

(a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or

(b) on August 1, 1978

SECTION 3. In the event of the conveyance of any Lot, the Association shall be furnished a copy of the Deed.

ARTICLE IV.

COVENANT FOR MAINTENANCE ASSESSMENTS

SECTION 1. CREATION OF THE LIEN AND PERSONAL OBLIGATION OF ASSESSMENTS.

The Declarant, for each Lot owned within the Properties, hereby covenants, and each owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. PURPOSE OF ASSESSMENTS. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties and for the improvement and maintenance of the Common Area, and of the homes situated upon the Properties.

SECTION 3. MAXIMUM ANNUAL ASSESSMENT. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Six Hundred Dollars {\$600.00} per Lot.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased effective January 1 of each year without a vote of the membership in conformance with the rise, if any, of the Consumer

Price Index (published by the Department of Labor, Washington, D. C.)  
for the preceding month of July.

(b) From and after January 1 of the year following the conveyance  
of the first Lot to an Owner, the maximum annual assessment may be  
increased above that established by the Consumer Price Index formula  
by a vote of two-thirds (2/3) of each class of members who are voting  
in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessment at an  
amount not in excess of the maximum.

SECTION 4. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS. In addition  
to the annual assessments authorized above, the Association may levy, in any  
assessment year, a special assessment applicable to that year only for the  
purpose of defraying, in whole or in part, the cost of any construction,  
reconstruction, repair or replacement of a capital improvement upon the Common  
Area, including fixtures and personal property related thereto, or for paying  
any expense of the Association, provided that any such assessment shall have  
the assent of two-thirds (2/3) of the votes of each class of members who are  
voting in person or by proxy at a meeting duly called for this purpose.

SECTION 5. NOTICE & QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3  
AND 4. Written notice of any meeting called for the purpose of taking any  
action authorized under Section 3 and 4 shall be sent to all members not less  
than ten (10) days nor more than fifty (50) days in advance of the meeting. At  
the first such meeting called, the presence of members or of proxies entitled  
to cast sixty per cent (60%) of all the votes of each class of membership  
shall constitute a quorum. If the required quorum is not present, another  
meeting may be called subject to the same notice requirement and the required  
quorum at the subsequent meeting shall be one-half (1/2) of the required quorum  
at the preceding meeting. No such subsequent meeting shall be held more than  
sixty (60) days following the preceding meeting.

SECTION 6. RATE OF ASSESSMENT. Both annual and special assessments must  
be fixed at uniform rate for all Class A Lots and Class B Lots, provided,  
however, that the assessments on all Class B Lots shall be fixed at not less  
than twenty-five per cent (25%) of the amount of the assessments upon all  
Class A Lots.

SECTION 7. DATE OF COMMENCEMENT OF ANNUAL ASSESSMENTS: DUE DATES.

The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area to the Association. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors, and, unless otherwise provided, the Association, or its nominee, shall collect each month from the Owner of each Lot one-twelfth (1/12) of the annual assessment for such Lot. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid.

SECTION 8. EFFECT OF NON-PAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION. Any assessments which are not paid when due shall be delinquent. 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 rate of ten per cent (10%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. Each such Owner, by his acceptance of a deed to a Lot, hereby expressly vests in the QUAIL VILLAGE II ASSOCIATION, or its agents the right and power to bring all actions against such Owner personally for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available in the name of the Association in a like manner as a mortgage or deed of trust lien on a real property, and such Owner hereby expressly grants to the Association a power of sale in connection with said lien. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Lot owners. The Association, acting on behalf of the Lot Owners shall have the power to bid in an interest foreclosed at foreclosure sale and

to acquire and hold, lease, mortgage and convey the same; and to subrogate so much of its right to such liens as may be necessary or expedient to an insurance company continuing to give total coverage notwithstanding nonpayment of such defaulting owner's portion of the premium. No Owner may waive or otherwise escape liability for the assessments provided for here by non-use of the Common Area or abandonment of his Lot.

SECTION 9. SUBORDINATION OF THE LIEN TO MORTGAGES. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to a mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. The Association, upon receipt of a written request, shall notify the holder of a first lien on a lot of any default by the owner in the performance of the covenants herein, which default is not cured within thirty (30) days.

SECTION 10. EXEMPT PROPERTY. All properties dedicated to, and accepted by a local public authority, and the Common Area, shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall ever be exempt from said assessments.

SECTION 11. MANAGEMENT AGREEMENTS. Each owner of a Lot hereby agrees to be bound by the terms and conditions of all management agreements entered into by the Association. A copy of all such agreements shall be available to each owner. Any and all management agreements entered into by the Association shall provide that said agreement may be cancelled, prior to the expiration of said agreement, by an affirmative vote of sixty per cent (60%) of the votes of each class of the Members of the Association. In no event shall such management agreement be cancelled prior to the effecting by the Association of its Board of Directors of a new management agreement with a party or parties, which new management agreement will become operative immediately upon the cancellation of the preceding management agreement. It shall be the duty of the Association or its Board of Directors to effect a new management agreement prior to the expiration of any prior management contract. Any and all management shall be made with a responsible party or parties having experience adequate for the

management of a project of this type.

SECTION 12. INSURANCE. The Board of Directors, or its duly authorized agent, shall have the authority to and shall obtain insurance covering all of the insurable improvements on properties, including all townhouses against loss or damage by fire or other hazard in an amount sufficient to cover the full replacement cost or any repair or reconstruction, in the event of damage or destruction from any hazard, and shall also obtain a broad form public liability insurance covering all of the properties, and all damage or injury caused by negligence of the Association or its agent. The insurance may also include coverage against vandalism. All insurance coverage, including insurance on individual townhouses obtained by the Board of Directors, shall be written in the name of the Association. In the event that individual townhouse owners shall furnish proof of adequate insurance coverage to the Board of Directors complete satisfaction, then the Board shall not be required to obtain insurance on such individual townhouses. Insurance obtained on such individual townhouses by the Owner, may be written in the name of the Individual Owner. Premiums for insurance obtained by the Board of Directors on individual townhouses, shall not be a part of the common expense but shall be an expense of the specific townhouse or townhouses so covered and a debt owed by the Owner to the Association. The debt for insurance shall be a charge upon the land and a lien to secure its payment is hereby created. The debt shall become a personal obligation of the Owner and if not paid within thirty (30) days shall bear the same interest and be foreclosed in the same manner as the liens for maintenance assessments as set forth in Section 8 of this Article, this lien shall be subordinate to the lien of any purchase-money and/or improvement mortgages. In addition to the aforesaid insurance to be carried by the Owners and/or the Association, any Owner may if he wishes, at his own expense, insure his own townhouse unit for his own benefit and carry any and all other insurance he deems advisable. It shall be the individual responsibility of each Owner at his own expense to provide, as he sees fit, homeowner's liability insurance, theft and other insurance covering personal property damage and loss. In the event of damage or destruction by fire or other casualty to any property covered by insurance written in the name of the Association, the Board of Directors, shall with concurrence of the mortgagees, if any, upon receipt of the insurance proceeds, contract to rebuild

or repair such damages or destroyed portions of the property to as good condition as formerly. All insurance proceeds shall be deposited in a bank or other financial institution, the accounts of which bank or institution are insured by Federal Governmental agency, with the proviso agreed to by said bank or institution that the funds may be withdrawn only by signature of at least one-third (1/3) of the members of the Board of Directors, or by an agent duly authorized by the Board of Directors. The Board of Directors shall advertise for sealed bids with any licensed contractors, and then may negotiate with any contractor, who shall be required to provide full performance and payment bonds, for the repair, reconstruction or rebuilding of such destroyed building or buildings. In the event the insurance proceeds are insufficient to pay all the costs of repairing and/or rebuilding to the same condition as formerly the Board of Directors shall levy a special assessment against all owners of the damaged townhouses in such proportions as the Board of Directors deem fair and equitable in the light of the damage sustained by such townhouses to make up any deficiency, except that the special assessment shall be levied against all townhouse owners, as established by Article IV, Section 1, above to make up any deficiency for repair or rebuilding of the Common Area not a physical part of a townhouse unit. In the event that the insurance proceeds exceed the cost or repair and reconstruction, the excess shall be paid over to the respective mortgagees and owners of the damaged townhouses as their interest may then appear. In the event of damage or destruction by fire or other casualty to any townhouse, garage, storage area or other property covered by insurance written in the name of any individual owner, said Owner, shall, with concurrence of the mortgagee, if any, upon receipt of the insurance proceeds, contract to repair or rebuild such damaged or destroyed portions of the garage, storage area and exterior of the townhouse in a good and workmanlike manner in conformance with the original plans and specifications of said townhouse. In the event such owner refuses or fails to so repair and rebuild any and all such damage to the exterior of the townhouse, garage and storage area within thirty (30) days, the Association, by and through its Board of Directors, is hereby irrevocably authorized by the Owner to repair and rebuild any such townhouse and garage and storage area in a good and workmanlike manner in conformance with their original plans and specifications. The owner shall then repay the Association in the amount actually expended for such repairs, and the