

**BY-LAWS
OF
VALLEY FAIRE II HOMEOWNER'S ASSOCIATION**

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Note:

Entries in Red are made to make the By-Laws consistent with later changes to the Declaration and covenants, conditions, restrictions, and reservations for Valley Faire II.

BY-LAWS
OF
VALLEY FAIRE II HOMEOWNER'S ASSOCIATION

ARTICLE 1

OBJECT AND DEFINITIONS

1.1 Purpose

The purpose for which the corporation is organized is to provide an entity and to engage in all such activities as are incidental or conducive to the attainment of the objectives of the corporation and all activities which are permitted to be done by a nonprofit corporation under any laws that may now or hereafter be applicable or available to this corporation. The powers of this corporation shall be subject to and shall be exercised in accordance with the plat for Valley Faire II, recorded June 25, 1985 in Volume 131 of Plats, Pages 39-43, Recording No. 8506250842, records of King County, Washington, as it may from time to time be amended, hereinafter referred to as the "Plat" and Declaration and Covenants, Conditions, Restrictions, and Reservations for Valley Faire II, recorded under King County Recording No. 8507220488, as it may from time to time be amended, hereinafter referred to as the "Covenants" and Valley Faire I and Valley Faire II Agreement between Deleo Developments, Ltd., as and for itself, its successors and assigns, and Fairwood Greens Homeowner's Association, its successors and assigns, recorded in King County under Recording No. 8404101020, as it may from time to time be amended, hereinafter referred to as the "Agreement". Specifically, the Association shall be responsible for all common areas, including, but not limited to, maintenance of all Tract A as open space in perpetuity, maintenance of Tract B as open space in perpetuity, maintenance of 30 foot emergency access road easement recorded under King County Recording No. 8506140897, maintenance of mailbox stands, maintenance of chainlink fence adjacent to 160th Place SE from the northerly line of the BPA right-of-way to the entry of Fairwood Park Division 15, maintenance of landscaping and irrigation for 160th Place SE and maintenance of brick entry wall and lighting therefore on 160th Place SE on both the east and west sides of the entry to Valley Faire II.

1.2 Assent

All present or future owners, tenants or any other person using the property included in VALLEY FAIRE II HOMEOWNER'S ASSOCIATION in any manner are subject to the regulations set forth in the Plat, Covenants, Agreement and these By-Laws.

1.3 Definitions

Unless otherwise specified, all terms shall have the same meaning in these By-Laws as such terms have in the Covenants. The terms "owners" and "members" as used herein shall be synonymous.

ARTICLE 2

OWNERSHIP AND USE OF COMMON AREAS AND FACILITIES

2.1 Ownership of Common Areas

Each lot owner shall have an undivided 1/37th interest in the fee simple in and to the Common Areas and the Common Areas Facilities. No lot owner shall by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Areas and Common Areas Facilities and no lot owner or other person shall have the right to have them partitioned or divided (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Areas and Common Areas Facilities by the lot owners shall not be deemed a partition or division).

2.2 Effect on Insurance

Nothing shall be done or kept in any Common Areas which will increase the rate of insurance on the Common Areas or other lots or improvements or improvements without the prior written consent of the Board. Nothing shall be done or kept in any Common Areas which will result in the cancellation of insurance on any part of the Common Areas, or which would be in violation of any laws.

2.3 Alterations of Common Areas

Nothing shall be altered or constructed in or removed from any Common Areas except upon the prior written consent of the Board.

2.4 Signs

No sign of any kind shall be displayed to the public view on or from any Common Areas without prior written consent of the Board.

ARTICLE 3

MEMBERSHIP, VOTING, MEETINGS AND ADMINISTRATION

3.1 Qualifications for membership

Each owner of a lot shall be a member of the Association and shall be entitled to one membership for each lot owner; provided, that if a lot has been sold on contract, the contract purchaser shall exercise the rights of the lot owner for purposes of the Association, the Articles of Incorporation, the By-Laws, the Plat, the Agreement and Covenants, except as hereinafter limited, and shall be the voting representative unless otherwise specified. Ownership of a lot shall be the sole qualification for membership in the Association.

3.2 Transfer of Membership

The Association membership of each lot owner shall be appurtenant to the lot giving rise to such membership and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to the lot and then only to the transferee of title to the lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a lot shall operate automatically to transfer the membership in the Association to the new owner.

3.3 Number of Votes

The total voting power of all owners shall be 37 votes and the total number of votes available to the owner of any one lot shall be one (1). If a person owns more than one lot, he shall have the votes appertaining to each lot owned.

3.4 Voting Representatives

A lot owner may, by written notice to the Board, designate a voting representative for the lot. The designated voting representative need not be an owner. The designation may be revoked at any time by written notice to the Board from a person having an ownership interest in a lot, or by actual notice to the Board of the death or judicially declared incompetence of any person with a ownership interest in the lot, except in cases in which the person designated is a mortgagee of the lot. This power of designation and revocation may be exercised by the guardian of a lot owner, and the administrators or executors of an owner's estate. If no designation has been made, or if a designation has been revoked and no new designation has been made, the voting representative of each lot shall be the group composed of all of its owners. If a lot is owned by husband and wife and only one of them is at a meeting, the one who is present will represent the marital community.

3.5 Joint Owner Disputes

The vote for a lot must be cast as a single vote and fractional votes shall not be allowed. If joint owners are unable to agree among themselves how their vote shall be cast, they shall lose their right to vote on the matter in question.

3.6 Pledged Votes

A lot owner may, but shall not be obligated to, pledge his vote on all issues or on certain specific issues to a mortgagee; provided, however, that if an owner is in default under a mortgage on his lot for 90 consecutive days or more, his mortgagee shall automatically be authorized to declare at any time thereafter that the lot owner has pledged his vote on all issues to the mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a mortgagee, only the vote of the mortgagee will be recognized on the issues that are subject to the pledge.

3.7 Annual and Special Meetings

There shall be an annual meeting of the members of the Association in the first quarter of each year at such reasonable place and time as may be designated by written notice from the Board delivered to the lot owners no less than 30 days before the meeting. Special meetings of the members of the Association may be called at any time, in the manner provided in the By-Laws, for the purpose of considering matters which require the approval of all or some of the owners, or for any other reasonable purpose. Any first mortgagee of a lot may attend or designate a representative to attend the meetings of the Association.

3.8 Financial Statement

At the annual meeting, there shall be presented a financial statement of the common expenses, itemizing receipts and disbursements for such calendar year and the allocation thereof to each owner, and a presentation of the estimated common expenses for the current calendar year. The Board, at any time, or persons having thirty-five percent (35%) of the voting power of the Association, may require that an audit of the Association and management books be presented at any special meeting. A lot owner, at his expense, may at any reasonable time conduct an audit of the books of the Board of the Association.

3.9 Books and Records

The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures of the Association, in a form that complies with generally accepted accounting principles. The books and records, authorizations for payment of expenditures and all contracts, documents, papers and other records of the Association shall be available for examination by the lot owners, lot Mortgagees and the agents or attorneys of either of them during normal business hours and at any other reasonable time or times.

3.10 Matters Governed by Covenants and/or By-Laws

Special meetings of the membership may be called at any time by the President or at the call of a majority of the Board of Directors, or by one-third of the members in good standing. Written notice of such meeting shall be mailed to each member at least ten days prior thereto, and shall state the nature of the business to be transacted at the meeting.

3.11 Articles and By-Laws

The By-Laws may be amended by the affirmative vote of sixty percent (60%) of the voting power at any duly called regular or special meeting of the Association.

3.12 Additional Administration Provisions

3.12.1 Majority of Owners

As used in these By-Laws, the term "majority of owners" shall mean those owners of more than fifty percent (50%) of the lots.

3.12.2 Quorum

Except as otherwise provided in these By-Laws, the presence in person or by proxy of owners holding at least forty percent (40%) of the total votes under Section 3.3 shall constitute a quorum. An affirmative vote of owners holding a majority of the total votes present, either in person or by proxy, shall be required to transact business; provided, however, that no Board member shall be removed unless a majority of owners vote affirmatively therefore.

3.12.3 Proxies

Votes may be cast in person or by proxy in the manner set forth in Section 3.4.

3.12.4 Order of Business

The order of business at all meetings of the owners shall be as follows unless dispensed with on motion:

- A. Roll Call;
- B. Proof of Notice of meeting or waiver of notice;
- C. Reading of minutes of preceding meeting;
- D. Reports of officers;
- E. Reports of Committees;
- F. Election of Board members (annual meeting only);
- G. Unfinished business
- H. New business.

ARTICLE 4

MANAGEMENT OF ASSOCIATION

4.1 General

The affairs of the Association shall be governed by a Board of Directors ("Board") which, shall be composed of not fewer than three nor more than seven members. The initial Board shall have three members.

4.2 Additional Provisions Regarding Board

4.2.1 Election and Term of Office

The members of the first Board elected shall serve as follows: Jon Nelson, one year; Peter Orser, two years; Patrick J. O'Boyle, three years; provided that at the Association meeting at the end of the first year from date hereof, the owners shall adopt voting procedures designed to assure that the expiration dates for the term of the Board members continue to be staggered.

4.2.2 Vacancies

Vacancies of the Board caused by any reason other than the removal of a Board member by a vote of the Association shall be filled by vote of the majority of the remaining Board members, even though they may constitute less than a quorum; and each person so elected shall be a Board member until a successor is elected at the next annual meeting of the Association.

4.2.3 Removal of Board Members

At any regular meeting or any special meeting called for that purpose, anyone or more of the Board members may be removed with or without cause, by a majority of all of the lot owners, and a successor may then and there be elected to fill the vacancy thus created. Any Board member whose removal has been so proposed by the owners shall be given an opportunity to be heard at the meeting.

4.2.4 Organization Meeting

The first meeting of a newly elected Board shall be held immediately following the annual meeting and no notice shall be necessary to the newly elected Board members in order legally to constitute such meeting.

4.2.5 Regular Meetings

Please refer to Section 3.7.

4.2.6 Special Meetings

Special meetings of the Board may be called by the President on ten days' notice to each Board member, given personally, or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two Board members.

4.2.7 Waiver of Notice

Before, at or after any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Board members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

4.2.8 Quorum

At all meetings of the Board, a majority thereof shall constitute a quorum for the transaction of business, and the acts of the majority of the Board members present at a meeting at which quorum is present shall be acts of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

4.2.9 Fidelity Bonds

The Board may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

4.2.10 Board Fees

Each Board member shall receive such sum as the owners may from time to time determine plus transportation expenses, for attendance at any regular or special meeting of the Board.

4.3 Handling of Funds

4.3.1 Accounts

The Association shall establish the necessary funds or accounts to provide properly for the operation and maintenance of the Association. Overall superintendence of these funds shall be the responsibility of the Treasurer of the Association.

ARTICLE 5

NOTICE FOR ALL PURPOSES

5.1 Form and Delivery of Notice

Except as set forth in Section 4.2.6, all notices given under the provisions of these By-Laws or the Covenants or Rules and Regulations of the Association shall be in writing and may be delivered either personally, by electronic mail (commonly referred to as e-mail), or by the United States Postal Service (USPS) mail. If delivery is made by E-mail, the notice shall be deemed to have been delivered when the addressee replies to the originator confirming receipt of the notice (notification by personal contact or USPS mail must be made if no reply is received within five business days after the notice is transmitted.) If delivery is made by mail, the notice shall be deemed to have been delivered on the second day of regular mail delivery after a

copy has been deposited in the United States mail first class, postage prepaid, addressed to the person entitled to such notice at the most recent address known to the Board. Notice to the owner of any lot shall be sufficient if mailed to the lot if no other mailing address has been given to the Board. Notices to the Board shall be given to the President or Secretary of the Association.

5.2 Notice to Mortgagees

Any mortgagee of a lot may file with the Secretary of the Board a written request that it be given copies of notices. Until such time thereafter as the mortgagee withdraws the request and satisfies or releases the mortgage of record, the Board shall send to the requesting mortgagee a copy of (1) all notices of meetings of the Association; (2) all other notices sent to the owner of the lots covered by the mortgagee's mortgage; (3) a financial statement prepared pursuant to Section 3.8; and (4) prompt notice of any default in a lot owner's obligations under these By-Laws or any of the documents that govern the Common Areas, or its Rules and Regulations, that is not cured within 30 days of the date of default.

ARTICLE 6

AUTHORITY OF THE BOARD

6.1 Adoption of Rules and Regulations

The Board is empowered to adopt, amend and revoke on behalf of the Association detailed administrative rules and regulations necessary or convenient from time to time to insure compliance with the general guidelines to the Covenants and to promote the use and enjoyment of the Common Areas and Common Areas Facilities. The Rules and Regulations of the Association shall be binding upon all lot owners and occupants and all other persons claiming any interest in a lot.

6.2 Enforcement of By-Laws, etc.

The Board shall have the power and the duty to enforce the provisions of these By-Laws, the Covenants, the Articles and the Rules and Regulations of the Association for the benefit of the Association.

6.3 Goods and Services

The Board shall acquire and pay for as common expenses of the lot owners all goods and services reasonably necessary or convenient for the efficient and orderly functioning of the Common Areas and Common Areas Facilities. The Board shall (1) maintain brick entry walls and landscaping located adjacent to or in dedicated public roadways as shown on the recorded Plat of the property and (2) pay all irrigation and electrical utility bills incurred in connection with such maintenance. The goods and services shall include (by way of illustration and not limitation) utility services for the Common Areas; policies of insurance and fidelity bonds; legal and accounting services; maintenance, repair, landscaping, gardening and general upkeep of the Common Areas; and all supplies, materials, fixtures and equipment that are in the Board's judgment necessary or desirable for the operation or maintenance of the Common Areas. The Board may hire such full-time or part-time employees as it considers necessary.

6.4 Managing Agent

The Board may, but shall not be required to, contract with an experienced professional managing agent to assist the Board in the management and operation of

the Common Areas and Common Areas Facilities and may delegate such of its powers and duties to the managing agent as it deems to be appropriate, except as limited herein. Only the Board can approve an annual budget or a supplemental budget, and only the Board can impose a special assessment on a lot or authorize foreclosure of an assessment lien.

6.5 Protection of Property

The Board may spend such funds and take such action as it may from time to time deem necessary to preserve the Common Areas, settle claims, or otherwise act in what it considers to be the best interests of the lot owners or the Association, provided that the Board shall have not authority to acquire and pay for out of the maintenance fund capital additions and improvements (other than for purposes of restoring, repairing or replacing portions of the Common Areas Facilities) having a total cost in excess of ~~Ten~~ **Five** Thousand and No/IOO Dollars (~~\$10,~~ **\$5,000.00**), without first obtaining the affirmative vote of the owners holding a majority of the voting power present or represented at a meeting called for such purpose, or if no such meeting is held, then the written consent of voting owners having a majority of the voting power.

6.6 Borrowing Power of Board

In the discharge of its duties and the exercise of its powers as set forth in these By-Laws, but subject to the limitations set forth therein, the Board may borrow funds on behalf of the Association and to secure the repayment thereof, encumber, subject to the limitations set forth in these By-Laws, the Common Areas and Association's funds, and the undivided interest of each lot owner therein. **The Board shall not borrow funds in any amount except upon majority vote of the Lot Owners in the manner specified in Section 10.5. Nothing in this Section is intended to otherwise limit the powers of the Board otherwise set forth in**

6.7 Other Board Powers

The Board may, from common funds of the Association, acquire and hold in the name of the Association, for the benefit of the lot owners, tangible and intangible personal property and real property and interest therein, and may dispose of the same by sale or otherwise; and the beneficial interest in such property shall be owned by the lot owners in the same proportion as their respective interests in the Common Areas; and such property shall thereafter be held, sold, leased, rented, mortgaged or otherwise dealt with for the benefit of the common fund of the Association as the Board may direct.

6.8 Power of Attorney

Each lot owner, by the mere act of becoming a lot owner or contract purchaser of a lot, shall irrevocably appoint the Association as his attorney-in-fact, with full power of substitution, to take such action as reasonably necessary to promptly perform the rights and duties of the Association and Board hereunder, including, without limitation: (1) the duties to maintain, repair and improve the Common Areas; (2) to secure insurance proceeds; and (3) to act in compliance with the Covenants. The power of attorney so created shall be coupled with an interest and there shall be no necessity of a further writing to accomplish or confirm the creation thereof.

ARTICLE 7

BUDGET AND ASSESMENT FOR COMMON EXPENSES

7.1 Preparation of Budget

Within thirty (30) days prior to the beginning of each calendar year, the Board shall: Make provision for creating, funding and maintaining reasonable reserves for contingencies and operations, as well as for repair, replacement and acquisition of Common Areas Facilities and shall take into account any expected income and any surplus available from the prior year's operating fund. without limiting the generality of the foregoing but in furtherance thereof, the Board shall create and maintain from regular quarterly assessments a reserve fund for replacement of those common areas which can reasonably be expected to require replacement.

7.2 Quarterly Assessments

7.2.1 Basis for Common Assessments

The sums required by the Association for common expenses as reflected by the annual budget and any supplemental budgets shall be divided into equal installments to be paid each quarter over the period of time covered by the budget or supplemental budget. The quarterly installments shall be assessed to the lots and their respective owners in proportion to the lot's percentages of undivided interest in the Common Areas and Common Areas Facilities. Assessments shall begin accruing with respect to each lot upon the closing of the initial sale of that lot by Valley Faire Developments Partnership, its successors or assigns, and, in any event, with respect to all lots within 30 days after the closing of the first sale of any lot by Valley Faire Developments Partnership, its successors or assigns. During such time as electrical utility charges are based on the number of lots having improvements, any lots owned by Valley Faire Developments Partnership, its successors or assigns shall be exempt from assessment for such charges.

7.2.2 Notice of Assessment

The Board shall notify each lot owner in writing of the amount of the quarterly assessments to be paid for his lot and shall furnish copies of each budget on which the assessments are based to all lot owners and, if so requested, to their respective Mortgagees.

7.3 Payment of Quarterly Assessments

On or before the first day of each calendar quarter, each lot owner shall pay or cause to be paid to the Treasurer of the Association the assessment against his lot for the quarter. Any assessment not paid by the first day of the calendar quarter for which it is due shall be delinquent and subject to interest charges and collection procedures as provided in Article 8.

7.4 Proceeds Belong to Association

All assessment and other receipts received by the Association on behalf of the property shall belong to the Association.

7.5 Limitation on Assessment

During such time as Valley Faire Developments Partnership, its successors or assigns continues to be the original owner of a lot and is offering it for sale, no budget shall be adopted or special assessment imposed that will cause the total assessments against any lot in any quarter to be more than ten percent (10%) greater than the total assessments against the lot for the same quarter of the preceding cal-

endar year. This limitation, may be waived in writing, by Valley Faire Developments Partnership, its successors or assigns only, for anyone or more assessments. No person other than Valley Faire Developments Partnership, its successors or assigns shall have the power either to assert or waive the limitation stated in this Section.

7.6 Failure to Assess

Any failure by the Board or the Association to make the budget and assessments hereunder before the expiration of any year for the ensuing year shall not be deemed a waiver or modification in any respect of the provisions of these By-Laws, or a release of the owners from the obligation to pay assessments during that or any subsequent year, and the quarterly assessment amount established for the preceding year shall continue until a new assessment is established.

7.7 Certificate of Unpaid Assessments

Upon the request of any owner or mortgagee of a lot, the Board will furnish a certificate in recordable form stating the amount, if any, of unpaid assessments charged to the lot. The certificate shall be conclusive upon the Board and the Association as to the amount of such indebtedness on the date of the certificate in favor of all purchasers and Mortgagees of the lot who rely on the certificate in good faith. The Board may establish a reasonable fee to be charged to reimburse it for the cost of preparing the certificate.

ARTICLE 8

LIEN AND COLLECTION OF ASSESMENTS

8.1 Assessments Are a Lien; Priority

All unpaid sums assessed by the Association for the share of the common expenses chargeable to any lot and any sums specially assessed to any lot under the authority of these By-Laws shall constitute a lien on the lot and all its appurtenances from the date the assessment became due. The lien for such unpaid assessments shall be subordinate to tax liens on the lot in favor of any assessing unit and/or special district, and to all sums unpaid on all other liens against the lot. A first mortgagee of a lot that obtains possession through a mortgage foreclosure or deed of trust sale, or by taking a deed in lieu of foreclosure or sale, or a purchaser at a foreclosure sale, shall take the lot free of any claims for the share of common expenses or assessments by the Association chargeable to the lot which became due before such possession, but will be liable for the common expenses and assessments that accrue after the taking of possession. The lot's past-due share of common expenses or assessments shall become new common expenses chargeable to all of the lots owners, including the mortgagee or foreclosure sale purchaser and their successors and assigns, in proportion to their respective percentages of undivided interest in the Common Areas. For purposes of this Section, "mortgage" does not include a real estate contract and "mortgagee" does not include the vendor or the assignee or designee of a vendor of a real estate contract.

8.2 Lien May Be Foreclosed

The lien for delinquent assessments may be foreclosed by suit by the Board, acting on behalf of the Association, in like manner as the foreclosure of a mortgage of real property. The Board, acting on behalf of the Association, shall have the power to bid in the lot at the foreclosure sale, and to acquire and hold, lease, mortgage and

convey the same.

8.3 Assessments Are Personal Obligations

In addition to constituting a lien on the lot and all its appurtenances, all sums assessed by the Association chargeable to any lot shall be the joint and several personal obligations of the owner when the assessment is made. Suit to recover personal judgment for any delinquent assessments shall be maintainable without foreclosing or waiving the liens securing them.

8.4 Interest on Delinquent Assessments

The Board may, from time to time, establish the rate of interest to be charged on assessments that may thereafter become delinquent. In the absence of another established, nonusurious rate, delinquent assessments shall bear interest at the rate of twelve percent (12%) per annum.

8.5 Recovery of Attorney's Fees and Costs

In any action to collect delinquent assessments brought by the Board on behalf of the Association, the plaintiff shall be entitled to recover as a part of its judgment a reasonable sum for attorney's fees and all costs and expenses reasonably incurred in preparing for and prosecuting the action, in addition to taxable costs permitted by law.

8.6 Remedies Cumulative

The remedies provided herein are cumulative and the Board may pursue them, and any other remedies which may be available under law although not expressed herein, either concurrently or in any order.

ARTICLE 9

**FAILURE OF BOARD TO INSIST ON STRICT PERFORMANCE
NO WAIVER**

The failure of the Board in any instance to insist upon the strict compliance of the Covenants or these By-Laws or Rules and Regulations of the Association, or to exercise any right contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of any terms, covenant, condition or restriction. The receipt by the Board of payment of any assessment from any owner, with knowledge of any breach by the owner, shall not be a waiver of the breach. No waiver by the Board of any requirement shall be effective unless expressed in writing and signed by the Board.

ARTICLE 10

LIMITATION OF LIABILITY

10.1 Liability for Utility Failure, Etc.

Except to the extent covered by insurance obtained by the Board, neither the Association nor the Board shall be liable for any failure of any utility or other service to be obtained and paid for by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand

which may lead or flow from outside or from any parts of the Common Areas or from any of its pipes, drains, conduits, appliances, or equipment, or from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of common expense assessments shall be claimed or allowed for any such utility or service failure or for such injury or damage or for such inconvenience or discomfort.

10.2 No Personal Liability

So long as a Board member, Association committee member, Association officer, Valley Faire Developments Partnership, its successors or assigns or the managing agent has acted in good faith, without willful or intentional misconduct, upon the basis of such information as is then possessed by such person, then no such person shall be personally liable to any lot owner, 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 such person; provided, that this section shall not apply where the consequences of such act, omission, error or negligence are covered by insurance obtained by the Board.

ARTICLE 11

INDEMNIFICATION

Each Board member, Association committee member, Association officer, Valley Faire Developments Partnership, its successors or assigns and the managing agent shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not he holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are covered by insurance and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of his duties; provided, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being for the best interest of the Association.

ARTICLE 12

CONDEMNATION

12.1 Consequences of Condemnation; Notices

If any of the Common Areas or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority (referred to herein as a "taking"), notice of the proceeding or proposed acquisition shall promptly be given to each lot owner and to each institutional holder of a first mortgage and the provisions of this Article 12 shall apply.

12.2 Proceeds

All compensation, damages or other proceeds of the taking, the sum of which is hereinafter called the "Condemnation Award", shall be payable to the Association.

12.3 Complete Taking

If all or any of the Common Areas are taken, the net available proceeds (determined after payment of all costs, including attorney's fees, incurred in connection with the taking) of the Condemnation Award shall be apportioned among the lot owners in proportion to their respective percentages of undivided interest in the Common Areas.

ARTICLE 13

REMOVAL OF COMMON AREAS AND COMMON AREAS FACILITIES FROM APPLICABILITY OF BY-LAWS

The Association shall have the power to convey or otherwise transfer (a "disposition") the Common Areas to any utility company or governmental body at any time, under terms and conditions acceptable to the Board in its sole and absolute discretion, and upon any such event of disposition: (1) the provisions of these By-Laws relating to Common Areas, including without limitation, those provisions dealing with maintenance, repair, insurance and assessments related thereto, shall be suspended to the extent appropriate; and (2) the Association shall promptly amend these By-Laws and execute and record in the public records an instrument amending these By-Laws by deleting any and all provisions hereof rendered unnecessary or undesirable by the disposition, including even to the extent of dissolving the Association and terminating the powers and duties of the Association and the Board in their entirety. Upon any such dissolution, any funds held by the Association shall be distributed to the lot owners in proportion to their respective ownership interests in the Common Areas, provided that the Board may retain and apply such portion of each lot owner's share of such proceeds as is necessary to discharge the lot owner's liability for any regular or special assessment hereunder. The Board shall give each lot owner notice of any disposition within ten (10) days thereof and a copy of any amendatory instrument made pursuant hereto upon execution thereof.

ARTICLE 14

AMENDMENTS OF BY-LAWS AND COVENANTS

14.1 Amendments by the Association

Any lot owner may propose amendments to the Covenants or By-Laws to the Board. A majority of the members of the Board may cause a proposed amendment to be submitted to the members of the Association for their consideration. If an amendment is proposed by owners of twenty percent (20%) or more of the lots in the property, then, irrespective of whether the Board concurs in the proposed amendment, it shall be submitted to the members of the Association for their consideration at their next regular or special meeting for which timely notice may be given. Notice of a meeting at which an amendment is to be considered shall include

the text of the proposed amendment. Amendments may be adopted at a meeting of the Association or by written consent of the requisite number of persons entitled to vote, after notice has been given to all persons (including Mortgagees) entitled to receive notice of a meeting of the Association. The unanimous consent of all lot owners shall be required for adoption of either (1) an amendment alerting the percentages of undivided interest in the Common Areas; or (2) an amendment of the Covenants. All other amendments shall be adopted if approved by sixty percent (60%) of the lot owners. Once an amendment has been adopted by the Association and any necessary approval of Mortgagees has been obtained, the amendment will become effective when a certificate of the amendment, executed by two officers of the Association, has been recorded in the public records.

ARTICLE 15

OFFICERS

15.1 Designation

The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board annually.

15.2 Election of Officers

The officers of the Association shall be elected annually by the Board at the organization meeting of each new Board and shall hold office at the pleasure of the Board. Any person may hold concurrently any two offices, except that the same person may not concurrently hold the offices of President and Secretary. The office of Vice President need not be filled. The Board may elect officers from among its members, or otherwise.

15.3 Removal of Officers

Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, with or without cause, and his successor elected at any regular or special meeting of the Board called for such purpose.

15.4 President

The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and the Board. He shall have all of the general powers and duties which are usually vested in the office of the President of a non-profit association including, but not limited to, the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

15.5 Vice President

A Vice President shall have all the powers and authority and perform all of the functions and duties of the President in the absence of the President or his inability for any reason to exercise such powers and functions or perform such duties.

15.6 Secretary

The Secretary shall keep the minutes of meetings of the Board and minutes of meetings of the Association; he shall have charge of such books and papers as the Board may direct; and he shall in general, perform all the duties incident to the office of Secretary. The Secretary may compile and keep up to date at the principal office of the Association a complete list of members and their registered mailing addresses. Such list shall also show opposite each member's name and the number or other appropriate designation of the lot owned by such member. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

15.7 Treasurer

The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board.

ARTICLE 16

OBLIGATIONS OF OWNERS

16.1 General

Each owner shall always endeavor to observe and promote the cooperative purposes for the accomplishment of which the Association was formed and each owner shall comply strictly with all provisions of these By-Laws.

16.2 Use of General Common Elements and Limited Common Elements

Each owner shall use the general Common Areas in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful rights of the other owners.

ARTICLE 17

EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND REQUIRED PROXIES

17.1 Proof of Ownership

Any person on becoming an owner of a lot shall furnish to the Board a photocopy of a certified copy of the recorded instrument vesting that person with an interest or ownership, which instrument shall remain in the files of the Association. A member shall not be deemed to be in good standing nor shall he be entitled to vote at any annual or at a special meeting of members unless this requirement is first met.

17.2 Registration of Mailing Address

The owner of each lot shall have one registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communications. Such registered address shall be furnished by the owner to the Secretary within five (5) days after transfer of title.

ARTICLE 18

COMMITTEES

18.1 Committees of Directors

The Board may appoint one or more committees that consist of one or more directors. Such committees, if composed entirely of Board members, shall have and exercise, to the extent provided in the resolution establishing the committee, the authority of the Board in the management of the Association; but the appointment of any such committee shall not relieve the Board of its ultimate responsibility for the administration and management.

18.2 Other Committees

Other committees, not having or exercising the authority of the Board in the management of the Association, may be appointed by the President or the Directors, and such committees may be composed of one or more members of the Association other than Board members, but at least one member must be a Board member.

ARTICLE 19

This Association is not organized for profit. No member, member of the Board or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operations thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, distributed to or inure to the benefit of any members of the Board. The foregoing, however, shall neither prevent nor restrict the following: (1) reasonable compensation may be paid to any member or manager while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association; and (2) any member or Board member may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE 20

FISCAL YEAR

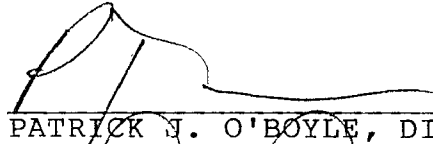
The fiscal years of the Association shall begin on ~~January~~ **November** 1 and end on ~~December~~ **October** 31.

ARTICLE 21

SEVERABILITY


The provisions of these By-Laws shall be independent and severable, and the unenforceability of anyone provision shall not affect the enforceability of any other provision.

ADOPTED BY THE BOARD OF DIRECTORS this 22nd day of August, 1985.



PATRICK J. O'BOYLE, DIRECTOR

And President

Jack B. Jacobson 

~~JON NELSON, DIRECTOR~~

And Secretary



PETER ORSER, DIRECTOR