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**DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS AND  
RESTRICTIONS  
OF  
SANDY POINT**

**(a Townhome Community located in West Point City, Utah)**

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**DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS AND RESTRICTIONS  
OF  
SANDY POINT**

This Declaration of Covenants, Conditions, Easements and Restrictions, hereinafter referred to as the "Declaration" is made and executed this \_\_\_\_ day of \_\_\_\_\_, 2017, by Castle Creek Homes, LLC, a Utah limited liability company (the "Declarant").

1. RECITALS.

1.1. Declarant intends, by this Declaration, to create a townhome community, which will consist of up to a total of \_\_\_\_ (\_\_) Buildings, with up to \_\_\_\_\_ (\_\_) Buildings containing two (2) townhome Units, \_\_\_\_\_ Buildings containing three (3) townhome Units and \_\_\_\_ Buildings containing up to four (4) townhome Units, to be known as Sandy Point (the "Project"). The Project is located within the boundaries of West Point City, Davis County, State of Utah, as described in Section 3.1 of this Declaration.

1.2. The Project will have common areas and facilities to be owned and managed by and through a homeowners' association. The Project is not a cooperative and is not a condominium project. The Project is not subject to the provisions of the Utah Condominium Ownership Act of Sections 57-8-1 et seq. of the Utah Code.

1.3. The covenants, conditions and restrictions contained in this Declaration and in the Exhibits hereto shall be enforceable equitable servitudes and shall run with the land.

NOW, THEREFORE, for the foregoing purposes, the Declarant adopts the following covenants, conditions, easements and restrictions to govern the development, use, maintenance and management of this townhome project:

2. DEFINITIONS.

Unless the context clearly indicates otherwise, certain terms as used in this Declaration and the foregoing Recitals shall have the meanings set forth in this Section 2.

2.1. Act shall mean the Community Association Act (Title 57, Chapter 8a, Utah Code, as amended).

2.2. Amendment shall mean any amendment to this Declaration made in accordance with the Declaration and the Act.

2.3. Assessable Unit shall mean each Unit, except for Exempt Units.

2.4. Assessments shall mean all assessments described in Section 19, including Regular Common Assessments, Special Common Assessments and Specific Assessments.

2.5. Association shall mean Sandy Point Homeowners Association, Inc., a Utah nonprofit corporation.

2.6. Board shall mean the Board of Directors of the Association, appointed or elected in accordance with this Declaration and the Bylaws.

2.7. Building(s) shall mean the buildings constructed as part of the Project, as described in Section 3.2. The term “Buildings” shall include the structures containing townhome Units.

2.8. Bylaws shall mean the Bylaws of the Association, a copy of which is attached hereto as Exhibit B, as amended from time to time.

2.9. Capital Improvement shall mean any improvement with a useful life of more than three (3) years.

2.10. Common Areas and Facilities shall mean all portions of the Project other than the Units, as described in Section 6 hereof. All areas located outside of the building “foot-print” of each Unit shall be treated and maintained as Common Areas or Limited Common Areas (as applicable), even if the legal description of a “Lot” or “Unit” includes more area than the exact building foot-print of the Unit. The Association shall have, and is hereby granted, an easement over and through all areas of the Project that are located outside of the foot-print of the constructed Buildings to satisfy its maintenance and repair obligations of all landscaping and all Common Areas and Facilities.

2.11. Common Assessments shall mean those assessments described in Section 19 to fund the Common Expenses, and include Regular Common Assessments and Special Common Assessments.

2.12. Common Expense Account shall mean one or more deposit or investment accounts of the Association into which are deposited the Common Assessments.

2.13. Common Expenses shall mean all expenses of the administration, maintenance, repair, or replacement of the Common Areas and Facilities and all other expenses denominated as Common Expenses or expenses of the Association by this Declaration or by the Act. Without limiting the preceding sentence, as described in Section 12.1, the Association is responsible for the costs of maintenance of all landscaping and landscaping sprinkling systems, including, without limitation, all landscaping and sprinkler systems that may be located within the Lots (even though the Lots are owned by the Owners, not the Association).

2.14. Common Wall(s) means the walls in each Building that divide and are located between two (2) adjoining Units in a Building. The Common Walls are used by the Owners of adjoining Units in a Building, and are subject to the provisions of Section 7.2 and the subsections thereof.

2.15. Declarant shall mean Castle Creek Homes, LLC, a Utah limited liability company and its successors and assigns.

2.16. Declarant Affiliate means any person directly or indirectly controlling, controlled by or under common control with Declarant, and shall include, without limitation, any general or limited partnership, limited liability company, limited liability partnership or corporation in which Declarant (or another Declarant Affiliate) is a general partner, managing member or controlling shareholder.

2.17. Declarant Control Period means the period of time during which the Declarant has Class B Membership status as provided herein.

2.18. Exempt Unit(s) shall mean each Unit in the Project while owned by Declarant or a Declarant Affiliate, until the earliest to occur of (i) the acquisition of title to the Unit by a person or entity other than Declarant or a Declarant Affiliate, or (ii) the one hundred eightieth (180<sup>th</sup>) day after

the municipal authority having jurisdiction thereover issues a certificate of occupancy for the Unit. In addition, each Lot that does not contain a fully-constructed townhome Unit shall be an “Exempt Unit,” and each model unit owned by the Declarant shall be an “Exempt Unit” so long as the same is used as a model unit by the Declarant, a Declarant Affiliate, or their assign(s).

2.19. Lease shall mean any agreement for the leasing or rental of any portion of the Project.

2.20. Limited Common Areas and Facilities shall mean a portion of the Common Areas and Facilities, if any, allocated by the Declaration or the Act, as may be shown on the Plat or described in this Declaration, for the exclusive use of one or more, but fewer than all, of the Units. The Limited Common Areas shall include yard areas for each Unit as depicted on the Plat. The Association shall be responsible for maintaining all Limited Common Areas.

2.21. Lot shall mean each of the tracts of land designated as a “Lot” on the Plat. As shown on the recorded Plat, each Unit will be constructed on a Lot. Each Lot is intended to be comprised of the land area comprising the building “foot print” of the Unit. Ownership of the Lot and the Unit (when constructed on the Lot) shall be inseparable, and any conveyance of a Lot shall operate to convey title to the Unit constructed on the Lot. Likewise, any conveyance of a Unit shall operate to convey title to the Lot on which the Unit is located.

2.22. Majority Vote of Quorum shall mean a majority of the votes cast at any meeting in which a Quorum is present.

2.23. Manager shall mean the person(s) or company(ies) hired by the Association to manage the affairs of the Association and the Project. The Association shall enter into a written management agreement with the Manager, setting forth the rights, duties and obligations of the Manager, including, without limitation, the services to be provided, the standards of performance required, and the rights and remedies applicable in the event of any breaches or defaults. The rights and remedies shall include, without limitation, the right to terminate the management agreement in accordance with the terms and provisions thereof, and the right of the Association to hire a replacement Manager.

2.24. Mortgage shall mean any mortgage, deed of trust or other security instrument by which a Unit or any part thereof or interest therein is encumbered. A First Mortgage is a Mortgage having priority as to all other Mortgages encumbering a Unit or any part thereof or interest therein.

2.25. Mortgagee shall mean (i) any persons or entities named as the Mortgagee or beneficiary under any Mortgage by which the interest of any Owner is encumbered, (ii) any successor to the interest of such person or entity under such Mortgage, or (iii) any insurer or guarantor of such person or entity under such Mortgage.

2.26. Nonprofit Act shall mean the Utah Revised Nonprofit Corporation Act, Utah Code Ann. § 16-61-101 et seq.

2.27. Owner shall mean any person or entity at any time owning in fee simple a Unit within the Project as such ownership is shown by the records of the County Recorder of Davis County, State of Utah. The term “Owner” shall not refer to any Mortgagee, unless such Mortgagee has acquired title for other than security purposes.

2.28. Plat shall mean the plat for Sandy Cove, as filed of record in the Davis County Recorder's Office, State of Utah, as the same may be amended.

2.29. Project shall mean the Property, Buildings, the Units, the Common Areas and Facilities and all improvements constructed on the Property, as approved by the applicable governmental authorities.

2.30. Property shall mean that certain real property situated in Davis County, State of Utah, more particularly described in Section 3 below, on which the Units, Buildings, and other improvements are or will be located.

2.31. Quorum (with respect to Directors) shall be comprised of a majority of the total number of Directors, unless otherwise provided for by this Declaration.

2.32. Quorum (with respect to Owners, or proxies) shall be comprised of the Owners, or proxies, entitled to cast votes, who are present at a meeting of the Owners or the Association, unless otherwise provided for by this Declaration.

2.33. Regular Common Assessments shall mean the annual assessments levied by the Association to pay the budgeted Common Expenses.

2.34. Special Common Assessments shall mean assessments, which the Association may levy from time to time, in addition to the Regular Common Assessments, for unexpected Common Expenses or other purposes as provided herein.

2.35. Specific Assessments shall mean assessments which the Association may levy from time to time against an Owner or Owner's Lot, in addition to Regular Common Assessments and Special Common Assessments, for the purposes provided herein.

2.36. Total Votes of the Association shall mean the total number of votes appertaining to all Units, as described in Section 22 hereof, including all votes pertaining to the Class B Member for such time as Declarant owns at least one (1) Lot or Unit.

2.37. Unit shall mean each townhome within the Project designed for separate ownership and occupancy as described in Section 5 hereof. The Unit shall also include the Lot on which the Unit is located, as depicted on the Plat.

2.38. Unit Number shall mean the number, letter or combination of numbers and letters that identifies only one Unit in the Project.

### 3. DESCRIPTION OF PROPERTY; EXPANDABLE PROJECT

3.1. The Property on which the Units and improvements are or will be located is situated in West Point City, Davis County, State of Utah. The boundaries of the Property are depicted on the recorded Plat, and the Property is described as follows:

***See Legal Description attached hereto as Exhibit "A"***

3.2. The Buildings in the Project will be principally constructed of the following materials: Wooden frames with load bearing or non-load bearing walls studded with wood; hardiplank siding;

glass openings; wooden joist floors and roofs; roof surfaces with asphalt shingles; interior walls surfaced with gypsum sheets. The exterior finishes will include stucco, siding, and/or masonry or stone products.

#### 4. CONFIRMATION OF SUBMISSION TO ACT.

Declarant hereby confirms and acknowledges that the Project is subject to the provisions of the Act. The Project is and shall be held, conveyed, hypothecated, encumbered, leased, subleased, rented, used and improved as a townhome community known as Sandy Point. All of said Project is and shall be subject to the covenants, conditions, restrictions, easements, uses, limitations and obligations set forth herein, each and all of which are declared and agreed to be for the benefit of said Project. Further, each and all of the provisions hereof shall be deemed to run with the land and shall be a burden and a benefit on the Property and shall be binding on any person acquiring, leasing, subleasing or owning an interest in the real property and improvements comprising the Project, their assigns, lessees, sublessees, heirs, executors, administrators, devisees and successors.

#### 5. DESCRIPTION OF UNITS.

There shall be one Unit located on each Lot, as shown on the Plat. Each Unit shall consist of the interior and exterior surfaces of the townhome and its perimeter walls, bearing walls, floors, ceilings, and the windows and doors of each Unit. In addition, each Unit shall consist of the airspace above and the subsurface below the land and all of the area and improvements above and below the surface of the land and within and part of the vertical boundaries defined by the Unit lines shown on the Plat, extended upwards to the heavens and downward to the center of the earth, included within the boundaries of each Lot. Each Unit shall further include the garage and garage door pertaining to or contained within each Unit, the front door(s) of the Unit, as well as the driveway (if any) and patio and/or porch (if any) pertaining to each Unit, and that portion of the roof located directly above the Unit. Each Unit is intended to be comprised of all of the physical improvements that pertain to the Unit, including, without limitation, all physical facilities, installations, lines, foundations, equipment, tanks, pumps, pipes, vents, ducts, shafts, flues, chutes, conduits, wires and other utility installations that connect or provide service to the applicable Unit, and all vertical improvements related to the Unit that are located on the Lot within which the Unit is located. The Owner(s) of each Unit will be responsible for all costs and expenses associated with the maintenance and repair of his/her/their respective Unit, except for those items which the Association is responsible to maintain and repair, as described in Articles 6, 7 and 12 of this Declaration.

#### 6. COMMON AREAS AND FACILITIES.

6.1. The Common Areas and Facilities shall mean those portions of the Property that are not part of the Units, such as the open space areas of the Project, the common landscaping of the Project, the non-public roadways, streets and walkways, if any, within the Project, the entry/exit monuments, gates, and related improvements, if any, within the Project, as well as any other areas in the Project that are designated as Common Areas on the Plat. Nevertheless, for purposes of the Association's maintenance and repair obligations, all exterior materials and features of each Unit, including, without limitation, roofs and roofing materials of each Unit (but excluding windows and doors), as well as the driveways pertaining to each Unit, shall be maintained and repaired by the Association, even though they are part of the "Unit" owned by the Owner.

6.2. Except as set forth in Section 6.1 above, the Common Areas and Facilities in the Project shall be owned and maintained by the Association, and the recordation of the Plat(s) shall operate to convey title to all Common Areas and Facilities to the Association. The Association shall be responsible for the maintenance of the Common Areas and Facilities of the Project, as well as the improvements described in Section 6.1.

6.3. No Owner, directly or indirectly, shall make any alterations to any of the Common Areas and Facilities without the prior written consent of the Board.

## 7. LIMITED COMMON AREAS AND FACILITIES; COMMON WALLS.

7.1 Limited Common Areas and Facilities. Limited Common Areas and Facilities shall mean any portion of the Common Areas and Facilities reserved for the use of certain Units/Owners in a Building to the exclusion of other Units/Owners in the same Building, including but not limited to any balconies, attics, or other areas, if any, indicated by the Declaration or the Plat to be for the exclusive use of one or more but fewer than all of the Units in a Building. The Declarant intends for each Unit to have a Limited Common Area consisting of a front and back yard, as depicted by the Plat. Owners are allowed to place outdoor furniture, barbecue equipment and similar items within such Limited Common Areas. Fencing shall be permitted only around each Unit's patio; provided, however, any such fence must be installed by a licensed contractor, and consist of the same height, vinyl material and design, and color as the perimeter fencing surrounding the \_\_\_\_\_. Plans for fencing or other permanent improvements in such Limited Common Areas must be submitted to the Board of the Association for approval in advance of construction and installation.

7.2 Common Walls; Roofs. Each townhome Unit will be connected to and share a common wall ("Common Wall") with the other Unit(s) in the Building in which it is located. The following provisions shall govern the use, maintenance, repair and restoration of such Common Walls:

- 7.2.1 Each Unit sharing a Common Wall shall provide such access as may be reasonably necessary to permit the Owner of the other Unit sharing said Common Wall, and their respective agents and contractors, to maintain the integrity of the Common Wall, and to repair and restore it as necessary.
- 7.2.2 Should any Common Wall be damaged or destroyed by the negligence or other act or omission of an Owner of one of the Units sharing the same, or said Owner's agents, employees, invitees or guests, said Owner shall be liable, at its sole cost and expense, for all necessary repairs or restoration of said Common Wall, and related damage to any Unit; provided, however, that any insurance proceeds received in connection with such damage or destruction from policies of insurance owned by the Owners of either Unit sharing said Common Wall, shall first be applied toward the costs of repairing or restoring the Common Wall and related damages to Units. All repairs or restorations to be completed pursuant to this subparagraph shall be completed to the reasonable satisfaction of the affected Owners.
- 7.2.3 Should any Common Wall be damaged or destroyed by any cause other than the negligence, act or omission of the Owner of either Unit sharing said Common Wall, or said Owner's agents, employees, invitees or guests, the Owners of the Units sharing said Common Wall shall be equally liable for all



necessary repairs or restoration of said Common Wall, and related damage to either Unit; provided, however, that any insurance proceeds received in connection with such damage or destruction from policies of insurance owned by the Owners of either Unit sharing said Common Wall shall first be applied toward the costs of repairing or restoring the Common Wall and related damages to the affected Units. All repairs or restorations to be completed pursuant to this subparagraph shall be completed to the reasonable satisfaction of the affected Owners.

- 7.2.4 Should any party fail or refuse to complete the repairs or restorations imposed upon it by these provisions, the other Owner, after giving written notice to said party of its intention to do so, may undertake said repairs or restorations, and be entitled to reimbursement for all costs incurred in connection therewith from said party. Such reimbursement shall be made within thirty (30) days after completion of the work and delivery to said party of a statement and demand for payment setting forth all costs incurred. The Owner shall have a direct right of recovery against said party for said party's portion of the costs incurred in making the necessary repairs or restorations, and to recover interest thereon at the rate of 18% per annum until paid in full, together with recovery of attorney fees and costs if collection efforts become necessary.
- 7.2.5 In the event of a dispute or controversy between the Owners of Units sharing a Common Wall, as to any matter within or arising out of the provisions of this Article 7, or the respective use, maintenance, repair, or replacement of said Common Wall, such dispute or controversy shall be submitted to the Board of Directors of the Association for arbitration. The decision of the Board with respect to the issues presented shall be binding upon the parties involved.
- 7.2.6 The above-stated provisions regarding Common Walls shall apply equally with respect to roofs and roofing materials that are shared in common by two (2) or more Units.
- 7.2.7 Notwithstanding the any other provision of this Section 7.2, any Owner whose Unit is damaged shall be responsible to pay the Association's deductible in connection with any insurance claim which the Association pursues, or if multiple Units are damaged each affected Owner is responsible to pay a portion of the deductible equal to the portion of the total damage impacting such Owner's Unit.

## 8. NATURE AND INCIDENTS OF UNIT OWNERSHIP.

8.1. Each Unit is a parcel of real property which may be separately held, conveyed, devised, mortgaged, encumbered, leased, rented, used, occupied, improved and otherwise affected in accordance with the provisions of this Declaration.

8.2. Subject to the limitations contained in this Declaration, each Owner shall have the non-exclusive right to use and enjoy the Common Areas and Facilities, the exclusive right to occupy and

use their Unit and the exclusive (or semi-exclusive, as the case may be) right to use any Limited Common Areas and Facilities designated for exclusive (or semi-exclusive) use by such Owner, a limited group of Owners, or all Owners.

8.3. Except as otherwise provided herein, each Owner shall have the exclusive right to paint, repaint, tile, wax, paper, carpet or otherwise decorate the interior surfaces of the walls, ceilings, floors and doors inside their Unit and the surfaces of all walls, ceilings, floors and doors within such boundaries. Each Owner shall keep the interior of their Unit, including without limitation, interior walls, windows, ceilings, floors and permanent fixtures and appurtenances thereto, in a sanitary condition and in a good state of repair. In addition, each Owner shall keep their garage, driveway, roof, and patio in a good state of repair. In the event that any such Unit should develop an unsanitary condition or fall into a state of disrepair and in the event that the Owner of such Unit should fail to correct such condition or state of disrepair promptly following written notice from the Board, the Board shall have the right, at the expense of the Owner and without liability to the Owner for trespass or otherwise, to enter said Unit (including any garage) and correct or eliminate said unsanitary condition or state of disrepair. The Association shall collect any costs or expenses incurred by the Association to correct or eliminate an unsanitary condition or state of disrepair by Specific Assessment against the subject Unit. Owners of adjoining Units may not reallocate or change the boundaries of such Units. Except as otherwise provided herein, no Owners may subdivide their Unit(s).

8.4. No Owner shall modify the exterior materials, features, or colors of his or her Unit without the prior written approval of the Board, which approval will not be unreasonably withheld so long as the overall quality, consistency, and appeal of the community will be maintained.

## 9. TITLE TO UNITS.

9.1. Title to a Unit may be held or owned by any person or entity and in any manner in which title to any other real property may be held or owned in the State of Utah.

9.2. Title to part of a Unit may not be separated from any other part thereof during the period of ownership, and each Unit shall always be conveyed, devised, encumbered and otherwise affected only as a complete Unit. Every gift, devise, bequest, transfer, encumbrance, conveyance or other disposition of a Unit, or any part thereof, shall be construed to be a gift, devise, bequest, transfer, encumbrance or conveyance, respectively, of the entire Unit, together with all appurtenant rights created by law and by this Declaration, including appurtenant membership in the Association as herein set forth.

9.3. No Owner shall be permitted to timeshare or to allow any other form of interval ownership or interval right-to-use form of timesharing of any Unit within the Project.

9.4. The Common Areas and Facilities shall be owned by the Association, and no Owner may bring any action for partition thereof.

9.5. Each Owner shall have the right to encumber his or her interest in a Unit with a Mortgage. However, no Owner shall attempt to or shall have the right to encumber the Common Areas and Facilities or any part thereof. Any Mortgage of any Unit within the Project shall be subordinate to all of the provisions of this Declaration, and in the event of foreclosure the provisions of this Declaration shall be binding upon any Owner whose title is derived through foreclosure by private power of sale, judicial foreclosure, or otherwise.

9.6. No labor performed or services or materials furnished with the consent of or at the request of an Owner may be the basis for the filing of a lien against the Unit of any other Owner, or against any part thereof, or against any other property of any other Owner, unless the other Owner has expressly consented to or requested the performance of such labor or furnishing of such services. Express consent shall be deemed to have been given by the Owner in the case of emergency repairs thereto. Labor performed or services or materials furnished for the Project, if authorized by the Association and provided for in the Declaration, shall be deemed to be performed or furnished with the express consent of each Owner. The Owner may remove his or her Unit from a lien against two or more Units or any part thereof by payment to the holder of the lien of the fraction of the total sums secured by such lien attributable to his or her Unit.

9.7. Every contract for the sale of a Unit and every other instrument affecting title to a Unit within the Project may describe a Unit by the name of the Project, the county wherein the Project is located and its Unit Number (or Lot Number) as indicated in this Declaration or as shown on the Plat. Such description will be construed to describe the Unit, the applicable Lot, and to incorporate all the rights incident to ownership of a Unit within the Project and all of the limitations on such ownership as described in this Declaration.

## 10. RESTRICTIONS ON USE.

The Units and Common Areas and Facilities, including but not limited to the Limited Common Areas and Facilities, except as otherwise permitted in writing by the Board, shall be used in accordance with the following restrictions:

10.2. No noxious, destructive or offensive activity shall be carried on or placed in or upon any Unit, or in the Common Areas, or Limited Common Areas, or any part thereof, which shall interfere with the legal rights of other Owners nor shall anything be done therein which is or may become an annoyance or nuisance to any other Owner or to any person at any time lawfully residing in the Project. No activities shall be conducted, nor improvements constructed, in or upon any part of the Project which are or may become unsafe or hazardous to any person or property. Without limiting the breadth of the foregoing, aluminum foil, sheets, linen, bed sheets, newspapers, or any other similar materials may not be used to cover the windows in any Unit. The Common Areas and Facilities shall be used only in a manner which is consistent with their community nature and the use restrictions applicable to the Units. Without limiting the breadth of the foregoing sentence: (i) no garments, rugs, or other household items, or wash lines of any kind may be hung, erected, or maintained outside of an Owner's Unit; (ii) no Owner shall discard or permit any items to fall from the windows of his or her Unit; (iii) no dogs are permitted on common areas unless the dog is on a leash; and (iv) each pet owner must immediately remove any animal droppings and dispose of them in a garbage container.

10.3. No signs, banners, promotional flags or advertising devices of any nature, including, without limitation, informational or directional signs or devices or campaign or political signs, shall be erected or maintained on any part of the Project, without the prior inspection and written approval of the Board, except as may be necessary temporarily to caution or warn of danger. If the Board consents to the erection of any such signs or devices, the same shall be removed promptly at the request of the Board. Notwithstanding the foregoing, each Unit may display one "for sale" or "for rent" sign, no larger than eighteen inches by eighteen inches (18" x 18") in an inside window of the Unit.

10.4. No pets, animals, livestock or poultry of any kinds shall be bred in or kept on or about the Project, except as may be allowed by the Association in accordance with rules and regulations

governing pets which may be promulgated by the Board. All Owners and their guests and tenants shall comply with the standards set forth in applicable City Code, as the same may be amended. Pets shall not create a nuisance, and the following acts may constitute a nuisance: (a) causing damage to the property of anyone other than the pet owner; (b) causing unsanitary conditions; (c) defecating on any Common Areas and Facilities when the feces are not immediately cleaned up by the responsible party; (d) barking, howling, whining or making other disturbing noises in an excessive or continuous fashion; (e) harassing passersby by lunging at them or chasing vehicles; (f) attacking or threatening to attack people or other domestic pets; or (g) otherwise acting so as to unreasonably bother, annoy or disturb other residents or unreasonably interfering with their right of peaceful and quiet enjoyment of their Units. Pets in the Common Areas must be in a cage or on a leash at all times. Pets may not be tied or tethered and unattended in any Common Areas. Dogs may not exceed fifty (50) pounds in weight. The Board may establish and enforce rules and regulations governing pets within the Project and may charge a deposit for pets within the Project.

10.5. No automobile or other vehicle shall be parked at any location within the Project which impairs or tends to impair vehicular or pedestrian access within the Project or to and from its various parts. No Owner shall be permitted to park in the parking areas designated for visitors. No Owner shall be permitted to park in the street overnight. No inoperable vehicles may remain in an Owner's driveway or any Common Area for more than forty-eight (48) hours. No vehicle maintenance may be performed in any visible area of the Project. No trailers, including, without limitation, camping, storage or work trailers, are permitted to be parked overnight in the Project.

10.6. No items may be stored outside the Unit, with the exception of a garbage can, which storage may be subject to the rules of the Association.

10.7. No Unit, or portions thereof, may be further divided or subdivided, sold or conveyed so as to be held in divided ownership (as opposed to community property, tenancy in common, or other form of joint undivided ownership).

10.8. Except as otherwise permitted by this Declaration, no Owner shall, without the prior written consent of the Board, make or permit to be made any alteration, improvement or addition in or to any Unit. No Owner shall, without the prior written consent of the Board, do any act that would impair the structural soundness or integrity of the Buildings or the safety of property, impair any easement or hereditament appurtenant to the Project, or make or permit to be made any alteration, improvement or addition to the Common Areas and Facilities, notwithstanding Section 8.3 hereof. Without limiting the application of the foregoing general terms, any television or data communication dishes which are approved for installation on any Unit must be installed on the rear of such Unit in a location that minimizes viability.

10.9. There shall be no obstruction of the Common Areas and Facilities by any Owner. Owners shall neither store nor leave any of their property in the Common Areas and Facilities, other than Limited Common Areas and Facilities appurtenant to their Unit, except with the prior consent of the Board.

10.10. Nothing shall be done or kept in any Unit or in the Common Areas and Facilities or any part thereof which would result in cancellation of the insurance on the Project or any part thereof, nor shall anything be done or kept in any Unit which would increase the rate of insurance on the Project or any part thereof over what the Association, but for such activity, would pay, without the prior written consent of the Board. Without limiting the foregoing, any Owner wishing to remodel any portion of

any Unit, or finish any previously unfinished portion of a Unit, must notify the Board in writing prior to commencing any such remodel or additional construction.

10.11. Nothing shall be done or kept in any Unit or in the Common Areas and Facilities or any part thereof which would be in violation of any statute or rule, ordinance, regulation, permit or other validly imposed requirement of any governmental body. No damage to, or waste of, the Common Areas and Facilities or any part thereof shall be committed by any Owner or guest, lessee, licensee or invitee of any Owner, and each Owner shall indemnify and hold the Association and the other Owners harmless against all loss resulting from any such damage or waste caused by him or his or her guests, lessees, licensees or invitees.

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

10.13. Any Lease agreement between an Owner and a lessee regarding a Unit shall be subject in all respects to the provisions of this Declaration, the Articles and Bylaws and any failure by the lessee to comply with the terms of such documents shall be a default under the Lease.

10.13.1. During the Declarant Control Period, all Leases shall be subject to the approval of Declarant; provided, however, the following Owners and Lots shall be exempt from this provision, in compliance with Utah Code Ann. § 57-8a-209: (i) an Owner in the military for the period of the Owner's deployment; (ii) a Lot occupied by an Owner's parent, child, or sibling; (iii) an Owner whose employer has relocated the Owner for no less than two years; (iv) a Lot owned by an entity that is occupied by an individual who: (A) has voting rights under the entity's organizing documents; and (B) has a 25% or greater share of ownership, control, and right to profits and losses of the entity; or (v) a Lot owned by a trust or other entity created for estate planning purposes if the trust or other estate planning entity was created for: (A) the estate of a current resident of the Lot; or (B) the parent, child, or sibling of the current resident of the Lot;

10.13.2. All Lease agreements, whether entered into during the Declarant Control Period or thereafter, shall be in writing and a copy of the Lease shall be filed with the Association. No Units may be rented for overnight rentals or any rental term shorter than 30 days. An Owner shall be responsible and liable for any damage to the Project caused by its tenant.

## 11. ASSOCIATION AND BOARD OF DIRECTORS.

11.1. Each Owner shall be entitled and required to be a member of the Association. There shall be two (2) classes of membership in the Association, as set forth in Section 22 herein. Membership will begin immediately and automatically upon becoming an Owner and shall terminate immediately and automatically upon ceasing to be an Owner. If title to a Unit is held by more than one person, the membership appurtenant to that Unit shall be shared by all such persons in the same proportionate interest and by the same type of tenancy in which title to the Unit is held. An Owner shall be entitled to one membership for each Unit owned by him. Each membership shall be appurtenant to the Unit to which it relates and shall be transferred automatically by conveyance of that

Unit. Ownership of a Unit within the Project cannot be separated from the Association membership appurtenant thereto, and any devise, encumbrance, conveyance or other disposition of a Unit shall constitute a devise, encumbrance, conveyance or other disposition, respectively, of such Owner's membership in the Association and the rights appurtenant thereto. No person or entity other than an Owner may be a member of the Association, and membership in the Association may not be transferred except in connection with the transfer of a Unit.

11.2. The Association shall be governed by the following provisions:

11.2.1. The management and maintenance of the Project and the administration of the affairs of the Association shall be conducted by a Board of Directors consisting of at least three (3) natural persons as provided in the Bylaws. The Board shall be appointed or elected as provided in this Declaration and in the Bylaws. Notwithstanding the foregoing, the Declarant shall have the exclusive right to appoint, remove and replace all members of the Board during the Declarant Control Period.

11.2.2. Except as otherwise provided herein, the Board shall have all the powers, duties and responsibilities as are now or may hereafter be provided by the Act, this Declaration and the Bylaws, including but not limited to the following:

11.2.2.1. To make and enforce all rules and regulations covering the operation and maintenance of the Project and the Units.

11.2.2.2. To carry out through the Manager those of its functions which are properly the subject of delegation. The Manager so engaged shall be an independent contractor and not an agent or employee of the Association or Board, shall be responsible for managing the Project for the benefit of the Association and the Owners, and shall, to the extent permitted by law and by the terms of the agreement with the Board, be authorized to perform any of the functions or acts required or permitted to be performed by the Board itself. The cost of retaining or employing the Manager shall be a Common Expense; provided, however, that no Owner shall be assessed for health care expenses unless the Owner or the occupant(s) of the Owner's Unit receive health care services.

11.2.2.3. To engage the services of accountants, attorneys or other employees or agents and to pay to said persons a reasonable compensation therefore, and to appoint committees as determined by the Board.

11.2.2.4. To operate, maintain, repair, improve and replace the Common Areas and Facilities.

11.2.2.5. To determine and pay the Common Expenses.

11.2.2.6. To assess and collect the proportionate share of Common Expenses from the Owners, as provided in Section 19 hereinafter.

11.2.2.7. To levy Specific Assessments on Owners or Units, as provided in Section 19.

11.2.2.8. To enter into contracts, deeds, leases and/or other written instruments or documents and to authorize the execution and delivery thereof by the appropriate officers.

11.2.2.9. To open bank accounts on behalf of the Association and to designate the signatories therefor.

11.2.2.10. To purchase, hold, sell, convey, mortgage or lease any one or more Units in the name of the Association or its designee.

11.2.2.11. To bring, prosecute and settle any lawsuit, binding arbitration, mediation, or governmental proceeding for itself, the Association and the Project, provided that it shall make no settlement which results in a liability against the Board, the Association or the Project in excess of \$25,000 without the prior approval of a majority of the Total Votes of the Association at a meeting or by written ballot distributed to Owners by mail; provided, any settlement which would be paid from proceeds of insurance which may be settled by the Association's insurance carrier and which in either case results in no actual liability of funds of the Association in excess of \$25,000 shall not require Association approval.

11.2.2.12. To obtain insurance for the Association with respect to the Units and the Common Areas and Facilities, as well as worker's compensation insurance, as needed.

11.2.2.13. To repair or restore the Project following damage or destruction or a permanent taking by the power of, or power in the nature of, eminent domain, or by an action or deed in lieu of condemnation not resulting in the removal of the Project from the provisions of the Act.

11.2.2.14. To own, purchase or lease, hold and sell or otherwise dispose of, on behalf of the Owners, items of personal property necessary to or convenient to the management of the business and affairs of the Association and the Board and to the operation of the Project, including without limitation furniture, furnishings, fixtures, maintenance equipment, appliances and office supplies.

11.2.2.15. To keep adequate books and records and implement the policies and procedures for the inspection of the books and records of the Project by Owners in accordance with the terms of the Bylaws. The Association or the Board shall make available to the Owners, Mortgagees and the holders, insurers and guarantors of the First Mortgage on any Unit current copies of the Declaration, Articles, Bylaws and other rules governing the Project and other books, records and financial statements of the Association. "Available" shall mean available for inspection, upon request, during normal business hours or under other reasonable circumstances.

11.2.2.16. To do all other acts necessary for the operation and maintenance of the Project, including the maintenance and repair of any Unit if the same is necessary to protect or preserve the Project.

11.2.2.17. To prepare, adopt, amend and disseminate budgets and other information from time to time in accordance with the terms of the Bylaws.

11.2.2.18. To grant conveyances, easements and rights-of-way over the Common Areas and Facilities.

11.2.2.19. Members of the Board, the officers and any assistant officers, agents and employees of the Association (i) shall not be liable to the Owners as a result of their activities as such for any mistake of judgment, negligence or otherwise, except for their own willful misconduct or bad faith; (ii) shall have no personal liability in contract to an Owner or any other person or entity under any agreement, instrument or transaction entered into by them on behalf of the Association in their capacity as such; (iii) shall have no personal liability in tort to any Owner or any person or entity, direct or imputed, by virtue of acts performed by them, except for their own willful misconduct or bad faith, nor for acts performed for them in their capacity as such; and (iv) shall have no personal liability arising out of the use, misuse or condition of the Project, which might in any way be assessed against or imputed to them as a result or by virtue of their capacity as such.

11.2.2.20. When a member of the Board is sued for liability for actions undertaken in his role as a member of the Board, the Association shall indemnify him for his losses or claims, and undertake all costs of defense, until and unless it is proven that he acted with willful or wanton misfeasance or with gross negligence. After such proof the Association is no longer liable for the cost of defense, and may recover costs already expended from the member of the Board who so acted. Members of the Board are not personally liable to the victims of crimes occurring at the Project. Punitive damages may not be recovered against the Association, but may be recovered from persons whose gross negligence gave rise to the damages.

11.2.3. Neither the Board nor the Manager, if any, shall sell any Property of the Association except as permitted by the Act and this Declaration.

## 12. MAINTENANCE, ALTERATION AND IMPROVEMENT.

12.1. The Board, acting on behalf of the Association and, subject to the rights and duties of the Owners as set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Areas and Facilities and all improvements thereon and shall keep the same in a good, clean, attractive, safe and sanitary condition, order and repair; provided, however, that unless otherwise stated herein, each Owner shall keep the Limited Common Areas designated for use in connection with his Unit in a clean, sanitary and attractive condition. As set forth in Section 6.1, for purposes of interpreting the Association's maintenance and repair obligations, all exterior materials and features of each Building and Unit, including, without limitation, roofs and roofing materials of each Building and Unit (but excluding windows and doors), as well as the driveways pertaining to each Unit, shall be maintained and repaired by the Association, even though they are part of the "Unit" owned by the Owner. In addition, the Association is responsible for the maintenance of all landscaping and landscaping sprinkling systems, including, without limitation, all landscaping and sprinkler systems located within the Lots (even though the Lots are owned by the Owners, not the Association). The Association is also responsible for snow-removal of all walkways and sidewalks within the Project. The Association shall determine by vote of the Members whether it shall be responsible for



snow removal in driveways and back patios. The costs associated with the Association's maintenance, repair, landscaping and snow-removal obligations shall be a Common Expense funded by Association assessments. The Association is hereby granted, and shall at all times hold, an easement and reasonable right of access to fulfill all such obligations.

12.2. Some of the Common Areas and Facilities are or may be located within the Units or may be conveniently accessible only through the Units. The Association shall have the irrevocable right to have access to each Unit and to all Common Areas and Facilities from time to time during such reasonable hours as may be necessary for the cleaning, repair or replacement of any Common Areas and Facilities or for making any emergency repairs at any time and when necessary to prevent damage to the Common Areas and Facilities or to any Unit. The Association shall also have the irrevocable right to have access to any Unit when necessary in connection with any cleaning, maintenance, repair, replacement, painting, landscaping, construction or reconstruction for which the Association is responsible or for the purpose of abating a nuisance or a known or suspected dangerous or unlawful condition. Such entry shall be made with as little inconvenience to the Owners as is practicable under the circumstances and any damage caused thereby shall be repaired by the Association.

12.3. Additions or Capital Improvements to the Project which cost no more than \$10,000 may be authorized by the Board alone. Additions or Capital Improvements the cost of which exceed \$10,000 and which are not part of the Board-approved annual budget of the Association must, prior to being constructed, be authorized by at least a majority of the undivided ownership in the Project. Any additional or Capital Improvements which would materially alter the nature of the Project must, regardless of its cost and prior to being constructed, be authorized by at least sixty-seven percent (67%) of the Project's undivided ownership interest. For purposes of this Section 12.3, "materially alter the nature of the Project" shall mean any addition or Capital Improvement that changes the Project from residential to any other use, such as commercial or any form of timesharing.

12.4. No Owner shall enlarge or otherwise modify the exterior of his/her Unit or Limited Common Area or add any devices or structures such as, for illustration and not limitation, greenhouses, solariums, room additions, enclosing decks, hot tubs, unless and until the Owner has received written consent from the Board. Notwithstanding the foregoing, subject to the Board's approval, each Owner shall be permitted to engage a licensed contractor to install fencing around the perimeter of the Owner's patio, provided, any such fence shall have an access gate and be constructed at the same height, vinyl material and color as the fencing surrounding the perimeter \_\_\_\_\_. The Owner shall be responsible for all costs and expenses incurred in constructing and maintaining the patio fence. The Board may function by itself or may appoint a committee to be charged with the responsibility of keeping the Project's exterior and common areas consistent in appearance.

In the event the Board grants the Owner the right to convert common area into Limited Common Area or modify Limited Common Area into Common Area, the entire cost of any such improvement or modification shall be borne by the Owner. Ownership interests in the Common Areas shall also be amended to reflect the additional private ownership of the Owner, increasing the Owner's interest and concurrently reducing the Ownership interests of the other Owners. The Owners need not consent to such an amendment. Moreover, the Owner shall pay all expenses associated with the preparation, execution and recordation of any amendments reflecting such conversion.

Should any such improvement or modification affect the cost of the Association's utility insurance, painting, staining or other expense, such expense affected shall be added to the affecting Owner's monthly assessment. Further, any such additional expense affected thereby and applicable to

non-yearly periodic maintenance projects such as, but not limited to, roofing, staining or painting shall also be added to any Special Assessment of the Owner.

### 13. INSURANCE.

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

13.1.1. A “master” or “blanket” type policy of property insurance shall be maintained covering the entire Project, including: Common Areas and Facilities; all exterior features and roofs of each Building and Unit, all Buildings including all Units (including floor covering, cabinets, light fixtures, electrical fixtures, heating and plumbing fixtures, paint, wall coverings, windows, and any other item permanently part of or affixed to a Unit, but not including the interior contents thereof); fixtures, building service equipment, personal property and supplies comprising a part of the Common Areas or Facilities or owned by the Association, but excluding land, foundations, excavations, and other items normally not covered by such policies. References herein to a “master” or “blanket” type policy of property insurance are intended to denote single entity insurance coverage. As a minimum, such “master” or “blanket” policy shall afford protection against loss or damage by fire, by other perils normally covered by the standard extended coverage endorsement, and by all other perils which are customarily covered with respect to projects similar to the Project in construction, location, and use, including (without limitation) all perils normally covered by the standard “all risk” endorsement, where such endorsement is available. Such “master” or “blanket” policy shall be in an amount not less than one hundred percent (100%) of current replacement cost of all elements of the Project covered by such policy, exclusive of land, foundations, excavation, and other items normally excluded from coverage. If the Board deems such advisable, the insurance policy shall include either of the following endorsements to assure full insurable value replacement cost coverage: (1) a Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance); or (2) a Replacement Cost Endorsement (under which the insurer agrees to pay up to one-hundred percent of the property’s insurable replacement cost but no more) and, if the policy includes a co-insurance clause, an Agreed Amount Endorsement (which waives the requirement for co-insurance). Funds to cover these deductible amounts, or an amount not less than \$10,000.00 if the deductible exceeds \$10,000.00, shall be included in the Association’s operating reserve account.

13.1.2. If any habitable structure located within the Project is or comes to be situated in a Special Flood Hazard Area as designated on a Flood Insurance Rate Plat, a “master” or “blanket” policy of flood insurance shall be maintained covering the Buildings (a separate policy is required for each separate multi-story building that houses Units), any machinery and equipment that are not part of a Building and all Common Areas and Facilities within the Project (hereinafter “Insurable Property”) in an amount deemed appropriate, but not less than the lesser of: (1) the maximum limit of coverage available under the National Flood Insurance Administration Program for all Buildings and Insurable Property within any portion of the Project located within a designated flood hazard area; or (2) one hundred percent (100%) of the insurable value of all such facilities. The maximum deductible amount for any such policy shall be the lesser of Five Thousand Dollars (\$5,000.00) or one percent (1%) of the policy face amount.

13.1.3. The name of the insured under each policy required to be maintained by the foregoing Sections 13.1.1 and 13.1.2 shall be the Association for the use and benefit of the individual Owners. (Said Owners shall be designated by name, if required.) Notwithstanding the requirement of the two immediately foregoing sentences, each such policy may be issued in the name of an authorized representative of the Association, including any Insurance Trustee with whom the Association has entered into an Insurance Trust Agreement, or any successor to such Trustee, for the use and benefit of the individual Owners. Loss payable shall be in favor of the Association (or Insurance Trustee), as a trustee for each Owner and each such Owner's Mortgagee. Each Owner and each such Owner's Mortgagee, if any, shall be beneficiaries of such policy. Evidence of insurance shall be issued to each Owner and Mortgagee upon request.

13.1.4. Each policy required to be maintained by the foregoing Sections 13.1.1 and 13.1.2 shall contain the standard mortgage clause, or equivalent endorsement (without contribution), commonly accepted by private institutional mortgage investors in the area in which the Project is located. In addition, such mortgage clause or another appropriate provision of each such policy shall provide that the policy may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association and to each Mortgagee which is listed as a scheduled holder of a Mortgage in the policy.

13.1.5. Each policy required to be maintained by the foregoing Sections 13.1.1 and 13.1.2 shall provide, if available, for the following: recognition of any insurance trust agreement; a waiver of the right of subrogation against Owners individually; the insurance is not prejudiced by any act or neglect of individual Owners which is not in the control of such Owners collectively or the Association; and the policy is primary in the event the Owner has other insurance covering the same loss.

13.1.6. In contracting for the policies of insurance required to be maintained by the foregoing Section 13.1.1 and 13.1.2, the Board shall make reasonable efforts to secure, if the Board deems such advisable, coverage which provides the following endorsements: (1) "Inflation Guard Endorsement" (2) "Building Ordinance or Law Endorsement", if the enforcement of any building, zoning, or land use law will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction); and (3) "Steam Boiler and Machinery Coverage Endorsement", if the Project has central heating or cooling, which shall provide that the insurer's minimum liability per accident at least equals the lesser of Two Million Dollars (\$2,000,000.00) or the insurable value of the Building containing the boiler or machinery. In lieu of obtaining this as an endorsement to the commercial package property, the Association may purchase separate stand-alone boiler and machinery coverage.

13.1.7. The Association shall maintain in force, and pay the premium for a directors and officers liability policy, on terms and conditions and in coverage amounts the Board deems appropriate, provided that such policy shall, at a minimum, cover the Association's directors and officers from claims that such directors and officers, individually or collectively, failed to act in the Association's best interest, including claims of breach of fiduciary duty, but the Board is not required to insure against fraudulent or knowingly illegal acts. The Board may elect to have the directors and officers' liability policy extent coverage to the Association's Manager or other employees or agents. The Association shall at all times

maintain in force and pay the premiums for “blanket” fidelity bonds for all officers, members, and employees of the Association and for all other persons handling or responsible for funds of or administered by the Association whether or not that individual receives compensation for services. Furthermore, where the Association has delegated some or all of the responsibility for the handling of funds to the Manager, the Manager shall provide “blanket” fidelity bonds, with coverage identical to such bonds required of the Association, for the Manager’s officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The total amount of fidelity bond coverage required shall be based upon the Association’s best business judgment and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association, or the Manager, as the case may be, at any given time during the term of each bond. The bonds required shall meet the following additional requirements: (1) the fidelity bonds shall name the Association as obligee; (2) the bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of “employees”, or similar terms or expressions; (3) the premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by the Manager for its officers, employees and agents) shall be paid by the Association as part of the Common Expenses; and (4) the bonds shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days’ prior written notice to the Association.

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

13.1.9. Notwithstanding any of the foregoing provisions and requirements relating to property or liability insurance, there may be named as an insured on behalf of the Association, the Association’s authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement or any successor to such trustee (each of whom

shall be referred to herein as the “Insurance Trustee”), who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance. Each Owner hereby appoints the Association, or any Insurance Trustee or substitute Insurance Trustee designated by the Association, as his or her attorney-in-fact for the purpose of purchasing and maintaining such insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose. The Association, or any Insurance Trustee, shall receive, hold, or otherwise properly dispose of any proceeds of insurance in trust for the use and benefit of the Owners and their Mortgagees, as their interests may appear.

Each insurance policy maintained pursuant to the foregoing Sections 13.1.1, 13.1.2, 13.1.7, and 13.1.8 shall be written by an insurance carrier which is licensed to transact business in the State of Utah and which has a B general policyholder’s rating or a financial performance index of 6 or better in the Best’s Key Rating Guide or an A or better rating from Demotech, Inc., or which is written by Lloyd’s of London. No such policy shall be maintained where: (1) under the terms of the carrier’s charter, bylaws, or policy, contributions may be required from, or assessments may be made against, an Owner, a Mortgagee, the Board, or the Association; (2) by the terms of the carrier’s charter, bylaws, or policy, loss payments are contingent upon action by the carrier’s board of directors, policyholders, or members; or (3) the policy includes any limiting clauses (other than insurance conditions) which could prevent the party entitled (including, without limitation, the Board, the Association, or Owner) from collecting insurance proceeds. The provisions of this Section 13.1.9 and of the foregoing Sections 13.1.1, 13.1.2, 13.1.7, and 13.1.8 shall not be construed to limit the power or authority of the Association to obtain and maintain insurance coverage, in addition to any insurance coverage required hereunder, in such amounts and in such forms as the Association may deem appropriate from time to time.

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

13.1.11. THE ASSOCIATION IS NOT REQUIRED TO PROCURE OR MAINTAIN ANY INSURANCE FOR THE INTERIOR CONTENTS OF THE UNITS. RATHER, THE OWNER OF EACH UNIT SHOULD OBTAIN HIS OR HER OWN POLICY OF INSURANCE COVERING THE CONTENTS OF HIS OR HER UNIT.

13.1.12. NOTWITHSTANDING ANY OTHER PROVISION OF THIS DECLARATION, AN OWNER WHOSE UNIT SUFFERS DAMAGE AS PART OF A COVERED LOSS IS RESPONSIBLE FOR PAYING A PORTION OF THE ASSOCIATION’S DEDUCTIBLE IN AN AMOUNT CALCULATED BY APPLYING THE PERCENTAGE OF TOTAL DAMAGE TO THE PROJECT WHICH AFFECTS SUCH OWNER’S UNIT TO THE AMOUNT OF THE DEDUCTIBLE UNDER THE ASSOCIATION’S POLICY. IN ADDITION, IF THE BOARD REASONABLY DETERMINES THAT A COVERED LOSS IS LIKELY TO NOT EXCEED THE AMOUNT OF THE ASSOCIATION’S DEDUCTIBLE THE ASSOCIATION NEED NOT TENDER THE CLAIM TO ITS INSURER AND THE AFFECTED OWNER OR OWNERS ARE

SOLELY RESPONSIBLE FOR SUCH DAMAGE. EACH OWNER OF EACH UNIT SHOULD OBTAIN HIS OR HER OWN POLICY OF INSURANCE COVERING THE RISKS IDENTIFIED IN THIS SECTION.

14. DESTRUCTION OR DAMAGE.

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

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

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

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

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

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

14.3.4. If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and if less than seventy-five percent (75%) of the Project is damaged or destroyed, such repair and reconstruction shall nevertheless be carried out. The Association shall levy a Special Common Assessment sufficient to provide funds to pay the actual costs of such repair and reconstruction to the extent that such insurance proceeds are insufficient to pay such costs. Such Special Common Assessment shall be allocated and collected as provided in Section 19.1.3 hereof, except that the vote therein specified shall be unnecessary. Further levies may be made in like manner if the amounts collected (together with the proceeds of insurance) are insufficient to pay all actual costs of such repair and reconstruction.

14.3.5. If the proceeds of the insurance maintained by the Association are less than the estimated costs to repair and reconstruct the damaged or destroyed part of the Project and

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

14.3.5.1. The Project shall be subject to an action for partition at the suit of any Owner, in which event the net proceeds of any sale resulting from such suit for partition, together with the net proceeds of the insurance of the Project, if any, shall be considered as one fund and shall be divided among all Owners in an amount equal to the pro-rata interests of the Owners in the Project.

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

14.4. If the damage or destruction is to be repaired or reconstructed as provided above, the Association shall, as soon as practicable after receiving the said estimate of costs, commence and diligently pursue to completion the repair and reconstruction of that part of the Project damaged or destroyed. The Association may take all necessary or appropriate action to effect the repair and reconstruction, as attorney-in-fact for the Owners, and no consent or other action by any Owner shall be necessary in connection therewith, except as otherwise expressly provided herein. The Project shall be restored or repaired to substantially the same condition in which it existed prior to the damage or destruction, with each Unit and the Common Areas and Facilities having the same vertical and horizontal boundaries as before. Any restoration or repair of the Project, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with the Declaration and the original architectural plans and specifications.

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

14.6. If any Owner (or the family members, guests, tenants or invitees of such Owner) causes any damages to or destruction of any Common Areas and Facilities or any Limited Common Areas, said Owner shall be fully responsible for all costs reasonably incurred to repair the damage or replace any items that need to be replaced as a result of the damage. All costs incurred by the Association in connection with such repair and/or replacement shall be secured by a lien in favor of the Association, and the Association shall have the same rights with respect to collection of said amounts and/or enforcement of the lien as it does with respect to collection of assessments and enforcement of the lien securing payment of assessments as set forth in Section 19 below.

## 15. TERMINATION.

15.1. Except as otherwise provided in this Declaration, including but not limited to Section 14 hereof, the Project may be terminated only by agreement of Owners entitled to vote at least sixty-seven percent (67%) of the Total Votes of the Association at a meeting of Owners duly called for such purpose at which a quorum is present, and with any and all approvals necessary from West Point City for termination of this Project. Notwithstanding the foregoing, during the Declarant Control Period, the Project may only be terminated if the Declarant approves termination of the Project.

15.2. All of the Owners may remove the Project from the provisions of the Act by an instrument duly recorded to that effect, provided that the holders of all liens affecting any of the Units consent or agree by instruments duly recorded that their liens are transferred to the fractional ownership interest of the Owners in the Project.

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

15.4. The Association, on behalf of the Owners, may contract for the sale of real estate in the Project, but the contract is not binding on the Owners until approved pursuant to Sections 15.1 and 15.2. If any real estate in the Project is to be sold following termination, title to that real estate on termination vests in the Association as trustee for all Owners. Thereafter, the Association has all powers necessary and appropriate to affect the sale. Until the sale has been concluded and the proceeds of the sale distributed, the Association continues in existence with all powers it had before termination. Proceeds of the sale shall be distributed to Owners and Mortgagees as their interests may appear, based on the relative value of each Unit. Unless otherwise specified in the termination agreement, as long as the Association holds title to the real estate, each Owner and their successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted their Unit in accordance with the terms of this Declaration. During the period of that occupancy right, each Owner and their successors in interest remain liable for all assessments and other obligations imposed on Owners by this Declaration.

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

## 16. EMINENT DOMAIN.

16.1. Whenever any proceeding is instituted that could result in the temporary or permanent taking, injury or destruction of all or part of the Common Areas and Facilities or one or more Units or portions thereof by the exercise of the power of or power in the nature of eminent domain or by an action or deed in lieu of condemnation, the Board and each Owner shall be entitled to notice thereof and the Board shall, and the Owners at their respective expense may, participate in the proceedings incident thereto.

16.2. With respect to the Common or Limited Common Areas and Facilities, any damages or awards shall be determined for such taking, injury or destruction as a whole and not for each Owner's



interest therein. After such determination, each Owner shall be entitled to a share in the damages in the same proportion as his ownership interest in the Common Areas and Facilities. This provision does not prohibit a majority of the Owners from authorizing the Board to use such damages or awards for replacing or restoring the Common Areas and Facilities so taken on the remaining land or on other acquired land, provided that this Declaration and the Plat are duly amended.

16.3. With respect to one or more Units or portions thereof, the damages or awards for such taking shall be deemed to be proceeds from insurance on account of damage or destruction pursuant to Section 14 above and shall be deposited with the Board as trustee. Even though the damages or awards may be payable to one or more Owners, the Owners shall deposit the damages or awards with the Board as trustee. In the event an Owner refuses to so deposit his award with the Board, then at the option of the Board, either a Special Common Assessment shall be made against the defaulting Owner and his Unit in the amount of this award or the amount of such award shall be set off against the sum hereafter made payable to such Owner.

16.4. If one or more Units are taken, in whole or in part, and the Project is not removed from the provisions of the Act, the taking shall have the following effects:

16.4.1. If the taking reduces the size of a Unit and the remaining portion of the Unit may be made tenantable, the Unit shall be made tenantable. If the cost of such work exceeds the amount of the award, the additional funds required shall be assessed against the Owners of the Unit. The balance of the award, if any, shall be distributed to the Mortgagee to the extent of the unpaid balance of its Mortgage and the excess, if any, shall be distributed to the Owner.

16.4.2. If the taking destroys or so reduces the size of a Unit that it cannot be made tenantable, the award shall be distributed to the Mortgagee of the Unit to the extent of the unpaid balance of its Mortgage and the excess, if any, shall be distributed to the Owners thereof. The remaining portion of such Unit, if any, shall become a part of the Common Areas and Facilities and shall be placed in condition for use by all Owners in the manner approved by the Board. The ownership interest in the Common Areas and Facilities appurtenant to the Units that continue as part of the Project shall be equitably adjusted to distribute the ownership of the Common Areas and Facilities among the reduced number of Owners.

16.5. Changes in Units, in the Common Areas and Facilities and in the ownership of the Common Areas and Facilities that are affected by the taking referred to in this Section 16 shall be evidenced by an Amendment to this Declaration and the Plat, which need not be approved by the Owners.

## 17. MORTGAGEE PROTECTION.

17.1. The Association shall maintain and have current copies of the Declaration, Articles, Bylaws, and other rules concerning the Project as well as its own books, records, and financial statements available for inspection by Owners or by holders, insurers, and guarantors of First Mortgages that are secured by Units in the Project. Generally, these documents shall be available during normal business hours.

17.2. The lien or claim against a Unit for unpaid assessments or charges levied by the Association pursuant to this Declaration shall be subordinate to the First Mortgage affecting such Unit

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

17.3. In the event any taxes or other charges which may or have become a lien on the Common Areas and Facilities are not timely paid, or in the event the required hazard insurance described in 13.1.1 lapses, is not maintained, or the premiums therefore are not paid when due, any Mortgagee or any combination of Mortgagees may jointly or singly, pay such taxes or premiums or secure such insurance. Any Mortgagee which expends funds for any of such purposes shall be entitled to immediate reimbursement therefor from the Association.

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

## 18. AMENDMENT.

18.1. Except as provided elsewhere in this Declaration, this Declaration may be amended by affirmative vote or written consent, obtained by written ballot or otherwise, or any combination thereof, of at least sixty-seven percent (67%) of the Total Votes of the Association. Notwithstanding the foregoing, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Any amendment authorized pursuant to this Section shall be accomplished through the recordation in the office of the Davis County Recorder of an instrument executed by the Association. In such instrument an officer or a member of the Board of the Association shall certify that the vote required by this Section for amendment has occurred.

18.2. Declarant has the right to unilaterally amend, modify, extend or revoke this Declaration for any purpose during the Declarant Control Period, so long as a copy of the written amendment is provided to all other Owners. Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary: (1) to bring any provision into compliance with any applicable governmental statute, rule, regulation or judicial determination; (2) to enable any reputable title insurance company to issue title insurance coverage on any Lot or Unit; (3) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans to make, purchase, insure, or guarantee mortgage loans on any Lot or Unit; or (4) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment occurring after the Declarant Control Period shall not adversely affect the title to any Lot or Unit unless the Owner of such Lot or Unit shall consent in writing. Declarant's right to amend shall be construed liberally and shall include, without limitation, the right to amend and/or restate this Declaration in part or in its entirety.

19. ASSESSMENT OF UNITS BY THE ASSOCIATION.

19.1. The making and collection of Common Assessments by the Association from Owners of Units for their share of Common Expenses shall be pursuant to the Bylaws and subject to the following provisions:

19.1.1. Declarant, for each Unit owned by Declarant which is not an Exempt Unit, and each Owner, other than Declarant, by becoming an Owner of a Unit is deemed to covenant and agree to pay Assessments to the Association in accordance with this Declaration. Each Unit in the Project (except for Exempt Units) shall be liable for an equal share of the Common Expenses of the Association. Two separate and distinct funds shall be created and maintained hereunder, one for operating expenses and one for capital reserve expenses. Such combined expenses shall constitute the Common Expenses, and the funds received from Common Assessments under this Article 19 shall be the Common Expense Account. Common Assessments shall include both Regular Common Assessments and Special Common Assessments. Regular Common Assessments must be made at least annually, based on a budget adopted at least annually by the Association in accordance with the provisions of this Declaration and the Bylaws. Regular Common Assessments shall be levied against each separate Unit annually.

19.1.2. The Association may not impose a Regular Common Assessment per Unit which is more than 20% greater than the previous year's Regular Common Assessment, without first obtaining the vote of Owners casting a majority of the Total Votes of the Association at a meeting of the Association. Such percentage increase shall be calculated without regard to any increase attributable to an increase in real estate taxes against the Units. The Association shall provide notice, by first class mail to all Owners, of any increase in the Regular Common Assessments not less than fifteen (15) nor more than sixty (60) days prior to the date the increased Regular Common Assessment is due.

19.1.3. In addition to the Regular Common Assessments, the Association may levy in any calendar year, Special Common Assessments applicable to that year only. However, in any fiscal year, except as otherwise provided in this Declaration, the Board shall not, without the vote or written assent of Owners, casting a majority of the Total Votes of the Association at a meeting or by written ballot, levy Special Common Assessments which in the aggregate exceed 10% of the budgeted gross expenses of the Association for that fiscal year. All Units within the Project, except Exempt Units, shall pay an equal portion of any Special Common Assessment. These provisions with respect to the imposition or allocation of Special Common Assessments shall not apply when the special assessment is to pay an increase in real property taxes. The Board shall provide notice by first class mail to all Owners of any Special Common Assessments not less than fifteen (15) nor more than sixty (60) days prior to the date such Assessment is due. Special Common Assessments shall be paid as determined by the Board and the Board may permit Special Common Assessments to be paid in installments extending beyond the fiscal year in which the Special Common Assessment is imposed.

19.1.4. The Association may also levy a Specific Assessment against an Owner or an Owner's Unit: (1) to reimburse the Association for costs incurred in bringing an Owner and/or an Owner's Unit into compliance with the provisions of this Declaration, the Bylaws, rules and regulations of the Association or any other governing instrument of the Project; (2) to cover costs incurred as a consequence of the conduct of the Owner or occupants of the Unit,

their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying a Specific Assessment for this purpose; or (3) to pay the costs, including overhead and administrative costs, of providing services to the Owner or the Owner's Unit in accordance with this Declaration, including the provisions of Section 20, or pursuant to any menu of special services which may be offered by the Association or the Manager. Specific Assessments for special services may be levied in advance of the provision of the requested service.

19.1.5. All Assessments shall be due as determined pursuant to this Declaration and the Bylaws. Assessments and any installments thereof not paid on or before ten (10) days after the date when due shall be delinquent and shall bear interest at the rate of eighteen percent (18%) per annum, or at such lower rate of interest as may be set by the Board, from the date when due until paid. In addition, Owners who do not pay their Common Assessments when due shall be subject to a late fee of up to One Hundred dollars (\$100.00), adjustable from year to year at the discretion of the Board. All payments of Assessments shall be first applied to accrued interest and late fees, and then to the Assessment payment first due. All Assessments to pay a judgment against the Association may be made only against the Units in the Project at the time the judgment was entered, in proportion to their liabilities for Common Expenses. If any Common Expense is caused by the misconduct of any Owner, the Association may assess that expense exclusively against such Owner's Unit(s). If the Owners' percentage interests in the Common Areas and Facilities are reallocated, assessments for Common Expenses and any installment thereof not yet due must be recalculated in accordance with the reallocated percentage interests of the Owners.

19.1.6. There shall be a lien upon the applicable Unit for all unpaid Assessments, together with late fees, interest and costs (including attorneys' fees) charged pursuant to the Declaration and the Act. The lien for unpaid Assessments and related charges shall be effective upon recordation in the Office of the Davis County Recorder of a written notice of lien by the Board or the Manager. The written notice of lien shall set forth the amount of the Assessment, the date(s) due, the amount remaining unpaid, the name of the Owner of the Unit and a description of the Unit. No notice of lien shall be recorded until there is a delinquency in payment of the Assessment. Such lien may be enforced by sale or foreclosure conducted in accordance with the provisions of law applicable to the exercise of powers of sale or foreclosure in deeds of trust or mortgages or in any other manner permitted by law including specifically, but without limitation, the method recognized under the laws of the State of Utah for the enforcement of a mechanics lien which has been established in accordance with the provisions of Chapter 1, Title 38, Utah Code Ann., as amended from time to time. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceeding (including reasonable attorneys' fees), and such costs and expenses shall be secured by the lien being foreclosed. The Owner shall also be required to pay to the Association any Assessments against the Unit which shall become due during the period of foreclosure, and all such Assessments shall be secured by the lien being foreclosed. The Board shall have the right and power on behalf of the Association to bid at any foreclosure sale and to hold, lease, mortgage or convey the subject Unit in the name of the Association. In furtherance of such foreclosure rights, the Association may bring an action at law against the Owner personally obligated to pay the same or the Association may foreclose the lien in accordance with the provisions of the Act. The Board hereby appoints Paxton R. Guymon, Esq., of York Howell & Guymon, 6405 South 3000 East, #150, Salt Lake City, Utah 84121, as trustee for the

purposes of exercising the power of sale in connection with non-judicial foreclosures as provided in Title 57, Chapter 1 Utah Code Ann. and made applicable hereto by Title 57, Chapter 8a Utah Code Ann. Provided, however, the Association reserves the right to substitute and appoint a successor trustee as provided for in Title 57, Chapter 1 Utah Code Ann. The Declarant hereby conveys and warrants pursuant to Utah Code Ann. Sections 57-1-20 and 57-8a-302 to Paxton R. Guymon, with power of sale, the Lots and Units and all improvements to the Lots and Units for the purpose of securing payment of Assessments under the terms of the Declaration. Each Owner also hereby conveys all of its right, title and interest in its Unit to such trustee, in trust, with a power of sale, to secure each Owner's obligations under the Declaration, including but not limited to the obligation to pay all Assessments. The Association may, through its duly authorized agents, bid on the Unit at any foreclosure sale and acquire, hold, lease, mortgage and convey the same. The lien of the Association shall be superior (prior) to all other liens and encumbrances except liens and encumbrances recorded before recordation of this Declaration, a First Mortgage on a Unit as provided for in Section 17.2 hereof and assessments, liens and charges in favor of the state or any political subdivision thereof, for taxes and other governmental assessments or charges past due and unpaid on the Unit. The lien procedures described herein do not prohibit actions to recover sums for which the Act creates a lien or prohibit the Association from taking a deed in lieu of foreclosure. The Board, upon written request, shall furnish to an Owner a statement setting forth the amount of unpaid Assessments against the Unit. This statement must be furnished within ten (10) business days after receipt of the request and is binding on the Association, the Board, the Manager and every Owner, in favor of all who rely on such statement in good faith.

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

19.1.8. The personal obligation of an Owner to pay unpaid Assessments against his Unit as described in Section 19.1.7 shall not pass to successors in title unless assumed by them; provided, however, that a lien to secure unpaid assessments shall not be impaired, nullified or otherwise affected by the sale or transfer of the Unit unless foreclosure by a First Mortgagee is involved in which case the foreclosure will extinguish the lien for any assessments that were payable before the foreclosure sale, but shall not relieve any subsequent Owner from paying further Assessments.

19.1.9. All Exempt Units shall be exempt from the Assessments (including Regular Common Assessments and Special Common Assessments). Declarant shall remain a Class B Member in the Association at all times until Declarant surrenders such Class B Membership status in writing in accordance with the provisions of Section 22.2, notwithstanding its temporary exemption status from the required Assessment payments. On the date on which a Unit loses its status of being an Exempt Unit (as set forth in Section 2.18), then it shall automatically be subject to its share of Assessments from that date forward.

19.2. The Board shall not expend funds designated as reserves for any purpose other than the repair, restoration, replacement or maintenance of major components of the Common Areas and Facilities for which the Association is responsible and for which the reserve fund was established or for litigation or binding arbitration involving such matters. Nevertheless, the Board may authorize the temporary transfer of money from the reserve account to the Association's operating account from time to time to meet short-term cash flow requirements and pay other expenses. Any such funds so transferred shall constitute a debt of the Association, and shall be restored and returned to the reserve account within three (3) years of the date of the initial transfer; provided, however, the Board may, upon making a documented finding that a delay in the restoration of such funds to the reserve account would be in the best interests of the Project and Association, delay such restoration until the time it reasonably determines to be necessary. The Board shall exercise prudent fiscal management in the timing of restoring any transferred funds to the reserve account and shall, if necessary, levy a Special Common Assessment to recover the full amount of the expended funds within the time limit specified above. Any such Special Common Assessment shall not be subject to the limitations set forth in Section 19.1.3 hereof. At least once every three (3) years the Board shall cause a study to be conducted of the reserve account of the Association and its adequacy to satisfy anticipated future expenditure requirements. The Board shall, thereafter, annually review the reserve account study and shall consider and implement necessary adjustments to reserve account requirements and funding as a result of that review. Any reserve account study shall include, at a minimum:

19.2.1. Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a useful life of less than 30 years.

19.2.2. Identification of the probable remaining useful life of the components identified in Section 19.2.1 above, as of the date of the study.

19.2.3. An estimate of the cost of repair, replacement, restoration or maintenance of each major component identified in Section 19.2.1 above, during and at the end of its useful life.

19.2.4. An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

For the purposes of this Section, the term "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components which the Association is obligated to maintain. The Association and the Board shall comply with the provisions of the Act pertaining to a reserve analysis and the funding of a reserve account.

19.3. If an Owner shall at any time lease his Unit and shall default in the payment of Assessments, the Board may, at its option, so long as such default shall continue, demand and receive from any tenant of the Owner the rent due or becoming due, and the payment of such rent to the Board shall be sufficient payment and discharge of such tenant and the Owner for such assessments to the extent of the amount so paid.

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21. REINVESTMENT FEE COVENANT.

21.1. Following the original conveyance of title to a Unit by Declarant to the initial Owner of the Unit (which original conveyance is exempt for the Reinvestment Fee herein described), with respect to each and every subsequent conveyance of title to the Unit to a new Owner, a fee in the amount of Three Hundred Dollars (\$300.00) (the “Reinvestment Fee”) shall be paid by the buyer of the Unit to the Association. The Board shall have authority, by written resolution, to modify the amount of the Reinvestment Fee, according to the financial needs of the Association, so long as the amount is not less than \$250.00 and not more than \$900.00. To the fullest extent practicable, the Reinvestment Fee shall be collected at the closing of the purchase/sale transaction by the title company, escrow company, or other persons involved with the transaction, and paid directly to the Association.

21.2. The Association shall have a lien against the Unit of the buyer/New Owner to secure payment and collection of the Reinvestment Fee. The lien securing payment of the Reinvestment Fee shall be enforceable in the same manner and in all respects as the lien securing payment of assessments as provided in the provisions of Section 19 above.

21.3. The obligation to pay the Reinvestment Fee shall be a personal and continuing obligation of the buyer/New Owner, regardless of whether the buyer/New Owner acquired title to the Unit by regular conveyance, pursuant to a foreclosure sale (judicial or non-judicial), by inheritance or probate, or otherwise.

21.4. The Association shall use the funds obtained from payment of all Reinvestment Fees to maintain, repair and/or replace the Common Areas and Facilities of the Project for the benefit of all of the Lots and Units in the Project.

21.5. The provisions of this Section 21 shall be interpreted and enforced in a manner that complies with the provisions pertaining to “reinvestment fee covenants” in Sections 57-1-46 et seq. of the Utah Code, as the same may be amended. The provisions of this Section 21 are intended to run with the land of the Lots and Units, and to be binding upon all successors and assigns, and inure to the benefit of the Association.

22. VOTING.

The Association shall have two (2) classes of memberships which shall be entitled to the following voting rights:

22.1 Class A. Each Owner of a Unit, which is an Assessable Unit, shall be a Class A Member of the Association and each Owner is allotted one (1) vote per Unit owned. Each Class A Membership shall be held jointly by all Owners of such Unit.

22.2 Class B. Declarant shall be the only Class B Member of the Association and shall be entitled to ten (10) votes for each Unit owned by Declarant and ten (10) votes for each Lot owned by Declarant without a Unit. Declarant shall be entitled to cast ten (10) votes for each Unit and Lot owned by Declarant even if the Units or Lots are temporarily classified as Exempt Units under Section 2.18 of this Declaration.

Except as otherwise specifically set forth herein, all matters requiring a vote of the Members shall be decided by a Majority Vote of the Members constituting a Quorum (including, without limitation, the votes pertaining to the Class B Member). During the Declarant Control Period, all matters requiring a vote of the Members or otherwise submitted to a vote of the Members shall be approved and implemented if and only if the Declarant also approves such matters. When Declarant is no longer a Class B Member of the Association, then (i) the Class B Membership shall cease being a class of membership; (ii) there shall no longer be any Class B votes of the Association; and (iii) all matters submitted to a vote of the Association shall be decided solely by the votes of the Class A Members.

Except for Units and Lots owned by Declarant as a Class B Member, there shall be one (1) vote for each Unit in the Project. The voting percentage for each Unit shall be equal to a fraction, the numerator of which shall be the vote held by the Owner of such Unit and the denominator of which shall be the total number of all votes of all Members of the Association.

## 23. EASEMENTS.

23.1. If any part of the Common Areas and Facilities encroaches or shall hereafter encroach upon a Unit or Units, an easement for such encroachment and for the maintenance of the same shall and does exist. If any part of a Unit encroaches or shall hereafter encroach upon the Common Areas and Facilities, or upon an adjoining Unit or Units, an easement for such encroachment and for the maintenance of the same shall and does exist. Such easements shall extend for whatever period the encroachment exists. Such encroachments shall not be considered to be encumbrances either on the Common Areas and Facilities or the Units. Encroachments referred to herein include, but are not limited to, encroachments caused by error in the original construction of any improvement constructed or to be constructed within the Project, by error in the Plat, by settling, rising or shifting of the earth, or by changes in position caused by repair or reconstruction of the Project or any part thereof.

23.2. If any utility line of any kind is constructed such that it crosses through, over, or under one or more Units in order to provide service to another Unit, or if, after construction, it becomes necessary to install a utility line through, over or under one or more Units in order to provide service to another Unit, a perpetual easement for such utility line(s) is hereby granted for the installation, maintenance, repair (or replacement) and operation of all such utility line(s).

23.3. Each Owner shall have the unrestricted right to ingress and egress over, upon and across the Common Areas and Facilities as necessary for access to the Unit he or she is occupying and to any Limited Common Areas and Facilities appurtenant to his or her Unit, and shall have the right to the horizontal, vertical and lateral support of his or her Unit and such rights shall be perpetual and shall be appurtenant to and pass with title to each Unit.

23.4. The Association shall have an easement, including, without limitation, an easement through, over and across the Lots and the Units, to make such use of the Common Areas and Facilities as may be necessary or convenient to perform the duties and functions that each is obligated or permitted to perform pursuant to this Declaration, including, without limitation, the obligation of the Association to provide or arrange to be provided landscaping services for all landscaping within the Lots and the Project as a whole.



23.5. All conveyances of Units within the Project shall be construed to grant and reserve such easements as are provided herein, even though no specific reference to such easements appears in any such conveyance.

#### 24. NOTICES.

Any notice permitted or required to be delivered as provided herein may be delivered either personally, by first class mail, by express mail or overnight courier service providing proof of delivery, or by telecopy or facsimile transmission. Notice to Owners shall be addressed to each Owner at the address given by such Owners to the Board for the purpose of service of such notice or to the Unit of such Owner if no such address has been given to the Board. Notice shall be deemed given when actually received if personally delivered or sent by overnight courier; if faxed, when the fax is received, except that if the fax is received at a time other than the normal business hours of the office at which it is received, on the next regular business day; and if by mail, the earlier of the day actually received or the third business day after the notice is deposited in the United States Mail, properly addressed and postage prepaid. Such address may be changed from time to time by notice in writing to the Board.

#### 25. NO WAIVER.

The failure of the Board or its agents or designees to insist, in one or more instances, upon the strict performance of any of the terms, covenants, conditions or restrictions of this Declaration or the Bylaws, to exercise any right or option herein contained or to serve any notice or institute any action, shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition or restriction; but such term, covenant, condition or restriction shall remain in full force and effect. The receipt and acceptance by the Board or its agents or designees of the payment of any assessment from an Owner with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board.

#### 26. ENFORCEMENT.

26.1. All Owners, guests or lessees of an Owner, and persons under Owner's control, shall strictly comply with the provisions of the Declaration, the Bylaws, and the rules and regulations and decisions issued pursuant thereto. The Association and any aggrieved Owner shall have a right of action against Owners who fail to comply with provisions of the Declaration or the decisions of the Association. Owners shall have a similar right or action against the Association. Failure to so comply shall be grounds for: (i) an action to recover sums due for damages or injunctive relief or both, maintainable by the Board, or its agent or designee on behalf of the Owners, or in an appropriate case, by an aggrieved Owner; and/or (ii) the Board to impose monetary penalties, temporary suspensions of an Owner's right to the use of the Common Areas and Facilities, or other appropriate discipline so long as any such Owner has been given notice and has had an opportunity to present a written or oral defense to the charges in a hearing. The Board shall determine whether the Owner's defense shall be oral or written. After the hearing, but before any disciplinary action is taken, the Owner shall be notified of the decision of the Board. The Board may delegate to the Manager the power and authority to carry out disciplinary actions duly imposed.

26.2. The Board may adopt and enforce reasonable rules and regulations that are not inconsistent with the provisions of this Declaration. The Board may also adopt and enforce reasonable fine schedules, and may impose and collect fines from Owners who violate the provisions of this

Declaration. All costs and expenses incurred by the Board in enforcing the rules and regulations, and enforcing or collecting fines, shall be paid by the offending Owner and shall be secured by a lien against the Unit owned by the offending Owner. Said lien shall be enforced in the same manner as the lien securing payment of assessments, as provided in this Declaration.

26.3. The Association shall not be empowered to cause the absolute forfeiture of an Owner's right, title or interest in the Project on account of the Owner's failure to comply with the provisions of the Declaration or the rules and regulations for the Project except pursuant to:

26.3.1. The judgment of a court; or

26.3.2. A foreclosure for the failure of an Owner to pay assessments or fines duly levied by the Association.

26.3.3. The Association shall only be empowered to cause or require alteration or demolition of any construction to enforce any restrictions contained in this Declaration pursuant to judicial proceedings.

27. AGENT FOR SERVICE OF PROCESS. The name and address of the person to receive service of process shall be the registered agent and address of the Association as shown on the official corporate records maintained in the office of the Division of Corporations and Commercial Code of the State of Utah.

28. DISPUTE RESOLUTION; MANDATORY BINDING ARBITRATION.

28.1. Statement of Intent. Every Owner is capable of obtaining an inspection and is permitted to perform, or pay someone else to perform, any inspection on any Unit that Owner is purchasing or any aspect of the Project; all prior to purchasing a Unit. Moreover, if any warranty has been provided, it identifies the only items that are warranted by the Declarant. Having had the ability to inspect prior to purchasing a Unit, having received a written warranty if any warranty is provided, and having paid market price for a Unit in the condition it and the Units and Common Area are in at the time of purchase, it is acknowledged that it is unfair and improper to later seek to have the Declarant and/or any subcontractor performing work in the Project to change, upgrade, or add additional work to the Project outside of any express warranty obligation. Moreover, the Owners (by purchasing a Unit) and the Declarant acknowledge and agree that litigation is an undesirable method of resolving disputes and conflicts in that it can be slow, expensive, uncertain, and can often negatively impact the sale value and ability to obtain financing for the purchase of Units for years, unfairly prejudicing those Owners who must or want to sell their Unit during any period when litigation is pending. For this reason, the Owners by purchasing a Unit and the Declarant agree and acknowledge that claims and disputes shall not be pursued through court action, but shall be asserted and resolved only through certain specific alternative dispute resolution mechanisms and only after full disclosure, right to cure periods, and knowing approval of the Owners, as set forth herein. In addition, the Association and the Owners agree that they take ownership and possession of the Units, Common Areas, and Limited Common Areas AS IS, with no warranties of any kind except as otherwise required as a matter of law. The Declarant specifically disclaims any warranties of merchantability, fitness for a particular use, or of habitability, to the full extent allowed by law.

28.2. To the fullest extent permitted by law, all claims and disputes of any kind that any Owner or the Association may have involving the Declarant, or any agent, employee, executing officer,

manager, affiliate or owner of the Declarant, or any engineer or contractor involved in the design or construction of the Project, which arises from or is in any way related to a Unit, Building, Common Areas and Facilities, Limited Common Areas and Facilities, or any other component of the Project (a “Dispute”), shall be submitted to final and binding arbitration. Binding arbitration shall be the sole remedy for resolving claims and disputes between or involving the Declarant and any Owner or between or involving the Declarant and the Association. Arbitration proceedings shall not be commenced unless the Pre-Arbitration Requirements set forth in Section 28.3 below have been satisfied in full. Without in any way limiting the foregoing, Disputes subject to binding arbitration shall include:

28.2.1. Any allegation that a condition in any of the Units, Buildings, Common Areas and Facilities, Limited Common Areas and Facilities is a construction defect;

28.2.2. Any disagreement as to whether an alleged construction defect has been corrected;

28.2.3. Any disagreement about whether any warranties, including implied warranties, are applicable to the subject matter of any Dispute;

28.2.4. Any disagreement as to the enforceability of any warranties alleged to be applicable to the subject matter of any Dispute;

28.2.5. Any disagreement about whether any warranty alleged to be applicable to the subject matter of any Dispute has been breached;

28.2.6. Any alleged violations of consumer protection, unfair trade practice, or other statutes;

28.2.7. Any allegation of negligence, strict liability, fraud, and/or breach of duty of good faith, and all other claims arising in equity or from common law;

28.2.8. Any allegation that any condition existing in the Project or created by the Declarant, including construction-related noise, dust, and traffic, is a nuisance;

28.2.9. Any disagreement concerning the issues that should be submitted to binding arbitration;

28.2.10. Any disagreement concerning the timeliness of performance of any act to be performed by Declarant;

28.2.11. Any disagreement as to the payment or reimbursement of any fees associated with binding arbitration;

28.2.12. Any other claim or disagreement arising out of or relating to the sale, design, or construction of any of the Units, Buildings, Common Areas and Facilities, Limited Common Areas and Facilities.

28.3. Pre-Arbitration Requirements. An Owner or the Association may only pursue a claim against the Declarant, to the extent allowed herein or by law after the following efforts of dispute resolution have been completed: (1) Right to Cure: the Owner shall provide to the Declarant a written

Notice of Claim (defined below) and permit the Declarant one hundred eighty (180) days to cure or resolve the claim or defect or to try to get the builder or the appropriate subcontractor to cure or resolve the claim or defect, prior to initiating any formal arbitration proceedings; (2) if the dispute is not resolved within the 180-day Right to Cure period, the parties agree to mediate the dispute prior to taking further action. If additional, different, or modified claims, damages, calculations, supporting information, or descriptions are added, provided to, or asserted against the Declarant that were not included in any previously submitted Notice of Claim, the Right to Cure period provided for in this section shall immediately apply again and any pending action or proceedings, including any mediation or arbitration, shall be stayed during the 180-day period.

28.3.1 "Notice of Claim" shall mean and include the following information: (1) an explanation of the nature of the claim, (2) a specific breakdown and calculation of any alleged damages, (3) a specific description of the claim along with any supporting opinions, information, or factual evidence upon which the claim is based, (4) photographs of any alleged condition, if applicable, (5) samples of any alleged defective conditions or materials, (6) all efforts taken to avoid, mitigate, or minimize the claim or any alleged damages arising therefrom, and (7) the names, phone numbers, and address of each person providing factual information, legal or factual analysis, or legal or factual opinions related to the claim.

28.4. If a claim or dispute has not been resolved after satisfying and complying with the above-described "Pre-Arbitration Requirements," then the claimant (Owner or Association) shall have the right to proceed with binding arbitration; however, the Association shall not pursue or commence binding arbitration unless such action is first approved by a majority of the Total Votes of the Association after first obtaining a written opinion from legal counsel advising the Association of the likelihood of success on the merits of the claims, the anticipated costs and legal fees, the anticipated expert witness fees, and the likelihood of recovery if the Association prevails. The written opinion from legal counsel, addressing these topics, must be provided to all Owners before the formal vote on whether to proceed with binding arbitration. The binding arbitration shall be conducted by a member of the American Arbitration Association's Panel of Construction Arbitrators. The binding arbitration shall be conducted according to the rules and procedures set forth in the Construction Industry Arbitration Rules promulgated by the American Arbitration Association. The award of the arbitrator shall be final and may be entered as a judgment by any court of competent jurisdiction.

28.5. Each party shall bear its own attorney fees and costs (including expert witness costs) for the arbitration. The arbitration filing fee and other arbitration fees shall be divided and paid equally as between the parties. Notwithstanding the foregoing, the arbitrator shall, as part of any decision, award to the prevailing party any applicable filing fees or other arbitration fees paid by that party.

28.6. If any Owner, the Association, or the Declarant files a proceeding in any court to resolve any Dispute, such action shall not constitute a waiver of the right of such party, or a bar to the right of any other party, to seek arbitration of that or any other Dispute and such court shall, upon motion of any party to the proceeding, stay the proceeding before it and direct that such Dispute be arbitrated in accordance with the terms set forth herein.

28.7. The Association and each Owner waives any right to subrogation against the Declarant and any builder and engineer in the Project. This waiver shall be broadly construed and applied to waive, among other things, any attempt by any insurer of any Owner or of the Association from pursuing or exercising any subrogation rights, whether arising by contract, common law, or otherwise, against the Declarant, the engineer, and builder, and their officers, employees, owners, and

representatives. To the full extent permitted by law, the Association and Owners hereby release Declarant, the Project engineer, and builder, their respective officers, employees, owners, and representatives from any and all liability to the Association and all Owners, and anyone claiming through or under them by way of subrogation or otherwise, for any loss, injury, or damage to property, caused by fire or any other casualty or event, even if such fire or other casualty shall have been caused by the fault or negligence of Declarant or builder, their officers, employees, owners, and representatives. The Association and each Owner agrees that all policies of insurance shall contain a clause or endorsement to the effect that this release and waiver of subrogation shall not adversely affect or impair such policies or prejudice the right of the Association or any Owner to recover thereunder. The Association and all Owners shall indemnify and defend the Declarant, the builder, and any of their officers, employees, owners, or representatives from any claims barred or released by this provision, including but not limited to any claim brought under any right of subrogation.

29. **RIGHTS RESERVED FOR DECLARANT.** During the Declarant Control Period, the Declarant shall have the right to use any Unit owned by it, and any part of the Common Areas in furtherance of any activities designed to accomplish or facilitate construction, improvement and sale of all Units owned by the Declarant or to be added to the Project, and the construction and improvement of all Common Areas and/or Limited Common Areas as the Declarant may desire. The Declarant shall have the right to maintain one or more sales offices and model Units. Such offices and model Units may be located in any Unit with the permission of the Owner of that Unit, who may be the Declarant, or in one or more separate structures, trailers, or facilities placed in the Project for the purpose of aiding the Declarant's sales efforts, or any combination of the foregoing. The Declarant shall also have the right to maintain any number and size of promotional, advertising, or directional signs, banners, or similar structures or devices at any place or places in the Project. The Declarant shall also have the right to designate by signs or otherwise any street or other parking as parking for sales only or to otherwise restrict and use any Common Area parking. The Declarant shall have the right from time to time to relocate, move, remove, or add to any of its sales offices, parking restrictions, model Units, signs, banners or similar structures or devices.

30. **SEVERABILITY.** The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion hereof shall not affect the validity or enforceability of any other provision hereof.

31. **LAW CONTROLLING.** This Declaration shall be construed and controlled by and under the laws of the State of Utah.

32. **EFFECTIVE DATE.** This Declaration shall take effect when recorded. In this Declaration, the singular shall include the plural and the masculine shall include the feminine and vice versa, if the context so requires.

IN WITNESS WHEREOF, the Declarant has executed this instrument this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

**DECLARANT:**

Castle Creek Homes, LLC, a Utah limited liability company

By: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF UTAH     )  
                              : ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2017,  
by \_\_\_\_\_, as Manager of Castle Creek Homes, LLC, a Utah limited liability  
company.

\_\_\_\_\_  
NOTARY PUBLIC

SEAL:

**EXHIBIT A**

Legal Description of the Property

The Legal Description of the Project is attached hereto.

**EXHIBIT B**

Association Bylaws

Attached hereto.