shall cause an Event of Default, the Association may exercise its rights and remedies against the defaulting Owner, but shall not take any action that would damage, injure, impair, prohibit or revoke approvals, licenses, permits, uses or other rights associated with the other Owners that are not in default under this Declaration.

14.2.5. Jurisdiction.

Any judicial or arbitration action associated with the Declaration shall be taken in the courts within the jurisdiction where the Project is located.

14.2.6. Enforcement by City.

The City shall have the right, but not the obligation, to exercise all rights and enforce all provisions in this Declaration. The City shall have no obligations or liabilities under this Declaration except to the extent that the City seeks to exercise rights or remedies under this Declaration in breach thereof or in violation of any applicable laws.

14.2.7. Enforcement by Declarant and Owners.

In addition to the Association, Declarant and any Owner or the successor-in-interest of an 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 thereto, including the right to prevent the violation of any such restrictions, conditions, covenants or reservations, and the right to recover damages or other sums for such violation; provided, however, that with respect to assessment liens, the Association shall have the exclusive right to the enforcement thereof. Failure by the Association, Declarant or by any Owner to enforce any covenant, condition or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

14.2.8. Non-liability of Officials.

To the fullest extent permitted by law, the Declarant, the Board, the Architectural

Committee, the City any other committees of the Association or any Member of such Board or committee shall not be liable to any Owner or Member 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.

**ARTICLE XV.
MISCELLANEOUS**

15.1. Act.

This Declaration and the Project are intended to be governed by the Act and all other applicable laws. In the event of any conflict between the Act and this Declaration, the Act shall govern.

15.2. Single Family Residence.

Each Unit shall be used as a residence for a single family residence and for no other purpose.

15.3. Business or Commercial Activity.

No part of the Project or a Unit shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storage, vending or other such non-residential purposes; except Declarant, its successors or assigns, may use any portion or portions of the Project for model homes sites and display and sales offices during the construction and sales period and to accomplish any of Declarant's other rights and obligations hereunder. The provisions of this Section shall not preclude professional and administrative occupations in a Unit without external evidence thereof, for so long as such occupations are in conformance with City ordinances, all other applicable governing laws and ordinances, and are merely incidental to the use of the Unit as a residential home.

15.4. Toxic Materials.

No Owner shall store, use, manufacture, process, distribute, treat, transport, handle, emit, dispose of, discharge or release any Toxic Materials in violation of environmental laws governing the Project. Each Owner shall indemnify and hold the Association and the other Owners harmless from and against any liabilities, claims and/or expenses (including attorneys' fees) arising in connection with that Owner violation of this Section.

The term "Toxic Materials" as used herein shall mean any flammable explosives, asbestos, industrial substances, pollutants, contaminants, chemicals, wastes, discharges, emissions, radioactive materials and other hazardous substances, whether injurious by themselves or in combination with other materials, including, but not limited to, substances defined as "hazardous substances," "hazardous materials," "hazardous wastes," or "toxic substances" described in the environmental laws governing the Project.

15.5. Parking and Vehicular Restrictions.

No Owner shall park, store or keep any vehicle, except wholly within the parking area designated therefor, and any inoperable vehicle shall be stored only in enclosed garages. No Owner shall park, store or keep on any property or street (public or private) within the Project any large commercial-type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck), any recreational vehicle (including, but not limited to, any camper unit or motor home), any bus, trailer, trailer coach, camp trailer, boat, aircraft, mobile home, inoperable vehicle or any other similar vehicle or any vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board, upon any unenclosed

parking space, so as to be visible from anywhere in the Project. The above excludes camper trucks and similar vehicles up to and including three-quarter (3/4) ton when used for everyday-type transportation. Any vehicle owned or controlled by an Owner, to be parked within the Project is subject to approval by the Board. No Owner shall conduct repairs or restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of any Unit or upon the Common Areas, except wholly within the Owner's garage, and then only when the garage door is closed; provided, however, that such activity shall at no time be permitted if it is determined by the Board to be a nuisance. Garage doors shall remain closed except for reasonable periods while the garages are being used. Recreational vehicles may temporarily be parked, from time to time, for periods not to exceed four (4) hours for purposes of loading, unloading and cleaning.

E 1331828 B 2147 P 169

15.6. Laundry and Storage.

No clothing or fabrics shall be hung, dried or aired in such a way in the Project as to be visible to other property, and no lumber, grass, shrub or tree clippings or plant waste, metals, bulk material, scrap, refuse or trash shall be kept, stored or allowed to accumulate on any portion of the Project except, within an enclosed structure or appropriately screened from view.

15.7. No Overloading.

No Owner shall bring or store any item or substance, or permit any action, in any Unit that will cause damage to a Condominium Building. No Owner shall overload a floor on that Owner's Unit.

15.8. Declarant Exemption.

Notwithstanding anything in this Declaration to the contrary, no provision of this Declaration shall be construed as to prevent or limit Declarant's rights to perform Declarant's rights and obligations hereunder, to complete development of the Project and construction of Improvements therein, nor Declarant's rights to maintain model units or homes, construction, sales or leasing offices or similar facilities on any property in the Project owned by Declarant or the Association, nor Declarant's right to promote and market the Project or to post signs incidental to construction, sales, or leasing.

In order that said work may be completed and the Project established as a fully occupied residential community as rapidly as possible, no Owner nor the Association shall do anything to interfere with, and nothing in this Declaration shall be construed to:

15.8.1. Prevent Declarant, its successors or assigns, or their contractors or subcontractors, from doing, on any Unit owned by them, whatever they determine to be necessary or advisable in connection with the completion of said work, including, without limitation, subdividing, grading, constructing, or making Improvements to Units, Common Areas, or other facilities and Improvements in the Project.

15.8.2. Prevent Declarant, its successors or assigns, or their contractors or subcontractors, from altering construction plans and designs, or from effectuating such alterations, as Declarant deems advisable and as are acceptable to the Architectural Committee, for any part of the Project throughout the course of development.

15.8.3. Limit the right of Declarant, its assigns, contractors, subcontractors or representatives, to, on any Unit or portion thereof, or portion of the Common Areas or Project, make, construct, install and maintain such reasonable structures or Improvements as Declarant deems necessary, for the establishing the Project as a residential community and disposing of the same in Units by sale, lease or otherwise; including, without limitation, signs, models, displays, booths, decorations, sales and promotion centers,

directional signs, and any other structure associated with marketing and the disposition of Units.

E 1331828 B 2147 P 170

15.8.4. Prevent Declarant, its assigns, contractors, subcontractors or representatives, on any Unit or portion thereof, or portion of the Common Areas or Project, to establish or allow on that area additional temporary uses, for any purpose in connection with or incidental to the construction, development, sale, lease or other transfer of property within or adjacent to the Project, (including, without limitation, licenses, reservations, rights-of-way, easements, parking, rights of access, or any other reasonable alternative use as may be reasonably necessary to the proper development and disposal of the Project), and to grant such uses to others (including, without limitation, Declarant's agents, employees, utility companies, representatives, contractors, subcontractors, and prospective purchasers), provided, however, that the exercise of such right and easement shall not unreasonably interfere with the reasonable use and enjoyment of the Common Areas by the Members.

15.9. Conveyance and Release.

All of Declarant's rights and obligations under this Declaration may be assigned, transferred and conveyed voluntarily or by operation of law without the consent of any Owner or Eligible Mortgagee. Upon Declarant's conveyance of any or all of its obligations in connection with the Project, the Association and/or this Declaration, Declarant shall be entirely released and exonerated from those Obligations.

15.10. Limitation on Liability.

The Owners and the Association shall indemnify and hold Declarant harmless from and against any and all liabilities, claims and expenses (including attorneys' fees) incurred directly or indirectly by Declarant in connection with the Project, the Association or this Declaration except to the extent caused by the gross negligence or intentional misconduct of Declarant. None of Declarant's owners, employees, agents or contractors shall have any personal, recourse or deficiency liability in connection with the Project, the Association or this Declaration.

15.11. No Representations.

Each person that acquires a Unit is responsible to reasonably investigate that Unit and the Project. Declarant conveys each Unit in "as is" condition without any representation or warranty as to that Unit or the Project.

15.12. Conflicts.

In case of any conflict between this Declaration and the Articles or Bylaws, this Declaration shall control.

15.13. Attorneys' Fees.

In the event of any controversy or claim respecting this Declaration, or in connection with the enforcement of this Declaration, the prevailing party shall be entitled, in addition to all expenses, costs and damages, to reasonable attorneys' fees to be reimbursed by the non-prevailing party.

15.14. No Waiver.

Any party's failure to enforce any provision of the Declaration shall not constitute a waiver of the right to enforce such provision. The provisions may be waived only in writing by the party intended to be benefited by the provisions, and a waiver by a party of a breach hereunder by another party shall not be construed as a waiver of any succeeding breach of the same or other provisions.

15.15. Force Majeure.

Any prevention, delay or stoppage of the performance of any obligation under this Declaration which is due to strikes; labor disputes; inability to obtain labor, materials, equipment or reasonable substitutes therefor; acts of nature; governmental restrictions, regulations or controls; wars; civil commotions; fires; other casualties or other causes beyond the reasonable control of the Party obligated to perform hereunder shall excuse performance of the obligation by that Party for a period equal to the duration of that prevention, delay, or stoppage.

E 1331828 B 2147 P 171

15.16. Request for Notice.

The Association hereby requests that a copy of any notice of default and a copy of a notice of sale under any mortgages, deeds of trust or other liens or encumbrances filed for record against any Units or the Project be mailed to the Association as follows: The Homes At Shepard's Creek Homeowner Association, Inc., 132 South 600 East, Salt Lake City, Utah 84102, Attention: Peter S. Cooke, pursuant to Utah Code Annotated Section 57-1-26, as amended.

15.17. Lender's Agreement of Subordination.

By its execution of this Declaration, CWM Mortgage Holdings, Inc., a Delaware corporation, successor or merger to Independent Lending Corporation, dba Construction Lending Corporation of America, ("Lender") hereby agrees that this Declaration shall be senior in priority to that certain Construction Trust Deed with Assignment of Rents, Security Agreement, Fixture Filing and Financing Statement dated as of January 24, 1997, among Declarant, as trustor, and Lender as trustee and beneficiary recorded in the official records of the County as Entry No.1306729, in Book 2099, beginning at Page 1448, (the "Trust Deed"); and that the Trust Deed shall be subordinate and subject to this Declaration notwithstanding the fact that this Declaration is recorded later in time than the Trust Deed. THIS DECLARATION IS ALSO EXECUTED BY LENDER SOLELY WITH RESPECT TO THIS SUBORDINATION PROVISION. LENDER SHALL HAVE NO OTHER COVENANTS, OBLIGATIONS OR LIABILITIES UNDER THIS DECLARATION.

15.18. Notices.

Any notice required or permitted to be given to any Owner under the provisions of this Declaration shall be deemed to have been properly furnished if mailed postage prepaid to the person who appears as an Owner, at the latest address for such person, appearing in the records of the Association at the time of mailing.

15.19. Amendment.

Except as provided elsewhere in this Declaration, any amendment to this Declaration shall require the affirmative vote or written approval of at least sixty-seven percent (67%) of the total votes of the Members. Any amendment authorized pursuant to this Section shall be accomplished through the recordation in the official records of the County of an instrument executed by the Association. In such instrument an officer or Trustee of the Association shall certify that the vote required by this Section for amendment has occurred. Anything in this Article or Declaration to the contrary notwithstanding, Declarant reserves the unilateral right to amend all or any part of this Declaration to such extent and with such language as may be requested by FNMA and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of the Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Units or any portions thereof. Any such amendment shall be effected by the recordation by Declarant of an amendment duly signed by or on behalf of the

authorized officers of Declarant with their signatures acknowledged, specifying the federal, state or local governmental agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such an amendment shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such amendment, when recorded, shall be binding upon all of the Project and all persons having an interest therein. It is the desire of Declarant to retain control of the Association and its activities during the anticipated period of planning and development. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, Declarant alone shall have the right to amend this Declaration to restore such control. Within ten (10) years from the date of recording the Declaration, and so long as the Declarant is the Owner of any Unit in the Project, this Declaration may be amended or terminated only with the written approval of the Declarant. The Declarant alone may amend or terminate this Declaration prior to the closing of sale of any Unit.

E 1331828 & 2147 P 172

15.20. Rights of Action

The Association and any aggrieved Owner shall have a right of action against Owners who fail to comply with the provisions of the Declaration or the decisions of the Association. Owners shall have a similar right of action against the Association.

15.21. Declarant's Rights Assignable

The rights of Declarant under this Declaration or in any way relating to the Property may be assigned whereupon the assignee of Declarant shall have all the rights of Declarant hereunder.

15.22. Interpretation

The captions which precede the Articles and Sections of this Declaration are for convenience only and in no way affect the manner in which any provision hereof is construed. Whenever the context so requires, the singular shall include the plural, the plural shall include the singular, the whole shall include any part thereof, and any gender shall include both genders. The invalidity or unenforceability of any portion of this Declaration shall not affect the validity or enforceability of the remainder thereof. This Declaration shall be liberally construed to effect all of its purposes.

15.23. Covenants to Run With Land

This Declaration and all of the provisions hereof shall constitute covenants to run with the land or equitable servitudes, as the case may be, and shall be binding upon and shall inure to the benefit of Declarant, all parties who hereafter acquire any interest in a Unit or in the Common Areas and their respective grantees, transferees, heirs, devisees, personal representatives, successors and assigns. Each Owner, user or occupant of a Unit shall comply with, and all interests in all Units or in the Common Areas shall be subject to, the terms of this Declaration and the provisions of any rules, regulations, agreements, instruments and determinations contemplated by this Declaration. By acquiring any interest in a Unit or in the Common Areas, the party acquiring such interest consents to and agrees to be bound by, each and every provision of this Declaration.

15.24. Lists of Owners and Eligible Mortgagees

The Board shall maintain up-to-date records showing: (i) the name of each person who is an Owner, the address of such person, and the Unit which is owned by him or her; (ii) the name of each person or entity who is an Eligible Mortgagee, the address of such person or entity and the Unit which is encumbered by the Mortgage held by such person or entity; and (iii) the name of each person or entity who is an insurer or governmental guarantor, the address of such person or entity and the Unit which is encumbered by the Mortgage insured or guaranteed by such person or entity. In the event of any transfer

of a fee or undivided fee interest in a Unit, either the transferor or transferee shall furnish the Board with evidence establishing that the transfer has occurred and that the Deed or other instrument accomplishing the transfer is of record in the official records of the County. The Board may for all purposes act and rely on the information concerning Owners and Unit ownership which is thus acquired by it or, at its option, the Board may act and rely on current ownership information respecting any Unit or Units which is obtained from the office of the County Recorder. The address of an Owner shall be deemed to be the address of the Unit owned by such person unless the Board is otherwise advised.

E 1331828 8 2147 P 173

15.25. Effective Date.

This Declaration and any amendment or supplement hereto shall take effect upon its being filed for record in the official records of the County.

15.26. Master Development Documents.

The Project is subject to numerous master development documents and declarations recorded against the Project senior to this Declaration as described on Exhibit "B" hereto (collectively, the "Master Development Documents"). The Association, Members and Owners hereby submit to the Master Development Documents and agree to perform their respective obligations, and may exercise their respective rights, thereunder.

If any of the Master Development Documents are amended, the Association, Members and Owners agree to subordinate and subject to those amendments, any and all interests and agreements that those parties may have relative to the Project. Within ten (10) days following delivery of a written request to the Association, Members and/or Owners, those parties shall execute (with notary acknowledgment if required) and deliver to the requesting party, any further written evidence of that subordination made by that requesting party.

ARTICLE XVI.

EXPANDABLE CONDOMINIUM

16.1 Expansion Option.

In accordance with the Act, the Declarant herewith expressly reserves the unconditional and exclusive right and option, without obligation, to expand the Project (the "Expansion Option") by developing and adding all or any portion of the following to the Project (collectively the "Additional Project"): the "Additional Land", the "Additional Improvements" and/or the "Additional Common Areas", (all as defined below.) Declarant reserves the right to not exercise all or any portion of the Expansion Option or to develop all or any portion of the Additional Project.

16.1.1. Unrestricted Option.

The Declarant shall have the right to exercise all or any portion of the Expansion Option with respect to all or any portion of the Additional Project at any time, under or in any order, size, amount, configuration, boundary, location, style, manner, or condition without limitations or restrictions of any type and without the approval of the existing or future Association, Members, Owners, Board, Architectural Committee and/or any other committee associated with the existing Project or the Additional Project (collectively, the "Related Parties"). Notwithstanding the foregoing, the Declarant shall exercise the Expansion Option in accordance with the requirements of this Article XVI and all governmental entities, applicable laws, codes, ordinances, statutes and regulations governing the Project and/or the Additional Project (collectively, the "Governing Laws").

16.1.2. Termination.

The Expansion Option shall expire seven (7) years from the date of recording of this Declaration in the official records of the County (exclusive of any amendments or supplements thereto.)

E 1331828 § 2147 P 174

16.2. Additional Project.

16.2.1. Additional Land.

The "Additional Land" shall mean all or any portion of the real property designated on Exhibit "C" attached hereto and incorporated herein.

16.2.2. Additional Improvements.

The "Additional Improvements" shall mean all or any portion of the Improvements constructed on all or any portion of the Additional Land. The Declarant intends that the Additional Improvements may include several separate Condominium Buildings, some of which will contain six (6) Units and others of which will contain two (2) Units. The maximum number of Units to be constructed as Additional Improvements shall be one hundred sixty (160) Units. All Units to be constructed as Additional Improvements shall be used exclusively for residential purposes.

16.2.3. Additional Common Areas.

The "Additional Common Areas" shall mean all or any portion of the Common Areas and/or Limited Common Areas developed on all or any portion of the Additional Land. Declarant reserves the right to create limited or restricted Common Areas and facilities in the Additional Common Areas.

16.3. No Representations or Restrictions.

Notwithstanding anything in this Agreement to the contrary, the Declarant makes no assurances, representations or warranties of any type as to any of the following pertaining to any portion of, or improvement associated with, the Additional Project: compatibility with or similarity to the existing Project, appearance, materials, components, quality, construction, architecture, style, size, location, appearance, materials, description, and/or other improvements. The Declarant reserves the right to develop, implement and modify all criteria associated with the Additional Project in the Declarant's sole discretion without any approval or consent from Related Parties.

16.4. Additional Project Documents.

In connection with any Additional Project, the Declarant shall prepare and, where appropriate, record in the official records of the County, (a) an amendment to this Declaration, (b) an amendment to the Bylaws of the Association, (c) a supplemental plat and (d) any other documents desired by the Declarant and/or required by Governing Laws (collectively, the "Additional Project Documents"). The Additional Project Documents shall be in a form approved by the Declarant, in its sole discretion, without any approval or consent from the Related Parties. The Additional Project Documents shall comply with all Governing Laws.

16.5. Alteration of Percentage Interests.

The Additional Project Documents shall reflect, among other matters, that the Percentage Interest for each Unit in the entire Project shall be recalculated so that the Percentage Interest shall be equal to the ratio between each Unit and the aggregate number of all the Units in the entire Project after the Additional Project is incorporated therein. The total of the Percentage Interests pertaining to all Units in the entire Project after the Additional Project is incorporated therein shall in all events equal one hundred percent (100%).

16.6. Incorporation of Additional Project.

Prior to the time, if ever, that the Additional Project may be incorporated into the Project, the Related Parties and their respective family members, guests, invitees, employees, contractors and agents shall not enter upon, use or exercise any other rights or obligations respecting the Additional Project. The Additional Project, if any, shall be incorporated into the Project, if ever, only after (a) the Declarant, any other owners or lessees of the Additional Project and all governmental agencies having jurisdiction over the Project and the Additional Project have approved that incorporation; and (b) the Additional Project Documents have been executed by all parties thereto and, where appropriate, recorded in the official records of the County.

16.7. Amendment of This Article.

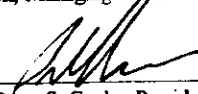
This Article shall not be directly or indirectly, entirely or in part, amended without the prior written consent of the Declarant which may be given or withheld in the Declarant's sole discretion.

DECLARANT:

SHEPARD'S CREEK HOMES, L.C.,
a Utah limited liability company

By: **PCH INVESTMENTS, L.C.,**
a Utah limited liability company, Managing Member

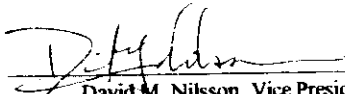
By: **PSC DEVELOPMENT COMPANY,**
a Utah corporation, Managing Member

By: 
Peter S. Cooke, President

LENDER:

This Declaration is executed by the undersigned Lender solely with respect to the subordination provisions in this Declaration. Lender shall have no other covenants, obligations or liabilities under this Declaration.

CMW MORTGAGE HOLDINGS, INC.,
a Delaware corporation, successor in merger to
INDEPENDENT LENDING CORPORATION OF AMERICA, INC.,
d.b.a. **CONSTRUCTION LENDING CORPORATION OF AMERICA**

By: 
David M. Nilsson, Vice President

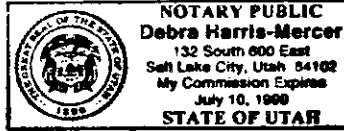
STATE OF UTAH)
) :ss
COUNTY OF SALT LAKE)

On this 12th day of June, 1997, personally appeared before me, Peter S. Cooke, the signer of the above instrument, who duly acknowledged to me that he is the President of PSC Development Company, a Utah corporation, which corporation is the managing member of PCH Investments, L.C., a Utah limited liability company, which company is the managing member of Shepard's Creek Homes, L.C., a Utah limited liability company, and that he executed the same in the capacity indicated.

E 1331828 1 2147 P 176

Debra Harris-Mercer
NOTARY PUBLIC
Residing at: Salt Lake City, Utah

My Commission Expires:
10 July 1999



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

On this 12th day of June, 1997, personally appeared before me, David M. Nilsson, the signer of the above instrument, who duly acknowledged to me that he is the Vice President of CMW Mortgage Holdings, Inc., a Delaware corporation, which corporation is successor in merger to Independent Lending Corporation of America, Inc., d.b.a. Construction Lending Corporation of America, and that he executed the same in the capacity indicated.

Debra Harris-Mercer
NOTARY PUBLIC
Residing at: Salt Lake City, Utah

My Commission Expires:
10 July 1999

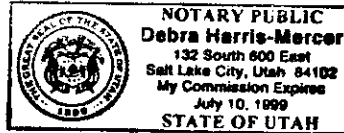


EXHIBIT "A"
Summary of Units, Square Footages, Votes and Percentage Interests

E 1331828 B 2147 P 177

<u>Building</u>	<u>Unit</u>	<u>Square Footage</u>	<u>Vote</u>	<u>Percentage Interest</u>
1	1	2321	1	2.5%
	2	2112	1	2.5%
2	3	2321	1	2.5%
	4	2112	1	2.5%
3	5	2321	1	2.5%
	6	2112	1	2.5%
4	7	2321	1	2.5%
	8	2112	1	2.5%
5	9	2321	1	2.5%
	10	2112	1	2.5%
6	11	2321	1	2.5%
	12	2112	1	2.5%
7	13	2321	1	2.5%
	14	2112	1	2.5%
8	15	2321	1	2.5%
	16	2112	1	2.5%
38	17	1627	1	2.5%
	18	1722	1	2.5%
	19	1988	1	2.5%
	20	1639	1	2.5%
	21	1731	1	2.5%
	22	1997	1	2.5%
39	23	1627	1	2.5%
	24	1722	1	2.5%
	25	1988	1	2.5%
	26	1639	1	2.5%
	27	1731	1	2.5%
	28	1997	1	2.5%
40	29	1627	1	2.5%
	30	1722	1	2.5%
	31	1988	1	2.5%
	32	1639	1	2.5%
	33	1731	1	2.5%
	34	1997	1	2.5%
41	35	1627	1	2.5%
	36	1722	1	2.5%
	37	1988	1	2.5%
	38	1639	1	2.5%
	39	1731	1	2.5%
	40	1997	1	2.5%

EXHIBIT "B"

Senior Encumbrances and Master Development Documents

E 1331828 B 2147 P 178

- 1 ALL ASSESSMENTS AND TAXES FOR THE YEAR 1997 AND THEREAFTER TAXES FOR THE YEAR 1996 HAVE BEEN PAID IN THE AMOUNT OF \$6 44 (SERIAL NO 08-051-0109)

ALL ASSESSMENTS AND TAXES FOR THE YEAR 1997 AND THEREAFTER TAXES FOR THE YEAR 1996 HAVE BEEN PAID IN THE AMOUNT OF \$5 101 63 (SERIAL NO 08-051-0032)

ALL ASSESSMENTS AND TAXES FOR THE YEAR 1997 AND THEREAFTER TAXES FOR THE YEAR 1996 HAVE BEEN PAID IN THE AMOUNT OF \$1,837 57 (SERIAL NO 08-053-0012)
- 2 Trust Deed in the amount of \$5,000,000 00, dated JANUARY 24 1997, executed in favor of INDEPENDENT LENDING CORPORATION DBA CONSTRUCTION LENDING CORPORATION OF AMERICA, as Beneficiary, by SHEPARD'S CREEK HOMES, L.L.C., A UTAH LIMITED LIABILITY COMPANY, as Trustor, with FIRST AMERICAN TITLE INSURANCE COMPANY, as Trustee, recorded FEBRUARY 27, 1997 as Entry No 1306729 in Book 2099, at Page 1448, DAVIS County Recorder's Office
- 3 SUBJECT TO THE RESERVATION OF OIL AND MINERAL RIGHTS, TOGETHER WITH THE RIGHTS OF INGRESS AND EGRESS FOR EXPLORATION PURPOSES, PROVIDED, HOWEVER, THAT THE REMOVAL OF SAID OIL AND MINERALS SHALL NOT INTERFERE WITH GRANTEES USE OF THE SURFACE, WITHOUT REASONABLE COMPENSATION FOR ANY INTERFERENCE WITH GRANTEES USE OF THE SURFACE, IN FAVOR OF SID H. ELIASON AND LEOTA ELLIASON, HIS WIFE, AND WILLIAM H. NEFF AND BETTY NEFF, HIS WIFE, AS RESERVED IN DEEDS RECORDED IN BOOK 119, AT PAGES 273 AND 259, DAVIS COUNTY RECORDER'S OFFICE
4. SUBJECT TO THE RESERVATION ON MINERAL RIGHTS, IN FAVOR OF LIONEL M. FARR TRUSTEE AS RESERVED IN A WARRANTY DEED TO BE RECORDED, WHEREIN THE GRANTOR SHALL NOT DISTURB THE TRUST PROPERTY OR ANY IMPROVEMENTS THEREON IN EXERCISING THE MINERAL RIGHTS
- 5 BOUNDARY LINE AGREEMENT, DATED JUNE 27, 1978, BY AND BETWEEN LIONEL M. FARR, TRUSTEE AND TRACY COLLINS BANK AND TRUST COMPANY, WHEREAS THE PARTIES HERETO ARE THE OWNERS AND POSSESSORS OF ADJACENT TRACTS OF LAND SITUATED IN SECTIONS 13, AND 14, TOWNSHIP 3 NORTH, RANGE 1 WEST, SALT LAKE MERIDIAN, WHICH TRACTS HAVE BEEN SEPARATED BY AN ESTABLISHED FENCE LINE, FOR A PERIOD WELL IN EXCESS OF 20 YEAR, WHICH HAS BEEN RECOGNIZED BY THE PARTIES HERETO AND THEIR PREDECESSORS IN INTEREST, AS THE BOUNDARY BETWEEN THEIR PROPERTIES, RECORDED JUNE 28, 1978, AS ENTRY NO. 500569, IN BOOK 715, AT PAGE 699, DAVIS COUNTY RECORDER'S OFFICE
- 6 MASTER DEVELOPMENT AGREEMENT, DATED OCTOBER 16, 1996, BY AND BETWEEN FARMINGTON CITY, A UTAH MUNICIPAL CORPORATION AND PROWS, BECKNELL & ALLES, L.L.C., A UTAH LIMITED LIABILITY COMPANY, RECORDED FEBRUARY 27, 1997, AS ENTRY NO. 1306717, IN BOOK 2099, AT PAGE 1248, DAVIS COUNTY RECORDER'S OFFICE.
7. INDEMNIFICATION AGREEMENT, BY PROWS, BECKNELL & ALLES, L.L.C., A UTAH LIMITED LIABILITY COMPANY, FOR THE BENEFIT OF FARMINGTON CITY, A UTAH MUNICIPAL CORPORATION, RECORDED FEBRUARY 27, 1997, AS ENTRY NO. 1306718, IN BOOK 2099, AT PAGE 1303, DAVIS COUNTY RECORDER'S OFFICE.
8. WETLANDS DEVELOPMENT AGREEMENT, DATED OCTOBER 16, 1996, BY AND BETWEEN PROWS, BECKNELL & ALLES, L.L.C., A UTAH LIMITED LIABILITY COMPANY, AND DAVIS COUNTY A BODY POLITIC OF THE STATE OF UTAH, RECORDED FEBRUARY 27, 1997, AS ENTRY NO. 1306719, IN BOOK 2099, AT PAGE 1311, DAVIS COUNTY RECORDER'S OFFICE

EXHIBIT "B"
Senior Encumbrances and Master Development Documents
(Continued)

E 1331828 B 2147 P 179

9. WETLANDS EASEMENT, DATED OCTOBER 16, 1996, BY AND AMONG DAVIS COUNTY, AND FARMINGTON CITY, A UTAH MUNICIPAL CORPORATION AND PROWS, BECKNELL & ALLES, L.L.C., A UTAH LIMITED LIABILITY COMPANY, RECORDED FEBRUARY 27, 1997, AS ENTRY NO. 1306720, IN BOOK 2099, AT PAGE 1343, DAVIS COUNTY RECORDER'S OFFICE.
10. RESTRICTIVE COVENANTS FOR FARMINGTON PRESERVE MASTER ASSOCIATION, BUT DELETING ANY COVENANT, CONDITION OR RESTRICTION INDICATING A PREFERENCE, LIMITATION, OR DISCRIMINATION BASED ON RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN TO THE EXTENT SUCH COVENANTS, CONDITIONS OR RESTRICTIONS VIOLATE 42 USC 3604 (C), RECORDED FEBRUARY 27, 1977, AS ENTRY NO. 1306721, IN BOOK 2099, AT PAGE 1374, DAVIS COUNTY RECORDER'S OFFICE.
11. INTER-DEVELOPER AGREEMENT, DATED FEBRUARY 24, 1997, BY AND AMONG PROWS, BECKNELL & ALLES, L.L.C., A UTAH LIMITED LIABILITY COMPANY; SHEPARD'S CREEK HOMES, L.L.C., A UTAH LIMITED LIABILITY COMPANY AND SHEPARD CREEK PROPERTIES, L.L.C., A UTAH LIMITED LIABILITY COMPANY, RECORDED FEBRUARY 27, 1997, AS ENTRY NO. 1306728, IN BOOK 2099, AT PAGE 1424, DAVIS COUNTY RECORDER'S OFFICE.
12. SUBJECT TO MATTERS AS DISCLOSED BY THE THOMPSON - HYSSELL ENGINEERS SURVEY DATED OCTOBER 2, 1996, FILE NO. Y-1 PROJECTS \ DAVIS \ 162700 \ BOUND \ 16700A2.
 - AI Existing Ditches
 - BI Fence line Encroachment west property line (Oakridge Country Club Estates III)
13. ANY WATER RIGHTS, CLAIMS OR TITLE TO WATER, IN OR UNDER SUBJECT PROPERTY, WHETHER OR NOT DISCLOSED BY THE PUBLIC RECORD.
14. SAID PROPERTY IS LOCATED WITHIN THE BOUNDARIES OF WEBER BASIN WATER CONSERVANCY DISTRICT, CENTRAL DAVIS SEWER IMPROVEMENT DISTRICT AND FARMINGTON CITY (451-2383), AND IS SUBJECT TO THE CHARGES AND ASSESSMENTS LEVIED THEREUNDER.

EXHIBIT "C"
Description of Additional Land

88-051-0032, 0109
88-053-0012

E 1331828 B 2147 P 180

All that certain real property situate, lying and being in Davis County, State of Utah, described as follows:

All that fractional portion of Section 13 and 14, Township 3 North, Range 1 West, Salt Lake Base and Meridian, more particularly described as follows:

Commencing at the Northwest corner of said Section 13; thence South $00^{\circ}12'06''$ East, along the West line of said Section 13, a distance of 1482.87 feet to a point on the South line of 60 foot wide 1060 North Street; thence along the South line of said 1060 North Street, South $88^{\circ}52'42''$ East 3.67 feet to the Easterly boundary of Oakridge Country Club Estates Plat III, and the point of beginning of the Parcel herein described; thence South $88^{\circ}52'42''$ East 343.94 feet; thence North $72^{\circ}22'00''$ East 21.21 feet to a point on a non-tangent curve to the left, having a radius of 330.50 feet, a central angle of $19^{\circ}55'16''$ and from which the radius point bears North $71^{\circ}02'45''$ East; thence Southeasterly along the arc of said curve, 114.91 feet; thence South $38^{\circ}52'31''$ East 463.63 feet to the beginning of a curve to the right, having a radius of 267.50 feet and a central angle of $39^{\circ}59'36''$; thence Southeasterly along the arc of said curve, 186.72 feet; thence South $01^{\circ}07'05''$ West 1344.20 feet; thence North $55^{\circ}30'34''$ West 280.00 feet; thence North $00^{\circ}17'17''$ East 252.04 feet; thence North $89^{\circ}42'43''$ West 260.00 feet; thence North $19^{\circ}47'39''$ West 276.83 feet; thence North $89^{\circ}42'40''$ West 34.84 feet; thence North $21^{\circ}15'51''$ West 357.98 feet to a point of intersection of the South line of 60 foot wide 900 North Street at the Easterly boundary of Oakridge Country Club Estates Plat III; thence along the Easterly boundary of said Oakridge Country Club Estates Plat III the following three courses: 1) North $00^{\circ}00'18''$ East 327.89 feet; 2) North $00^{\circ}15'42''$ West 332.80 feet; 3) North $01^{\circ}07'18''$ East 311.60 feet to the point of beginning.

Except for that Property described in Article II of this Declaration.