

When recorded mail to:

Brian Lee Wilson  
Dallas Real Estate  
5200 East Cortland Blvd, Suite D-1  
Flagstaff, AZ 86004

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS  
FOR  
RED LAKE MOUNTAIN RANCH

This Declaration of Covenants, Conditions and Restrictions (hereinafter the “Declaration”), made this \_\_\_\_ day of \_\_\_\_\_, 2008, by RED LAKE MOUNTAIN RANCH, LLC, an Arizona limited liability company (hereinafter the “Declarant”). Whose address is:

RED LAKE MOUNTAIN RANCH, LLC  
7349 via Paseo del Sur, #515  
Scottsdale, AZ 85258

WHEREAS, Declarant is the Owner of real property in Coconino County, Arizona legally described on Exhibit on “A” attached hereto; and

WHEREAS, the property of Declarant is shown on the final plat of the subdivision attached as Exhibit “B” and shall hereinafter be referred to as the “Initial Covered Property”;

WHEREAS, Declarant desires to establish and maintain the rural and equestrian nature of the Initial Covered Property for the benefit of all owners; and

WHEREAS, Declarant desires to reserve the right to annex and subject the Additional Property (as defined in Article I, Section 1.01) to this Declaration

NOW, THEREFORE, Declarant declares that the Initial Covered Property and any part of the Additional Property which is annexed and subjected to this Declaration is and shall be held, conveyed, encumbered, leased and used subject to the following covenants, conditions and restrictions which are for the purpose of enhancing and protecting the value of the Initial Covered Property and any part of the additional Property which is annexed and subjected to this Declaration. The covenants, conditions and restrictions set forth herein shall run with the Initial Covered Property and any part of the Additional Property which is annexed and subjected to this Declaration; shall be binding upon all persons having any interest in the Initial Covered Property or any part of the Additional Property that is annexed and subjected to this Declaration; shall inure to the Association; and may be enforced by Declarant or its successors, by any Owner or

their successors, the Association, or by any entity having an interest in the Initial Covered Property or any part of the Additional Property that is annexed and subjected to this Declaration.

## ARTICLE I

### DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases shall have the following meanings:

Section 1.01 “Additional Property” means any real property, together with all improvements situated hereon, specified within this section. No additional property is specified.

Section 1.02 “Assessments” means the Annual Assessment and any Special Assessments.

Section 1.03 “Assessment Lien” means the lien created and imposed by Section 3.05 hereof.

Section 1.04 “Association” means Red Lake Mountain Ranch Homeowners Association Inc.

Section 1.05 “Board” means the Board of Directors of the Association.

Section 1.06 “Builder” means any Owner engaged in the business of construction Dwelling Units for the purpose of resale in the ordinary course of such Person’s business.

Section 1.07 “Common Maintenance Areas” means: (a) all bike, pedestrian and equestrian trails or paths located within the public rights-of-way shown on a Plat or otherwise designated in this Declaration; (b) all real property, together with the improvements situated thereon, which are designated on a Plat or in a document recorded with the County Recorder of Coconino County, Arizona as being common areas to be owned and/or maintained by the Association; (c) gating located at Forest Service entrance; and (d) all retention basins or berms, whether located within the Property of outside the boundaries of the Property, that are for the benefit of the Property and over which the Association and/or the Owners have been granted an easement for the retention of storm water by a document recorded with the Coconino County Recorder. Maintenance of all such easements shall be the obligation of the Owners and/or Association as set forth in Section 2.06. Control of all common maintenance areas shall be vested in the Declarant until such time as control has transferred to the Association pursuant to Article III, Section 3.01. At such time, control of all common areas shall be vested in the Association.

Section 1.08 “Declarant” means Red Lake Mountain Ranch, LLC, its heirs, successors, or assigns.

Section 1.09 “Declaration” shall mean the covenants, conditions and restrictions herein set forth in this entire document, as the same may be from time to time amended.

Section 1.10 “Dwelling Unit” shall mean the structure constructed on a lot, designated to be used as a place of residence.

Section 1.11 “Improvement” or “Improvements” shall mean any and all alterations of the land, other than interior modifications of existing structures, including, but no limited to, outbuildings, ramadas, garages, guest houses, servant’s quarters, swimming pools, wall, fencing, stables, landscaping and driveways, whether intended to be temporary or permanent.

Section 1.12 “Lot” shall mean those parcels of real property shown on the recorded subdivision plat.

Section 1.13 “Member” means a lot owner in the Subdivision and a member of the Association.

Section 1.14 “Owner” shall mean (a) the record Owner, whether one or more persons of legal title in the fee simple of any Lot or (b) the purchaser of a lot under a recorded executory contract for the sale of real property. The foregoing does not include persons who hold an interest in a lot of security for the performance of an obligation, or a lessee or tenant, or a purchaser under an executory contract of sale which has not “closed” and been recorded in the Office of the County Recorder of Coconino County, Arizona.

Section 1.15 “Person” shall mean an individual or any other entity with the legal right to hold title to real property.

Section 1.16 “Plat” shall mean (a) the final subdivision plat for the Red Lake Mountain Ranch Unit 1, and (b) any subdivision plat recorded against any part of the Additional Property annexed and subjected to this Declaration pursuant to Article V, Section 5.07.

Section 1.17 “Property” or “Subdivision” shall mean (a) the real property, together with all improvements situated thereon, described on Exhibit A attached hereto and included within Red Lake Mountain Ranch Unit 1 as shown on the final plat attached hereto as Exhibit B, and (b) any part of the Additional Property annexed and subjected to this Declaration pursuant to Article V, Section 5.07.

Section 1.18 “Roads” shall mean all roads designated on the final plat of the subdivision which are dedicated to the County of Coconino.

## ARTICLE II

## USES AND RESTRICTIONS

Without the written permission of the Architectural Review Committee first obtained in accordance with Article IV, no person or entity of any nature shall commence or maintain any improvements of any nature upon any of said Lots, including without limitation excavation, site preparation, tree removal, demolition of existing improvements, landscaping, fences, walkways, roadways, driveways, signs, exterior lights, foundations, exterior painting, walls or buildings of any nature (other than repainting in colors substantially similar to the colors originally approved). In no event shall the Architectural Review Committee approve any buildings or improvements, nor shall any buildings or improvements be constructed or maintained upon any of said Lots, which violate any of the following restrictions:

### Section 2.01 Construction and Architectural Restrictions.

A. There may be erected on any one lot not more than one single-family residence (which may include guest quarters) with attached garage, plus such accessory and auxiliary garages, barns and tack rooms as are incidental to the single-family residential use. All structures erected or maintained on any lot or tract must be site built of new construction, built to UBC standards and all Coconino County and Arizona State codes and regulations. No modular or mobile homes are to be allowed. The maximum number of accessory buildings shall be no more than two. It shall also be the responsibility of each Lot Owner to construct structures on each Lot in accordance with the finished floor elevation that is depicted on the approved subdivision plat for each Lot, unless a waiver is obtained from Coconino County.

B. Only detached single-family dwellings containing a minimum livable area of One Thousand Six Hundred (1,600) square feet may be constructed on any lot.

C. Each single-family dwelling must have a minimum of a 2-car attached garage with a floor area of not less than Four Hundred (400) square feet. The design and style of the garage, shall be consistent with the rest of the dwelling and oriented so garage doors cannot be seen from the street.

D. Guest quarters may be erected to be occupied solely by non-paying guests or servants. Any quarters for guests or employees may be connected to the main residence by a common roof and the area of said quarters will not be included in the minimum livable area of the main residence set forth above. All construction for the guest quarters will be of the same type and material as the main residence and comply with current County standards for guest quarters.

E. All dwellings must have standard architectural appearance and no non-conventional home may be constructed.

F. The body and roof of the main residence and any guest house shall be of standard materials and colors that are earth tones as approved in the discretion of the

Architectural Review Committee described in Article IV below. Roof pitch shall be a minimum of 4/12 pitch. No rooftop HVAC units shall be allowed. Roof vents must be painted to match roof or house colors. No metallic or reflective materials are to be allowed.

G. A residence, guest house, garage, barn, stable or similar structure may be erected on a lot prior to the construction of the primary single-family residence; however, construction of the primary residence must be completed within 2 years from start of construction. Any construction not completed within two years shall be assessed a penalty of \$100.00 per day for each day of non-completion. All costs associated therewith, including attorney's fees and interest at WSJ Prime plus 2% shall be charged to the offending Lot Owner. If said costs are not paid within 10 days of written notice, the unpaid amount and any further attorney's fees incurred may be recorded as a lien against the offending Lot Owner's property. All material must be new or approved by the Coconino County Building Inspector. All construction shall (i) be according to the rules and regulations governing construction in Coconino County, (ii) be accomplished under a building permit issued by Coconino County, and (iii) be completed under the latest codes and requirements in effect in Coconino County at the time of construction.

H. All utility services such as electricity, telephone, cable TV, water lines and gas lines shall be installed underground in accordance with local county codes at the time of installation, and subject to the requirements of the supplying utility company. Any and all utility storage tanks, including water, gas, propane, etc., must be installed underground. A satellite dish is allowed if placed in a non-conspicuous location approved by the Architectural Review Committee.

I. Septic systems on all lots shall be installed and maintained in accordance with the standards of the Coconino County Health Department and the Arizona Department of Environmental Quality. Should any septic system require a Wisconsin mound or other alternative septic system, it shall be properly landscaped so as to blend in with the area.

J. All structures on all lots must be at least fifty (50') feet from the front, forty (40') feet from the side lot lines, and fifty (50') feet from the rear lot line or any equestrian easement. All barns, stables, feeding/watering facilities or similar structures must be built so that their wall are at least forty (40') feet from the rear and side property lines, and at least one hundred (100') feet from any dwellings on the adjoining lots.

K. In order to protect the "equestrian" area of the subdivision, no fence shall be erected within 16 feet of the front property line of any lot, or in that area designated as "open space", "equestrian easement", "public utility easement", "common area", or any other easement as shown on the final plat. In addition, for the benefit of all members, a fifty (50') foot wide equestrian easement is designated between Lots 6 and 7 and also between Lots 21 and 22, and is centered on the lot lines separating Lots 6 and 7 and Lots 21 and 22, respectively.

L. Any fences erected on the property shall be constructed in a manner and fashion consistent with the character of the surrounding area. The fencing shall be installed in a neat and professional manner using new materials. All fencing shall be constructed of standard materials as approved at the discretion of the Architectural Review Committee described in Article IV below. The finished height of any fence shall not exceed six (6') feet. Any fence erected within twenty (20') feet of a County road cannot be more than three (3') feet in height. No fence shall be erected within sixteen (16') feet of the front of the property line of any lot. All fences must comply with Coconino County ordinances and regulations.

M. None of the Lots shall be subdivided into smaller lots, and no portion of any said Lots or any easement or other interest therein shall be conveyed, leased or otherwise disposed of without the prior written approval of the Declarant. In the event one or more contiguous lots are owned by a single lot owner, each such lot shall pay the assessments described in Section 3.05. However, if the owner intends to use all of such lots for his primary residence, the owner shall not be required to construct a separated residence on each such lot as required in Section 2.01(A). The time for construction of such residence, however, must comply with Section 2.01(G).

N. All lot owners shall post their address number on their residence. All numbers shall at least four inches in height and shall be visible from the street.

O. Drainage. The drainage across individual Lots and throughout Red Lake Mountain Ranch is to be protected and preserved in its natural state, and no development or improvements of any kind shall take place within the drainage, unless approved in advance by the ARC and the necessary governmental agencies. It shall be the responsibility of each Lot Owner to protect, preserve, and maintain any and all drainage patterns located within the boundaries of its Lot. With the exception of fencing, corrals and related facilities that do not appreciably reduce the capacities or conflict with the drainage patterns, no building or structure of any kind shall be permitted in the drainage patterns and, unless in the event of a repair, the drainage grade(s) shall not be changed. Additionally, each Lot Owner shall be responsible to maintain the drainage patterns in accordance with its original condition and, in the event the drainage pattern becomes damaged or altered, the Lot Owner shall be responsible for immediately restoring the drainage area to its original condition.

Upon written notice of violation from Homeowners Association or County, the lot owner must restore the drainage pattern within 30 days. All costs associated therewith, including attorney's fees and interest at WSJ Prime plus 2% shall be charged to the offending Lot Owner. If said costs are not paid within 10 days of written notice, the unpaid amount and any further attorney's fees incurred may be recorded as alien against the offending Lot Owner's property.

P. Destruction of Residence. In the event the residence constructed on a lot should be destroyed by fire or other event, the Owner shall be required to demolish and remove the structure within three (3) months of the destruction. Thereafter, re-construction shall commence pursuant to the provisions of Section 2.01.

Q. Use of Outdoor Lighting. No outdoor flood lighting may be used in a manner that might be considered a nuisance to other residents. This includes, but is not limited to corral lighting, barn lighting or tennis court lighting. All lighting shall conform to the Coconino County Lighting Ordinance.

Section 2.02 General Use Restrictions.

A. No boarders or renters of a portion of any said Lots shall be permitted, but an entire Lot, together with the improvements thereon, may be rented only to a single family. All lease agreements must be in writing and must provide that the failure of any lessees to comply with the Declaration shall be a default under the lease; however, no Dwelling Unit may be leased or rented for a period of less than thirty (30) days. Rental of any guest house is prohibited, the occupancy thereof being limited to members of record Owner's family, guests or servants.

B. No garage, barn, stable, tack room, trailer, mobile home, motor vehicle or any temporary structure of any nature may be used as a permanent residence on any lot or tract. Temporary use is permitted, in small trailers and motor homes, for short periods of time (visitors, family members, home construction). Such temporary use, however, will not exceed a continuous period of two weeks or four weeks in the aggregate during any one calendar year, except during home construction the time period may be extended to six months.

C. No open fires or burning shall be permitted on any Lot and no incinerators or like equipment shall be placed, allowed or maintained upon any Lot. The foregoing shall not be deemed to preclude the use in customary fashion of outdoor barbeques or grills, unless such use is prevented or restricted by fire protection rules or regulations.

D. All fireplace chimneys and outlets from stoves, heating appliances and outside fire boxes must be protected from flying sparks by the use of approved spark arrestors. All other fire management issues shall be under the control of the Association.

E. Each Owner shall at all times maintain his entire Lot cleared of hazardous growth, vegetation, dead wood and/or trees, and other flammable or host materials.

F. No motor-driven vehicles of any kind shall make use of any easements or areas set aside for pedestrian or equestrian use.

G. No hotel or motel, store, multi-family dwelling, boarding house, guest ranch or any other place of business of any kind, and no hospital, sanitarium or other place for the care or treatment of the sick or disabled, physically or mentally; nor any facility for the care or treatment for compensation of sick or disabled animals shall ever be erected or permitted upon any lot, or any part thereof, and no business of any kind or character whatsoever shall be conducted in or from any residence or building on any of said lots or tracts, except for a home office or other activity that can be operated within a residence and without disturbing neighboring properties. A specific exception will be

made for sales offices erected by the Declarant and used in activities supporting the sale of lots, which are allowed.

H. It is the intent of these restrictions to preserve the rural atmosphere of the property and, therefore, tree cutting is prohibited except, during construction, only those trees needing to be removed to construct the dwelling (and any outbuilding) or access the dwelling may be removed. No private road or driveway shall be constructed, and no native growth shall be removed or destroyed, without the prior written approval of the Architectural Review Committee. Approval shall not be granted for removal or destruction of native growth except as necessary for the construction and maintenance of roads, driveways, and such other structures as are permitted on a building site. In the event native growth is removed or destroyed without the approval of the Architectural Review Committee, the Owner shall be required, at its cost, to replant same. If the Owner fails to do so, the Declarant or Association shall have the right to replant same and charge the cost to Owner. If Owner fails to pay such cost within 10 days, a lien for such cost may be recorded against Owner's property. Notwithstanding any other provision of this Subparagraph H to the contrary, an Owner may remove trees or other native vegetation for fire protection purposes or if the tree or other native vegetation dies or becomes infested with the bark beetle.

I. The following shall not be permitted within 16 feet of the front property line of any lot within the subdivision (other than existing large trees and/or rocks where removal would deleteriously impact the appearance of the lot as determined by the Architectural Review Committee):

1. Trees, plants, shrubs, or other types of vegetation/landscaping with large roots.
2. Fences, retainer walls, and other structures.
3. Large rocks.

J. The following shall not be permitted within 5 feet of a vault or meter owned by a public utility:

1. Large rocks.
2. Trees, plants, shrubs, or other types of vegetation/landscaping with large roots.

### Section 2.03 Noise and Visual Restrictions.

A. Storing of trailers, boats, campers, cars or horse trailers shall be kept reasonably out of sight so as not to be a visual nuisance to adjoining properties; either in a garage or approved outbuilding, along side yards in a neat, inconspicuous manner, or within fenced or planted perimeters. Under no circumstances may a stored trailer be lived in during the period of storage. All vehicles must have a valid current registration.

B. No tanks of any kind, elevated above the surface of the ground or visible in any manner, shall be erected, placed or permitted on any of said Lots. No exterior clothesline equipment shall be permitted on any of said Lots. All rubbish, trash or garbage shall be kept in airtight containers and not allowed to accumulate on any of said Lots. Woodpiles, service yards, and said rubbish, trash or garbage containers shall be kept screened by fencing or adequate planting so as to conceal them from view of streets and of neighboring parcels or any recreation areas. Incineration of rubbish, trash, garbage, or vegetation shall not be permitted.

C. No motor vehicle which is under repair and not in operation condition shall be placed or permitted to remain on the road or any portion of any lot unless it is within an enclosed garage or structure.

D. No advertising signs, billboards, unsightly objects or nuisances shall be erected, placed or permitted to remain on any of said lots or tracts, nor shall the premises be used in any way for any purpose which may endanger the health or unreasonably disturb the holder or occupant of any surrounding property; PROVIDED, HOWEVER, that a single "For Sale" sign, not larger than twenty-four inches (24") by twenty-four inches (24"), may be placed on any lot and such signs shall not be deemed in violation of these restrictions. Signs identifying residences or ranches will also be allowed at the entrance to such property. Declarant has the right during the initial sale of lots to use larger advertising signs to promote and market the subdivision.

E. None of the land shall be used, in whole or in part, for the storage of any property or thing that will cause the land to appear in an unclean or untidy condition, or that will be obnoxious to the eye; nor shall any substance or material be kept upon the land that will emit a foul or obnoxious odor, or cause any noise that will or might disturb the peace, quiet, comfort or serenity of the occupants of the surrounding property.

F. All rubbish, trash and garbage shall be removed from the lots and shall not be allowed to accumulate thereon. All garbage must be kept in closed containers, and must be concealed from view of the surrounding lots and roads.

G. Noises which would be nuisance to the neighbors such as continually or frequently barking dogs, abnormally loud motors or engines, excessively loud music, or any other noise producing sources which disturb the normal levels of sound in a rural atmosphere shall not be permitted.

H. With the exception of small stereos, no outside speakers, amplifiers or other sound producing equipment shall be permitted to be installed or maintained on any Lot. Stereo speakers shall be confined to the rear area of a lot. Antennas and satellite dishes shall be permitted provided they do not extend above the roof of the house more than five (5) feet.

I. All lighting shall conform to Coconino County Dark Sky Lighting Ordinance.

Section 2.04 Animal Restrictions.

Livestock and poultry are permitted pursuant to County Code; however, under no circumstances shall the number of livestock, horses and poultry animals exceed County Code. Exotic animals are permitted only by means of a special use permit, and those requirements and regulations associated with this permit granted to the owner by Coconino County. Total number of horses shall not exceed three (3) per lot. Total domestic animals such as dogs and cats shall not exceed four (4) each per lot. All domestic animals shall be contained within the boundaries of the property by fencing or similar means of restraint and provided adequate and reasonable shelter. Animals leaving the boundaries of the property shall be supervised and controlled by the owner or other responsible party. Owner shall provide one covered stall for each horse kept on the said Lot, such covered stall to comply with all other provisions of the Declaration. For purposes of this section, a mare and foal shall be considered one horse until said foal is weaned; however, said period of time shall not exceed six (6) months from the date of birth of the foal. All stables, corrals or other facilities for the keeping of animals shall be kept in a clean and sanitary fashion so as not to create a nuisance or odor to surrounding property owners.

Section 2.05 Roads and Maintenance Obligations. All roads within the subdivision are common areas and their maintenance and repair shall be the obligation of the Association.

Section 2.06 Common Areas and Maintenance Obligations. Until such time as control has transferred to the Association pursuant to Article III, Section 3.01, the maintenance of all common areas, including drainage easements, shall be the responsibility of the Declarant. Upon transfer of control, the maintenance of these items shall be the responsibility of the Association. Pursuant to Article III, Section 3.05, the Association shall have the right to assess and collect such fees as are necessary to maintain the common areas, including the drainage easement.

Section 2.07 Water and Mining Restrictions.

A. No surface or ground water appurtenant to the subject real property shall be contaminated in any manner, nor may surface water be used or stored in a manner injurious to any adjacent property owners. The placing or throwing of refuse, debris, garbage or any other material not occurring naturally into any surface water, drainage channel or stream bed is prohibited. An owner of any parcel created from the property may divert or use surface water on his parcel in a reasonable manner, provided that drainage to property adjoining the parcel shall not be changed.

B. No oil or mineral drilling, development, refining, quarrying, or mining operation of any nature shall be permitted on the property. No derrick or other structure designed or used in boring for oil or natural gas shall be erected, placed or permitted upon any part of the property, nor shall any oil, natural gas, petroleum, asphaltum or

hydrocarbon products or minerals of any kind with the exception of water, be produced or extracted therefrom.

Section 2.08 Rights of Builders. Notwithstanding any other provision of this Declaration to the contrary, a Builder shall have the right to maintain model homes and sales offices on Lots owned or leased by the Builder and to construct and maintain parking areas for the purpose of accommodating persons visiting such model homes and sales offices provided: (a) the plans and specifications for the model homes and sales offices, and related landscaping, must be approved in writing by the Architectural Review Committee; (b) the location and design of the parking areas incidental to such model homes and sales offices must be approved in writing by the Architectural Review Committee; (c) the opening and closing hours for such model homes and sales offices must be approved in writing by the Architectural Review Committee; and (d) the construction, operation and maintenance of such model homes and sales offices otherwise complies with all provisions of this Declaration. Any home constructed as a model home shall cease to be used as a model home and any sales office shall cease to be used as a sales office at any time the Builder is not actually engaged in the construction and sale of Lots. Notwithstanding any other provision of this Declaration to the contrary, a Builder may store supplies of brick, block, lumber and other building material on a Lot owned or leased by a Builder during the course of construction of Improvements on Lots provided such materials are kept in areas approved in writing by the Architectural Review Committee. Normal Construction activities of the Builder in connection with the construction of Improvements shall not be considered a nuisance or otherwise prohibited by this Declaration. A Builder constructing Improvements on Lots shall keep the Lots in a clean, safe and neat condition free of weeds, trash and debris throughout the construction process.

### Article III

#### HOMEOWNERS ASSOCIATION, DUES AND VOTING REGULATIONS

Section 3.01 Nature of Association. All rights, duties, and obligations of the Association described herein shall be vested in and shall be exercised by the Declarant until the earlier of January 1, 2015 or the date on which the Declarant records with the Coconino County Recorder a notice of relinquishing the Declarants right under Article V, Section 5.07 to annex and subject the Additional Property to this Declaration. Thereafter, the Declarant shall appoint a Board of Directors for the Association, consisting of at least three (3) lot owners, and control shall thereafter be vested in the Association. The Association shall have all rights and powers prescribed by law, provided that all acts shall be consistent with the provisions of this Declaration and shall be necessary, desirable, or convenient for effectuating the purposes set forth herein. The Association shall have the following two classes of voting membership:

- (a) Class A. Class A Memberships shall be all Memberships, except the Class B Memberships held by the Declarant. Until the Transition Date, defined below, Class A Members shall have no right to vote. After the Transition Date, each Lot Owner shall be entitled to one vote for each Class A Membership held by the Lot

Owner, subject to the authority of the Board to suspend the voting rights of the Lot Owner for violations of the Declaration in accordance with the provisions hereof.

(b) Class B. Until converted to Class A Memberships as provided below, each Membership owned by Declarant shall be a Class B Membership. Declarant shall be entitled to one vote for each Class B Membership held by Declarant. Class B Memberships shall cease and be converted to Class A Memberships on the first to occur of the following (herein referred to as the "Transition Date"):

(1) The date which is 90 days after the date when the Declarant owns less than one-third (1/3) of the lots or Property in Red Lake Mountain Ranch;

(2) January 1, 2015; or

(3) The date Declarant notifies the Board in writing that the Declarant is terminating its Class B Memberships and converting such Memberships to Class A Memberships.

Section 3.02 Organization. The affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint. Except as expressly provided otherwise in this Declaration, any action required to be taken by the Association and any approval required from the Association may be taken or given by the Board. The term of office for each Board member shall be three (3) years with revolving terms. Any new Board member appointed to replace a member who has been resigned or been removed shall serve such member's unexpired term. Any Board member who has resigned, been removed or whose term has expired may be re-appointed if such member accepts reappointment. The right to appoint and remove a Board member shall be by written consent of fifty-one percent (51%) of the Owners.

Section 3.03 Association Rules. By a majority vote of the Board, the Association may, from time to time, adopt, amend and repeal nondiscriminatory Association Rules not inconsistent with this Declaration, as the Board deems necessary or convenient to carry out the intents and purposes of the Declaration and the duties of the Board including Association Rules establishing changes for services and copies provided by the Association pursuant to this Declaration.

Section 3.04 Membership. Each Owner shall automatically become a Member of the Association; provided, however, that:

(a) Membership shall be appurtenant to each Lot and run with the title thereto. Such Membership shall commence upon becoming an Owner and automatically terminate when he ceases to be an Owner; and upon the transfer of his ownership interest to the new Owner succeeding to such ownership interest shall likewise automatically succeed to such membership in the Association.

(b) If there is more than one Owner of any Lot, all the Owners of such Lot shall designate one person to be the Member.

(c) If one person owns more than one Lot, the owner shall be entitled to one vote for each lot owned, and shall pay all assessments hereinafter described, for each Lot owned.

(d) The Association may, in addition to the other remedies hereinafter provided, suspend any Member or limit his voting rights for failure to pay dues and assessments or any violation of the Rules and Regulation of the Association.

### Section 3.05 Assessments

(a) Each Owner of any Lot, other than the Developer, by acceptance of a deed therefore or by execution, as a buyer, of a contract to purchase a Lot, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay the Association annual assessments for common area maintenance and upkeep and special assessments for capital improvements, such assessments to be fixed, established, and collected from time to time as hereinafter provided, the annual and special assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on each Lot.

(b) The assessments levied by the Association shall be used exclusively to maintain those items set forth in Article II, Section 2.06, as well as promoting the recreation, health, safety and welfare of the residents of the subdivision and the services and facilities located therein. Said assessments shall also be used to cover operating costs of the Association, including legal and accounting fees.

(c) The maximum annual assessment shall be \$240.00 per year. The maximum annual assessment may be increased effective January 1 of each year by the Board without a vote of the members by an amount not to exceed ten percent (10%) of the maximum annual assessment for the previous calendar year; provided, however, that such limitations may be exceeded at any time with the consent of 51% of the Lot owning Members who are voting in person or by proxy at a meeting duly called for this purpose after not less than thirty (30) days' written notice to all such Members.

(d) In addition to the annual assessments authorized above, the Association may levy in any assessment applicable to that year only for the purpose of defraying in whole or in part the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement including the necessary fixtures and personal property related thereto; provided, however, that any such assessment shall have the approval of 51% of the Lot owning Members who are voting in person or by proxy at a meeting duly called for this purpose after not less than (30) days' written notice to all such Members.

(e) Both annual and special assessments must be fixed at a rate uniform for all lots on an annual basis in advance beginning Jan 1, 2008. Checks are to be mailed to:

Brian Lee Wilson, Property Manager  
Red Lake Mountain Ranch HOA  
c/o Dallas Real Estate  
5200 East Cortland Blvd, Suite D-1  
Flagstaff, AZ 86004

(f) The first annual assessment beginning Jan 1, 2008 shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period and notify the Members within a reasonable time thereafter. The Association shall, upon demand at any time from any interested person, furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

(g) Any assessments which are not paid when due shall be delinquent. Each member of the Association shall pay to the Association within thirty (30) days of receipt of an invoice setting forth the amount of the assessment. In the event any invoice is not paid within thirty (30) days from the date the same is deposited in the United States mail addressed to the Member at his address as shown on the records of the Association, the amount of such invoice shall be and become a lien upon said Lot when the Association causes to be filed in the office of the County Recorder of Coconino County an affidavit of non-payment of such invoice and mails a copy of same by certified mail, return receipt requested, to such Member at his address as shown on the records of the Association. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the highest legal rate per annum, and the Association may bring an action at law against the Owner obligated to pay the same, or foreclose the lien against the Lot pursuant to Arizona law pertaining to foreclosure of realty mortgages.

(h) Subordination of the Lien to Mortgages: The lien for all such assessments shall be junior and subordinate to the lien of any purchase money or construction mortgage or re-financing made in good faith and for value. In other words, the Homeowners Association does not have first lien rights on a said Lot, and would take a second position to any lending institution carrying a first mortgage on the property.

(i) The Association shall not be obligated to spend in any year all of the sums received by it in such year (whether by way of annual or special assessments, fees or otherwise) and may carry forward as surplus any balances remaining (rather than apply such surplus to reduction of the annual assessment in future years) in such amounts as the Board, in its discretion, may determine to be desirable for the greater financial security of the Association.

(j) Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any lot pursuant to mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of such assessments as to payments

which become due prior to such sale or transfer. No sale or transfer shall relieve such lot owner from liability for any assessments thereafter becoming due or from the lien thereof.

## ARTICLE IV

### ARCHITECTURAL REVIEW COMMITTEE

Section 4.01 Organization, Power of Appointment and Removal of Architectural Design Review Committee Members. An Architectural Review Committee is hereby established to perform the functions set forth in this Declaration with respect to architectural control and other controls contained in this Declaration. The Architectural Review Committee shall be governed by the following provisions:

(a) Committee Composition. The Architectural Review Committee shall consist of three (3) members and two (2) alternate members. None such members shall be required to be an architect or to meet any other particular qualifications for membership. In the event one or two of the regular members are absent or disabled, the remaining Architectural Review Committee member or members, even though less than a quorum, may, but are not required to, designate either or both of the alternate members to act as substitutes and such alternates shall then assume the full authority of regular members of that meeting. The consulting architect shall have no voting rights on the Architectural Review Committee, and the members of the Architectural Review Committee shall serve without compensation.

(b) Terms of Office. The term of office for each Architectural Review Committee member shall be three (3) years with revolving terms. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Any member who has resigned, been removed or whose term has expired may be reappointed if such member accepts reappointment.

(c) Appointment and Removal. The Declarant shall have the right to appoint and remove the members of the Architectural Review Committee until the earlier of January 1, 2015 or the date on which the Declarant records with Coconino County Recorder a notice relinquishing the Declarant's right to appoint and remove members of the Architectural Control Committee. Thereafter, the right to appoint and remove all regular members of the Architectural Review Committee at any time shall be vested solely in the Owners by majority vote; provided, however, that no regular member may be removed from the Architectural Review Committee except by the vote or written consent of 51% of all of the Owners. The regular members shall have the right to appoint up to two (2) alternate members of the Architectural Review Committee. Such appointees must be Owners at the time of such appointment and shall serve until such time as the regular members designate.

(e) Resignations. Any regular or alternate member of the Architectural Review Committee may at any time resign from the Architectural Review Committee by recording a notice of their resignation.

(d) Address: The initial address of the Architectural Review Committee is:

Brian Lee Wilson, Property Manager  
Red Lake Mountain Ranch HOA  
c/o Dallas Real Estate  
5200 East Cortland Blvd, Suite D-1  
Flagstaff, AZ 86004

The address may be changed from time to time by a majority vote of the Architectural Review Committee

Section 4.02 Duties. It shall be the right and duty of the Architectural Review Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms hereof, to adopt Architectural Review Committee Rules, and to carry out all other duties imposed upon it by this Declaration. Without in any way limiting the generality of the foregoing provisions of this Section, the Architectural Review Committee or any member thereof may, but is not required to, consult with or hear the view of any Owner with respect to any plans, drawings, specifications or other proposals submitted to the Architectural Review Committee.

Section 4.03 Meetings. The Architectural Review Committee shall meet from time to time as necessary to perform its duties hereafter, shall appoint a committee chairman, and shall prepare Minutes of Meetings. The vote of any two members at a meeting shall constitute the act of the Architectural Review Committee unless the unanimous decision of the Architectural Review Committee is otherwise required.

Section 4.04. Architectural Review Committee Rules. The Architectural Review Committee may, from time to time, adopt, amend and repeal rules and regulations. The Architectural Review Committee shall interpret and implement this Declaration by setting forth the standards and procedures for design review and the guidelines for architectural design, landscaping, color schemes, exterior window coverings, exterior finishes and materials and similar features which are recommended or required for use within the Property.

Section 4.05. Waiver. The approval by the Architectural Review Committee of any plans, drawings or specifications for any work done or proposed, or of any other matter requiring the approval of the Architectural Review Committee under this Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

Section 4.06. Time for Approval. Subject to the other provisions contained herein, in the event the Architectural Review Committee fails to approve or disapprove any design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and the Owner will have been deemed to have complied with this Article. Plans must be mailed via USPS Certified Mail or FedEx to the Architectural Review Committee address listed above.

Section 4.07. Processing Fee. With respect to any requests made to the Architectural Review Committee to review any plans, drawings or specifications for any work done or proposed, the requesting Lot Owner shall remit a “Review Fee” in the amount of \$300.00 made payable to the Red Lake Mountain Ranch HOA. The Architectural Review Committee shall have no obligations to review any plans until such time as the designated fee has been paid. The review fee may be increased from time to time by the Association pursuant to Section 3.03. All such fee increases shall be recorded with the Coconino County Recorder.

Section 4.08. Liability. Neither the Architectural Review Committee nor any member thereof nor the Association nor the Declarant shall be liable to any Owner, or to any other party, for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings or specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications; (c) the development of any Lot, or (d) the execution and filing of any estoppel certificate, whether or not the facts therein are correct; provided, however that with respect to the liability of a member, such member has acted in good faith on the basis of such information as may be possessed by him. Without in any way limiting the generality of the foregoing provisions of this section, the Architectural Review Committee, or any member thereof, may, but is not required to, consult with or hear the views of the Declarant or any Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the Architectural Review Committee.

## ARTICLE V

### GENERAL PROVISIONS

Section 5.01 Term. The covenants, conditions and restrictions of the Declaration shall remain in full force and effect for a period of twenty (20) years from the date this Declaration is recorded. Thereafter, they shall be deemed to have been renewed and automatically extended for successive periods of ten (10) years each.

Section 5.02. Amendments. This Declaration may be amended by an instrument in writing signed by Owners and representing sixty-seven percent (67%) of the Lots and approved by Declarant as long as Declarant owns any Lots. Any amendment that does not apply equally to all lots within the subdivision must be approved by 100% of the lot owners. All amendments shall be effective upon recordation with the Coconino County Recorder.

Section 5.03. Enforcement and Non-waiver.

A. Enforcement. Except as otherwise provided herein, the Declarant the Association or any Owner shall have the right to enforce, by any proceeding at law, all covenants, conditions and restrictions. Failure to enforce any of the restrictions, rights, reservations, limitations, covenants and conditions contained herein shall not, in any

event, be construed or held to be a waiver thereof or a consent to any further or succeeding breach or violation. Upon the breach or threatened breach of any of said covenants or restrictions, anyone owning or having interest in the lands covered by these restrictive covenants may bring an appropriate action in the proper court to enforce or restrain said violation or to compel compliance with the said covenants or restrictions herein contained or to collect damages on an account thereof; provided, however, that a violation of these restrictive covenants, or any one or more of them, shall not affect the lien of any mortgage now or record, or which hereafter may be placed of record, upon said lots, or any part thereof, but provided further that these restrictive covenants shall, without limitation, apply to any lots acquired through foreclosure or any deed in lieu of foreclosure of any said mortgage. In the event legal action is brought to enforce any of the covenants or conditions set forth herein, the prevailing party in such action shall be entitled to recover its costs and attorney's fees. The use of any one or more of the remedies provided for in this paragraph shall not defeat the lien of a purchase money or construction mortgage or deed of trust made in good faith and for value.

B. Prerequisite to Litigation. In the event of a dispute between an Owner, the Association or Declarant, the complainant, as a condition precedent to instituting legal action, must first serve notice in writing on respondent advising them of the alleged grievance, the result desired, and a date and time convenient for a meeting; the respondent shall have a minimum of fifteen (15) days and a maximum of thirty (30) days from receipt of said notice in which to schedule a meeting for the purpose of arriving at a settlement of the controversy with the complainant. If a dispute cannot be resolved both parties will go to binding arbitration with the cost of the arbitrator to be paid by the non prevailing party.

#### Section 5.04 Construction.

A. Interpretation. The provisions of the Declaration shall be liberally construed to effectuate the purpose of creating a uniform plan for the development and operation of the subdivision. This Declaration shall be construed and governed by the laws of the State of Arizona. The subdivision shall be subject to any and all rights and privileges which the County of Coconino, or the State of Arizona may have acquired through dedication or the filing or recording of maps or plats of said property, as authorized by law, and provided further that no conditions, restrictions or privileges or acts performed shall be in conflict with any Coconino County Zoning Ordinance or law.

B. Restriction Severable. Each of the provisions of this Declaration shall be deemed independent and severable, and the invalidity of any provision thereof shall not affect the validity or enforceability of any other provision.

C. Rules Against Perpetuities. In the event the provisions hereunder are declared void by a court of proper jurisdiction by reason of the period of time herein stated for which the same shall be effective, then, in that event, said periods of time shall be reduced to a period of time which shall not violate the rules against perpetuities as set forth in the laws of the State of Arizona.

D. Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural, and the plural the singular; and the masculine shall include the feminine or neuter, and the feminine the masculine or neuter.

E. Captions. All captions and titles used in this Declaration are intended solely for convenience or reference purposes only and in no way define, limit or describe the true intent and meaning of the provisions hereof.

Section 5.05 Delivery of Notices. Any written notice required by this Declaration may be delivered either personally or by mail. If by mail, it shall be deemed to have been delivered five (5) days after it has been deposited in the United States mail, postage prepaid, addressed as follows: if to an Owner, to the address of the Owner within the subdivision.

Section 5.06 Binding Effect. By acceptance of a deed or acquiring any ownership interest in any of the Property affected by this Declaration, each person, their heirs, personal representatives, successors and assigns to all of the covenants, conditions and restrictions imposed by this Declaration. In addition, each such person by so doing thereby acknowledges intent that all of the covenants, conditions and restrictions contained herein shall run with the land and be binding on all future Owners. Furthermore, each such person acknowledges that this Declaration shall be mutually beneficial and enforceable by future Owners.

Section 5.07 Annexation of Additional Property. The Declarant shall have the right to annex and subject to this Declaration all or any portion of the Additional Property. The annexation of all or any portion of the Additional Property shall be effected by the Declarant Recording a Declaration of Annexation setting forth the legal description of the Additional Property being annexed and stating that such portion of the Additional Property is annexed and subjected to this Declaration. If the portion of the Additional Property being annexed is not owned by the Declarant, the Declaration of Annexation must be signed by the Owner of fee title to the portion of the Additional Property being annexed. The Additional Property may be annexed as a whole, at one time or in one or more portions at different times, or it may never be annexed, and there are no limitations upon the order of annexation or the boundaries thereof. The property annexed by the Declarant pursuant to this Section need not be contiguous with other property already subject to this Declaration, and the exercise of the right of annexation as to any portion of the Additional Property shall not bar the further exercise of the right of annexation as to any other portion of the Additional Property. The Declarant makes no assurances as to which, if any, part of the Additional Property will be annexed. The Declarant's right under this Section to annex all or any part of the Additional Property shall expire on the earlier of January 1, 2015 or the date on which the Declarant records with the Coconino County Recorder a notice expressly relinquishing its rights under this Section.

Section 5.08 Personal Liability. The declarant, nor any member of the Board, the ARC or any other committee of the Association, no officer of the Association and no other employee of the Association shall be personally liable to any Member, or to any

other Person including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Association, the Board or any member thereof, the ARC or any member thereof, any representative or employee of the Association, any officer of the Association or any member of any other committee of the Association, provided, however, the limitations set forth in this subsection regarding liability shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct. Directors and officers liability insurance will be provided to all officers, individual board of directors and community members that sit on committees for the Association. Liability insurance may be provided to the property management company hired by the Association.

IN WITNESS WHEREOF, Declarant has executed this instrument as of the date first set forth above.

Red Lake Mountain Ranch, LLC  
 an Arizona Limited Liability Company

By \_\_\_\_\_

Its \_\_\_\_\_

STATE OF ARIZONA            )  
   )  
 County of Coconino         )  
 \_\_\_\_\_                          )

ss.

On \_\_\_\_\_, 2008, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_, of the Red Lake Mountain Ranch, LLC, an Arizona Limited Liability Company, on behalf of the company, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, executed the instrument and acknowledged to me that he or she executed the same in his or her authorized capacity on behalf of the Red Lake Mountain Ranch, LLC.

WITNESS my hand and official seal: \_\_\_\_\_  
 Notary Public

My Commission Expires: