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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
STERLING VILLAGES**

TABLE OF CONTENTS

RECITALS Page 1

ARTICLE I.

DEFINITIONS Page 1

ARTICLE II.

NATURE AND PURPOSE OF COVENANTS Page 6

ARTICLE III.

PARCELS SUBMITTED TO DECLARATION Page 6

 3.1 Submission of Parcels Page 6

 3.2 Submission of Common Areas Page 7

 3.3 Annexation by Declarant Page 8

 3.4 Limitation on Annexation Page 8

 3.5 Community Association Page 8

ARTICLE IV.

PROPERTY RIGHTS AND USE RESTRICTIONS Page 9

 4.1 Member’s Easements of Enjoyment Page 9

 4.2 Title to Common Areas Page 10

 4.3 Extent of Members’ Easements Page 10

 4.4 Form of Conveyancing Page 11

 4.5 Governing Documents and Laws Page 11

 4.6 Signs Page 11

 4.7 Toxic Materials Page 11

 4.8 Maintenance Page 11

 a. General Page 11

 b. Parkway Maintenance Page 12

 4.9 Common Area Facilities Page 12

ARTICLE V.

MEMBERSHIP AND VOTING RIGHTS Page 12

 5.1 Organization Page 12

 5.2 Membership Page 12

 5.3 Voting Rights Page 12

 5.4 Multiple Ownership Interests Page 13

ARTICLE VI.

BOARD OF TRUSTEES Page 14

6.1 Number and Election of Trustees Page 14

6.2 Powers of the Management Committee Page 14

6.3 Declarant Control Period Page 15

6.4 Removal of Trustees Page 15

6.5 Replacement of Trustees Page 16

6.6 Management Committee Liability Page 16

ARTICLE VII.

COVENANT FOR ASSESSMENTS Page 16

7.1 Covenant to Pay Assessment Page 16

7.2 Purpose of Assessments Page 16

7.3 Rate of Assessments Page 17

7.4 Amount of Assessments Page 17

7.5 Special Assessments Page 18

7.6 Reimbursement Assessment on Specific Living Unit or Lot Page 18

7.7 Periodic Assessment Due Dates Page 18

7.8 Collection by Association Page 19

7.9 Effect of Nonpayment of Assessments; Remedies of the Master Association
. Page 19

 a. Enforcement by Suit Page 20

 b. Enforcement by Lien Page 20

7.10 Effect of a Sale or Transfer on Assessments Page 22

7.11 Tax Collection by County Authorized Page 22

7.12 Exempt Property Page 22

7.13 Delivery by Owner Page 22

7.14 Delivery of Statement by Board Page 23

ARTICLE VIII.

DUTIES AND POWERS OF THE MASTER ASSOCIATION AND BOARD . Page 23

8.1 General Powers of the Master Association Page 23

8.2 Contracts of the Master Association Page 23

8.3 Association Rules Page 23

8.4 Entry Onto Parcel Page 23

ARTICLE IX.

INSURANCE Page 24

9.1 Insurance Coverage Page 24

9.2 Additional Insurance Provisions Page 24

ARTICLE X.

DAMAGE AND DESTRUCTION AFFECTING COMMON AREAS Page 25

ARTICLE XI.

EMINENT DOMAIN Page 25

ARTICLE XII.

USE RESTRICTIONS Page 25

12.1. Use of Common Areas and Limited Common Areas Page 25

12.2. Use of Lots and Living Units Page 26

12.3. Building Features and Materials Page 26

 (a) Exterior Building Wall Materials Page 26

 (b) Accessory Structures Page 26

 (c) Chimneys Page 26

 (d) Mailboxes Page 26

 (e) Fences and Walls Page 26

 (f) Paving Page 26

 (g) Solar Equipment Page 26

 (h) Antennas Page 27

 (i) Pools, Spas, Fountains, Gamecourts Page 27

 (j) Mechanical Equipment Page 27

 (k) Landscape Site Preparation Guidelines Page 27

 (l) County and Other Approval Page 27

12.4. Recreational Vehicles Page 27

12.5. Pets Page 27

12.6. Insurance Page 28

12.7. Machinery and Equipment Page 28

12.8. Maintenance and Repair Page 28

12.9. Nuisances Page 28

12.10. Right of Entry Page 28

12.11. Signs Page 28

12.12. Trash Containers and Collection Page 29

12.13. Restrictions Regarding Basements Page 29

12.14. Enforcement of Land Use Restrictions Page 29

12.15. Exception for Declarant Page 29

12.16. Community Association Restrictions Page 29

ARTICLE XIII.

ARCHITECTURAL CONTROL Page 30

13.1. Architectural Control Committee Page 30

13.2.	<u>Submission to Committee</u>	Page 30
13.3.	<u>Standard</u>	Page 30
13.4.	<u>Approval Procedure</u>	Page 30
13.5.	<u>Address for Submittal</u>	Page 30
13.6.	<u>Construction and Landscaping Obligations</u>	Page 31
13.7.	<u>Liability for Damages</u>	Page 31
13.8.	<u>Exception for Declarant</u>	Page 31

ARTICLE XIV.

<u>NOTICES</u>	Page 32
----------------	---------

ARTICLE XV.

<u>RIGHTS OF LENDERS</u>	Page 32
15.1 <u>Notice to Institutional Holders of Default</u>	Page 32
15.2 <u>Assessments on Foreclosure</u>	Page 32
15.3 <u>Rights of Institutional Holders</u>	Page 32
15.4 <u>Payment of Taxes and Insurance Premiums</u>	Page 33
15.5 <u>Priority on Distribution of Proceeds</u>	Page 33
15.6 <u>Notice of Destruction or Taking</u>	Page 33
15.7 <u>Mortgage Protection Clause</u>	Page 33
15.8 <u>Conflicts</u>	Page 33

ARTICLE XVI.

<u>FINANCIAL STATEMENTS</u>	Page 33
-----------------------------	---------

ARTICLE XVII.

<u>DEVELOPMENT AND MAINTENANCE OBLIGATIONS</u>	Page 34
17.1 <u>Governing Documents</u>	Page 34
17.2 <u>Consent for Governmental Action</u>	Page 34
17.3 <u>Obligation to Convert to Pressurized Irrigation</u>	Page 34

ARTICLE XVIII.

<u>GENERAL PROVISIONS</u>	Page 35
18.1 <u>Indemnifications</u>	Page 35
a. <u>General</u>	Page 35
b. <u>Master Association</u>	Page 35
18.2 <u>No Discriminatory Restrictions</u>	Page 35
18.3 <u>Severability</u>	Page 36
18.4 <u>Term</u>	Page 36
18.5 <u>Amendments</u>	Page 36
18.6 <u>Construction</u>	Page 36

18.7	<u>Singular Includes Plural</u>	Page 36
18.8	<u>Nuisance</u>	Page 36
18.9	<u>Conflicts</u>	Page 37
18.10	<u>Attorneys' Fees</u>	Page 37
18.11	<u>Performance</u>	Page 37
18.12	<u>Assignability</u>	Page 37
18.13	<u>No Third Party Rights</u>	Page 37
18.14	<u>No Waiver</u>	Page 37
18.15	<u>Time of Essence</u>	Page 37
18.16	<u>Force Majeure</u>	Page 37
18.17	<u>Cooperation</u>	Page 37
18.18	<u>No Relationship</u>	Page 38
18.19	<u>Consents and Approvals</u>	Page 38
18.20	<u>Exhibits</u>	Page 38
18.21	<u>Recitals</u>	Page 38
18.22	<u>The Declaration</u>	Page 38

EXHIBIT "A"

ENTIRE TRACT PROPERTY DESCRIPTION	Page 40
-----------------------------------------	---------

EXHIBIT "B"

PARCEL DESCRIPTION	Page 41
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EXHIBIT "C"

ADDITIONAL LAND REAL PROPERTY DESCRIPTION	Page 42
-------------------------------------------------	---------

EXHIBIT "D"

PARK PARCELS DESCRIPTION	Page 43
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EXHIBIT "E"

COMMON AREA FACILITIES	Page 44
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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
STERLING VILLAGES**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (the "Declaration") is made as of May 1, 2005, by CASTLEWOOD-STERLING VILLAGE I, LLC, a Utah limited liability company ("Declarant").

RECITALS:

A. This Declaration governs certain real property and improvements which is specifically submitted to the terms hereof and is part of a larger area consisting of approximately 34 acres located at approximately 450 West 11000 South, South Jordan, County of Salt Lake, State of Utah ("the Development Area"), as more particularly described on Exhibit "A" hereto.

B. The Development Area is to be divided into areas generally described as follows: (i) the residential development area (the "Residential Parcels"); (ii) one or more private parks at the Declarant's discretion (collectively the "Park Parcels"); and (iii) access areas, including but not limited to walkways and the landscape areas designated upon a Map whether or not included as part of the Common Areas or as a Landscape Easement over a Lot (the "Parkway").

C. The Residential Parcels may be divided into one or more separate Planned Unit Developments, Subdivisions and/or Condominium Projects, each containing Living Units and/or Lots.

D. Declarant is the owner of the Project. Declarant has deemed it desirable to impose a general plan for the improvement and development of the Project and the adoption and establishment of covenants, conditions and restrictions upon the real property and each and every portion thereof and upon the use, occupancy and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability and attractiveness of the Project.

E. Declarant hereby declares that all portions of the Project shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following easements, restrictions, covenants, conditions and equitable servitudes.

ARTICLE I.

DEFINITIONS

1.1 Additional Land. The term "Additional Land" shall, at any point in time, mean the real property, or any portion thereof, located in Salt Lake County, State of Utah, and more particularly described on Exhibit "C" attached hereto.

1.2 Articles. The term "Articles" shall mean the Articles of Incorporation of the Master Association, as amended from time to time.

1.3 Association Rules. The term "Association Rules" shall mean the rules and regulations regulating the use and enjoyment of the Common Areas and otherwise governing the Master Association and the Project.

1.4 Board. The term "Board" shall mean the duly elected Board of Trustees of the Master Association.

1.5 Bylaws. The term "Bylaws" shall mean the Bylaws of the Master Association, as amended from time to time.

1.6 City. The term "City" shall mean South Jordan, Utah, a corporation and body politic of the State of Utah..

1.7 Community Association or Community Associations. The term "Community Association" or "Community Associations" shall mean a separate Owner's association established to administer a condominium project, planned unit development or subdivision and which is submitted to the terms of a Community Association Declaration pursuant to the provisions of Article III as a sub-community, but subject to and subordinate to the terms of this Declaration.

1.8 Community Association's Common Areas. The term "Community Association's Common Areas" shall mean the Common Areas which are to be owned by a particular Community Association for the common use and enjoyment of all of the Owners of the applicable Community Association and their guests and invitees, and which are designated as such on a Map, including but not limited to streets, driveways, sidewalks, pathways (except as dedicated to the City), one or more of the parks (excluding the Park Parcels as defined herein), together with all amenities and improvements thereon and all easements appurtenant thereto including but not limited to private utility lines and easements, landscape easements and personal property owned by the Community Association when the context so requires.

1.9 Common Areas. The term "Common Areas" shall mean the Common Areas which are to be owned by the Master Association for the common use and enjoyment of all of the Owners and their guests and invitees, and which are designated as such on a Map, including but not limited to streets, driveways, sidewalks, Parkway (as defined herein, except as dedicated to the City), the parks or open spaces (located upon Park Parcels as defined herein), together with all amenities and improvements thereon and all easements appurtenant thereto including but not limited to private utility lines and easements, master storm drain lines and systems (excluding private laterals attached thereto) landscape easements and personal property owned by the Master Association when the context so requires. Easements reserved for the Master Association shall also be made available for the use and benefit of one or more Community Associations as reasonably necessary.

1.10 County. The term "County" shall mean the County of Salt Lake, a body politic of the State of Utah.

1.11 Declarant. The term "Declarant" shall mean Castlewood-Sterling Village I, LLC, a Utah limited liability company, and its successors and assigns, if such successors or assigns should acquire the entire Project (or balance thereof not previously submitted to the terms of this Declaration) from the Declarant for the purpose of development, or any Parcel within the Entire Tract.

1.12 Declaration. The term "Declaration" shall mean the covenants, conditions, restrictions, reservations, easements, liens and charges imposed by or expressed in this Declaration. Reference to a "Community Association Declaration" shall mean the Declaration adopted by a Community Association, approved in writing by the Declarant (designated in this Declaration) and recorded in the official records of the County Recorder.

1.13 Entire Tract. The term "Entire Tract" shall mean and refer to that certain real property, and the appurtenances thereto, located in Salt Lake County, State of Utah, and more particularly described on Exhibit "A" attached hereto and incorporated herein by reference.

1.14 Environmental Laws. The term "Environmental Laws" shall mean any federal, state, local or foreign statutes, codes, plans, regulations or common laws related to pollution or protection of the environment, including, without limitation, any common laws of nuisance or trespass and any laws or regulations relating to emissions, discharges, releases or threatened releases of Toxic Materials into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Toxic Materials. "Environmental Laws" shall also include all orders, decrees, judgments, injunctions, notices or demand letters issued, entered, promulgated or approved under those Environmental Laws.

1.15 Governing Documents. The term "Governing Documents" shall mean (a) this Declaration, (b) any Development Agreement between the City and Declarant, (c) the Maps and Plats (as defined herein), (d) the Articles, (e) the Bylaws, (f) the Association Rules, and (g) the covenants, restrictions and all other agreements and instruments pertaining to and governing the foregoing or the Project or the activity or matter in question as may be amended from time to time.

1.16 Governing Laws. The term "Governing Laws" shall mean all laws, ordinances, regulations, orders, judgments and other legislation pertaining to and governing the Project or the activity or matter in question.

1.17 Improvement. The term "Improvement" shall mean any structure or appurtenance thereto of every type and kind, including but not limited to buildings, walkways, sprinkler pipes, garages, room additions, patio covers, swimming pools, spas, recreational facilities, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping, antenna, edges, windbreaks, plantings, planted trees and shrubs, poles, signs, exterior air conditioning and water softening fixtures or equipment.

1.18 Institutional Holder. The term "Institutional Holder" shall mean any holder (beneficiary) of a Senior Mortgage which encumbers any portion of the Project, which holder is a

bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

1.19 Living Unit or Unit. The term "Living Unit" or "Unit" shall mean and refer to one of separately number and individually described condominium units, as identified in a condominium declaration, or one of separate and individually described single family residences constructed upon a Lot as described in this Declaration or a Community Association Declaration for a planned unit development or a subdivision.

1.20 Lot. The term "Lot" shall mean and refer to any one of the separately numbered and individually described plots of land described on a Plat: (a) which is intended to be owned individually, rather than by an association of Owners or in common by Owners of different lots; and (b) which is intended to be used as the site of a single Living Unit.

1.21 Maintenance Area. The term "Maintenance Area" shall mean the Common Areas and the areas located therein including the area within the Landscape Easement.

1.22 Master Association. The term "Master Association" shall mean STERLING VILLAGES MASTER ASSOCIATION, a Utah nonprofit corporation, its successors and assigns.

1.23 Member. The term "Member" shall mean those persons entitled to membership in the Master Association as provided in this Declaration and in the Articles and Bylaws.

1.24 Mortgage. The term "Mortgage" shall mean any duly recorded and valid mortgage or deed of trust encumbering any portion of the Project.

1.25 Notice of Hearing. The term "Notice of Hearing" shall mean written notice of a hearing before a quorum of the Board, at which the Owner concerned shall have an opportunity to be heard in person or by counsel at the Owner's expense.

1.26 Owner. The term "Owner" shall mean: (i) the holder of record ownership of a fee title interest in a Parcel, and that party's successors and assigns including but not limited to a Community Association; (ii) a person who is the owner of record (in the office of the County Recorder of Salt Lake County, Utah) of a fee in a Living Unit. Persons or entities that hold an interest in a Parcel or a Living Unit merely as security for the performance of an obligation shall not be considered Owners.

1.27 Parcel. The term "Parcel" shall mean and refer to each portion of the Entire Tract, which, within ten (10) years after the date on which this Declaration is recorded in the office of the County Recorder of Salt Lake County, Utah, is separately subjected to the terms of this Declaration with the intention that it shall thereby comprise a portion of the Project. The real property described in Article III of this Declaration constitutes a Parcel.

1.28 Parkway. The term "Parkway" shall mean the common areas adjacent to the entrance to the Project not included within a Lot, those areas adjacent to dedicated streets and not included

within a Lot, and all related landscape improvements, walkways and other improvements adjacent thereto, or as designated as such on a Map, excluding, however, any area dedicated to the City.

1.29 Park Parcels. The term "Park Parcels" shall mean one or more of those parcels of real property more particularly described on Exhibit "D" attached hereto and the Improvements as required of the Declarant in accordance with the Governing Documents.

1.30 Parties. The term "Parties" shall mean the Declarant, the Owners, the Members, the Community Associations and all other persons or entities having rights and obligations under this Declaration.

1.31 Project. The term "Project" shall mean the Sterling Villages, as then constituted, including but not limited to the Parcels subject to the terms of this Declaration, the Common Areas, and the Parkway, excluding any area dedicated to the City.

1.32 Record of Survey Map, Plat Map or Map. The term "Record of Survey Map", "Plat Map," or "Map" shall mean and refer to any Survey Map of a Condominium Project, a Plat Map of a Planned Unit Development, or a Plat or Map of a Subdivision:

- a. which covers a portion of the Entire Tract;
- b. which describes or creates a Community Association, either as a Condominium Project, a Planned Unit Development, or a Subdivision;
- c. on which or in which an instrument recorded in conjunction therewith there is expressed the intent that the project created by the Map shall comprise a part of the Sterling Villages Project; and
- d. which is recorded in the office of the County Recorder of Salt Lake County, Utah , within 10 years after the date of which this Declaration is so recorded.

1.33 Reimbursement Assessment. The term "Reimbursement Assessment" shall mean a charge against an Owner for the purpose of reimbursing the Master Association for any costs incurred by the Master Association on behalf of an individual Owner, pursuant to the provisions of Section 7.6.

1.34 Senior Mortgage. The term "Senior Mortgage" shall mean any Mortgage that is (a) recorded against any portion of a Parcel, Living Unit, or Lot prior to any lien for delinquent assessments, claims or other encumbrances by the Master Association; and (b) is recorded prior to all other loans encumbering such Parcel, Living Unit, or Lot. Encumbrances for loans recorded in second or lower position shall not be Senior Mortgages without an express written subordination agreement from the Master Association which may be given or withheld in the Master Association's sole discretion.

1.35 Toxic Materials. The term "Toxic Materials" shall mean any flammable explosives, asbestos, industrial substances, pollutants, contaminants, chemicals, wastes, discharges, emissions,

radioactive materials and other hazardous substances, whether injurious by themselves or in combination with other materials, including, but not limited to, substances defined as "hazardous substances," "hazardous materials," "hazardous wastes" or "toxic substances" described in the "Environmental Laws."

1.36 Trustees. The term "Trustees" shall mean the duly appointed members of the Board.

ARTICLE II.

NATURE AND PURPOSE OF COVENANTS

2.1 The covenants, conditions and restrictions set forth in this Declaration constitute a general scheme for the development, protection and maintenance of the Project to enhance the value, desirability and attractiveness of the Project for the benefit of all Owners. These covenants, conditions and restrictions are imposed upon Declarant, the Owners, the Parcels, the Parkway (excluding those portions, if any, dedicated to the City), the Master Association, and the Community Associations. Such covenants, conditions and restrictions shall be a burden upon and a benefit to each Owner, and also that Owner's successors and assigns. All such covenants, conditions and restrictions are intended as and are hereby declared to be covenants running with the land or equitable servitudes upon the land, as the case may be.

ARTICLE III.

PARCELS SUBMITTED TO DECLARATION

3.1 Submission of Parcels. The Parcel which is and shall be held, transferred, sold, conveyed and occupied subject to the provisions of this Declaration consists of the following-described real property situated in Salt Lake County, State of Utah.

SEE THE LEGAL DESCRIPTION ATTACHED HERETO AS EXHIBIT "B" AND INCORPORATED HEREIN BY REFERENCE.

EXCLUDING from the foregoing Parcel all presently existing or to be constructed or installed sewer lines, water mains, gas lines, electrical conduits, telephone lines, and related facilities to the extent that they are located within the above-described Parcel; provided, however, that lines and systems specifically conveyed to the Association by Declarant shall not be included within this exclusion.

RESERVING UNTO DECLARANT, however, such easements and rights of ingress and egress over, across and through and under the above-described Parcel and any Improvements now or hereafter constructed thereon as may be reasonably necessary for Declarant or any assignee of Declarant (in a manner which is reasonable and not inconsistent with the provisions of this Declaration): (i) to construct and install utilities lines and related improvements; and (ii) to improve the Common Areas with

such facilities, including, but not limited to, roads, recreational facilities, walkways and various landscaped areas, designed for the use and enjoyment of all the Members as Declarant may reasonably determine to be appropriate; and (iii) a perpetual easement of ingress and egress over all roads, walkways, and the Parkway for the benefit of the balance of the Entire Tract, however developed or utilized, whether or not the balance of the Entire Tract, or portions thereof, is part of the Project. If, pursuant to the foregoing reservation, the above-described Parcels 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. With the exception of such perpetual easements, the reservation hereby effected shall, unless sooner terminated in accordance with its terms, expire thirty (30) years after the date on which this Declaration is filed for record in the office of the County Recorder of Salt Lake County, Utah.

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; all mineral reservations and exclusions; all mineral reservations of record and rights incident thereto; all instruments of record which affect the above-described tract or any portion thereof, including without limitation, any mortgage or deed of trust; all visible easements and rights-of-way; and all easements and rights-of-way of record.

3.2 Submission of Common Areas. Subject to the provisions of Section 4.2, Declarant shall submit to the terms of this Declaration: (i) the Common Areas, including any Common Area Facilities (as hereinafter defined in Section 4.2) located therein as more particularly described on Exhibit "E" attached hereto; and (ii) the Parkway, reserving unto the Declarant the right to dedicate the Parkway or portions thereof, to the City in accordance with the Governing Documents.

EXCLUDING for the foregoing Parcel all presently existing or to be constructed or installed sewer lines, water mains, gas lines, electrical conduits, telephone lines, cable and communication lines and conduit, and related facilities to the extent that they are located within the above-described Parcel; provided, however, that lines and systems specifically conveyed to the Association by Declarant shall not be included within this exclusion.

RESERVING UNTO DECLARANT, however, such easements and rights of ingress and egress over, across and through and under the above-described Parcel and any Improvements now or hereafter constructed thereon as may be reasonably necessary for Declarant or any assignee of Declarant (in a manner which is reasonable and not inconsistent with the provisions of this Declaration): (i) to construct and install utilities lines and related improvements; and (ii) to improve the Common Areas with such facilities, including, but not limited to, roads, recreational facilities, walkways and various landscaped areas, designed for the use and enjoyment of all the Members as Declarant may reasonably determine to be appropriate; and (iii) a perpetual easement of ingress and egress over all roads, walkways, and the Parkway for the benefit of the balance of the Entire Tract, however developed or utilized, whether or

not the balance of the Entire Tract, or portions thereof, is part of the Project. If, pursuant to the foregoing reservation, the above-described Parcels 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. With the exception of such perpetual easements, the reservation hereby effected shall, unless sooner terminated in accordance with its terms, expire ten (10) years after the date on which this Declaration is filed for record in the office of the County Recorder of Salt Lake County, Utah.

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; all mineral reservations and exclusions; all mineral reservations of record and rights incident thereto; all instruments of record which affect the above-described tract or any portion thereof, including without limitation, any mortgage or deed of trust; all visible easements and rights-of-way; and all easements and rights-of-way of record.

3.3 Annexation by Declarant. Declarant may from time to time expand the Project by the annexation of all or any part of the real property comprising the Additional Land. Such annexation may include (i) additions to an existing Parcel; (ii) additional Parcels; and (iii) Common Areas, including Common Area Facilities. The annexation of any portion of the Additional Land shall become effective upon the recordation in the office of the Salt Lake County Recorder of a Plat for the Additional Land, or portion thereof, and by the recordation in the office of the Salt Lake County Recorder of a Community Association Declaration, or a supplement thereto, or a supplement to this Declaration which (i) describes the real property to be annexed and confirms that it is part of the Additional Land; (ii) declares that the annexed real property is to be held, sold, conveyed, encumbered, leased, occupied and improved as part of the Project and subject to this Declaration (and, if applicable, a Community Association Declaration); and (iii) sets forth such additional limitations, restrictions, covenants and conditions as are imposed by the owner of and applicable to the annexed real property and the applicable Community Association. Upon the effective date of such annexation, the annexed real property as identified in the Plat of the same, shall become part of the Project and shall be subject to the provisions of this Declaration and any amendment or supplement thereto.

3.4 Limitation on Annexation. Declarant's right to annex any portion of the Additional Land shall be subject to the following limitations:

a. The annexed real property must be all or part of the Additional Land as identified in this Declaration.

3.5 Community Association. The Owner or Owners of a Parcel, or a portion thereof, may subject the same to a separate declaration for a condominium or planned unit development (a "Community Association Declaration") for the purpose of establishing a Community Association, subject to the following instructions and limitations:

a. the submission of such Parcel, or portion thereof, to a Community Association Declaration shall comply with all applicable laws, ordinances, codes, rules and regulations of all governmental or quasi-governmental bodies with jurisdiction, and each Community Association Declaration and the rights of owners and members therein and any association of such owners thereunder shall be expressly subject to and subordinate to this Declaration; and

b. Except as the same may be limited by the Community Association Declaration for the applicable Community Association, each owner of a Lot and/or Living Unit located within the area governed by the Community Association shall have the right to use the Common Areas and Common Area Facilities;

c. Such power and authority shall be exercised on one occasion only, such that upon the creation of a Community Association for a planned unit development or a condominium project, the same may not be further divided into further Community Associations; provided, however, nothing herein shall preclude the expansion of or addition to a Community Association pursuant to the terms and conditions of its Community Association Declaration.

d. The terms and provisions of any Community Association Declaration and the geographic area of any Community Association shall be subject to the prior approval of Declarant or after the period specified in Section 1.29, the Trustees.

e. Each Community Association shall be administered by its own board of trustees as established by the Community Association Declaration and the other organizational documents for such Community Association.

f. Once a Community Association is created, any votes that are to occur with respect to the Master Association shall be voted as a block by the Community Association in accordance with the requirements of Section 5.15.

ARTICLE IV.

PROPERTY RIGHTS AND USE RESTRICTIONS

All real property within the Project shall be held, used and enjoyed subject to the following limitations and restrictions.

4.1 Member's Easements of Enjoyment. Every Member shall have a right and easement of enjoyment in and to the Common Areas to be exercised in accordance with the intended use thereof and subject to the further limitations herein contained. Such right and easement shall be appurtenant to and shall pass with title to each Living Unit and/or Lot and in no event shall be separated therefrom. Such right and easement of enjoyment shall include the right to the non-exclusive use by Members, subject to the reasonable restrictions as hereinafter set forth, of Common Areas for recreation, social, physical needs and desires; and to contribute to the common health,

security and happiness of the Members. Any Member may delegate the right and easement of use enjoyment described herein to any tenant, lessee or contract purchaser who resides in such Member's Living Unit, subject to the terms and conditions of the Association Rules.

4.2 Title to Common Areas. The Declarant may retain the legal title to the Common Areas until such time as it has completed Improvements thereon (the "Common Area Facilities) and until such time, as in the opinion of the Declarant, the Master Association is able to maintain the same, but notwithstanding any provision herein, the Declarant hereby covenants for itself, its successors and assigns, that it shall convey the Common Areas to the Master Association on or before six (6) years from the date on which this Declaration is recorded in the office of the County Recorder, free and clear of all liens (other than the lien of current general taxes and the lien on any assessment, charges, or taxes imposed by governmental or quasi-governmental authorities). Even though title is retained by the Declarant, Declarant shall have the right to use assessments for the maintenance of such Common Area Facilities.

4.3 Extent of Members' Easements. Member's right and easement of use and enjoyment concerning the Common Areas created hereby shall be subject to the following:

a. The right of the Declarant and the Master Association as provided in its Articles and Bylaws, to suspend a Member's right to vote and/or the use and enjoyment of any Common Area Amenities included in the Common Areas for any period during which an assessment on such Member's Living Unit or Lot remains unpaid and for a period not exceeding sixty (60) days for any infraction by such Member of the provisions of this Declaration or the Association Rules, provided, however that such suspension shall occur only by the Board after Notice of Hearing and an opportunity to be heard by a quorum of the Board;

b. The right of the Master Association to impose reasonable limitations on the number of guests per Member who at any given time are permitted to use the Common Areas;

c. The right of the County or the City and any other governmental or quasi-governmental body having jurisdiction over the Common Areas to access and rights of ingress and egress over and across any street, parking area, walkway, Park Parcel, or open area contained within the Common Areas for purposes of providing police, fire, and emergency protection, transporting school children, and providing any other governmental or municipal service;

d. The right of the Declarant or the Master Association to dedicate or transfer all or any part of the Common Areas (meaning by definition those owned by the Master Association) to any public agency, authority, or utility for such municipal, governmental and/or non-commercial purposes and subject to such conditions as may be agreed to by the Declarant or by the Members, provided that no such dedication or transfer by the Master Association shall be effective unless written notice of the proposed agreement and action thereunder is sent to every Member at least thirty (30) days in advance of any action taken unless an instrument signed by Members entitled to cast sixty percent (60%) of the votes of

the Membership has been obtained agreeing to such dedication, transfer, purpose or condition; further provided, that no notice or vote shall be necessary for the dedication, transfer or grant of an easement which is required by the terms and conditions of the Governing Documents; and

e. The right of the Master Association to borrow money for the purpose of improving the Common Areas and to mortgage the Common Areas, or any part hereof, to carry out such improvements.

4.4 Form of Conveyancing. Any deed, lease, mortgage, deed of trust, or other instruments conveying or encumbering title to a Living Unit or Lot, subject to the terms of this Declaration, shall be deemed to include the right and easement of use and enjoyment in and to the Common Areas as provided herein but subject to the limitations also contained herein.

4.5 Governing Documents and Laws. Each portion of the Project shall be used subject to and in compliance with all Governing Documents and Governing Laws. The Governing Documents each impose certain obligations on the Project. To the extent that those Governing Documents impose specific obligations on the Project or upon specific Community Associations, the Owners of the Project or those of a specific Community Association shall take all actions and pay all costs reasonably necessary to carry out those obligations as they apply to them. Notwithstanding the foregoing, to the extent that any of the obligations under the Governing Documents are specifically identified therein as the responsibility of Declarant, Declarant shall be solely liable for the performance of those covenants.

4.6 Signs. All signs, posters, displays, billboards and other advertising devices (collectively, the "Signs") and the conditions promulgated for the regulation thereof shall conform to the requirements of all Governing Documents and Governing Laws. The Association may erect a permanent sign for the entire Project at one or more locations and in a style approved by the Board. The Association may establish as part of the Association Rules, additional provisions for the display and/or placement of signs or the prohibition thereof, including, but not limited to, a requirement that all such signs shall be approved by the Architectural Control Committee; provided however, that the Association shall have no right to restrict the display and/or placement of signs by the Declarant for the period of marketing of the Project. Declarant shall coordinate and approve all signs for marketing by individual builders or developers who shall be financially responsible for erection, maintenance and removal of their signs.

4.7 Toxic Materials. No Owner shall store, use, manufacture, process, distribute, treat, transport, handle, emit, dispose of, discharge or release any Toxic Materials at or from the Project or any portion thereof in violation of any Environmental Laws.

4.8 Maintenance.

a. General. Each Owner shall take all actions and pay all costs necessary to maintain its Lot, Living Unit and the Improvements thereon in a safe, clean, sanitary, workable and attractive condition. The Master Association shall take all actions and pay all costs necessary to maintain all Maintenance Areas in a safe, clean, sanitary, workable and attractive condition.

b. Parkway Maintenance. In accordance with the requirements of the City and the Governing Documents, the Declarant shall dedicate or grant one or more easements over the Parkway, or portions thereof to the City. Until such dedication and/or grant of easements and for those portions of the Parkway which are not dedicated, each Owner shall be entitled to an easement for ingress and egress to such Owner's Parcel, Living Unit or Lot, limited however to need and the intended uses therefore. Declarant shall be entitled to an easement for ingress and egress to the Additional Land, and Declarant shall take all actions and pay all costs necessary to construct the Parkway, including those improvements located within the Landscape Easement. To the extent not dedicated, the Master Association shall maintain the Parkway, including the area within the Landscape Easement. Any areas located within the area governed by a Community Association which may be common areas to that Community Association, shall be maintained by such Community Association at its sole cost and expense.

4.9 Common Area Facilities. Nothing shall be altered or constructed in or removed from the Common Areas except upon the written consent of the Board, subject to the provisions of this Declaration limiting construction on portions of the Common Areas.

ARTICLE V.

MEMBERSHIP AND VOTING RIGHTS

5.1 Organization. The Master Association is organized as a Utah corporation under the Utah Nonprofit Corporation and Co-operative Association Act. The Master Association is charged with the duties and vested with the powers prescribed by law and set forth in the Master Association's Articles, Bylaws and this Declaration.

5.2 Membership. Every Owner shall be a Member of the Master Association. Membership shall be appurtenant to and may not be separated from the fee ownership of a Parcel, Living Unit, or Lot which has been submitted to the terms of this Declaration. Transfer of a Parcel, Living Unit, or Lot shall automatically transfer membership in the Master Association.

5.3 Voting Rights. The Master Association shall have the following described two classes of voting membership:

Class A. Class A Members shall be all Owners other than the Declarant until the Class B membership ceases. Subject to the provisions set forth in Section 5.5 herein below, Class A Members shall be entitled to votes according to the following schedule:

- a. for each Lot owned, which has not been improved with a Living Unit -- one (1) vote.
- b. for each detached Living Unit located upon a Lot -- two (2) votes.

- c. for each Living Unit attached to one or more Living Units, whether or not located upon a Lot or the real property owned by a condominium association – one (1) vote.

In no event, however, shall more than one Class A vote exist with respect to any Lot, or two Class A votes exist as to any Living Unit. Once votes are allocated based upon Living Units improved upon a Lot, no supplemental vote shall be issued as to the Lot.

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to the following votes:

- a. with respect to each Living Unit or Lot in which it holds the interest required for membership in the Association, three (3) times the number of votes provided for Class A votes;

- b. with respect to each acre (to the nearest tenth of an acre) of Additional Land, not previously submitted to the Project, or with respect to each acre (to the nearest tenth of an acre) of each Parcel submitted to the Project, for which no Living Units have been constructed or no Lots have been created or subdivided, in which it holds the interest required for Membership in the Association, twenty (20) votes. The Class B Membership shall automatically cease and be converted to a Class A membership on the first to occur of the following events:

1. When the total number of votes held by all Class A Members equals the total number of votes held by the Class B Member; or
2. The expiration of ten (10) years after the date on which this Declaration is filed for record in the office of the County Recorder of Salt Lake County, Utah.

5.4 Multiple Ownership Interests. In the event there is more than one Owner of a particular Living Unit, Lot, Parcel or portion of Additional Land, the vote relating to such shall be exercised as such Owners may determine among themselves. A vote cast at any Association meeting by any of such Owners, whether in person or by proxy, shall be conclusively presumed to be the vote attributable to the Living Unit, Lot, Parcel, or portion of Additional Land concerned unless an objection is immediately made by another Owner of the same property. In the event such an objection is made, the vote involved shall not be counted for any purpose whatsoever other than to determine whether a quorum exists.

5.5 Power of Attorney to Community Association. At such time, if at all, a Community Association is created, and for each such Community Association so created, each of the Owners of Lots, Living Units or Parcels located therein, shall be deemed to have irrevocably appointed such Community Association as their attorney-in-fact, such appointment coupled with an interest, to vote any and all matters with respect to or coming before the Master Association, such votes to be made in bulk with all other Owners of such Community Association. Owners of a Lot, Living Unit or

Parcel located within a Community shall not have the right to vote on a matter before the Master Association.

ARTICLE VI.

BOARD OF TRUSTEES

6.1 Number and Election of Trustees. During the Declarant Control Period, the Board shall consist of not less than three (3) but as many as five (5) Trustees. The initial Trustees shall hold office until the election or appointment of their successors at the first annual meeting. Thereafter, subject to the terms and conditions of Sections 6.3 and 6.4 below, each Trustee will hold office for a term of one (1) year and the Owners shall elect the Trustees at the annual meetings. Following the Declarant Control Period, the Board shall consist of five (5) Directors, all of which shall be elected as follows:

- a. one (1) shall be elected by the Owners of Lots 1 through 43;
- b. one (1) shall be elected by the Owners of Lots 44 through 87;
- c. one (1) shall be elected by the Board of Trustees or Directors of the Community Association to be known as the Gables at Sterling Villages, if created, in accordance with the provisions of this Declaration;
- d. The balance of trustees shall be elected by the Owners of additional Lots as designated by Declarant as such additional Lots are subjected to the terms of the Master Declaration, or if no additional Lots are added, by all Owners of Lots, provided that the Board of Trustees or Directors of Community Associations shall vote as provided in Section 5.5 above.

6.2 Powers of the Management Committee.

- i. Except as provided in this Declaration, the Articles and the Bylaws, the Board may act on behalf of the Master Association in all instances.
- ii. Any action by the Master Association which must have the approval of the Trustees before being undertaken, shall require the vote or written assent of a majority of all the Trustees except as otherwise expressly set forth in this Declaration.
- iii. The Board may not act on behalf of the Master Association to:
 - (1) amend this Declaration;
 - (2) terminate the Master Association, this Declaration or the Condominium;

- (3) elect Trustees to the Management Committee; or
- (4) determine the qualifications, powers and duties, or terms of office, of Trustees.

6.3 Declarant Control Period.

i. Subject to the terms and conditions of paragraphs 6.3(b) and (c) below, but notwithstanding anything else to the contrary contained in this Declaration or in any of the Governing Documents, Declarant shall have the exclusive right to appoint and remove all Trustees and Officers during the Declarant Control Period. The phrase "Declarant Control Period" means the period commencing on the date on which this Declaration is recorded, and ending when the Class B Membership ceases and is converted to Class A membership in accordance with the requirements of Section 5.3.

ii. Declarant may voluntarily surrender its right to appoint and remove Officers and Trustees prior to the expiration of the Declarant Control Period, but, in that event, Declarant may require, for the remainder of the Declarant Control Period, that specific actions of the Master Association or the Board, as described in a recorded instrument executed by Declarant, be approved by the Declarant before they become effective.

iii. During the thirty (30)-day period immediately preceding the date on which the Declarant Control Period expires, the Owners shall elect a Board of five (5) Trustees as set forth in Section 6.1 above consisting of Owners or designated representatives of Owners. Any Owner may designate for election multiple representatives to serve, and such representatives may serve, simultaneously on the Management Committee if so elected. Such Trustees shall take office upon election.

iv. No management contract, lease of recreational areas or facilities, or any other contract or lease designed to benefit the Declarant which was executed by or on behalf of the Master Association or the Owners as a group shall be binding after the expiration of the Declarant Control Period unless renewed or ratified by the consent of a Majority of the votes allocated to the Units as provided in Section 5.01(b).

6.4 Removal of Trustees.

i. Trustees appointed by Declarant may be removed, with or without cause, solely by Declarant.

ii. Trustees appointed by a Community Association may be removed, without or without cause, solely by Declarant.

iii. Each Director, other than a Director appointed by Declarant or a Community Association, may be removed, with or without cause, by a sixty-seven percent (67%) or greater vote of the Owners who were entitled to elect such Director.

6.5 Replacement of Trustees.

i. Vacancies on the Board created by the removal, resignation or death of a Director appointed by Declarant shall be filled by a Director appointed by Declarant.

ii. Vacancies on the Board created by the removal, resignation or death of a Director appointed by a Community Association shall be filled by such Community Association.

iii. A vacancy on the Board created by the removal, resignation or death of a Director appointed or elected by the Owners shall be filled by a Director elected by the Owners.

iv. Any Director elected or appointed pursuant to this Section 6.5 shall hold office for the remainder of the unexpired term of the Director that Director replaced.

6.6 Management Committee Liability. No Director shall be liable to the Owners for any mistake in judgment, for negligence, or on other grounds, except for such Director's own individual and willful misconduct or bad faith. The Owners and Association shall indemnify and hold harmless each Director from and against all liability to third parties arising out of any contract made by the Board on behalf of the Association or Owners, unless such contract was made in bad faith or contrary to the provisions of the Act or this Declaration. The liability of an Owner arising out of the foregoing indemnification shall be limited to the total liability concerned multiplied by such Owner's interest in Common Areas.

ARTICLE VII.

COVENANT FOR ASSESSMENTS

7.1 Covenant to Pay Assessment. Each Owner, by acquiring or in any way becoming vested with his interest in a Living Unit or Lot, shall be deemed to covenant and agree to pay to the Master Association the periodic and special assessments described in this Article, together with the hereinafter provided for interest and costs of collection. All such amounts shall be, constitute, and remain: (a) a charge and continuing lien upon the Living Unit and/or Lot with respect to which such assessment is made; and (b) the personal obligation of the person who is the Owner of such Living Unit or Lot at the time the assessment falls due. No Owner may exempt himself or his Living Unit or Lot from liability for payment of assessments by waiver of his rights concerning the Common Areas or by abandonment of his Living Unit or Lot. In a voluntary conveyance of a Living Unit or Lot, the grantee shall be jointly and severally liable with the grantor for all such unpaid assessments, late payment fees, interest and costs of collection, including reasonable attorneys fees, which shall be a charge on the Living Unit or Lot at the time of the conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor.

7.2 Purpose of Assessments. Assessments levied by the Master Association shall be used exclusively for the purpose of promoting the health, safety, and welfare of residents of the Project,

including but not limited to the appearance and aesthetics of the Development. The use made by the Master Association of funds obtained from assessments may include, but is not limited to, payment of the cost of taxes and insurance on the Common Areas; maintenance, repair and improvement of the Common Areas; establishing and funding a reserve to cover major repair or replacement of Improvements within the Common Areas; and any expenses necessary or desirable to enable the Master Association to perform or fulfill its obligations, functions or purposes under this Declaration or its Articles of Incorporation.

7.3 Rate of Assessments. Assessments shall be levied against each Owner, Lot, and Living Unit according to the following schedule:

a. for each Lot, not containing a Living Unit, an amount equal to the total assessment for the applicable period multiplied by a fraction, the numerator of which is one (1) "Assessment Unit" and the denominator of which is the total of all "Assessment Units" for all Lots and Living Units subject to assessments.

b. for each detached Living Unit located upon a Lot, an amount equal to the total assessment for the applicable period multiplied by a fraction, the numerator of which is two (2) "Assessment Units" and the denominator of which is the total of all "Assessment Units" for all Lots and Living Units subject to assessments.

c. for each Living Unit which is attached to one or more other Living Units, whether or not located on a Lot or upon real property owned by a condominium association, an amount equal to the total assessment for the applicable period multiplied by a fraction, the numerator of which is one (1) "Assessment Unit" and the denominator of which is the total of all "Assessment Units" for all Lots and Living Units subject to assessments.

7.4 Amount of Assessments.

(a) Maximum Periodic Assessment. From and after the date set under Section 7.7, each Living Unit and/or Lot which is subject to the terms of this Declaration shall be subject to a periodic assessment of not more than Fifty Dollars (\$50.00) monthly (the "Ceiling") for each "Assessment Unit" as defined in Section 7.3, which Ceiling shall increase each calendar year by ten percent (10%) of the prior year's Ceiling. From and after January 1, 2006, the Ceiling, as adjusted, for the periodic assessment may be increased or decreased so long as the change is assented to by not less than a majority of the Members other than the Declarant (or if the two class voting structure is still in effect as provided herein, a majority of the votes of each Class of Members), present in person or represented by proxy at a meeting duly called for such purposes. Written notice setting forth the purpose of the meeting shall be sent to all Members at least ten (10) but not more than thirty (30) days prior to the meeting date. The Trustees of the Master Association may from time to time and in their discretion set the amount of the periodic assessment at any sum not in excess of the then applicable Ceiling amount.

(b) Reserve for Replacements. 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 the Common Area Facilities. Such reserve shall be initially funded by each purchaser of a Lot or a Living Unit who shall pay to the Association at the time specified in Section 7.7, for deposit into the Common Area Facility Reserve Fund, the sum of One Hundred Dollars (\$100.00) for each Assessment Unit attributable to a Living Unit or Lot, as the case may be. 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.

(c) Prior to the date set forth in Section 7.7, each Owner of a Lot or Living Unit, other than Declarant, shall upon acquisition of such Lot or Living Unit, be obligated to pay to the Association the sum of One Hundred Dollars (\$100.00) for each Assessment Unit attributable to a Lot or Living Unit, as the case may be, as an assessment for the purposes set forth in Section 7.2 for the period of acquisition prior to commencement of the periodic assessments specified in Section 7.7.

7.5 Special Assessments. From and after the date set under Section 7.7, the Master Association may levy special assessments for the purpose of defraying, in whole or in part: (a) any expense or expenses not reasonable capable of being fully paid with funds generated by periodic assessments; or (b) the cost of any construction, reconstruction or unexpectedly required repair or replacement in connection with the Common Areas. Any such special assessments must be assented to by not less than a majority of the Members other than the Declarant (or if the two class voting structure is still in effect as provided herein, a majority of the votes of each Class of Members), present in person or represented by proxy are entitled to cast at a meeting duly called for the purpose. Written notice setting forth the purpose of the meeting shall be sent to all Members at least ten (10) but not more than thirty (30) days prior to the meeting date. Unless specifically allocated to less than all Lots and all Living Units, special assessments shall be allocated among Owners according to the method of allocating assessments as provided for in Section 7.3.

7.6 Reimbursement Assessment on Specific Living Unit or Lot. In addition to the periodic assessment and any special assessment authorized pursuant to Sections 7.4 and 7.5 above, the Board may levy at any time Special Assessments on each Living Unit or Lot, the Owner or occupant of which shall cause any damage to the Common Areas necessitating repairs (the foregoing being sometimes referred to as "Reimbursement Assessment"). The aggregate amount of any such Special Assessments shall be determined by the cost of such improvements, repairs, maintenance or enforcement action, including all overhead and administrative costs and attorney's fees, and shall be allocated among the affected Living Units or Lots according to the special benefit or cause of damage or maintenance or repair work or enforcement action, as the case may be, and such assessment may be made in advance of the performance of work. If a special benefit arises from any Improvement which is part of the general maintenance obligations of the Association, it shall not give rise to a Reimbursement Assessment against the Living Units or Lots benefitted.

7.7 Periodic Assessment Due Dates. The periodic assessments provided for herein shall commence as to a Living Unit or Lot on the first to occur of the following:

- a. except for a contract sale as provided in c. below, on the date a deed is delivered by the Declarant to the purchaser of a Living Unit;
- b. except for a contract sale as provided in c. below, on the date a deed is delivered by the Owner of a Lot (other than Declarant) to a purchaser of the Lot or a Living Unit;
- c. if a sale of a Lot or Living Unit is by way of a contract of sale (by installment payment with a deed to be delivered on payment), then on the date the contract is executed by the parties thereto (excluding sales made by Declarant);
- d. the date of occupancy agreement, or the date the Owner actually takes possession of a Living Unit, whichever first occurs; or
- e. on the date that is the second anniversary of the date of conveyance of the Lot to an Owner, by Declarant.

The first periodic assessment shall be adjusted according to the number of days remaining in the periodic of conveyance, contract or occupancy as the case may be. Thereafter all periodic assessments shall be due and payable as provided by the Board (i.e., monthly, quarterly, semi-annually or annually) . At least fifteen (15) days prior to the effective date of any change in the amount of the monthly assessment, the Association shall give each Owner written notice of the amount and the first due date of the assessment concerned.

7.8 Collection by Association. It is anticipated that with respect to certain or a combination of Lots and/or Parcels within the Project, there will exist a Community Association, authorized to levy assessments for the purpose of administration of the purposes and affairs of such Community Association. Each Community Association shall be, and is hereby authorized to utilize the Community Association for the purposes of collecting from the Owners of such Community Association and enforcing liability for the payment of assessments levied pursuant to this Declaration. Failure of a Community Association to collect or pay assessments shall not excuse any Owner of his or her obligations otherwise contained in this Article VII.

7.9 Effect of Nonpayment of Assessments; Remedies of the Master Association. Each Owner shall pay to the Master Association each and every of the assessments provided for in this Declaration and agrees to the enforcement of all such assessments in the manner herein specified. In addition, a late charge shall be assessed on any assessment not paid within fifteen (15) days after the date on which it becomes due. Such late charge shall be the greater of ten percent (10%) of the delinquent assessment or \$10.00. Any assessment, including late charges and previously accrued interest associated therewith and not paid within thirty (30) days after the assessment becomes due shall thereafter bear interest at an annual percentage rate not to exceed eighteen percent (18%) or the highest rate allowed by law, whichever is less, both before and after judgment. In the event attorneys are employed for collection of any assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, each Owner agrees to pay actual attorneys' fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Owner. In addition to any other remedies herein or by law provided, the Board or its authorized representative, may enforce the

obligations of the Owners to pay the assessments provided for in this Declaration, and each of them, in any manner provided by law or in equity, or without any limitation of the foregoing, by either or both of the following procedures:

a. Enforcement by Suit. The Master Association may commence and maintain a suit at law against any Owner obligated to pay assessments for such delinquent assessments as to which that Owner is personally obligated. Such suit shall be maintained in the name of the Master Association. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon as provided for herein, costs of collection, court costs and reasonable attorneys' fees in such amount as the Court may adjudge against the delinquent Owner. Suit to recover a money judgment for unpaid assessments shall be maintained without foreclosing or waiving the lien provided below.

b. Enforcement by Lien.

i. Grant of Lien. The Owners hereby irrevocably grant, transfer and assign to First American Title Company, Midvale, Utah, and its successors and assigns ("Trustee"), with power of sale and right of entry and possession for the benefit of the Master Association, all of the Owners' Living Unit and/or Lot together with all rights, rents, issues, profits and other interests associated therewith. There is hereby created a claim of lien, with power of sale, on each and every Living Unit and/or Lot to secure payment to the Master Association of any and all assessments levied against such Living Units and/or Lots and its Owners provided for in this Declaration, and all costs of collection which may be paid or incurred by the Master Association in connection therewith, including actual attorneys' fees.

ii. Exercise of Lien Rights. At any time after the occurrence of any delinquency in the payment of any such assessment, the Board or any authorized representative thereof may make a written demand for payment to the delinquent Owner. Said demand shall state the date and amount of the delinquency. Each delinquency shall constitute a separate basis for a demand or claim of lien or a lien, but any number of defaults may be included within a single demand or claim of lien and any demand or claim of lien on account of prior delinquencies shall be deemed to include subsequent delinquencies and amounts due on account thereof. If such delinquency is not paid within ten (10) days after delivery of such demand, the Board or its duly authorized representative may thereafter elect to file and record a claim of lien on behalf of the Master Association against the Living Unit and/or Lot of the defaulting Owner in the Office of the County Recorder of the County. Such claim of lien shall be executed and acknowledged by any officer of the Master Association and shall contain substantially the following information:

1. The name of the record Owner;
2. The legal description of the Living Unit or Lot against which the claim of lien is made.

3. The total amount claimed to be due and owing for the amount of the delinquency, interest thereon, collection costs, and estimated attorneys' fees (with any proper offset allowed);

4. That the claim of lien is made by the Master Association pursuant to this Declaration;

5. That a lien is claimed against said Living Unit and/or Lot in an amount equal to the amount stated, together with all other amounts becoming due from time to time in accordance with this Declaration; and

6. The name and address of the trustee authorized by the Master Association to enforce the lien by sale through non-judicial foreclosure.

Upon recordation of a duly executed original or copy of a claim of lien, the lien claimed therein shall immediately attach and become effective in favor of the Master Association as a lien upon the Living Unit and/or Lot against which such assessment was levied.

iii. Foreclosure of Lien. Any such lien may be foreclosed by appropriate action in a court or in the manner provided under the Governing Laws for the foreclosure of a Mortgage (Deed of Trust) with power of sale, or in any other manner permitted by the Governing Laws. The Board is hereby authorized to appoint its attorney, any officer or trustee of the Master Association, or any title company authorized to do business in the County as trustee for the purpose of conducting such power of sale foreclosure. The lien provided for herein shall be in favor of the Master Association and shall be for the benefit of all other Owners and shall secure payment of all sums set forth in the claim of lien, together with all sums becoming due and payable in accordance with this Declaration after the date of recordation of said claim of lien. The Master Association shall have the power to bid at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any Living Unit and/or Lot. In the event such foreclosure is by action in Court, reasonable attorneys' fees, court costs, title search fees, interest and all other costs and expenses shall be allowed to the extent permitted by the Governing Laws. Each Owner hereby expressly waives any objection to the enforcement and foreclosure of this lien in this manner. Upon the timely curing of any default for which a notice of claim of lien was filed by the Board and the payment of all sums secured by the lien created by the recordation of such claim of lien, the Board shall cause an officer of the Master Association to file and record an appropriate release of such claim of lien in the office of the County Recorder of the County. Notwithstanding anything contained in this Declaration to the contrary, no action may be brought to foreclose the lien created by recordation of a claim of lien, whether judicially, by power of sale, or otherwise, until the expiration of ten (10) days after a copy of said claim of lien, showing the date of recordation thereof has been mailed to the Owner of the Unit Owner described in such claim of lien.

iv. Lien Priority. Such a lien shall have priority over all liens or claims created subsequent to the recordation of this Declaration except for (a) tax liens for real property taxes on any Lot and/or Living Unit; (b) assessments on any Lot and/or Living Unit in favor of any municipal or other governmental assessing unit; and (c) Senior Mortgages.

7.10 Effect of a Sale or Transfer on Assessments. The sale or transfer of any Living Unit or Lot shall not affect any assessment lien created pursuant to the term of this Declaration to secure assessments becoming due whether prior to, on, or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for delinquent assessments as provided for by Section 7.1; provided, however, that the sale or transfer of any Living Unit or Lot pursuant to a judicial foreclosure or foreclosure by power of sale of a Senior Mortgage, or proceeding in lieu of foreclosure of a Senior Mortgage, shall extinguish any assessment lien which has attached and become effective with regard to the Living Unit or Lot being so transferred prior to the time of such sale or transfer, and shall prohibit the recordation of any assessment lien against such Living Unit or Lot on account of assessments which became due prior to the date of such sale or transfer; provided, however, that there shall be a lien on the interests of the purchaser at such sale which shall attach, be created and become effective and be foreclosed in accordance with this Declaration and which shall secure all assessments becoming due after the date of any such sale or transfer. In the event that all or any portion of an assessment is extinguished from a Living Unit or Lot under this Section, the Trustees shall have the right, but not the obligation, to proportionately reallocate all or any portion of that extinguished assessment among the other Living Units or Lots. For the purpose of this Section, a sale or transfer of a Living Unit or Lot shall occur on the date of recordation of a deed or other instrument of title evidencing the conveyance of record title to the Living Unit or Lot. Notwithstanding the extinguishment of any assessment lien by a Senior Mortgage, that extinguishment shall not relieve the Owner originally responsible for the delinquent assessment secured by that lien for the obligation to pay that delinquent assessment to the Master Association. The Master Association shall execute and deliver a separate subordination agreement requested by any lender that holds a Senior Mortgage.

7.11 Tax Collection by County Authorized. It is recognized that under the Declaration the Master Association will own the Common Areas and that it will be obligated to pay property taxes to the County. It is further recognized that each Owner of a Living Unit or a Lot as a Member of the Association will be required to reimburse the Association for his pro rata share of such taxes paid. Notwithstanding anything to the contrary contained in the Declaration, the County shall be authorized to collect such pro rata share of taxes directly from each Owner by inclusion of said share with the tax levied on each Living Unit or Lot.

7.12 Exempt Property. All property in the Project dedicated to and accepted by any public authority and the Common Areas shall be exempt from the assessments created in this Declaration.

7.13 Delivery by Owner. Each Owner shall, as soon as practicable before the transfer of title to a Living Unit, Lot or Parcel, or the execution of a real property sales contract, give to the prospective transferee a copy of this Declaration and copies of the Bylaws and Articles, and a true statement in writing from the Board as to the amount of any delinquent assessments and information

relating to penalties, attorneys' fees and other charges authorized by this Declaration on the applicable property as of the date the statement is issued.

7.14 Delivery of Statement by Board. Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide the Owner, Mortgagee, or prospective purchaser or Mortgagee, of a Living Unit or Lot with a copy of this Declaration and copies of the Bylaws and Articles, together with a true statement in writing as to the amount of any delinquent assessments, penalties, attorneys' fees and other charge authorized by this Declaration on the Living Unit or Lot as of the date of the request. The Board may impose a fee for providing such documents and statement, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

ARTICLE VIII.

DUTIES AND POWERS OF THE MASTER ASSOCIATION AND BOARD

8.1 General Powers of the Master Association. All powers relating to the management, operation and maintenance of the Common Areas shall be vested in the Master Association and in its Board. The Master Association may do any and all other acts and things that a nonprofit corporation is empowered to do, which may be necessary, convenient or desirable in the administration of its affairs for the specific and primary purposes of meeting its duties as set forth in this Declaration. The Master Association, through its Board, shall have the authority to delegate its powers to committees, officers of the Master Association or its employees.

8.2 Contracts of the Master Association. The Master Association shall have the right and power to employ or engage a manager and other employees or agents and contract for such services, labor and materials as the Master Association may deem reasonable or necessary to operate and maintain the Project and the Common Areas, and the Improvements thereon and to discharge its other duties as herein provided.

8.3 Association Rules. The Board shall also have the power to adopt, amend, and repeal such Association Rules and regulations as it deems reasonable. Upon completion of the notice requirements, the Association Rules shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby.

8.4 Entry Onto Parcel. The Master Association and its representatives shall have the right to enter upon any portion of the Project, including a Parcel subject to the terms of a Declaration for a Community Association, to the extent such entry is reasonably justified and necessary in connection with the performance by the Master Association of its duties and responsibilities under this Declaration, including, without limitation, the construction, maintenance or effectuation of emergency repairs for the benefit of the Common Areas, or for any of the Owners within the Project. The Master Association shall indemnify the Owners for any liability or damage arising from such entry.

ARTICLE IX.

INSURANCE

9.1 **Insurance Coverage.** The Master Association shall secure and at all times maintain the following insurance coverage:

a. Policy or policies of fire and casualty insurance, with extended coverage endorsement, for the full insurable replacement value of all Improvements comprising a part of the Common Areas. The name of the insured under each such policy shall be in form and substance similar to: "Sterling Villages Master Association, Inc., for the use and benefit of the individual Members, Owners and Mortgagees, as their interests may appear".

b. A policy or policies insuring the Owners, the Master Association, and its Trustees, officers, agents, and employees against any liability incident to the ownership, use or operation of the Common Areas which may arise among themselves, to the public, and to any invitees or tenants of the Project or of the Owners. Limits of liability under such insurance shall be not less than \$1,000,000 for any one person injured; \$3,000,000 for all persons injured in any one accident; and \$500,000 for property damage resulting from one occurrence. Such policies shall be issued on a comprehensive liability basis and shall provide a cross-liability endorsement pursuant to which the rights of the named insured as between themselves are not prejudiced.

9.2 **Additional Insurance Provisions.** The following additional provisions shall apply with respect to insurance to be obtained by the Master Association:

a. In addition to the insurance described above, the Master Association shall secure and all times maintain insurance against such risks as are or hereafter may be customarily insured against in connection with developments similar to the Project in construction, nature and use.

b. All policies shall be written by a company holding a rating of "AA" or better from Best's Insurance Reports.

c. The Master Association shall have the authority to adjust losses.

d. Insurance secured and maintained by the Master Association shall not be brought into contribution with insurance held by the Community Associations, individual Owners or their mortgagees.

e. Each policy of insurance obtained by the Master Association shall, if reasonably possible, provide: a waiver of the insurer's subrogation rights with respect to the Master Association, the Community Associations, the Owners, and their respective Trustees, officers, agents, employees, invitees, and tenants; that it cannot be canceled, suspended or invalidated due to the conduct of any particular Owner or Owners; that it cannot be canceled, suspended or invalidated due to the conduct of the Master Association, the Community

Associations, or of any director, officer, agent or employee of the such Associations without a prior written demand that the defect be cured; 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 Owners.

ARTICLE X.

DAMAGE AND DESTRUCTION AFFECTING COMMON AREAS

10.1 If all or any portion of the Common Areas or Common Area Facilities is damaged or destroyed by fire, or other casualty, the Master Association shall be required and is hereby authorized to take any and all action to repair or rebuild the damaged portions or to cause the damaged portions to be repaired or rebuilt; provided, however in the event that sixty percent (60%) of the Members in attendance in person or by proxy at an authorized meeting of the Members vote not to repair or rebuild the damaged portions, the Master Association shall be relieved of such obligation.

ARTICLE XI.

EMINENT DOMAIN

11.1 The term "taking" as used in this Article shall mean condemnation by eminent domain or sale under threat of condemnation. In the event of a threatened taking of all or any portion of the Common Areas or the Improvements thereon, the Owners hereby appoint the Board and such persons as the Board may delegate to represent all of the Owners in connection with the taking. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemner in lieu of engaging in a condemnation action. Any awards received on account of the taking shall be paid to the Master Association and either held as prepaid assessments of the Owners or disbursed proportionately to the Owners, in accordance with the same percentages that assessments are allocated to the Owners. The rights of an Owner and the holder of a Senior Mortgage on any Living Unit or Lot as to such pro rata distribution shall be governed by the provisions of the Senior Mortgage encumbering such Living Unit and/or Lot.

ARTICLE XII.

USE RESTRICTIONS

12.1. Use of Common Areas and Limited Common Areas. The Common Areas and the Limited Common Areas shall be used only in a manner consistent with their community nature and with the use restrictions applicable to Lots and Living Units.

12.2. Use of Lots and Living Units. All Lots and Parcels (excluding the Park Parcels) are intended to be improved with Living Units and are restricted to such use. No gainful occupation, profession, trade or other non-residential use shall be conducted on any Lot or Living Unit which invites or requires customer traffic unless approved by the Association and consistent with applicable governmental requirements of, if applicable, a Community Association Declaration. Each Living Unit shall be used only as a single-family residence. No Lot or Living Unit shall be used, occupied, or altered in violation of law, so as to jeopardize the support of any other Living Unit, so as to create a nuisance or interfere with the rights of any Owner, or in a way which would result in an increase in the cost of any insurance covering the Common Areas or Limited Common Areas.

12.3. Building Features and Materials. Each Living Unit located within the Project shall be subject to the conditions and requirements of this Section 12.3, the Governing Documents (including the Development Agreement between Declarant and the City), and all applicable governmental regulations; further provided, however, in the event that a Community Association has adopted its own building restrictions as part of its Community Declaration which are in compliance with all applicable Governing Laws, the provisions of such Community Declaration shall control in the event of any inconsistencies between them.

(a) Exterior Building Wall Materials. The exterior surface of the Living Units and any permitted accessory buildings located on the same Lots, shall be constructed of brick, stone, stucco, cultured bricks, stone and other materials approved by the Architectural Control Committee (the "Approved Materials").

(b) Accessory Structures. Patio structures, trellises, sunshades, gazebos and any other appurtenant buildings shall be constructed of materials consistent with the colors, textures and materials approved for the Living Unit and shall be integral to the architecture of the house and subject to the approval of the Architectural Control Committee.

(c) Chimneys. Chimneys of approved exterior materials may not exceed the height required by appropriate governmental agencies.

(d) Mailboxes. Mailboxes shall be provided and maintained by each Owner, unless the Declarant is required by the United States Post Office to install the same. Mailbox location, height, design and color will be subject to the approval of the United States Post Office.

(e) Fences and Walls. All fences that an Owner may elect to install upon a Lot shall be as approved by the Architectural Control Committee.

(f) Paving. Driveway and other flat paved areas may be concrete, exposed aggregate concrete, stamped concrete, quarry tile, brick or paving blocks. Gravel areas and asphalt are not permitted. The size and location of all driveways are subject to approval of the Architectural Control Committee.

(g) Solar Equipment. Solar panels are subject to the approval of the Architectural Control Committee.

(h) Antennas. All antennas are restricted to the attic or interior of the residence. Satellite dish antennas shall be allowed provided they are screened from view and their location is approved by the Architectural Control Committee.

(i) Pools, Spas, Fountains, Gamecourts. Pools, spas, fountains and gamecourts shall be approved by the Architectural Control Committee and shall be located to avoid impacting adjacent properties with light or sound. No gamecourt shall be located in front or side yards. Pool heaters and pumps must be screened from view and sound insulated from neighboring houses. Nothing herein shall be construed as permitting the construction of skateboard areas and/or ramps, which structures shall be prohibited.

(j) Mechanical Equipment. All air conditioning, heating equipment, swamp coolers and soft water tanks must be screened from view, unless approved to the contrary by the Architectural Control Committee.

(k) Landscape Site Preparation Guidelines. All demolition, clearing, grubbing, stripping of soil, excavation, compaction and grading must be performed within the confines of a Lot. Prior to occupancy of a Living Unit upon a Lot but not later than six (6) months thereafter, if occupancy occurs during the winter months, the front yard of each Lot to the face of each side yard fence and any side yard facing a public street or common area shall contain a fully functioning sprinkler irrigation system and shall be landscaped as approved by the Architectural Control Committee and the City.

(l) County and Other Approval. Approval of any improvements by the Architectural Control Committee does not waive the requirement for any other required public agency review or permit approval process. By approving plans, the Architectural Control Committee takes no responsibility for plan conformity to any other criteria other than the requirements of this Declaration and any Architectural Guidelines.

12.4. Recreational Vehicles. No boats, trailers, large trucks and commercial vehicles (herein "Recreation Vehicles") belonging to Owners or other residents of the Property shall be parked on the front yard of any Lot or upon the public streets within the Development, except temporary parking upon public streets not to exceed eight (8) hours and except upon an approved paved pad to the rear of a side yard fence, but not on a side yard next to a public or private street. No motor vehicle of any kind shall be repaired, constructed or reconstructed upon any Lot, except that these restrictions shall not apply to emergency repairs to vehicles or repairs made within an enclosed garage.

12.5. Pets. No animals other than two (2) household pets shall be kept or allowed on any Lot, or in any Living Unit. In further explanation of the foregoing, pets in excess of fifty (50) pounds shall not be deemed household pets and shall not be permitted in the Project. Whenever a pet is allowed to leave a Lot, it shall be kept on a lease or in a cage. No animals may be bred for commercial purposes. No pets shall be allowed to make an unreasonable amount of noise or otherwise become a nuisance. The exterior structure for the care, housing or confinement of any such pets shall be maintained by Owner and approved by the Architectural Control Committee. Any Owner or other resident within the Development who violates this Section shall be subject to such

penalties or fines as the Board by resolution or as regulation may provide. Nothing herein shall preclude a Community Association from adopting more restrictive requirements.

12.6. Insurance. No use shall be made of any Living Unit which shall cause the improvements within the Development or any part thereof to be uninsurable against loss by fire or other perils included in insurance contracts, or cause such insurance to be canceled or suspended, or cause any company issuing such insurance to refuse renewal thereof. Each Owner shall be responsible for securing insurance presently known as homeowners special form coverage (Form 3, or better).

12.7. Machinery and Equipment. No machinery or equipment of any kind shall be placed, used, operated or maintained in or adjacent to any Lot except such machinery or equipment as is usual and customary in connection with the use, maintenance or construction of a Living Unit or appurtenant structures or the furtherance of hobbies (but not commercial businesses), as approved by the Architectural Control Committee.

12.8. Maintenance and Repair. No Living Unit, building, structure (including interiors thereof), or landscaping upon any Lot shall be permitted to fall into disrepair and, subject to the requirements herein as to approval by the Architectural Control Committee, each such building, structure, or landscaping at all times shall be kept in good condition and as appropriate, adequately painted or otherwise finished by its Owner. Such obligation shall extend, but shall not be limited to, the painting, repair, replacement and care of roofs, gutters, down spouts, and exterior building surfaces.

12.9. Nuisances. No rubbish or debris of any kind shall be placed or permitted by an Owner upon or adjacent to any Lots, so as to render such Lot or portion thereof unsanitary, unsightly, offensive, or detrimental to other Owners. No Living Unit or Lot shall be used in such manner as to obstruct or interfere with the enjoyment of occupants of other Living Units or Lots. Without any of the foregoing, no exterior speakers, horns, whistles, bells or other sound devices (except security devices used exclusively for security purposes) shall be located or placed on Lots or in Living Units.

12.10. Right of Entry. During reasonable hours, any member of the Architectural Control Committee or any member of the Board, or any officer or authorized representative of any of them, shall have the right to enter upon and inspect any building site or Lot, and the improvements thereof (including a Living Unit), to ascertain whether or not the provisions of this Declaration and the rules and regulations of the Board or of the Association have been or are being complied with.

12.11. Signs. No signs whatsoever (including, without limitation, political signs) shall be erected or maintained on any Lot, except:

- a. Such signs as may be required by legal proceedings.
- b. Construction identification signs of a combined total face area of four hundred thirty-two (432) square inches or less for each Living Unit.

c. A "For Sale" or "For Rent" sign, to the extent permitted by the Architectural Control Committee.

d. Other signs approved in advance by the Architectural Control Committee.

12.12. Trash Containers and Collection. All garbage and trash shall be placed and kept in covered containers of a type and style which shall be approved by the Architectural Control Committee or the City. Insofar as possible, such containers shall be maintained as not to be visible from neighboring Lots except to make them available for collection and then only for the shortest time necessary to effect such collection. Each Owner must at all times and at this expense provide garbage cans, unless the same are provided by the City.

12.13. Restrictions Regarding Basements. Subsurface conditions of Lots located within the Project may preclude the construction of basements or the installation of special equipment to accommodate what may be considered typical requirements for construction. Each Owner shall be expected to confirm, at his own risk, whether or not a Lot is suitable for basement or subsurface construction or whether or not an underground water drainage system is available to such Lot. If said drainage system exists, Owner must connect to the system.

12.14. Enforcement of Land Use Restrictions. The following persons shall have the right to exercise or seek any remedy at law or in equity to enforce strict compliance with this Declaration:

- a. Declarant, so long as it has any interest in any of the Property;
- b. Any Owner;
- c. The Master Association; or
- d. A Community Association.

The prevailing party in an action for the enforcement of any provisions of this Declaration shall be entitled to collect court costs and reasonable attorney's fees.

12.15. Exception for Declarant. Notwithstanding the restrictions contained in this Article XII, for the seven (7) years following the date on which this Declaration is filed for record in the office of the County Recorder of Salt Lake County, Utah, Declarant (and those builders that Declarant authorizes in writing) shall have the right to use any Lot or Living Unit owned by it (or such authorized builder), 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/or sale of all Lots and Living Units owned by the Declarant (or such authorized builder).

12.16. Community Association Restrictions. Nothing in this Article XII shall restrict any Community Association from adopting more restrictive requirements than those imposed in Sections 12.5, 12.6, 12.8, or 12.12.

ARTICLE XIII.

ARCHITECTURAL CONTROL

13.1. Architectural Control Committee. The Board of Trustees of the Association shall appoint a Committee of not less than three (3) and not more than five (5) members, the function of which shall be to insure that all improvements and landscaping within the Project harmonize with existing surroundings and structures. The Committee need not be composed of Owners. If such a Committee is not appointed the Board itself shall perform the duties required of the Committee.

13.2. Submission to Committee. No Living Unit, accessory building or structure or addition to a Living Unit and no landscape additions and changes shall be constructed or maintained, and no alteration, repainting, or refurbishing of the exterior of any Living Unit, nor of any court enclosure, except as herein otherwise mentioned, shall be performed which is inconsistent with the terms of this Declaration and where otherwise required, unless approved by the Committee. Notwithstanding the foregoing, in the event a Community Association has adopted its own Declaration which establishes an Architectural Control Committee which has the power and authority to review plans and specifications within the separate Community, approval by such Community Association shall be deemed approval by the Master Association Committee; provided that such Committee has also imposed the requirements established by this Declaration.

13.3. Standard. In deciding whether to approve or disapprove of specific requests submitted to it, the Committee shall use its best judgment to insure that all improvements, construction, landscaping and alterations on Lots within the Property conform to and harmonize with existing surroundings and structures and that such proposed improvements enhance the value and aesthetics of the Project.

13.4. Approval Procedure. Any requests, plans and/or specifications submitted to the Committee shall be submitted in triplicate. Upon completion of each review, one set of requests and/or plans will be retained by the Association, one set will be retained by the reviewing architect (if any) and the remaining set of plans will be returned to the property owner.

All requests, plans and/or specifications submitted shall be approved or disapproved by it in writing within thirty (30) days after submission. In the event the Committee fails to take any action within such period it shall be deemed to have approved the material submitted.

13.5. Address for Submittal. Requests, plans and/or specifications for the construction and installation of any and all improvements within the Project which are required to be approved in accordance with this Declaration shall be submitted and approved by the Architectural Control Committee (prior to submittal to any required governmental agency) at the following address:

Sterling Villages Homeowners' Association
c/o Jeffrey Duke
6925 South Union Park Ave., Suite 355
Salt Lake City, Utah 84047

The Board of Trustees of the Master Association has the authority to change the address for the submittal of plans and specifications.

13.6. Construction and Landscaping Obligations.

(a) Once begun, any improvements, construction, landscaping, or alterations approved by the Committee (Master or Community) shall be diligently prosecuted to completion as follows:

(i) The exterior construction of all structures on any Lot shall be completed within a period of one (1) year following commencement of construction.

(ii) The front yard of each Lot to side yard fences shall be landscaped prior to occupancy of the Living Unit, but not later than six (6) months thereafter, if occupancy occurs during the winter months..

(iii) Side and rear yards shall be landscaped within a period of one (1) year following occupancy of each Living Unit.

(b) Owners and builders shall clean up all trash and debris on the construction site at the end of each week. Trash and debris shall be removed from each construction site at least once a week to a dumping location off-site of the development. Lightweight material, packaging and other items shall be covered or weighted down to prevent wind from blowing such materials off the construction site. Owners and builders are prohibited from dumping, burying or burning trash anywhere on the lot. Owners and builders shall take reasonable measures to control dust and mud emanating from their Lot. During the construction period, each construction site shall be kept neat and shall be promptly removed from public or private roads, open spaces and driveways.

(c) Each property owner and builder shall be responsible for providing adequate sanitary facilities for his construction personnel. Portable toilets or similar temporary toilet facilities shall be located only on the site itself or in areas approved by the Architectural Control Committee.

13.7. Liability for Damages. The Committee shall not be held liable for damages by reason of any action, inaction, approval, or disapproval by it with respect to any request made pursuant to this Article XIII.

13.8. Exception for Declarant. The foregoing provisions of this Article XIII shall not apply to any improvement, construction, landscaping, or alteration which is carried out by Declarant on any Lot or on any part of the Common Areas, or Limited Common Areas, and which occurs at any time during the ten (10) year period following the date on which this Declaration is filed for record in the office of the County Recorder of Salt Lake County, Utah.

ARTICLE XIV.

NOTICES

14.1 In each instance in which notice is to be given to an Owner, the same shall be in writing and may be delivered personally or such notice may be delivered by United States mail, certified or registered, postage prepaid, return receipt requested, addressed to the Owner at the most recent address furnished by the Owner in writing for the purpose of giving notice, or if no such address shall have been furnished, then to the street address of such Living Unit or Lot, and any notice so deposited in the mail within the County shall be deemed delivered forty-eight (48) hours after such deposit. Any notice to be given to the Master Association may be delivered personally to any Trustee of the Board or delivered in such other manner as may be authorized by the Master Association. Any notice to be given to the Master Association shall be delivered by the United States mail, certified or registered, postage prepaid, return receipt requested, and any notice so deposited in the mail within the County shall be deemed delivered forty-eight (48) hours after such deposit.

ARTICLE XV.

RIGHTS OF LENDERS

Notwithstanding any provisions to the contrary as may be provided elsewhere in this Declaration, Lenders shall have the following rights:

15.1 Notice to Institutional Holders of Default. Any Institutional Holder of any Mortgage on a Living Unit and/or Lot shall be entitled to receive, upon written request to the Master Association, written notification from the Master Association of any default by the Owner (trustor) of such Living Unit or Lot in the performance of such Owner's obligations under the Declaration or the Articles or Bylaws which is not cured within thirty (30) days from the date of such default.

15.2 Assessments on Foreclosure. Any Institutional Holder of any Senior Mortgage who obtains title to a Living Unit or Lot pursuant to the remedies provided in the Mortgage (but exclusive of a deed in lieu of foreclosure), or through foreclosure of the Senior Mortgage, shall not be liable for any claims for unpaid assessments or charges against such Living Unit or Lot which accrued prior to the acquisition of title to such Living Unit or Lot by the Institutional Holder of the Senior Mortgage.

15.3 Rights of Institutional Holders. All Institutional Holders of Mortgages on individual Living Units and/or Lots shall, upon written request to the Master Association, be entitled to:

- a. Inspect the books and records of the Master Association during normal business hours;
- b. Receive an annual financial statement of the Master Association within ninety (90) days provided, however, that such statements shall be made available only if they have

been prepared by the Master Association in the regular course of business, following the end of any fiscal year of the Master Association and the Master Association may charge a reasonable fee for providing the same; and

c. Receive written notice of all meetings of the Members of the Master Association and shall be entitled to designate a representative to attend to all such meetings.

15.4 Payment of Taxes and Insurance Premiums. Institutional Holders of Mortgages on Living Units and/or Lots within the Project may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge or lien against any Common Areas, if any, and may pay overdue premiums on hazard insurance policies or secure hazard insurance coverage upon the lapse of a policy for any Common Area property and the Institutional Holders making such payments shall be owed immediate reimbursement therefor from the Master Association.

15.5 Priority on Distribution of Proceeds. No Owner or any other party shall have priority over any rights of Institutional Holders of Mortgages upon individual Living Units and/or Lots pursuant to their Mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of all or any portion of the Common Areas and/or the individual Living Units and/or Lots.

15.6 Notice of Destruction or Taking. In the event that any Common Areas, or portions thereof, or Improvements thereon, are substantially damaged or destroyed, or are made the subject of any condemnation proceeding in eminent domain or are otherwise sought to be acquired by a condemning authority, the Master Association shall promptly notify all Institutional Holders of Mortgages affected by such destruction, taking or threatened action.

15.7 Mortgage Protection Clause. No breach of the covenants, conditions or restrictions herein contained, nor any lien created hereby, shall defeat or render invalid the lien of any Senior Mortgage made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise.

15.8 Conflicts. In the event of any conflicts between any of the provisions of this Article and any other provisions of the Declaration, the provisions of this Article shall control.

ARTICLE XVI.

FINANCIAL STATEMENTS

16.1 The Master Association shall prepare budgets and financial statements of a type and at times determined by the Board.

ARTICLE XVII.

DEVELOPMENT AND MAINTENANCE OBLIGATIONS

17.1 Governing Documents. The Parties shall take all actions and pay all costs necessary to perform all of their respective obligations under the Governing Documents except to the extent modified under this Declaration. None of the Governing Documents shall be amended without the approval of the Declarant and the Board. Declarant shall not pass Declarant's obligations under the Governing Documents on to the Community Association Owners or any other person or entity without the prior written consent of the Board; provided, however nothing herein shall eliminate the Community Associations or the Owners from their obligation to pay for services and utilities which may be provided under such Governing Documents.

This Article is not intended to restate the obligations of Declarant or the Owners under the Governing Documents but rather is intended to (a) elaborate upon or clarify certain matters not otherwise set forth in the Governing Documents; and (b) restate certain maintenance obligations that must continue beyond the time that the Governing Document in which they are set forth will otherwise expire.

17.2 Consent for Governmental Action. Each Owner and Member acknowledges that under the terms and conditions of this Declaration, the Master Association has continuing obligations to Owners and the community in which it is a part, including but not limited to the operation and maintenance of Common Areas for the benefit of all Owners and Members of the Master Association, and that in order to fulfill such purposes and obligations the Master Association will make assessments to Owners as provided in this Declaration. The City has given its consent for development of the Entire Tract partly in reliance on and with the expectation that the Master Association will perform its obligations under the terms and conditions of this Declaration and that the Owners will ensure that the same occurs. Nevertheless, in the event the Master Association fails and/or refuses to maintain the Common Areas for any reason, including but not limited to the dissolution of the Master Association, and in the event that such Common Areas are not conveyed to a Governmental Entity, Community Association or other party who becomes legally obligated to maintain such Common Areas and in fact performs such obligations, and in the further event that such failures continue after reasonable written notice to the Master Association, or its successors or assigns, the City shall have the right to organize, form, create, operate, and maintain a special service district, special improvement district, or similar taxing district (herein "District") charged with (i) the obligation to operate, maintain, repair and replace the Common Areas, and (ii) such other obligations under this Declaration that should be performed for the benefit of the Owners and the Entire Tract which the City deems reasonably necessary, and each such Owner and Member shall be deemed to have consented to the organization, formation, creation, operation, and maintenance of the District and the imposition of taxes for funding and operation of such District.

17.3 Obligation to Convert to Pressurized Irrigation. Each Owner and Member acknowledges that the City has required that the Project's irrigation systems shall be connected to a pressurized, secondary water system, at such time as such a system is available to the Project. At the time of initial development, the irrigation systems were connected to the culinary water system because the City did not have a secondary system available for connection. Consequently, the

Master Association, or in the alternative a Community Association for the area covered by such sub-association, shall have an obligation to convert to and pay for the conversion of the Master Association's and/or Community Association's irrigation systems from culinary water to secondary water and such conversion and the connection to the City's secondary water system shall occur upon such terms and conditions as the City shall reasonably require. Thereafter the Master Association and/or the Community Associations, as applicable, shall maintain and operate the secondary water systems according to the requirements of the City and pay all fees and costs attributable thereto. The Declarant and each building contractor of any Living Unit shall have no obligation or responsibility for the costs and expenses associated with the future conversion of the irrigation systems to secondary water as required by the City and as anticipated herein; provided, however, that nothing herein shall preclude the Master Association or, if applicable, a Community Association from making its regular and/or special assessments upon all Lots to cover the costs and expenses of connection as provided herein.

ARTICLE XVIII.

GENERAL PROVISIONS

18.1 Indemnifications.

a. General. Except to the extent caused by the negligence or intentional misconduct of any indemnified Party hereunder, the Parties hereby indemnify and hold each other harmless from and against all claims, liabilities and expenses (including attorneys' fees) arising out of (a) their respective Project Zones and/or Community Associations; (b) their breach of this Declaration or any of the other Governing Documents; and (c) their negligence or intentional misconduct. All indemnifications under this Declaration shall survive the termination of this Declaration with respect to matters arising out of circumstances existing prior to such termination.

b. Master Association. To the fullest extent allowed by the Governing Laws, the Master Association shall indemnify and hold harmless, and the Members and owners shall release, all Trustees and officers of the Master Association, the Board and their respective committees from any and all liabilities, claims and expenses (including attorneys' fees) associated with the performance of their duties on behalf of the Master Association, the Board or their respective committees to the extent that the actions or omissions of those individuals are in good faith and without intentional or criminal misconduct or fraud.

18.2 No Discriminatory Restrictions. No Party shall execute or cause to be recorded any instrument or take or omit to take any action that imposes a restriction upon the use, sale, lease or occupancy of all or any portion of that Owner's Project Zone or any other area in the Project or Community Associations on the basis of race, sex, sexual preference, marital status, national ancestry, color, religion or age.

18.3 Severability. Should any of the covenants contained in this Declaration be void or be or become unenforceable in law or in equity, the remaining portions of this Declaration shall, nevertheless, be and remain in full force and effect.

18.4 Term. Subject to the limitations set forth in this Section 18.4, this Declaration and the covenants herein contained shall be in effect until December 31, 2075 and shall automatically be extended for successive periods of 20 years unless within 6 months prior to the expiration of the initial term or any 20 year renewal period a written agreement executed by all of the then Members shall be placed on record in the Office of the County Recorder of the County by the terms of which agreement the effectiveness of this Declaration is terminated or the covenants herein contained are extinguished in whole or in part as to all or any part of the property then subject thereto.

18.5 Amendments. Subject to the rights of lenders as set forth in Article XV, this Declaration may be amended only as follows:

- a. By the affirmative vote of not less than two-thirds of all Class A Membership votes which Members present in person or represented by proxy are entitled to cast at a meeting duly called for such purpose; and
- b. So long as Class B Memberships exist, the written consent of Declarant.

Written notice setting forth the purpose of the meeting and the substance of the amendment proposed shall be sent to all Members at least seven (7) but not more than thirty (30) days prior to the meeting date. The quorum required for any such meeting shall be as follows: At the first meeting called the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of the Class A Membership shall constitute a quorum. If a quorum is not present at the first meeting or any subsequent meeting, another meeting may be called (subject to the notice requirements set forth in the foregoing portion of this Section 18.5) at which a quorum shall be one-half of the quorum which was required at the immediately preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the immediately preceding meeting. Any amendment authorized pursuant to this Section 18.5 shall be accomplished through the recordation of an instrument executed by the Master Association (and by the Developer if the Class B Membership then exists). In such instrument an officer or director of the Master Association shall certify that the vote required by the Section 18.5 for amendment has occurred.

18.6 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of the Project and for the maintenance of the Maintenance Areas. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. No rule of strict interpretation shall be applied against any Party.

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

18.8 Nuisance. The result of every act or omission, whereby any provision, condition, restriction, covenant, easement or reservation contained in this Declaration is violated in whole or

in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result, and may be exercised by the Declarant, Board, the Master Association, or any other Owner. Such remedy shall be deemed cumulative and not exclusive.

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

18.10 Attorneys' Fees. In the event of any controversy or claim respecting this Declaration or the Governing Documents, or in connection with the enforcement of this Declaration or the Governing Documents, the prevailing parties shall be entitled to be reimbursed for reasonable expenses (including attorneys' fees) and damages that they may incur.

18.11 Performance. Each Party, person and/or entity governed and affected by this Declaration shall perform its respective obligations under this Declaration in a manner that will not unreasonably or materially delay, disrupt or inconvenience any other Party, person and/or entity governed and affected by this Declaration, the development of any portion of the Project or the issuance of certificates of occupancy or other approvals associated therewith.

18.12 Assignability. The Parties shall not assign, convey, encumber or otherwise transfer their respective obligations under this Declaration separate from their respective interests in the Project.

18.13 No Third Party Rights. The obligations of the Parties set forth in this Declaration shall not create any rights in or obligations to any other persons or entities other than the Parties.

18.14 No Waiver. Any Party's failure to enforce any provision of the Declaration shall not constitute a waiver of the right to enforce such provision. The provisions may be waived only in a writing by the party intended to be benefitted by the provisions, and a waiver by a Party of a breach hereunder by the other Party shall not be construed as a waiver of any succeeding breach of the same or other provisions.

18.15 Time of Essence. Time is expressly made of the essence with respect to the performance of each and every obligation hereunder.

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

18.17 Cooperation. The Parties shall cooperate together, take such additional actions, sign such additional documentation and provide such additional information as reasonably necessary to accomplish the objectives set forth herein.

18.18 No Relationship. Nothing in this Declaration shall be construed to create any partnership, joint venture or fiduciary relationship between the Parties.

18.19 Consents and Approvals. Except as expressly stated in this Declaration, the consent, approval, permit, license or other authorization of any Party shall not be unreasonably withheld, conditioned or delayed. In the event that a party requests in writing the approval or consent of another party, the Board or the Master Association on any matter associated with the Declaration and the requesting Party does not receive a written disapproval within thirty (30) days following the date of such request, the non-responding Party's silence shall be deemed to be the non-responding Party's consent to, or approval of, the matter requested by the Party making the request. No consent, approval or authorization, or the absence thereof, by any Party shall make the Party liable in any manner for the matter subject to that consent, approval or authorization or the consequences thereof.

18.20 Exhibits. All Exhibits attached hereto and hereby made a part hereof.

18.21 Recitals. The recitals are incorporated into this Declaration.

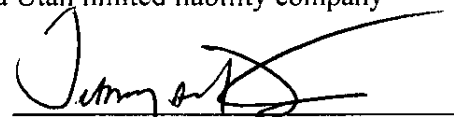
18.22 The Declaration. By acceptance of a deed or by acquiring any ownership interest in any of the real property included within this Declaration, each person or entity, for himself or itself, his heirs, personal representatives, successors, transferee and assigns, binds himself, his heirs, personal representatives, successors, transferee and assigns, to all of the provisions, restrictions, covenants, conditions, rules and regulations now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the improvement and development of the real property covered hereby, and hereby evidences his intent that all the restrictions, conditions, covenants, rules and regulations contained herein shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, and transferee thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the various subsequent and future Owners.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereto set its hand.

"Declarant"

CASTLEWOOD-STERLING VILLAGE I,
LLC, a Utah limited liability company

By:

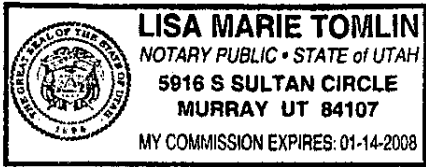


Jeffrey Duke, Manager

DECLARANT'S ACKNOWLEDGMENT

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

On the 27 day of March, 2005, personally appeared before me Jeffrey Duke, who being by me duly sworn, did say that he is the Manager of Castlewood-Sterling Village I, LLC, a Utah limited liability company, and that said instrument was duly authorized by the limited liability company at a lawful meeting held by authority of its operating agreement and signed in behalf of said limited liability company.



Lisa Marie Tomlin

NOTARY PUBLIC

EXHIBIT "A"

ENTIRE TRACT PROPERTY DESCRIPTION

Exhibit "A"

Parcel 3, STERLING VILLAGE PARCEL PLAT, according to the Official Plat thereof, on file and of record in the Salt Lake County Recorder's Office.

Together with the appurtenant rights as contained in that certain Declaration of Reciprocal Easements and Covenants, recorded May 15, 1997, as Entry No. 6645584, in Book 7667, at Page 2134 of Official Records.

EXHIBIT "B"
PARCEL DESCRIPTION

Exhibit "B"

Villas at Sterling Village

Beginning at a boundary corner of Parcel 1 of the Sterling Village Parcel Plat as recorded in the Office of the Salt Lake County Recorder as Entry No. 6570033, in Book 97-2p at Page 31, same said point of beginning being S89°41'55"W along the Section Line 1229.70 feet and South 51.99 feet from the North Quarter Corner of Section 24, Township 3 South, Range 1 West, Salt Lake Base and Meridian; and running thence along the boundary line of Parcel 1 the following 8 courses: S34°23'42"E 51.91 feet; thence Southwesterly 61.12 feet along the arc of a 235.50 foot radius curve the left chord bears S48°10'12"W 60.95 feet; thence 35.97 feet along the arc of a 114.50 foot radius curve to the right chord bears S49°44'02"W 35.82 feet; thence South 680.62 feet; thence East 172.88 feet; thence North 102.00 feet; thence East 296.32 feet to a point on a boundary line of Parcel 1; thence leaving the boundary line of Parcel 1 and running the following 4 courses: South 301.41 feet; thence S07°42'07"W 71.37 feet; thence S19°46'30"W 116.79 feet; thence S22°48'35"W 135.29 feet to a boundary line of Parcel 3 of same said same said Sterling Village Parcel Plat; thence along the boundary line of said Parcel 3 the following 10 courses: S89°29'00"W 598.46 feet; thence North 30.00 feet; thence S89°29'00"W 130.14 feet; thence North 74.38 feet; thence N07°17'03"E 60.72 feet; thence N45°00'00"W 44.24 feet; thence N07°17'03"E 291.40 feet; thence N02°14'35"E 235.32 feet; thence N02°34'30"E 392.12 feet; thence N03°36'28"E 19.28 feet; thence leaving the Westerly boundary line of Parcel 3 of the Sterling Village Parcel Plat and running Easterly the following 13 courses: S75°12'46"E 103.15 feet; thence Northeasterly 39.46 feet along the arc of a 114.00 foot radius curve to the right chord bears N19°15'53"E 39.26 feet; thence Northwesterly 24.11 feet along the arc of an 18.00 foot radius curve to the left chord bears N09°11'13"W 22.35 feet; thence N45°11'21"E 40.12 feet; thence Southeasterly 26.31 feet along the arc of a 22.00 foot radius curve to the left chord bears S81°49'01"E 24.77 feet; thence Northeasterly 32.15 feet along the arc of a 114.00 radius curve to the right chord bears N71°59'59"E 32.04 feet; thence N80°04'43"E 55.04 feet; thence Northeasterly 89.27 feet along the arc of a 159.00 foot radius curve to the left chord bears N63°59'40"E 88.10 feet; thence Northwesterly 26.73 feet along the arc of a 22.00 foot radius curve to the left chord bears N13°06'27"E 25.11 feet; thence N68°18'17"E 4.00 feet; thence N21°41'43"W 2.63 feet; thence Northwesterly 15.71 feet along the arc of a 126.00 foot radius curve to the right chord bears N18°07'22"W 15.70 feet; thence N75°27'00"E 34.50 feet to the point of beginning.

Contains 15.16 acres

EXHIBIT "C"

ADDITIONAL LAND REAL PROPERTY DESCRIPTION

Exhibit "C"

Gables at Sterling Village

Beginning at a boundary corner of Parcel 1 of the Sterling Village Parcel Plat as recorded in the Office of the Salt Lake County Recorder as Entry No. 6570033, in Book 97-2P at Page 31, same said point of beginning being S89°41'55"W along the Section Line 1229.70 feet and South 51.99 feet from the North Quarter Corner of Section 24, Township 3 South, Range 1 West, Salt Lake Base and Meridian; and running thence S75°27'00"W 34.50 feet; thence Southeasterly 15.71 feet along the arc of a 126.00 foot radius curve to the left chord bears S18°07'22"E 15.70 feet; thence S21°41'43"E 2.63 feet; thence S68°18'17"W 4.00 feet; thence Southwesterly 26.73 feet along the arc of a 22.00 foot radius curve to the right chord bears S13°06'27"W 25.11 feet; thence Southwesterly 89.27 feet along the arc of a 159.00 foot radius curve to the right chord bears S63°59'40"W 88.10 feet; thence S80°04'43"W 55.04 feet; thence 32.15 feet along the arc of a 114.00 foot radius curve to the left chord bears S71°59'59"W 32.04 feet; thence Northwesterly 26.31 feet along the arc of a 22.00 foot radius curve to the right chord bears N81°49'01"W 24.77 feet; thence S45°11'21"W 40.12 feet; thence Southeasterly 24.11 feet along the arc of an 18.00 foot radius curve to the right chord bears S09°11'13"E 22.35 feet; thence 39.46 feet along the arc of a 114.00 foot radius curve to the left, chord bears S19°15'53"W 39.26 feet; thence N75°12'46"W 103.15 feet; thence N75°12'05"W 147.81 feet; thence N03°36'28"E 214.55 feet; thence N00°18'05"W 405.73 feet; thence S82°07'32"E 485.32 feet; thence S07°31'24"E 104.77 feet; thence South 319.72 feet to the point of beginning.

Contains 6.56 Acres

Apartments at Sterling Village

Beginning at the Northeast Boundary Corner of Parcel 3 of the Sterling Village Parcel Plat as recorded in the Office of the Salt Lake County Recorder as Entry No. 6570033, in Book 97-2P at Page 31, same said point of beginning being S89°41'55"W along the Section Line 374.12 feet from the North Quarter Corner of Section 24, Township 3 South, Range 1 West, Salt Lake Base and Meridian; and running thence along the boundary line of said Parcel 3 the following 5 courses: thence S05°18'15"W 1500.98 feet; thence S89°48'53"W 352.27 feet; thence South 5.81 feet; thence S89°59'45"W 36.87 feet; thence N01°16'56"W 153.05 feet; thence N22°48'35"E 135.29 feet; thence N19°46'30"E 116.79 feet; thence N07°42'07"E 71.37 feet; thence North 301.41 feet to the boundary line of said Parcel 3; thence along the boundary line of said Parcel 3 the following 11 courses: thence East 21.03 feet; thence Northeasterly 30.69 feet along the arc of a 185.50 foot radius curve to the right, chord bears N18°08'40"E 30.66 feet; thence Northeasterly 85.67 feet along the arc of a 214.50 foot radius curve to the left, chord bears N11°26'32"E 85.11 feet; thence North 74.81 feet; thence Northeasterly 44.18 feet along the arc of a 24.50 foot radius curve to the right, chord bears N47°24'04"E 38.43 feet; thence N00°18'05"W 26.78 feet; thence Northwesterly 46.39 feet along the arc of a 28.07 foot radius curve to the right,

chord bears N46°54'20"W 41.29 feet; thence N00°25'48"E 266.43 feet; thence East 25.87 feet; thence North 205.08 feet; thence N89°41'55"E 356.46 feet to the point of beginning.
Contains 12.08 Acres

EXHIBIT "D"

PARK PARCELS DESCRIPTION

Lots A, B

Exhibit "D"

Lot A of Villas at Sterling Village

Beginning at a point S89°41'55"W 1218.18 feet along the Section Line and South 1302.64 feet from the North Quarter Corner of Section 24, Township 3 South, Range 1 West, Salt Lake Base and Meridian; and running thence N89°29'00"E 75.85 feet; thence S00°31'00"E 100.00 feet; thence S89°29'00"W 75.85 feet; thence N00°31'00"W 100.00 feet to the point of beginning.

Contains 7,585 Square Feet

Lot B of Villas at Sterling Village

Beginning at a point S89°41'55"W 1248.29 feet along the Section Line and South 138.18 feet from the North Quarter Corner of Section 24, Township 3 South, Range 1 West, Salt Lake Base and Meridian; and running thence Southwesterly 32.21 feet along the arc of a 114.50 foot radius curve to the right, chord bears S50°40'30"W 32.10 feet; thence South 73.92 feet; thence N89°40'47"W 179.15 feet; thence Northeasterly 68.94 feet along the arc of a 70.00 foot radius curve to the right, chord bears N51°51'54"E 66.19 feet; thence N80°04'43"E 61.86 feet; thence Northeasterly 101.21 feet along the arc of a 197.00 foot radius curve to the left, chord bears N65°21'35"E 100.11 feet to the point of beginning.

Contains 8,456 Square Feet

EXHIBIT "E"
COMMON AREA FACILITIES

27-24-126-007