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REC'D FOR CENTERVILLE CITY

03-168-0001 thru  
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Unit 1 thru 32, Parcel A  
& Common Area

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

**OF**

**SHAELA PARK**

**(A Planned Unit Development)**

**Units One through Thirty-two Inclusive  
and Parcel "A"**

	<u>Page No.</u>
I. <u>DEFINITIONS</u> .....	2
II. <u>PROPERTY DESCRIPTION</u> .....	4
III. <u>IMPROVEMENTS ON LAND</u> .....	5
3.1 Description of Improvements .....	5
3.2 Description and Legal Status of Units .....	6
IV. <u>NATURE AND INCIDENTS OF OWNERSHIP</u> .....	6
4.1 Estate of an Owner .....	6
4.2 Title .....	6
4.3 Inseparability .....	6
4.4 Partition Not Permitted .....	6
4.5 Owner's Rights to Common Areas .....	6
4.6 Owner's Rights with Respect to Interiors .....	6
4.7 Easement for Encroachments .....	6
4.8 Use of Lots .....	7
4.9 Owner's Right to Support .....	7
4.10 Association's Right to Use of Common Areas .....	7
V. <u>UNITS AND LIMITED COMMON AREAS</u> .....	7
5.1 Party Walls .....	7
5.2 Maintenance of Units .....	7
5.3 Separate Mortgages by Owners .....	8
5.4 Taxation of Units .....	8
5.5 Limited Common Areas .....	8
5.6 Mechanic's Liens .....	8
VI. (NOT USED)	
VII. <u>THE ASSOCIATION</u> .....	9
7.1 Membership .....	9
7.2 Management Committee .....	9
7.3 Votes .....	9
VIII. <u>RIGHTS AND OBLIGATIONS OF THE ASSOCIATION</u> .....	10
8.1 Common Areas .....	10
8.2 Miscellaneous Services .....	10
8.3 Personal Property for Common Use .....	10
8.4 Granting Easements .....	10
8.5 Implied Rights .....	11
IX. <u>ASSESSMENTS</u> .....	11
9.1 Agreement to Pay Assessment .....	11

9.2	Amount of Total Annual Assessments .....	11
9.3	Apportionment of Annual Assessments .....	11
9.4	Notice of Annual Assessments and Time for Payment Thereof .....	11
9.5	Special Assessment for Capital Improvements .....	12
9.6	Lien for Assessments .....	12
9.7	Personal Obligation of Owner .....	13
9.8	Statement of Account .....	13
9.9	Personal Liability of Purchaser for Assessments .....	14
9.10	Reserve for Replacements .....	14
X.	<u>INSURANCE</u> .....	14
10.1	Provided by Association .....	14
	(a) Hazard Coverage .....	14
	(b) Public Liability .....	15
	(c) Workmen's Compensation Insurance .....	15
	(d) Fidelity Insurance or Bond .....	15
10.2	Additional Provisions .....	15
XI.	<u>DAMAGE OR DESTRUCTION</u> .....	17
11.1	Procedures .....	17
	(a) Insurance Proceeds Sufficient to Repair or Reconstruct .....	17
	(b) Damage and Destruction less than 75% .....	17
	(c) Damage or Destruction Exceeds 75% .....	18
	(d) Substantial Damage or Destruction but Owners Elect Not to Repair or Reconstruct .....	18
11.2	Determination of Extent of Damage or Destruction .....	18
XII.	<u>OBSOLESCENCE</u> .....	18
12.1	Adoption of a Plan .....	18
12.2	Payment for Renewal and Reconstruction .....	18
12.3	Dissents from the Plan .....	18
12.4	Sale of Obsolete Units .....	19
12.5	Distribution of Excess .....	20
XIII.	<u>CONDEMNATION</u> .....	20
13.1	Consequences of Condemnation .....	20
	(a) Proceeds .....	20
	(b) Complete Taking .....	20
	(c) Partial Taking .....	21
	(d) Reorganization .....	21
	(e) Reconstruction and Repair .....	21
XIV.	<u>USE OF UNITS AND COMMON AREAS</u> .....	21
14.1	Unit Use Restrictions .....	21
14.2	Use of Common Areas .....	21
14.3	Prohibition of Damage and Certain Activities .....	22
14.4	Rules and Regulations .....	22
14.5	Structural Alterations .....	22

14.6	Restriction of Signs .....	22
14.7	Animals .....	22
14.8	Recreational Vehicles .....	23
14.9	No Overloading .....	23
14.10	Exemption of Declarant .....	23
<b>XV.</b>	<b><u>MORTGAGEE PROTECTION</u></b> .....	<b>23</b>
15.1	Notice to First Mortgagee .....	23
15.2	Priority of Liens for Unpaid Assessments .....	24
15.3	First Mortgagee Consents .....	24
15.4	Miscellaneous Mortgagee Rights .....	25
15.5	Implied Approval .....	26
<b>XVI.</b>	<b><u>AMENDMENT</u></b> .....	<b>26</b>
<b>XVII.</b>	<b><u>GENERAL PROVISIONS</u></b> .....	<b>27</b>
17.1	Declarant's Rights Assignable .....	27
17.2	Covenants to Run with Land .....	27
17.3	Limitation on Association's Liability .....	28
17.4	Owner's Obligations Continue .....	28
17.5	Interpretation .....	28
17.6	Agent for Service of Process .....	28
17.7	Effective Date .....	29
17.8	Request for Notice .....	29
17.9	Indemnification .....	29
17.10	Interpretation .....	31
<b>EXHIBIT "A"</b>	.....	<b>32</b>
	Legal Description .....	32

## DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

OF

## SHAELA PARK

(A Planned Unit Development)

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made and executed this 26 day of August, 1998 Arden D. Hess Construction, Inc., a Utah Corporation (hereinafter referred to as the "Declarant"), pursuant to the establishment of a "Planned Unit Development" which shall be known as SHAELA PARK, units one through thirty-two and Parcel A

WITNESSETH:

WHEREAS, Everest Enterprises, LLC, a Utah limited liability company (the "Company") is the owner of real property described in Exhibit "A", attached hereto and incorporated herein by reference;

WHEREAS, Declarant has obtained the right from Company to develop the Property;

WHEREAS, Declarant has or will construct upon the Property certain buildings and improvements thereon in accordance with the plans and drawings set forth in the Record of Survey Map filed concurrently herewith;

WHEREAS, Declarant deems it desirable, for the efficient preservation of the values and amenities in the Project, to create an entity which possesses the power to maintain and administer the Common Areas, to collect and disburse the assessments and charges hereinafter provided for, and otherwise to administer and enforce the provisions of this Declaration; and for such purposes, Declarant has, in conjunction with the recordation of this Declaration, caused to be incorporated under the laws of the State of Utah, as a non-profit corporation, the Shaela Park, PUD of Centerville, Homeowners Association, Inc.; and

WHEREAS, Declarant intends by recording this Declaration and the Record of Survey Map to submit the Property, and all improvements now or hereafter constructed thereon, to the provisions of this Declaration as a "Planned Unit of Development" and to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all Units within said Project and the Owners thereof;

NOW, THEREFORE, the Declarant hereby makes the following Declaration:

## I. DEFINITIONS

When used in this Declaration, including the recitals thereto, the following terms shall have the meaning indicated.

- 1.1 "Association," shall mean "Shaela Park, PUD of Centerville, Homeowners Association, Inc.," an incorporated Owner's Association, which Association is established as provided herein.
- 1.2 "Building" or "Buildings" when referring to every Building, shall mean and refer to a twin home, each side of which is intended for private ownership.
- 1.3 "By-laws" shall mean and refer to the By-laws of the Association.
- 1.4 "Common Areas and Facilities" or "Common Areas" shall mean, refer to, and include:
  - (a) The real property and personal property now or hereafter owned by the Association for the common use and enjoyment of the Owners.
  - (b) All Common Areas and Facilities designated as such in the Map.
  - (c) All Limited Common Areas and Facilities designated as such in the Map.
  - (d) All installations for any and all equipment connected with the furnishing of Project utility services such as electricity, gas, water, and sewer.
  - (e) All tanks, pumps, motors, fans, compressors, ducts, and in general all apparatus, installations, and facilities included within the Project and existing for common use.
  - (f) The outdoor lighting, fences, landscaping, walkways, and common playground areas.
  - (g) All portions of the Project not specifically included within the individual Units.
  - (h) All other parts of the Project normally in common use or necessary or convenient to its use, existence, maintenance, safety, or management.
- 1.5 "Common Expenses" shall mean and refer to all sums which are assessed against and expended on behalf of all Owners, and all sums which are required by the Association to perform or exercise its functions, duties, or rights under this Declaration, the management agreement for the operation of the Project, if any, and such rules and regulations as the Association may from time to time make and adopt. By way of illustration, but not in limitation, Common Expenses shall include: (i) expenses of administration, maintenance, operation, repair, and replacement of those components of the Common Areas that must be

maintained and/or replaced on a periodic basis together with such reserves as may be from time to time established for the same by the Association; (ii) expenses agreed upon by the Association, or the Owners, and lawfully assessed against the Owners in accordance with the Declaration; (iii) expenses declared to be Common Expenses by this Declaration, or the By-laws; and (iv) any valid charge against the Project as a whole.

- 1.6 "Company" shall mean and refer to Everest Enterprises, LLC, a Utah limited liability company, and its successor or assign.
- 1.7 "Declarant" shall mean and refer to Arden D. Hess Construction, Inc., a Utah corporation, and any successor and assign of Declarant which, either by operation of law, or through a voluntary conveyance, transfer, or assignment comes to stand in the same relation to the Project as did its predecessor.
- 1.8 "Declaration" shall mean and refer to this instrument and all modifications, amendments, and/or supplements made in accordance with the Act and the provisions hereof.
- 1.9 "Limited Common Areas" shall mean and refer to those Common Areas and Facilities designated herein or on the Map as reserved for the use of a certain Unit or Units to the exclusion of other Units.
- 1.10 "Lot" shall mean and refer to that parcel of land upon which the Residential Unit sits including the property 12' to the rear of the residence as shown on the Map.
- 1.11 "Management Committee" or "Committee" shall mean the committee charged by this Declaration with and having the responsibility and authority on behalf of the Association to make and enforce all of the reasonable rules and regulations covering the operation and maintenance of the Property.
- 1.12 "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 business and affairs of the Association and the Project.
- 1.13 "Mortgage" shall mean and include a mortgage, a deed of trust, or other security instrument by which a Unit or any part thereof is encumbered.
- 1.14 "Mortgagee" shall mean and include a mortgagee of a mortgage on any Unit, a beneficiary of a deed of trust on any Unit, or a secured party of any other security instrument by which a Unit or any part hereof is encumbered.
- 1.15 "Owner" or "Unit Owner" shall mean the person or persons, including the Declarant, owning in fee simple a Unit in the Project, and an undivided interest in the fee simple estate of the common areas and facilities. In the event a Unit is the subject of any executory contract of sale, the contract purchaser shall, unless the seller and the purchaser have otherwise agreed and have informed the Association in writing of such agreement, be considered the Owner for purposes of voting. Notwithstanding any applicable theory

relating to a mortgage, deed of trust, or like instrument, the term Unit Owner or Owner shall not mean or include a mortgagee or a beneficiary or trustee under a deed of trust unless and until such party has acquired title pursuant to foreclosure or any arrangement or proceeding in lieu thereof.

- 1.16 "Percentage Interest" shall mean and refer to the undivided percentage interest of each Unit Owner in the Common Areas and Facilities of the Property. The Percentage Interest which is appurtenant to a Unit shall be one over the total number of Units (1/32).
- 1.17 "Person" shall mean an individual, corporation, partnership, association, trustee, or other legal entity.
- 1.18 "Project" shall mean the Property submitted to the provisions of this Declaration and the Map, sometimes referred to and known as Shaela Park.
- 1.19 "Property" shall mean and refer to the property described in said Exhibit "A", the Buildings, all improvements and structures on the subject property, all easements, rights and appurtenances belonging thereto, and all articles of personal property intended for use in connection therewith.
- 1.20 "Record of Survey Map," "Survey Map," and "Map" shall mean and refer to the Record of Survey Map recorded in the official records of the County Recorder of Davis County, State of Utah, recorded concurrently with this Declaration and all modifications, amendments and/or all supplements thereto recorded in accordance with this Declaration.
- 1.21 "Unit" shall mean and refer to a separate physical part of the Property intended for independent use and ownership, and shall also include the building on the subject property. All pipes, wires, conduits or other utility lines of installations constituting a part of a Unit and serving only such Unit shall be considered part of the Unit.
- 1.22 "Unit Number" shall mean the number, letter, or combination thereof designating a Unit within the Project.

## II. PROPERTY DESCRIPTION

The Property which is being purchased by Declarant, and which will be held, transferred, sold, conveyed, and occupied subject to the provisions of this Declaration, consists of the following-described real property situated in Davis County, State of Utah:

The real property described upon Exhibit "A" attached hereto and incorporated herein by reference.

TOGETHER WITH all easements, rights-of-way, and other appurtenances and rights incident to, appurtenant to, or accompanying the above-described real property (the real property).



ALL OF THE FOREGOING IS SUBJECT TO all liens for current and future taxes, assessments, and charges imposed or levied by governmental or quasi-governmental authorities; all Patent reservations and exclusions; any mineral reservations of record and rights incident thereto; all instruments of record which affect the real property or any portion thereof, including, without limitation, any mortgage or deed of trust; all visible easements and rights-of-way; all easements and rights-of-way of record; any easements, rights-of-way, encroachments, or discrepancies shown on or revealed by the Map or otherwise existing; an easement for each and every pipeline, cable, wire, utility line, or similar facility which traverses or partially occupies the real property at such time as construction of all Project improvements is complete; and all easements necessary for ingress to, egress from, maintenance of, and replacement of all such pipes, lines, cables, wires, utility lines, and similar facilities.

RESERVING UNTO DECLARANT, however, such easements and rights of ingress and egress over, across, through, and under the real property and any improvements now or hereafter constructed thereon as may be reasonably necessary for Declarant or for any assignee or successor of Declarant (in a manner which is reasonable and not inconsistent with the provisions of this Declaration): (i) to construct and complete each of the Units in any Building and all of the other improvements described in this Declaration or in the Map recorded concurrently herewith, and to do all things reasonably necessary or proper in connection therewith; (ii) to improve portions of the real property with such other or additional improvements, facilities, or landscaping designed for the use and enjoyment of all the Owners as Declarant or as such assignee or successor may reasonably determine to be appropriate; and (iii) if, pursuant to the foregoing reservations, the real property or any improvement thereon is traversed or partially occupied by a permanent improvement or utility line, a perpetual easement for such improvement or utility line shall exist. The reservations hereby effected shall, unless sooner terminated in accordance with their terms, expire seven (7) years after the date on which this Declaration is filed for record in the office of the County Recorder of Davis County, State of Utah.

### III. IMPROVEMENTS ON LAND

- 3.1 Description of Improvements. The improvements contained in the Project are now or will be located upon the subject property. The major improvements contained in the Project include sixteen (16) Buildings, thirty-two (32) Units, and asphalt or concrete driveways. The location and configuration of said improvements are shown on the Map. The Project also contains other improvements such as outdoor lighting, walkways, landscaping, and fencing. The Map shows the number of Buildings and the number of Units which are included in the Project. Each Building is composed of the following building materials: All load bearing and non-load bearing walls are wooden frame and studded with wood; the foundation walls are of concrete; the main level floor and loft level floor are of wooden joists covered with plywood; the roof is of wood framing surfaced with plywood and

asphalt shingles; interior walls are surfaced with sheetrock or gypsum board; and exterior walls are surfaced with brick or stucco, or siding.

- 3.2 Description and Legal Status of Units. The Map 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 and Facilities appurtenant to the Unit may not be partitioned from the balance of the Common Areas and Facilities.

#### IV. NATURE AND INCIDENTS OF OWNERSHIP

- 4.1 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 in the Common Area.
- 4.2 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 of Utah, including, without limitation, joint tenants or tenancy in common.
- 4.3 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, together with all appurtenant rights created by law or by this Declaration.
- 4.4 Partition Not Permitted. The Common Areas shall be owned in common by all the Owners of Units, and no Owner may bring any action for partition thereof.
- 4.5 Owner's Rights to Common Areas. Subject to the limitations contained in this Declaration, any Owner shall have the non-exclusive right to use and enjoy the Common Areas and shall have the exclusive right to use and enjoy the Limited Common Areas designated herein for exclusive use by such Owner or Owners.
- 4.6 Owner's Rights with Respect to Interiors. Each Owner shall have the exclusive right at his sole cost and expense to maintain, repair, paint, repaint, tile, wax, paper, or otherwise refinish and decorate the interior surfaces of the walls, ceilings, floors, and doors forming the boundaries of his Unit and all walls, ceilings, floors, and doors within such boundaries.
- 4.7 Easement for Encroachments. If any part of the Common Areas encroaches or shall hereafter encroach upon a Unit or Units, an easement for such encroachment and for the maintenance of the same shall and does hereby exist. If any part of a Unit encroaches or shall hereafter encroach upon the Common Areas, or upon an adjoining Unit or Units, an easement for such encroachment and for the maintenance of the same shall and does hereby

exist. Encroachments referred to herein include, but are not limited to, encroachments caused by error in the original construction of the Building, by error in the Map, by settling, rising or shifting of the earth, or by change in position caused by repair or reconstruction of the Project or any part thereof.

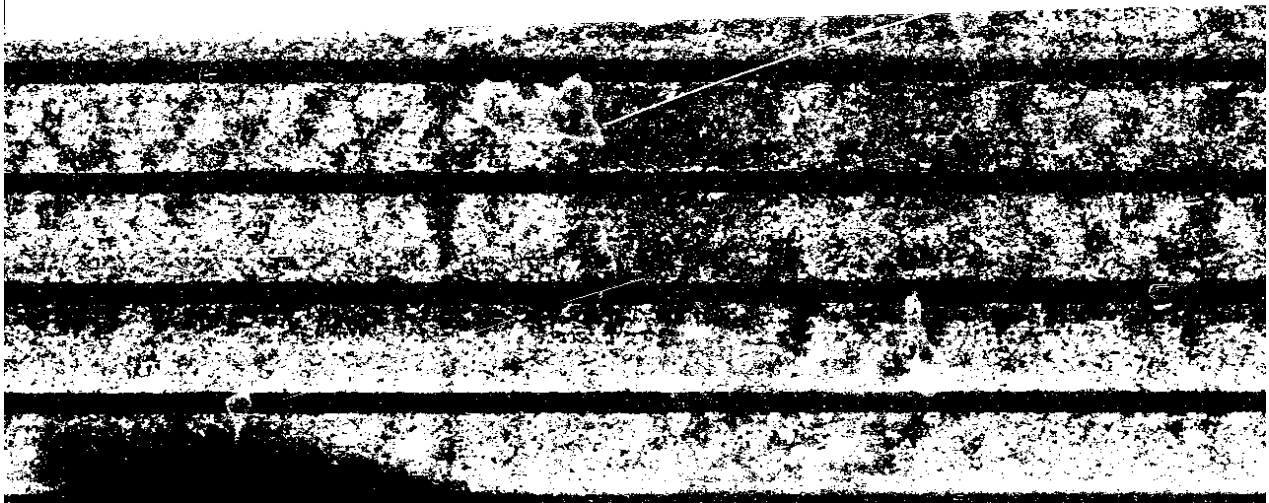
- 4.8 Use of Lots. Each Lot and Residential Unit thereon shall be used for residential purposes only as a single family residence; no trade or business of any kind may be conducted. Owners may permit guests to reside at their Residential Unit for short periods of time, provided that no fee is charged to or paid by the guest. Lease of a Lot and the Residential Unit thereon for residential purposes only shall not be considered to be a violation of this covenant, provided that (1) the term of any lease entered into be for the minimum of 1 year's duration and (2) the terms of the lease are in compliance with the provisions of this Declaration, the By-laws, and with such other reasonable rules and regulations as the Board of Trustees may promulgate. Noxious, destructive, or offensive activities or any activity constituting an unreasonable source of annoyance, shall not be conducted on any Lot or on the Common Area or any part thereof, and the Association shall have standing to initiate legal proceedings to abate such activity. Each Owner shall refrain from any act or use of his or her Lot in such manner as could reasonably cause embarrassment, discomfort, or annoyance to other Owners, and the Board of Trustees shall have the power to make and to enforce reasonable rules and regulations in furtherance of this provision. Nothing shall be done or kept by any Owner on any Lot or on the Common Area or any part thereof to increase the rate of insurance of the Property or any part thereof over what the Association, but for such activity, would pay.
- 4.9 Owner's Right to Support. Each Owner shall have the right to horizontal and lateral support of his Unit, and such rights shall be appurtenant to and pass with the title to each Unit.
- 4.10 Association's Right to Use of Common Areas. The Association shall have a non-exclusive easement to make such use of the Common Areas as may be necessary or appropriate to perform the duties and the functions which it is obligated or permitted to perform pursuant to this Declaration.

#### V. UNITS AND LIMITED COMMON AREAS

- 5.1 Party Walls. Each wall built as a part of the original construction of the Units which shall serve and separate any two adjoining Units, if any, shall constitute a party wall. The cost of repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in equal proportions, subject, however, to the right of any such Owners to call for a larger contribution from the others under any law regarding liability for negligent or willful acts or omissions.
- 5.2 Maintenance of Units. Each Unit and all utility facilities, including but not limited to all electrical, plumbing, heating, air conditioning, water, sewer lines, ducts, and other such apparatus serving solely such Unit, shall be maintained by the Owner thereof so as not to

detract from the appearance of the Project and so as not to affect adversely the value or use of any other Unit or other portions of the Project. Each Owner shall keep the interior of his Unit, including without limitation, interior walls, doors, windows, ceilings, floors, and permanent fixtures and appurtenances thereto, in a clean and sanitary condition and in good state of repair. In the event that any such Unit shall develop an unclean or unsanitary condition or fall into a state of disrepair, and in the event that the Owner of such Unit shall fail to correct such condition or state of disrepair promptly following written notice from the Association and only upon the approval of the Management Committee, the Association shall have the right, at the expense of the Owner and without liability to the Owner for trespass or otherwise, to enter said Unit and correct or eliminate said unsanitary or unclean condition or state of disrepair; provided, however, that the Association shall in no event have the obligation to correct or eliminate any such condition or state of disrepair. Each Owner shall keep his appurtenant patio and porch in a clean and orderly condition and in accordance with rules adopted by the Association, if any, but shall not otherwise maintain the same.

- 5.3 Separate Mortgages by Owners. Each Owner shall have the right separately to mortgage or otherwise encumber his Unit. No Owner shall attempt to or shall have the right to mortgage or otherwise encumber the Common Areas or any part thereof, except the Percentage Interest therein appurtenant to his Unit. Any Mortgage or other encumbrance of any Unit within the Project shall be subordinate to all of the provisions of this Declaration, and in the event of foreclosure the provisions of this Declaration shall be binding upon any Owner whose title is derived through foreclosure by private power of sale, judicial foreclosure, or otherwise.
- 5.4 Taxation of Units. Each Unit within the Project, including each Unit's appurtenant Percentage Interest in the Common Areas, 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 of any special improvement district or of any other taxing or assessing authority. For purposes of such assessment, the valuation of the Common Areas shall be apportioned among the Units in proportion to the Percentage Interests appurtenant to such Units. All such taxes, assessments, and other charges of each respective Unit shall be separately levied against 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.
- 5.5 Limited Common Areas. The Limited Common Areas of the Project and Units to which they are appurtenant are as shown on the Map.
- 5.6 Mechanic's Liens. No labor performed or material furnished or used in connection with any Unit with the consent or at the request of an Owner or his agent or subcontractor shall create any right to file a notice of mechanic's lien against the Unit of any other Owner not expressly consenting to or requesting the same or against any interest in the Common Areas, except the Percentage Interest therein appurtenant to the Unit of the Owner for whom such labor shall have been performed and such materials shall have been furnished.



- 7.1 Membership. Every Owner shall be entitled and be required to be a member of the Association. If title to a Unit is held by more than one Person, the membership related to such Unit shall be shared by all such Persons in the same proportionate interests and by the same type of tenancy in which the title to such Unit is held. An Owner shall be entitled to one membership for each Unit owned by him. Each such membership shall be appurtenant to the Unit from which it is derived and shall be transferred automatically by conveyance of such Unit. No person or entity other than an Owner may be a member of the Association, and the By-laws of the Association shall so provide. Such By-laws shall in addition state that membership in the Association may not be transferred except by the transfer of a Unit; provided, however, that the rights of membership may be assigned to a Mortgagee as further security for a loan secured by a Mortgage on a Unit.
- 7.2 Management Committee. The Management Committee of the Association shall consist of three (3) members and one (1) alternate who may vote in the absence of a regular Committee member, provided, however, that until (i) the expiration of five (5) years from the date that this Declaration (exclusive of amendments or supplements) is recorded in the official records of the County Recorder of Davis County, State of Utah, or such shorter period as the Declarant may determine in its sole discretion, or (ii) Four (4) months after Units to which an aggregate of at least three-fourths (3/4) of the Percentage Interest then appurtenant to the Project have been conveyed by the Declarant to Unit purchasers, the Management Committee may consist of one (1) individual selected by the Declarant. Any vacant seat on the Committee shall be filled with a member elected for a two (2) year term. Unit Owners who permanently occupy their Unit shall be eligible for Committee membership. In addition to individual Unit Owners, spouses of Unit Owners, Mortgagees (or designees of Mortgagees), partners of partnerships owning a Unit, directors or officers of corporations, and Managers of limited liability companies owning a Unit shall be eligible for membership on the Management Committee.

At each annual meeting, each Unit shall have one (1) vote for each seat on the Committee to be filled. Any Committee member who fails on three (3) successive occasions to attend Committee meetings (whether regular or special) or who has failed to attend at least sixty percent (60%) of all Committee meetings (whether regular or special) held during any 12-month vacancy, the remaining Committee members shall elect a replacement to sit on the Committee until the expiration of the term for which the member being replaced was elected. Unless he or she forfeits or otherwise loses his or her seat as herein provided, a member shall serve on the Committee until his or her successor is elected and qualifies. Committee members shall be reimbursed for all expenses reasonably incurred in connection with Committee business. The Committee may fix such compensation for any member as may be reasonable in light of the Committee duties which that member is required to perform.

- 7.3 Votes. The number of votes appurtenant to each respective Unit shall be one vote per Unit.

VIII. RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

- 8.1 Common Areas. The Association, subject to the rights of the Owners set forth in Article IV hereof, shall be responsible for the exclusive management and control of the Common Areas and all improvements thereon (including furnishings and equipment related thereto) and shall keep the same in good, clean, attractive and sanitary condition, order, and repair, provided, however, that each Owner of a Unit shall keep the Limited Common Areas, if any, designated for use in connection with his Unit, in a good, clean, sanitary and attractive condition. The Association shall be responsible for the maintenance and repair of all Common Areas. The cost of such management, operation, maintenance, and repair by the Association of the Common Areas shall be borne as provided in Article IX.
- 8.2 Miscellaneous Services. The Association may obtain and pay for the services of any person or entity to manage its affairs, or any part thereof, to the extent it deems advisable, as well as such other personnel of the Association as it shall be determined to be necessary or desirable for the proper operation of the Project, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or which it contracts. The Association may obtain on behalf of the Association and pay for legal and accounting services necessary or desirable in connection with the operation of the Project or the enforcement of this Declaration. The Association may arrange with others to furnish trash collection, snow removal, ground maintenance, and other common services to each Unit. The cost of such services shall be borne as provided in Article IX. The Declarant may enter into one or more professional management contracts on behalf of the Association pursuant to the provisions hereof; provided the Association shall have the right to terminate any such contract, without cause, at any time after transfer of control of the Association to Owners.
- 8.3 Personal Property for Common Use. The Association may acquire and hold for the use and benefit of the Association and all of the Owners, tangible and intangible personal property and may dispose of the same by sale or otherwise, and the beneficial interest in any such property shall be deemed to be owned by the Owners in the same proportion as each Owner's respective Percentage Interest. Such interest shall not be transferable except with the transfer of a Unit. A transfer of a Unit shall transfer to the transferee ownership of the transferor's beneficial interest in such property without any reference thereto. Each Owner may use such property in accordance with the purpose for which it is intended, subject to rules and regulations adopted by the Association as provided herein, without hindering or encroaching upon the lawful rights of other Owners. The transfer of title to a Unit under foreclosure shall entitle the purchaser to the interest in such personal property associated with the foreclosed Unit.
- 8.4 Granting Easements. The Association may, without a vote or consent of the Owners, or of any other person, grant or create, on behalf of the Association, on such terms as it deems advisable, utility and similar easements and rights-of-way over, under, across, and through the Common Areas.

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

#### IX. ASSESSMENTS

- 9.1 Agreement to Pay Assessment. Declarant, for each Unit owned by it within the Project, and for and as the Owner of the Project and every part thereof, hereby covenants, and each Owner of any Unit by the acceptance of a deed therefore, whether or not it be so expressed in the deed, shall be deemed to covenant and agree with each other and with the Association to pay to the Association annual assessments made by the Association for the purposes provided in this Declaration, and special assessments for capital improvements and other matters as provided in this Declaration. Such assessments shall be fixed, established and collected from time to time in the manner provided in this Article.
- 9.2 Amount of Total Annual Assessments. The total annual assessments against all Units shall be based upon advance estimates of cash requirements by the Association to provide for the payment of all estimated expenses growing out of or connected with the maintenance and operation of the Common Areas, which estimates may include, among other things: expenses of management, grounds maintenance, taxes and special assessments, until the Units are separately assessed as provided herein; premiums for all insurance which the Association is required or permitted to maintain pursuant hereto; common lighting and heating expenses; water charges; trash collection charge; snow removal expenses; sewer service charges; repairs and maintenance expenses; wages for Association employees; legal and accounting fees; any deficit remaining from a previous period; the creation of a reasonable contingency reserve, surplus, and/or sinking fund; 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. Notwithstanding the foregoing, the total amount of annual assessments shall not exceed the previous year's annual assessments by more than twenty-five percent (25%) without the affirmative vote of Owners holding sixty-seven percent (67%) of the Percentage Interests and the affirmative vote of at least fifty-one (51%) of first Mortgagees.
- 9.3 Apportionment of Annual Assessments. Expenses attributable to the Common Areas and to the Project as a whole shall be apportioned among all Owners in proportion to their respective Percentage Interests.
- 9.4 Notice of Annual Assessments and Time for Payment Thereof. Annual assessments shall be made on a calendar year basis. The Association shall give written notice to each Owner as to the amount of the annual assessment with respect to his Unit not less than thirty (30) days nor more than sixty (60) days prior to the beginning of the next calendar year. Such assessment shall be due and payable in equal monthly installments on the first day of each and every month of each year; provided, however, that the first annual assessment shall be for the balance of the calendar year remaining after the date fixed by



the Association as the date of commencement of the Project but not later than sixty (60) days after the conveyance of the first Unit. The first annual assessment shall be due and payable within thirty (30) days after written notice of the amount thereof shall have been given to the respective Owner of a Unit. Each monthly assessment shall bear interest at the rate of eighteen percent (18%) per annum from the date it becomes due and payable if not paid with ten (10) days after it is due. In addition to the foregoing, the payment of any delinquent assessment shall be subject to the payment of a late fee as established by the Management Committee. Failure of the Association to give timely notice of any assessment as provided herein shall not affect the liability of the Owner of any Unit for such assessment, but the date when payment shall become due in such case shall be deferred to a date ten (10) days after such notice shall have been given.

- 9.5 Special Assessments for Capital Improvements. In addition to the annual assessments authorized by this Article, the Association may levy in any assessment year a special assessment, payable over such period of time as the Association may determine, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expense incurred or to be incurred as provided in this Declaration. 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 hereof which shall make specific reference to this Article. Any amounts assessed pursuant hereto shall be assessed to Owners in proportion to their respective Percentage Interest.

Notice in writing of the amount of such special assessments and the time for payment thereof shall be given promptly to the Owners, and no payment shall be due less than thirty (30) days after such notice shall have been given. A special assessment shall bear interest at the rate of eighteen percent (18%) per annum from the date it becomes due and payable if not paid within thirty (30) days after such date.

- 9.6 Lien for Assessments. (a) All sums assessed to any Unit pursuant to this Article, together with interest thereon, as provided herein, shall be secured by a lien on such Unit in favor of the Association. Such lien shall be superior to all other liens and encumbrances on such Unit, except only for: (a) valid tax and special assessment liens on the Unit in favor of any governmental assessing authority; and (b) encumbrances on the interest of the Unit Owner recorded in the official records of the Davis County Recorder prior to the date a notice (as provided herein) is recorded which by law would be a lien prior to subsequently recorded encumbrances, including all unpaid obligatory advances to be made pursuant to such encumbrances and all amounts advanced pursuant to such encumbrances and secured by the lien thereof in accordance with the terms of such instrument. All other Mortgages and lienors shall be deemed to consent that such liens shall be inferior to future liens for assessments, as provided herein, whether or not such consent be specifically set forth in the instruments creating such liens.

(b) To evidence a lien for sums assessed pursuant to this Article, the Association shall 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 by an officer of the Association and shall be recorded in the official records of the Office of the County Recorder of Davis County, State of Utah. No notice of lien shall be recorded until there is a delinquency in payment of the assessment. Such lien may be enforced by power of sale judicial foreclosure by the Association in the same manner in which deeds of trust or mortgages on real property are foreclosed in the State of Utah. In any such sale or foreclosure, the Owner shall be required to pay the costs and expenses of such proceeding, the costs and expenses of filing the notice of lien, and all reasonable attorney's fees. All such costs, expenses, and fees shall be secured by the lien being foreclosed. The Owner shall also be required to pay to the Association any assessments against the Unit which shall become due during the period of foreclosure. The Association shall have the right and power to bid an amount equal to its then existing lien at the foreclosure sale or other legal sale and to acquire, hold, convey, lease, rent, encumber, use and otherwise deal with the Unit as the Owner thereof.

(c) A release of notice of lien shall be executed by an officer of the Association and recorded in the official records of the Office of the County Recorder of Davis County, State of Utah, upon payment of all sums secured by such lien which has been made the subject of a recorded notice of lien.

(d) Any Mortgagee or encumbrancer holding a lien on a Unit may pay, but shall not be required to pay, any amounts secured by the lien created by this Section, and upon such payment such Mortgagee or encumbrancer shall be subrogated to all rights of the Association with respect to such lien, including priority.

(e) A lien for Common Area assessments will not be affected by the transfer or conveyance of a Unit, unless such transfer is pursuant to a foreclosure of a mortgage with priority. In such event, the prior Owner shall nevertheless remain liable for the delinquent assessments.

9.7 Personal Obligation of Owner. The amount of any annual or special assessment against any Unit shall be the personal obligation of the Owner thereof 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 personal obligation by waiver of the use and enjoyment of any of the Common Areas or by abandonment of his Unit.

9.8 Statement of Account Upon payment of a reasonable fee not to exceed Ten Dollars (\$10.00), or such higher amount as the Act may allow, and upon written request of any Owner or any Mortgagee, prospective Mortgagee, or prospective purchaser of a Unit, the Association shall issue a written statement setting forth the amount of the unpaid assessments, if any, with respect to a Unit; the amount of the current yearly assessment and the date that such assessment becomes or became due; the amount of any credit for advance payments or prepaid items, including, but not limited to, such Owner's share of prepaid insurance premiums; and such statement shall be conclusive upon the Association in favor of persons who rely thereon in good faith. Unless such request for a statement of account

shall be complied with within ten (10) days, all unpaid assessments which became due prior to the date of making such request shall be subordinate to the lien of a Mortgagee which acquires its interest subsequent to requesting such statement. Where a prospective purchaser makes such request, both the lien for such unpaid assessments and the personal obligations of the purchaser shall be released automatically if the statement is not furnished within the ten (10) day period provided herein and thereafter an additional written request is made by such purchaser and is not complied with by the Association within ten (10) days, and the purchaser subsequently acquires the Unit.

- 9.9 Personal Liability of Purchaser for Assessments. Subject to the provisions of Section 9.8 a purchaser of a Unit shall be jointly and severally liable with the seller for all unpaid assessments against the Unit up to the time of the grant or conveyance, without prejudice to the purchaser's right to recover from the seller the amount paid by the purchaser for such assessments.
- 9.10 Reserve for Replacements. As set forth in Section 14.4 (b) of this Declaration, the Association shall be required to establish and maintain an adequate reserve fund for the cost of reasonably predictable and necessary major repairs, maintenance, and replacement of Common Areas, including Limited Common Areas. Such reserve shall be funded out of Common Area Assessments; provided, however, that as of the earlier of: (i) the sale and closing of each Unit by Declarant; or (ii) transfer of control of the Project to the Owners, the Declarant shall fund such reserve with an amount equal to two (2) months' Common Area assessments for each Unit in the Project. Any amount paid to this reserve shall not be considered as an advance payment of regular assessments. This reserve fund shall be transferred to a segregated fund in the name of the Association upon transfer of control of the Association to the Owners. The Declarant shall be prohibited from using the reserve funds to defray any of its expenses, reserve contribution, or construction costs, or make up any budget deficits while it is in control of the Association.

#### X. INSURANCE

- 10.1 Provided by Association. The Association shall secure and at all times maintain for the benefit of the Association and the Owners the following insurance coverages:

(a) Hazard Coverage. A multi-peril policy or policies of fire and other hazard insurance covering the entire Project (both Units and Common Areas), with the extended coverage and all other coverages in the kinds and amounts commonly required by private institutional mortgage investors for projects similar in construction, location, and use, including the standard "All Risk" endorsement, on a replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based upon replacement cost) of the Project. Each such policy shall contain the standard mortgagee clause which must be endorsed to provide that any proceeds shall be paid to the Association for the use and benefit of Mortgagees as their interests may appear. The assured shall be the Association as a trustee for the Unit Owners, or their authorized representatives. In addition the Association

should obtain, if available, an Inflation Guard Endorsement, a Building Ordinance or Law Endorsement, and a Steam Boiler and Machinery Coverage Endorsement (with minimum liability of \$2,000,000.00 per accident) if the Project has central heating or cooling.

(b) Public Liability. A comprehensive policy of public liability insurance covering all of the Common Areas insuring the Association, the Management Committee and its members, the Declarant, the Company, the officers, directors, managers, agents, and employees of the Declarant and Company, the Manager, and the Unit Owners against any liability incident to the ownership, use, location, condition, or operation of the Common Areas and public ways, including but not limited to the stream flowing through the Property, of the Project or of any Unit which may arise among themselves, to the public, or to any invitees, or tenants of the Project, or of the Unit Owners. Limits of liability under such insurance shall be not less than One Million Dollars (\$1,000,000.00) covering all claims for bodily injury and/or property damage arising out of a single occurrence, including protection against water damage liability, liability for non-owned and hired automobiles and liability for property of others. Such insurance policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of a Unit Owner because of negligent acts of the Association, its Committee members, its Officers or other Unit Owners. The scope of coverage must include all other coverage in the kinds and amounts required by private institutional mortgage investors for similar projects in location, construction, and use.

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

(d) Fidelity Insurance or Bond. The Association shall purchase for the benefit of and on behalf of the Association, in such amounts and in such forms as it deems appropriate, fidelity insurance or a bond to cover against dishonesty of Committee members, Officers and employees, destruction or disappearance of money or securities, and forgery.

10.2 Additional Provisions. The following additional provisions shall apply with respect to insurance.

(a) In addition to the insurance and bond coverage described above, the Association shall secure and at all times maintain for the benefit of and on behalf of the Association, insurance against such risks as are or hereafter may be customarily insured against in connection with all projects similar to the Project in construction, nature and use.

(b) All insurance policies shall be written by a company holding a "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's Insurance Reports, an "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance Reports - International Edition, and "A" or better rating in Demotech's Hazard Insurance Financial Stability Ratings, a "BBBq" qualified solvency ratio or a "BBB" or better claims-paying ability rating in Standard and Poor's International Confidential Rating Serving. Each insurer must be specifically licensed to transact business within the State of Utah. Policies are unacceptable where (i) under the terms of the carrier's charter, by-laws, or policy, contributions or assessments may be made against the Borrower or a Mortgagee; or (ii) by the terms of the carrier's charter, by-laws, or policy, loss payments are contingent upon action by the carrier's board of directors, policy holders, or members; or (iii) the policy includes any limiting clauses (other than insurance conditions) which could prevent a Mortgagee or the borrower from collecting insurance proceeds.

(c) The Association, on behalf of all Owners, individually and collectively, shall have the authority to adjust losses with respect to insurance secured and maintained by the Association, to pursue claims, negotiate and settle claims, and to enter into agreements relative to the same, and each Owner shall be deemed to have appointed the Association as an "attorney in fact" for such purpose.

(d) Insurance secured and maintained by the Association shall not be brought into contribution with insurance held by the individual Unit Owners or their Mortgagees.

(e) Each policy of insurance obtained by the Association for the benefit of the Association shall provide: a standard mortgagee clause commonly accepted by private institutional mortgage investors in the area in which the Project is located; a waiver (if available) of the insurer's subrogation rights with respect to the Association, the Trustees, Officers of the Association, the Manager and its members, the Unit Owners, and their respective servants, agents, and guests; that it cannot be cancelled, suspended, or invalidated due to the conduct of any member, officer, or employee of the Association or of the Manager without a prior written demand that the defect be cured; that any "no other insurance" clause therein shall not apply with respect to insurance held individually by the Unit Owners; and that a mortgagee clause endorsement which must provide that the insurance carrier shall notify in writing any and all insureds, including the servicers on behalf of Mortgagees thereof at least thirty (30) days in advance of the effective date of any substantial modification or cancellation of the policy.

(f) Any Unit Owner may obtain additional insurance at his own expense, so long as such additional insurance does not have the effect of decreasing the amount which may be realized under any policy maintained by the Association. Any Unit Owner who individually obtains insurance covering any portion of the Project shall

supply the Committee with a copy of his policy within thirty (30) days after he acquires such insurance.

(g) Insurance coverage required by this Article must not be prejudiced by (i) any act or neglect of the Unit Owners when such act or neglect is not within the control of the Association, or (ii) any failure of the Association to comply with any warranty or condition regarding any portion of the Project over which the Association has no control.

(h) All policies of property insurance must provide that notwithstanding any provision affording the insurer the right to elect to restore damage in lieu of a cash settlement, such option shall not be exercisable without the prior written approval of the Association (or any insurance trustee) or when in conflict with the provisions of any insurance trust agreement to which the insurance may be a party, or any requirement of law.

(i) The foregoing provisions of this Article X shall not be construed to limit the power or authority of the Association to obtain and maintain insurance coverage. In addition to any insurance coverage required hereunder, the Association may obtain such other insurance or additional insurance in such amounts and in such forms as the Association may deem proper from time to time.

(j) The Association shall have no responsibility regarding insurance on the personal property of Unit Owners.

(k) The maximum deductible amount for policies covering Units and Common Areas shall be the lesser of ten thousand dollars (\$10,000.00) or one percent (1%) of the policy face amount.

## XI. DAMAGE OR DESTRUCTION

11.1 Procedures. In the event of damage of or destruction of part or all of the improvements in the Project, the following procedures shall apply:

(a) Insurance Proceeds Sufficient to Repair or Reconstruct. If proceeds of the insurance maintained by the Association are alone sufficient to repair or reconstruct the damage or destroyed improvement, such repair or reconstruction shall be carried out.

(b) Damage and Destruction less than 75%. If less than seventy-five percent (75%) of the Project's improvements are destroyed or substantially damaged, and if proceeds of the insurance maintained by the Association are not alone sufficient to accomplish repair or reconstruction, restoration shall be carried out and all Owners shall be assessed for any deficiency on the basis of their respective Percentage Interest.

(c) Damage or Destruction Exceeds 75%. If seventy-five percent (75%) or more of the Project's improvements are destroyed or substantially damaged, if proceeds of the insurance maintained by the Association are not alone sufficient to accomplish restoration, and unless the Owners within one hundred (100) days after the destruction or damage of the vote of at least sixty-seven percent (67%) elect not to repair or reconstruct the affected improvements, restoration shall be accomplished in the manner directed under subsection (b) above.

(d) Substantial Damage or Destruction but Owners Elect Not to Repair or Reconstruct. If seventy-five percent (75%) or more of the Project's improvements are destroyed or substantially damaged, if proceeds of the insurance maintained by the Association are insufficient to accomplish restoration, and if the Owners, within one hundred (100) days after the destruction or damage, and by a vote of at least sixty-seven (67%) elect not to repair or reconstruct the affected improvements, the Association shall promptly record with the Davis County Recorder a notice setting forth such facts. Upon recording of such notice the provisions of the Act shall apply and shall govern the rights of all parties having an interest in the Project or any of the Units.

- 11.2 Determination of Extent of Damage or Destruction. Any reconstruction or repair which is required to be carried out by this Article XI regarding the extent of damage to or destruction of Project improvements shall be made by three MAI appraisers selected by the Association. The decision of any two such appraisers shall be conclusive.

## XII. OBSOLESCENCE

- 12.1 Adoption of a Plan. The Owners representing an aggregate voting interest of eighty percent (80%) or more of the Project may agree that the Project is obsolete and adopt a written plan for the renewal and reconstruction, provided that such plan have the unanimous approval of all first Mortgagees of record at the time of the adoption of such plan. Written notice of adoption of such a plan shall be given to all Owners. Such plan shall be recorded in the official records of the County Recorder of Davis County, State of Utah.
- 12.2 Payment for Renewal and Reconstruction. The expenses of renewal or reconstruction shall be payable by all of the Owners as assessments against their respective Units. These assessments shall be levied in advance pursuant to Article IX hereof and shall be allocated and collected as provided in that Article. Further levies may be made in like manner if the amounts collected prove insufficient to complete the renewal and reconstruction.
- 12.3 Dissents from the Plan. An Owner not a party to such a plan for renewal or reconstruction may give written notice of dissent to the Association within fifteen (15) days after the recordation of such plan. The Association shall then give written notice of such dissents to all Owners within five (5) days after the expiration of such fifteen (15) day period. Within fifteen (15) days of receipt of such notice from the Association, the Owners representing an

aggregate voting interest of more than twenty percent (20%) of the Project may cancel the plan by written instrument recorded in the official records of the County Recorder of Davis County, State of Utah. If the plan is not cancelled then the Units of each dissenter shall be purchased according to the following procedures. If the Owner and the Association can agree on the fair market value of such Owner's Unit, then such sale and conveyance shall be completed within sixty (60) days thereafter. If the parties are unable to agree on the fair market value of such Owner's Unit, the date when either party notifies the other that he or it is unable to agree with the other shall be the "commencement date" from which all periods of time mentioned herein shall be measured. Within ten (10) days following the commencement date, each party shall nominate a qualified appraiser by written nomination and shall give notice to the other of such nomination. In the event a party fails to nominate an appraiser, the appraiser nominated shall, within five (5) days after notice of the other party's failure to appoint an appraiser, appoint and associate with him another qualified appraiser. If the two appraisers designated by the parties, or selected pursuant hereto in the event of default of one party, are unable to agree, they shall appoint another qualified appraiser to be umpire between them, if they can agree on such person. If they are unable to agree upon such umpire, then each appraiser previously appointed shall nominate two qualified appraisers, and from the names of the four persons so nominated, one shall be drawn by lot by a judge of any court of record in Utah, and the person whose name is so drawn shall be the umpire. The nominations from among which the name of the umpire is to be drawn by lot shall be submitted within ten (10) days of the failure of the two appraisers to agree, which, in any event, shall not be later than twenty (20) days, following the appointment of the second appraiser. The decision of the appraisers as to the fair market value, or in the case of their disagreement, the decision of such umpire shall be final and binding. The expenses and fees of such appraisers shall be borne equally by the Association and the Owner. The sale shall be consummated within sixty (60) days after decision of the appraisers, and the Association as "attorney in fact" shall disburse the proceeds first to Mortgagees and encumbrancers (including the Association) in the order of the priority of their liens and the balance remaining to the Owner. The obligation of the Association to make such purchase shall be conditioned on the fair market value of the Unit exceeding the obligations secured by Mortgages and liens on such Unit, and upon the marketability of the title of the Owner. An Owner shall furnish the Association an appropriate commitment for title insurance evidencing marketability of his title not less than fifteen (15) days prior to the date set for completion of the sale.

The Association, pursuant to Article IX hereof, may levy a special assessment sufficient to provide funds to pay for other Units of the dissenters, provided that such assessments shall not apply to any of the Owners who are among the dissenters and shall not be liens against the Units of such Owners.

- 12.4 Sale of Obsolete Units. The Owners representing an aggregate ownership interest of eighty percent (80%) or more of the Units may agree that the Units are obsolete and that the Project should be sold. Such an agreement must have the unanimous approval of every first Mortgagee of record at the time such agreement is made. In such instance the Association shall forthwith record a notice setting forth such fact or facts, and upon the recording of such notice by the Association the Project shall be sold by the Association as



"attorney in fact" for all of the Owners free and clear of the provisions contained in this Declaration, the Map, and the By-laws of the Association. The sale proceeds shall be apportioned among the Owners in proportion to the respective undivided interests in the Common Areas, and such apportioned proceeds shall be paid into separate accounts, each such account representing one Unit. Each such account shall remain in the name of the Association, and shall be further identified by the Unit designation and the name of the Owner. From each separate account the Association, as "attorney in fact," shall use and disburse the total amount of such accounts without contribution from one account to the other, first to Mortgagees and encumbrancers (including the Association) in the order of the priority of their liens and the balance remaining to each respective Owner.

- 12.5 Distribution of Excess. In the event amounts collected pursuant to Section 12.2 are in excess of the amounts required for renewal and reconstruction, the excess shall be returned to the Owners by the Association by a distribution to each Owner in an amount proportionate to the respective amount collected from each such Owner.

### XIII. CONDEMNATION

- 13.1 Consequences of Condemnation. If at any time or times during the continuance of ownership pursuant to this Declaration, all or any part of the Project shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the following provisions shall apply:

(a) Proceeds. All compensation, damages, or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award," shall be payable to the Association. The Association, on behalf of all Owners, individually and collectively, shall have the authority to represent the Association and all Owners and in such regard represent their interests in proceedings, negotiations, settlements, and agreements, and each Owner shall be deemed to have appointed the Association as "attorney in fact" for such purpose.

(b) Complete Taking. In the event that the entire Project is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the ownership pursuant thereto shall terminate. The Condemnation Award shall be apportioned among the Owners in proportion to the respective Percentage Interest in the Common Areas, provided that if a standard different from the value of a Project as a whole is employed to measure the Condemnation Award in the negotiations, judicial decree, or otherwise, then in determining such shares the same standard shall be employed to the extent it is relevant and applicable.

On the basis of the principle set forth in the preceding paragraph, the Association shall as soon as practicable determine the share of the Condemnation Award to which each Owner is entitled. Such shares shall be paid into separate accounts and disbursed as soon as practicable in the same manner provided in Section 13.4 of this Declaration.



(c) Partial Taking. In the event that less than the entire Project is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the ownership hereunder shall not terminate. Each Owner shall be entitled to a share of the Condemnation Award to be determined in the following manner: (a) as soon as practicable the Association shall, reasonably and in good faith, allocate the Condemnation Award between compensation, damages, or other proceeds, and shall apportion the amounts so allocated to taking of or injury to the Common Areas among Owners in proportion to their respective Percentage Interests in the Common Areas, (b) the total amount allocated to severance damages shall be apportioned to those Units which were not taken or condemned, (c) the respective amounts allocated to the taking of or injury to a particular Unit and/or improvements an Owner has made within his own Unit shall be apportioned to the particular Unit involved, and (d) the total amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Association determines to be equitable in the circumstances. If an allocation of the Condemnation Award is already established in negotiation, judicial decree, or otherwise, then in allocating the Condemnation Award the Association shall employ such allocation to the extent it is relevant and applicable. Distribution of apportioned proceeds shall be made by checks payable jointly to the respective Owners and their respective Mortgagees and encumbrancers.

(d) Reorganization. In the event a partial taking results in the taking of a complete Unit, the Owner thereof automatically shall cease to be a member of the Association. Thereafter the Association shall reallocate the ownership, voting rights, and assessment ratio determined in accordance with this Declaration according to the same principles employed in this Declaration at its inception and as required by the Act and shall submit such reallocation to the Owners of remaining Units for amendment of this Declaration as provided.

(e) Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article XII, above.

#### XIV. USE OF UNITS AND COMMON AREAS

14.1 Unit Use Restrictions. All Units within the Project shall be used exclusively for residential housing (including but not limited to long or short term leases or month to month tenancy for residential purposes) and for no other purposes, provided, however, that no Unit may be leased or rented for less than seven days. Any lease or rental agreement for a Unit must be in writing and subject to the terms of the Declaration, By-laws, rules, and regulations, and other documentation of the Association.

14.2 Use of Common Areas. There shall be no obstruction of the Common Areas by the Owners and/or their tenants, guests, or invitees without the prior consent of the Association. The Association may by rules and regulations prohibit or limit the use of the

Common Areas as may be reasonably necessary for the purpose of protecting the interests of all the Owners or protecting the Units or the Common Areas. Nothing shall be kept or stored on any part of the Common Areas without the prior written consent of the Association, except as specifically provided herein. Nothing shall be altered on, constructed in, or removed from the Common Areas except upon the prior written consent of the Association.

- 14.3 Prohibition of Damage and Certain Activities. Nothing shall be done or kept in any Unit or in the Common Areas or any part thereof which would result in the cancellation of the insurance on the Project or any part thereof or an increase of the rate of the insurance on the Project or any part thereof, over what the Association, but for such activity, would pay, without the prior written consent of the Association. Nothing shall be done or kept in any Unit or in the Common Areas or any part thereof which would be a violation of any statute, rule, ordinance, regulation, permit, or other validly imposed requirement of any governmental body. No damage to or waste of the Common Areas or any part thereof shall be committed by any Owner or any invitee of any Owner, and each Owner shall indemnify and hold the Association and other Owners harmless against all loss resulting from such damage or waste caused by him or his invitees; provided, however, that any invitee of the Declarant shall not be under any circumstances deemed to be an invitee of any other Owner. No noxious, destructive, or offensive activity shall be carried on in any Unit or in the Common Areas or any part thereof, nor shall anything be done therein which may be or may become an annoyance or nuisance to any other Owner or to any person at any time lawfully occupying a Unit in the Project.
- 14.4 Rules and Regulations. No Owner shall violate the rules and regulations for the use of the Units and of the Common Areas as adopted from time to time by the Association.
- 14.5 Structural Alterations. No structural alterations to any Unit shall be made, no other alterations to any Unit modifying the external appearance of any Unit and no plumbing, electrical, or similar work within the Common Areas (including but not limited to Limited Common Areas) shall be done, by any Owner without the prior written consent of the Association.
- 14.6 Restriction of Signs. No signs, flags, or advertising devices of any nature shall be erected, displayed or maintained on any part of the Project (including placement of signs within a Unit or other location of the Project which are visible from the Common Areas) without the prior written approval of the Association, except (i) as may be necessary temporarily to caution or warn of danger or to provide directions as required by law and (ii) such signs as Declarant may erect or maintain incident to sale or lease of Units. If the Association consents to the erection of any such signs or devices, the same shall be removed promptly at the request of the Association.
- 14.7 Animals. No animals, livestock, or poultry of any kind shall be raised, bred, or kept in or on the Properties for commercial or other purposes, except an Owner or Occupant may have one (1) dog or one (1) cat, provided: (a) they abide by the rules and regulations

adopted by the Committee, (b) the dog or cat does not weigh more than twenty (20) pounds, and (c) the dog or cat does not have a known propensity for violence.

No pet enclosures shall be erected, placed, or permitted to remain on any portion of the Common Areas, nor shall pets be kept tied to any structure outside the Unit. The keeping of pets and their ingress and egress upon the Common Areas shall be subject to such rules and regulations as may be issued by the Management Committee. Pets shall be on a leash at all times when outside a Unit. No pet shall be permitted to defecate on any portion of the Common Areas, and the Owner of such pet shall immediately remove feces left upon the Common Areas by his or her pet.

If an Owner or Occupant fails to abide by the rules and regulations and/or covenants applicable to pets, the Committee may bar such pet from use of or travel upon the Common Areas. The Management Committee may subject ingress, egress, use, or travel upon the Common Areas to a user fee, which may be a general fee for all similarly situated persons or a specific fine or fee imposed for failure of an Owner or Occupant to abide by the rules, regulations, and/or covenants applicable to pets. In addition, any pet which endangers the health of any Owner or Occupant of a Unit or which creates a nuisance or an unreasonable disturbance or is not a common household pet, as may be determined by the sole discretion of the Committee, must be permanently removed from the Properties upon seven (7) days written notice by the Management Committee.

14.8 Recreational Vehicles. No recreational vehicle (boats, campers, trailers, motor homes, or similar items) shall be parked on any portion of the Common Areas, except in Common Areas designated for immediate loading and unloading only.

14.9 No Overloading. No Owner shall bring anything into his Unit or permit anything to be done in his Unit that will cause damage to a Building. No Owner shall overload a floor of his Unit. No Owner shall permit the use or operation in his Unit of any equipment or other device that will in any manner injure a Building or portions thereof.

14.10 Exemption of Declarant. The provisions of this Article XIV shall not apply to any improvement or structure constructed on the subject property by Declarant prior to the time that Units and appurtenant Percentage Interest are conveyed by Declarant to purchasers; and the 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 construction, marketing, sales, management, promotional, or other activities designed to accomplish or facilitate improvement of the Common Areas or improvement and sale of Units owned by Declarant.

## XV. MORTGAGEE PROTECTION

15.1 Notice to First Mortgagee. From and after the time a first Mortgagee (or an insurer or guarantor thereof) makes written request to the Association therefore, stating both its name and address and Unit number or address of the Unit on which it has (or insures or

guarantees) a Mortgage, the Association shall notify such first Mortgagee (or an insurer or guarantor thereof) in writing of the followings: (i) in the event that the Owner of the Unit encumbered by the first Mortgage held by such first Mortgagee neglects for a period of sixty (60) or more days to cure any failure on his part to perform any of his obligations under this Declaration; (ii) any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing its Mortgage; (iii) a lapse, cancellation, or material modification of any insurance policy maintained by the Association; and (iv) any proposed action that requires the consent of a specified percentage of first Mortgagees.

- 15.2 Priority of Liens for Unpaid Assessments. The lien or claim against a Unit for unpaid assessments or charges levied by the Association pursuant to this Declaration shall be subordinate to a Mortgage affecting such Unit, provided that such Mortgage was recorded prior to recording of such notice of lien or claim levied by the Association, and the Mortgage 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 assessments or charges, but only to the extent of assessments or charges which accrue prior to foreclosure of the Mortgage, exercise of a power of sale available thereunder, or deed or assignment in lieu of foreclosure (except for claims for a pro rata share of such prior assessments or charges resulting from a pro rata reallocation thereof to all Units including the Unit in which the Mortgagee is interested). No assessment, charge, lien, or claim which is described in the preceding sentence as being subordinate to a Mortgage or as not to burden a Mortgagee which comes into possession or which obtains title shall be collected or enforced by the Association from or against a Mortgagee, a successor in title to a Mortgagee, or the Unit affected or previously affected by the Mortgage concerned.

- 15.3 First Mortgagee Consents. Unless at least sixty-seven percent (67%) of the first Mortgagees (based upon one vote for each Mortgage) of the individual Units subject to first Mortgage, the Association shall not be entitled, by act, omission, or otherwise:

- (a) To abandon or terminate the Project or to abandon or terminate the arrangement which is established by this Declaration and the Map;
- (b) To partition or subdivide any Unit;
- (c) To abandon, partition, subdivide, encumber, sell, or transfer all or any part of the Common Areas (except for the granting of easements for utilities and similar purposes consistent with the intended use of the Common Areas);
- (d) To use hazard insurance proceeds resulting from damage to any part of the Project (whether to Units or to the Common Areas) for the purposes other than the repair, replacement, or reconstruction of such improvements, except as provided in Article XI;
- (e) To change the pro rata interests or obligations of any Unit which apply for (i) the purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards and for (ii) determining the pro

rata share of ownership of each Unit in the Common Areas, except as such changes may occur as a result of partial condemnation.

15.4 Miscellaneous Mortgagee Rights. (a) The Association shall not: (i) alter the provisions of Article X in such a way as to diminish the insurance protection required to be afforded to the parties designated to be protected thereby; or (ii) fail to maintain the insurance coverage described in said Article.

(b) Any first Mortgagee shall have the right, at its request and expense and upon reasonable notice, to examine the books and records of the Association. After the commencement of sale of individual Units, the Association shall establish an adequate reserve to cover the cost of reasonably predictable and necessary major repairs, maintenance, and replacement of the Common Areas and shall cause such reserve to be funded by regular monthly or other periodic assessments against the Units rather than by special assessments.

(c) From and after the time a first Mortgagee makes written request to the Association therefore, the Association shall notify such Mortgagee in writing in the event that there occurs any damage or loss to, or taking, or anticipated condemnation of: (i) the Common Areas involving an amount in excess of, or reasonably estimated to be in excess of, Ten Thousand Dollars (\$10,000.00); or (ii) any Unit encumbered by the Mortgage held by such Mortgagee, if the amount involved in such damage, loss, or taking is in excess of, or reasonably estimated to be in excess of, One Thousand Dollars (\$1,000.00). Said notice shall be given within ten (10) days after the Association learns of such damage, loss, taking, or anticipated condemnation.

(d) No provision of this Declaration gives or may give a Unit Owner or any other party priority over any rights of Mortgagees pursuant to their respective Mortgages in the case of a distribution to Unit Owners of insurance proceeds or condemnation awards for loss to or taking of Units and/or the Common Areas.

(e) In the event another provision or clause of this Declaration deals with the same subject matter as is dealt with in any provision or clause of this Article XV, the provision or clause which results in the greatest protection and security for a Mortgage shall control the rights, obligations, or limits of authority, as the case may be, applicable to the Association with respect to the subject concerned.

(f) No amendment to this Declaration which has the effect of diminishing the rights, protection, or security afforded to first Mortgages shall be accomplished or effected unless fifty-one percent (51%) of the first Mortgagees of the individual Units have given their prior written approval to such amendment. A change to the provisions governing the events set forth in Section 16.1(c) would be considered material requiring the consent of first Mortgagees as provided herein. Any amendment to this Article XV shall be accomplished by an instrument executed by the Association and filed for record in the official records of the Office of the

County Recorder, Davis County, State of Utah. In any such instrument an officer of the Association shall certify that any prior written approval of first Mortgagees required by this Article XV, as a condition to amendment, has been obtained.

- 15.5 Implied Approval. In the event that the approval of a first Mortgagee is required pursuant to the provisions of this Article XV or elsewhere herein, in the event a first Mortgagee fails to submit a response to any written proposal for an amendment within thirty (30) days after it receives proper notice of the proposal, approval will be deemed to have been given, provided notice was delivered to such Mortgagee by certified or registered mail, "return receipt" requested.

#### XVI. AMENDMENT

Except as provided in and/or subject to the terms of items (a) through (c) below, the vote of Members holding at least 67% of the Percentage Interest in the Common Areas shall be required to amend this Declaration or the Map. Any amendment so authorized shall be accomplished through the recordation of an instrument executed by the Association. In such instrument an officer of the Association shall certify that the vote required by this Article for amendment has occurred. The foregoing right of amendment shall, however, be subject to the following:

(a) Any amendment to Article XV ("Mortgagee Protection") shall be subject to the requirements for amendment contained in such Article XV.

(b) Until the Declarant has sold all Units, Declarant shall have the right unilaterally to amend and supplement this Declaration and the Map to correct any technical errors or to clarify any provision to more fully express the intent of the Declarant for development and management of the Project.

(c) Until the Declarant has sold all Units which it intends to sell to purchasers, no amendment to the Map or to any provisions of this Declaration which has or may have the effect of diminishing or impairing any right, power, authority, privilege, protection, or control accorded to Declarant (in its capacity as Declarant) herein shall be accomplished or effective unless the instrument through which such amendment is purported to be accomplished is consented to in writing by the Declarant.

(d) A change to the following provisions would require the vote of Members as provided in this Section 16.1 as well as the vote of first Mortgagees in accordance with the requirements of Section 15.4 (f) above:

(i) voting rights;

(ii) increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens;

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

(iv) responsibility for maintenance and repairs;

(v) reallocations of interests in the general or Limited Common Areas, or rights to their use;

(vi) redefinition of any Unit boundaries;

(vii) convertibility of Units into Common Areas or vice versa;

(viii) expansion or contraction of the Project, or the addition, annexation, or withdrawal of Property to or from the Project;

(ix) hazard or fidelity insurance requirements;

(x) imposition of any restrictions on the leasing of Units;

(xi) imposition of any restrictions on an Owner's right to sell or transfer his or her Unit;

(xii) restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Declaration; or

(xiii) any provisions that expressly benefit first Mortgagees, insurers, or guarantors.

## XVII. GENERAL PROVISIONS

17.1 Declarant's Rights Assignable. All of the rights of Declarant under this Declaration may be assigned or transferred either by operation of law or through a voluntary conveyance, transfer, or assignment.

17.2 Covenants to Run with Land. This Declaration and all 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 other signatories hereto, all parties who hereafter acquire any interest in a Unit or in the Project, and their respective grantees, transferees, heirs, personal representatives, successors, and assigns. Each Owner or occupant of a Unit shall comply with, and all interests in all Units shall be

subject to, the terms of this Declaration and the provisions or any rules, regulations, agreements, instruments, supplements, amendments, and determinations contemplated by this Declaration. Failure to comply with any of the same shall be grounds for an action to recover sums due and for damages or injunctive relief or both, maintainable by the Association on behalf of the Owners, or, in a proper case, by an aggrieved Owner. By acquiring any interest in a Unit or in the Project, the party acquiring such interest consents to, and agrees to be bound by, each and every provision of this Declaration.

- 17.3 Limitation on Association's Liability. The Association shall not be liable for any failure of water service or other utility services to be obtained and paid for by the Association hereunder, or for injury or damage to any person or property caused by the elements or by another Owner or Person in or upon the Project, or resulting from electricity, water, rain, snow, or ice which may leak or flow from outside or from any part of any Building or its drains, pipes, conduits, appliances, or equipment, or from any other place, unless caused by the grossly negligent or willful misconduct of the Association. No diminution or abatement of any assessment under this Declaration shall be claimed or allowed for inconvenience or discomfort arising from the making of any repairs or improvements to or maintaining the Project or any part thereof, or from any action taken to comply with the provisions of this Declaration or with the laws, ordinances, regulations, rules or orders of any governmental authority.
- 17.4 Owner's Obligations Continue. All obligations of the Owner under and by virtue of the provisions contained in this Declaration shall continue, notwithstanding that he may have leased or rented a Unit, but the Owner of a Unit shall have no obligation for expenses or other obligations accruing after the date of conveyance of such Unit. In the event of the rental or lease of a Unit, an Owner shall be deemed to have granted a license to his tenant(s) of his right to use the Common Areas for the term of the lease or the period of rental and such Owner shall have no right to use the Common Areas during the term or period of such lease or rental.
- 17.5 Interpretation. To the extent the provisions of the Act are consistent with this Declaration, such provisions shall supplement the terms hereof and are incorporated herein. The captions which precede the Articles and Sections of this Declaration are for convenience only and shall 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 any portion of this Declaration shall not affect the validity or enforceability of the remainder hereof.
- 17.6 Agent for Service of Process. The President of the Association is the person to receive service of process in cases authorized by the Act. The Association shall, however, have the right to appoint a successor or substitute process agent. Such successor or substitute agent and his address shall be specified by an appropriate instrument filed in the official records of the Office of the County Recorder of Davis County, State of Utah.



- 17.7 Effective Date. This Declaration, any amendment or supplement hereto, and any amendment or supplement to the Map shall take effect upon its being filed for record in the official records of the Office of the County Recorder of Davis County, State of Utah.
- 17.8 Request for Notice. The Association hereby requests that a copy of any notice of default and a copy of notice of sale under any mortgages or deeds of trust filed for record against any Units at Shaela Park be mailed to the Shaela Park of Centerville Homeowner's Association at 3530 South 6000 West, West Valley City, Utah 84128.

17.9 Indemnification.

(a) The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Association) by reason of the fact that he is or was a member of the Management Committee or officer of the Association against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith in a manner he believed to be in and not opposed to the best interests of the Association, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by an adverse judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person had reasonable cause to believe that his conduct was unlawful.

(b) The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that said person is or was a member of the Management Committee or officer of the Association against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he believed to be in and not opposed to the best interests of the Association; provided, however, that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for gross negligence or misconduct in the performance of his duty to the Association, unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the education of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) The following provisions shall govern and apply to the right of indemnification set forth in this Section 17.9.

(i) Any person seeking indemnification from the Association under subparagraph (a) of this Section as a result of being made a party to or being threatened to be made a party to any action, suit, or proceeding shall, within a reasonable time and before taking any significant or material action with respect to such action, suit, or proceeding, notify the Association in writing with respect thereto and provide the Association the opportunity to reasonably participate in such person's defense thereto and any settlement thereof. Failure to comply with the requirements of this subparagraph (i) shall bar any claim of such person for indemnification by the Association.

(ii) To the extent that a person has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in subparagraph (a) or (b) of this Section, or in defense of any claim, issue, or other matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith. Any other indemnification under subparagraph (a) or (b) shall be made by the Association only upon a determination that indemnification of the person is proper in the circumstances because he has met the applicable standard of conduct set forth respectively in subparagraph (a) or (b). Such determination shall be made either by the Management Committee of the Association by the affirmative vote of at least a majority of the disinterested members of the Management Committee, or by the Owners by the affirmative vote of at least a majority of the total votes of the Association at any meeting duly called for such purpose.

(iii) Expenses incurred in defending a civil or criminal action, suit, or proceeding as contemplated in subparagraphs (a) and (b) may be paid by the Association in advance of the final disposition of such action, suit, or proceeding upon a determination by the Management Committee of the Association by the affirmative vote of at least a majority of the disinterested members of the Management Committee and upon receipt of an undertaking by or on behalf of the person to repay such amount or amounts unless it ultimately be determined that he is entitled to be indemnified by the Association as authorized by subparagraphs (a) and (b).

(iv) The indemnification provided for by subparagraphs (a) and (b) shall not be deemed exclusive of any other rights to which those persons indemnified may be entitled under any agreements, by a vote of disinterested Owners or members of the Management Committee, or otherwise, as to action in such persons' official capacity. The indemnification authorized by subparagraphs (a) and (b) shall apply to all present and future members of the Management Committee and officers of the Association and shall continue as to such persons who cease to be members of the Management Committee or officers of the Association and shall inure to the benefit of the heirs and personal representatives of all such persons and shall be in addition to all other rights to which such persons may be entitled as a matter of law.

(v) The Association may purchase and maintain insurance on behalf of any person who was or is a member of the Management Committee or officer of the Association against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such, whether or not the Association would have the power to indemnify him against liability under the laws of the State of Utah, as the same may hereafter be amended or modified.

17.10 Interpretation. The captions which precede the Articles and Sections of this Declaration are for convenience only and shall 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.

EXECUTED by Declarant the day and year first above written.

"DECLARANT":

ARDEN D. HESS CONSTRUCTION, INC.,  
a Utah corporation

By: [Signature]  
Its: VICE PRES.

STATE OF UTAH                   )  
  : ss.  
County of Salt Lake            )

On this 26 day of AUG, 1998, personally appeared before me GAIL HESS, who being by me duly sworn, did say that she is the VICE PRESIDENT of Arden D. Hess Construction, Inc., that the foregoing Declaration of Covenants, Conditions, and Restrictions was signed on behalf of said corporation pursuant to a resolution of the Board of Directors of said corporation, and did acknowledge to me that said corporation executed the same.

[Signature]  
Notary Public  
Residing at: SALT LAKE

My Commission Expires: 9-12-01



EXHIBIT "A"

E 1450185 B 2377 P 321

Beginning on an existing fence line at a point described in the boundary agreement as recorded in Book 544, at Page 193, of Davis County Official Records which point is South 89°39'43" East 766.96 feet along the Quarter Section line and North 0°11'26" West 1,372.10 feet from the West Quarter Corner of Section 18, Township 2 North, Range 1 East, Salt Lake Base and Meridian, said point also having a Davis County Coordinate of North 127966.00 and East 113814.74 as surveyed by Max Elliott in March, 1973 and running thence North 0°11'26" West 645.27 feet along said described fenceline to a point on the South boundary of a 66 foot wide street known as Porter Lane which point is also North 89°52'05" West 971.08 feet along the centerline of said Porter Lane and South 0°11'26" East 33.00 feet from an existing monument at the intersection of said Porter Lane and 400 West Street, thence South 89°52'05" East 362.25 feet along said South boundary of Porter Lane, thence South 0°09'31" East 525.72 feet along an existing fenceline, thence South 1°26'15" East 118.82 feet along an existing fenceline, thence North 89°59'22" West 364.54 feet along an existing fenceline to the point of beginning.