

ARTICLE IV

THE ASSOCIATION, MEMBERSHIP, MAINTENANCE

Section 4.01 Organization

A. Association. The Association is or shall be an Arizona non-profit corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, By-Laws, and this Declaration. The Association shall be legally constituted and in existence prior to the conveyance of the first Dwelling Unit by Declarant.

B. Board of Directors and Officers. The affairs of the Association shall be conducted by a Board of Directors and such officers as the Board may elect or appoint, in accordance with the Articles and By-Laws, as the same may be amended from time to time. The composition of the Board shall be defined in the By-Laws.

C. Personal Liability. No member of the Board or any Committee of the Association or any officer or

PEDREGAL. Coverage shall be for at least one million dollars (\$1,000,000.00) per occurrence for personal and/or property damage.

B. Fire Hazard Insurance - Common Area. Fire and other hazard insurance covering improvements constructed on the common Areas, including but not limited to ramadas or recreation buildings. Such policy or policies shall consist, at a minimum, of a multi-peril type policy covering the subject improvements, providing, as a minimum, fire and extended coverage and all other coverage in the kinds and amounts commonly required by private institutional mortgage lenders in Tucson, Arizona, on a replacement cost basis, in an amount of not less than one hundred percent (100%) of the insurable value (based upon the replacement cost).

In the event any improvement constructed on the common area is the subject of a mortgage or deed of trust, then each policy must contain or have attached thereto a standard mortgagee or beneficiary clause which provides that all proceeds paid thereunder shall be paid to the Association for the use and benefit of all mortgagees under mortgages or beneficiaries under deeds of trust, encumbering any such improvements, and the Owners, as their interest may appear, and such policy or policies must further provide that the interest of each mortgagee holding a mortgage or beneficiary under a deed or trust on any such improvements in insurance proceeds shall not be invalidated by any action, neglect or inaction of the Board of Directors of the Association, Owners of Dwelling Units or their tenants or agents. Such Policy or policies shall further provide for waiver by the insurer of any policy provisions which would render the mortgagee or beneficiary clause invalid by reason of the failure of such mortgagee or beneficiary to notify the insurer of any hazardous use of such improvements and any policy requirements that the mortgagee or beneficiary pay the premium thereon.

C. Workmen's Compensation Insurance. Workmen's Compensation insurance to the extent necessary to comply with any applicable laws.

D. Fidelity Insurance. The Association shall purchase and maintain in force, if reasonably available, fidelity coverage against dishonest acts on the part of directors, officers, managers, trustees, employees, or volunteers responsible for handling funds belonging to or administered by the Association. Such fidelity bonds or insurance shall name the Association as the named insured and shall be written in an amount sufficient to provide protection, which is, in no event, less than 1-1/2 times the insured's estimated annual operation expenses and reserves, and provide for at

employee of the Association, the Declarant or Developer shall be personally liable to any Owner, or to any other party, 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 representative or employee of the Association or any Committee, or any officer of the Association, provided that such person has, upon the basis of such information as may be possessed by him/her, acted in good faith, without willful or intentional misconduct.

Section 4.02 Membership.

A. Qualifications. Each Owner (including Declarant) of a Dwelling Unit, by virtue of being such an owner and for so long as he/she is such an Owner, shall be deemed a Member of the Association. No Owner shall have more than one membership for each Dwelling Unit Owned.

B. Transfer of Membership. Membership of each owner (including Declarant) in the Association shall be appurtenant to the Dwelling Unit owned and shall not be transferred, pledged, or alienated in any way except upon the transfer of ownership to said Dwelling Unit, and then only to the transferee thereof. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership of a Dwelling Unit shall operate automatically to transfer said membership to the new Owner thereof.

Section 4.03 Voting Rights. The Association shall have two classes of voting membership.

Class A: Class A Members shall all be Owners, with the exception of Declarant, and shall be entitled to one vote for each Dwelling Unit Owned. When more than one person holds an interest in any Dwelling Unit, all such persons shall be Members. The vote for such Dwelling Unit shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Dwelling Unit.

Class B: The Class B Member shall be Declarant, and shall be entitled to fifty (50) votes for each Dwelling Unit owned. The Class B membership shall cease and be converted to Class A membership when Declarant no longer owns a Dwelling Unit.

Section 4.04 Exterior Maintenance, Repair, Up-Keep and Repainting.

A. Maintenance, repair, upkeep and repainting of Dwelling Units, including all improvements on a Lot, shall be the sole responsibility of each Owner. Except to the extent of the Association's obligations under Section 4.04 B, each Owner shall also maintain, repair and repaint both sides of the perimeter yard walls or fences appurtenant to his or

ber Dwelling Unit, except that if such a wall or fence is a common wall or fence, and owner shall be required to repair and repaint only that portion of the wall or fence exclusively used by that Owner. Further, each Owner shall be responsible for sewer blockage, repair, etc. of all Dwelling Unit plumbing as well as the house connection line from the Dwelling Unit to its connection point in the main collection sewer line in the street, and each Owner shall be responsible for maintenance and repair of the sidewalk located on his/her Lot. Such maintenance, repair and repainting of a Dwelling Unit and other improvements on a lot shall be undertaken in a manner and with such frequency as shall keep each owner's Dwelling Unit in an attractive, well-kept and maintained condition in conformity with all other Dwelling Units in the Subdivision. In the event any Owner fails to fulfill his or her obligations under this Section, the Association, after approval by two-thirds (2/3) vote of the Board of Directors, shall have the right through its agents and employees, to enter upon the subject property, and to repair, maintain, and restore the Dwelling Unit, including the perimeter yard walls or fences, and any other improvements. The cost of such exterior maintenance shall be added to and become part of the assessment to which such Dwelling Unit is subject. The Board shall have the right to determine whether or not a Dwelling Unit is in need of maintenance, repair and upkeep, in order to conform to the standards of the general neighborhood of PEDREGAL, and the Board shall use a reasonably high standard to determine whether such maintenance, repair and upkeep is required so that the Dwelling Units as a whole will reflect a high pride of ownership. Each Owner or his/her authorized agent or the Association, as the case may be, in order to conduct such maintenance, repair or repainting, shall have the right of entry at reasonable times upon Dwelling Units adjacent to such Owner's Dwelling Unit, provided reasonable notice of such entry is first given by such Owner to the Owner of the involved adjacent Dwelling Unit.

B. The Association shall be responsible for maintenance, repair and upkeep of any Common Area improvements including, but not limited to, non-public streets, private sewers, curb line sidewalks and Common Area sidewalks, recreation facilities, landscaping, common trash/garbage collection areas, and parking areas constructed on the Common Areas. In addition, the Association shall be responsible for maintaining and repainting perimeter walls or fences constructed along the boundaries of the Property. Association is responsible for the payment of the Ad Valorem taxes.

C. Each Owner shall be responsible for maintenance, repair and upkeep of all front yard areas of each Lot.

For the purpose of this Section 4.04 C the definition of "front Yard area" shall mean that portion of each Lot lying between the front lot line of each Lot and a line parallel to said front Lot line which is coincidental with the exterior side of the front wall of the Dwelling Unit structure constructed on each Lot. Said maintenance, repair and upkeep shall include all landscaping, including plants and decomposed granite materials, driveways and sidewalks.

D. Each Owner shall be responsible for the maintenance and repair, including replacement of light bulbs, of all exterior lighting fixtures located within the Owner's Dwelling Unit, or in the Common Area, provided such lighting in the Common Area is metered to the Owner's Dwelling Unit.

Section 4.05 Conveyance of Common Area. Declarant shall grant and convey to the Association and the Association shall receive ownership of the Common Area prior to the closing of sale of a Dwelling unit by Declarant to an Owner. Upon such conveyance and grant, the Association shall succeed to all rights, duties and powers with respect to the Common Area as prescribed by law, and set forth in the Articles, By-Laws and this Declaration.

Section 4.06 By-Laws. The By-Laws shall among other things, establish the procedure for electing members of the Board and officers of the Association, the duties of the Association, the procedure for regular and special meetings, the disposition of hazard insurance proceeds and amendments to the By-laws.