

BYLAWS

OF

WATER VALLEY MASTER ASSOCIATION, INC.

ARTICLE 1. INTRODUCTION

These Bylaws of Water Valley Master Association, Inc. shall operate under the Colorado Nonprofit Corporation Act, as amended, and the Colorado Common Interest Ownership Act, as amended (the "Act"). Terms used herein shall have the meaning set forth in the Act and in that certain Master Declaration of Covenants, Conditions and Restrictions for Water Valley and recorded November 3, 1995 in Book 1517, Reception No. 2462325 in the office of the Weld County Clerk and Recorder (the "Declaration") as amended and supplemented from time to time.

ARTICLE 2. EXECUTIVE BOARD

Section 2.1 Number and Qualification--Termination of Declarant Control.

(a) Except as otherwise provided below, the affairs of the Common Interest Community and the Association shall be governed by an Executive Board which, until the termination of the period of "Declarant Control" (as that term is defined in the Declaration), shall consist of three persons, and following such date shall consist of seven (7) members, who shall be Unit Owners, elected or appointed as provided below. Only Unit Owners, eligible to vote and otherwise in good standing, may be elected to, or appointed to fill a vacancy on, the Executive Board. In the case where there is an insufficient number of Members running for election to the Executive Board, or where through removal or resignation, the total number of Executive Board members is less than seven, the Executive Board will be considered properly constituted with less than seven members; provided, however, in no event shall it be reduced to less than three. The number of members of the Executive Board may be increased or decreased by amendment of these Bylaws; provided, however, that the number shall not be reduced to less than three.

(b) If any Unit is owned by a partnership or corporation, any officer, partner or employee of that Unit Owner shall be eligible to serve on the Executive Board and shall be deemed to be a Unit Owner for the purposes of the preceding sentence. Members of the Executive Board shall be elected by the Unit Owners, except for those appointed by the Declarant. At any meeting at which the Executive Board is to be elected, the Unit Owners may, by resolution, adopt specific procedures which are not inconsistent with these Bylaws or the Colorado Nonprofit Corporation Act for conducting the elections.

(c) The Declaration shall govern appointment of members of the Executive Board during the period of Declarant control.

(d) At any time after Unit Owners, other than the Declarant, are entitled to elect a member of the Executive Board, the Association shall call a meeting and give not less than ten (10) nor more than sixty (60) days' notice to the Unit Owners for this purpose. This meeting may be called and the notice given by any Unit Owner if the Association fails to do so.

(e) Each Executive Board member shall be elected to a two-year term and shall hold office until the election and qualification of his successor. At any meeting at which the Executive Board is to be elected, the Unit Owners may, by resolution, adopt specific procedures which

are not inconsistent with these Bylaws or the Colorado Nonprofit Corporation Act for conducting the elections.

Section 2.2 Powers and Duties. The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration, these Bylaws or the Act. The Executive Board shall have, subject to the limitations contained in the Declaration and the Act, the powers and duties necessary for the administration of the affairs of the Association and of the Common Interest Community, including the following powers and duties:

- (a) Adopt and amend bylaws and rules and regulations;
- (b) Establish, enforce, and, from time to time, amend as the Executive Board deems necessary or desirable, development guidelines, policies and procedures and application and review procedures and fees and all design guidelines and architectural controls which shall apply to the installation, repair, placement and construction of any improvement upon real or personal property within the Common Interest Community.
- (c) Adopt and amend budgets for revenues, expenditures and reserves;
- (d) Collect assessments for Common Expenses from Unit Owners;
- (e) Hire and discharge managing agents;
- (f) Hire and discharge employees, independent contractors and agents other than managing agents;
- (g) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Association's Declaration, Bylaws or Rules and Regulations in the Association's name, on behalf of the Association or two or more Unit Owners on matters affecting the Common Interest Community;
- (h) Make contracts and incur liabilities;
- (i) Regulate the use, maintenance, repair, replacement and modification of the Common Elements;
- (j) Cause additional improvements to be made as a part of the Common Elements;
- (k) Acquire, hold, encumber and convey, in the Association's name, any right, title or interest to real estate or personal property, but Common Elements may be conveyed or subjected to a security interest only pursuant to Section 312 of the Act;
- (l) Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions for no more than one year, through or over the Common Elements;
- (m) Impose and receive a payment, fee or charge for services provided to Unit Owners and for the use, rental or operation of the Common Elements;
- (n) Impose reasonable charges for late payment of assessments and, after notice and hearing, levy a reasonable fine for a violation of the Declaration, Bylaws, Rules and Regulations of the Association;

(o) Impose reasonable charges for administrative or clerical services, including, but not limited to, the preparation, duplication, and dissemination of the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, and any amendments thereto, and Statements of unpaid assessments, and to recover any applicable recording fees;

(p) Provide for the indemnification of the Association's officers and the Executive Board and maintain directors' and officers' liability insurance;

(q) Exercise any other powers conferred by the Declaration, the Articles of Incorporation, Bylaws, the Act and the Colorado Nonprofit Corporation Act;

(r) Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association;

(s) Exercise any other power necessary and proper for the governance and operation of the Association; and

(t) By resolution, establish committees, permanent and standing, to perform any of the above functions under specifically delegated administrative standards as designated in the resolution establishing the committee. All committees must maintain and publish notice of their actions to Unit Owners and the Executive Board. Actions taken by a committee may be appealed to the Executive Board by any Unit Owner within 45 days of publication of notice of that action, and the committee's action must be ratified, modified or rejected by the Executive Board at its next regular meeting.

Section 2.3 Manager. The Executive Board may employ a Manager for the Common Interest Community, at a compensation established by the Executive Board, to perform duties and services authorized by the Executive Board. The Executive Board may delegate to the Manager only the powers granted to the Executive Board by these Bylaws under Section 2.3, Subdivisions (d), (f), (g), (h), (i) and (j). Licenses, concessions and contracts may be executed by the Manager pursuant to specific resolutions of the Executive Board and to fulfill the requirements of the budget. The Executive Board shall comply with the provisions of C.R.S. 38-33.3-306(3) until July 1, 1996.

Section 2.4 Removal of Executive Board Member. Notwithstanding any provision of the Declaration or these Bylaws of the Corporation to the contrary, following notice under C.R.S. §38-33.3-308, the Unit Owners, by a two-thirds vote of all persons present and entitled to vote at any meeting of the Unit Owners at which a quorum is present, may remove any member of the Executive Board other than a member appointed by the Declarant with or without cause. A vacancy caused by removal of an Executive Board member shall be filled at the meeting at which the Executive Board member is removed in accordance with Section 2.6 below.

Section 2.5 Vacancies. Except in the case of removal of an Executive Board member by a vote of the Unit Owners, vacancies may be filled at a special meeting of the Executive Board held for that purpose at any time after the occurrence of the vacancy, even though the members of the Executive Board present at that meeting may constitute less than a quorum. These appointments shall be made in the following manner:

(a) As to vacancies of Executive Board members whom Unit Owners other than the Declarant elected, by a majority of the remaining Executive Board; and

(b) As to vacancies of Executive Board members whom the Declarant has the right to appoint, by the Declarant.

Each person so elected or appointed shall serve on the Executive Board for the remainder of the term of the member so replaced.

Section 2.6 Regular Meetings. The first regular meeting of the Executive Board following each annual meeting of the Unit Owners shall be held within 30 days after the annual meeting at a time and place to be set by the Executive Board at the meeting at which the Executive Board shall have been elected. No notice shall be necessary to the newly elected Executive Board in order to legally constitute such meeting, provided a majority of the Executive Board members are present. The Executive Board may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.

Section 2.7 Special Meetings. Special meetings of the Executive Board may be called by the President or by a majority of its members on at least three business days' notice to each member. The notice shall be hand-delivered or mailed and shall state the time, place and purpose of the meeting.

Section 2.8 Location of Meetings. All meetings of the Executive Board shall be held within the State of Colorado unless all members thereof consent in writing to another location.

Section 2.9 Waiver of Notice. Any Executive Board member may waive notice of any meeting in writing. Attendance by an Executive Board member at any meeting of the Executive Board shall constitute a waiver of notice. If all the members of the Executive Board are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

Section 2.10 Quorum. At all meetings of the Executive Board, a majority of its members shall constitute a quorum for the transaction of business, and the votes of a majority of members present at a meeting at which a quorum is present shall constitute a decision of the Executive Board. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting. At any reconvened meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 2.11 Consent to Corporate Action. If all of the Executive Board or all members of a committee established for such purposes, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of the Executive Board members constitutes a quorum, that action shall be a valid corporate action as though it had been authorized at a meeting of the Executive Board or the committee, as the case may be. The secretary shall file these consents with the minutes of the meetings of the Executive Board.

Section 2.12 Telephone Communication in Lieu of Attendance. An Executive Board member may attend a meeting of the Executive Board by using an electronic or telephonic communication method whereby the member may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Executive Board. The vote of such member shall be counted and the presence noted as if that member was present in person on that particular matter.

ARTICLE 3. UNIT OWNERS

Section 3.1 Membership. Every person who is a record Unit Owner of a fee interest in any Unit which is subject to this Declaration shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Unit; ownership of such Unit shall be the sole qualification for such membership. Where more than one person holds an interest in any Unit, all such persons shall be members; provided, however, if a Unit is owned by more than one

person, those persons shall agree among themselves how a vote for that Unit's membership is to be cast, pursuant to applicable provisions in these Bylaws. Individual co-owners may not cast fractional votes. A vote by a co-owner for the entire Unit's membership interest shall be deemed to be pursuant to a valid proxy, unless another co-owner of the same Unit objects at the time the vote is cast, in which case such membership's vote shall not be counted.

Section 3.2 Annual Meeting. Annual meetings of Unit Owners shall be held at such date set forth in the notice, which shall be within ninety (90) days prior to the end of the Association's fiscal year. At these meetings, the Executive Board shall be elected by ballot of the Unit Owners, in accordance with the provisions of Article 2 of these Bylaws. The Unit Owners may transact other business as may properly come before them at these meetings.

Section 3.3 Budget Meeting. Meetings of Unit Owners to consider proposed budgets shall be called in accordance with the Act. The budget may be considered at Annual or Special Meetings called for other purposes as well.

Section 3.4 Special Meetings. Special meetings of the Association may be called by the president, by a majority of the members of the Executive Board or by Unit Owners comprising twenty percent (20%) of the votes in the Association.

Section 3.5 Place of Meetings. Meetings of the Unit Owners shall be held at a suitable place convenient to the Unit Owners, as may be designated by the Executive Board or the president.

Section 3.6 Notice of Meetings. The secretary or other officer specified in the Bylaws shall cause notice of meetings of the Unit Owners to be hand-delivered or sent prepaid by United States mail to the mailing address of each Unit or to the mailing address designated in writing by the Unit Owner, not less than ten (10) nor more than fifty (50) days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice.

Section 3.7 Waiver of Notice. Any Unit Owner may, at any time, waive notice of any meeting of the Unit Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

Section 3.8 Adjournment of Meeting. At any meeting of Unit Owners, a Majority of the Unit Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.9 Order of Business. The order of business at all meetings of the Unit Owners shall be as follows:

- (a) Roll call (or check-in procedure);
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports;
- (e) Establish number and term of memberships of the Executive Board (if required and noticed);
- (f) Election of inspectors of election (when required);

- (g) Election of members of the Executive Board (when required);
- (h) Ratification of budget (if required and noticed);
- (i) Unfinished business; and
- (j) New business.

Section 3.10 Eligibility; Casting of Votes.

3.10.1 A Member shall be deemed to be in good standing and entitled to vote at any annual or special meeting of the Members or by written ballot, within the meanings of these Bylaws, if and only if, at the time the vote is taken:

(a) all assessments and other charges made or levied against such Member's Unit are fully paid and discharged; and

(b) there is no uncured breach by the Member of any covenant, condition or obligation contained in any Governing Document (as that term is defined by the Declaration).

3.10.2 If only one of several owners of a Unit is present at a meeting of the Association, the Unit Owner present is entitled to cast all the votes allocated to the Unit. If more than one of the Unit Owners is present, the votes allocated to the Unit may be cast only in accordance with the agreement of a majority of the owners of that Unit. Majority agreement exists if any one of the Unit Owners casts the votes allocated to the Unit without protest being made promptly to the person presiding over the meeting by another owner of the Unit.

3.10.3 Votes allocated to a Unit may be cast under a proxy duly executed by a Unit Owner. If a Unit is owned by more than one person, each owner of the Unit may vote or register protest to the casting of votes by the other owners of the Unit through a duly executed proxy. A Unit Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates one year after its date, unless it specifies a shorter term.

3.10.4 The vote of a corporation or limited liability company may be cast by an officer of that corporation or by the manager of the limited liability company in the absence of express notice of the designation of a specific person by the board of directors, members, manager, operating agreement or bylaws of the owning corporation or limited liability company. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, limited liability company, partnership or Unit Owner is qualified to vote.

3.10.5 Votes allocated to a Unit owned by the Association may not be cast.

Section 3.11 Quorum. Except as otherwise provided in these Bylaws, the Unit Owners present in person or by proxy at any meeting of Unit Owners, representing fifteen percent (15%) of the votes in the Association, shall constitute a quorum at that meeting.

Section 3.12 Majority Vote. The vote of a majority of the Unit Owners present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Unit Owners for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws or the Act.

Section 3.13 Voting by Mail. The Executive Board may decide that voting of the Members on any matter required or permitted by the statutes of Colorado, the Declaration, the Articles of Incorporation, or these Bylaws (excluding, however, voting for the purpose of electing members to the Executive Board) shall be by mail. In case of a vote by mail, the Secretary shall give written notice to all Members, which notice shall include: (a) a proposed written resolution setting forth a description of the proposed action, (b) a statement that Members are entitled to vote by mail for or against such proposal, and (c) a date not less than twenty (20) nor more than fifty (50) days after the date such notice shall have been given on or before which all votes must be received at the principal office of the Association. In cases where written ballots are delivered to Members pursuant to this Section 3.13, any Members' failure to respond, in writing, on or before the date by which all votes must be received shall be deemed an affirmative vote on all issues contained in such ballot.

ARTICLE 4. OFFICERS

Section 4.1 Designation. The principal officers of the Association shall be the president, the vice president, the secretary and the treasurer, all of whom shall be elected by the Executive Board. The Executive Board may appoint an assistant treasurer, an assistant secretary and other officers as it finds necessary. Any two offices may be held by the same person, except the offices of president and secretary. The office of vice president may be vacant. All officers must be members of the Executive Board.

Section 4.2 Election of Officers. The officers of the Association shall be elected annually by the Executive Board at the organizational meeting of each new Executive Board. They shall hold office at the pleasure of the Executive Board.

Section 4.3 Removal of Officers. Upon the affirmative vote of a majority of the Executive Board, any officer may be removed, either with or without cause. A successor may be elected at any regular meeting of the Executive Board or at any special meeting of the Executive Board called for that purpose.

Section 4.4 President. The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Unit Owners and of the Executive Board. The president shall have all of the general powers and duties which are incident to the office of president of a nonprofit corporation organized under the laws of the State of Colorado, including but not limited to the power to appoint committees from among the Unit Owners from time to time as the president may decide is appropriate to assist in the conduct of the affairs of the Association. The president may fulfill the role of treasurer in the absence of the treasurer. The president may cause to be prepared and may execute amendments, attested by the secretary, to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.5 Vice President. The vice president shall take the place of the president and perform the president's duties whenever the president is absent or unable to act. If neither the president nor the vice president is able to act, the Executive Board shall appoint another of its members to act in the place of the president on an interim basis. The vice president shall also perform other duties imposed by the Executive Board or by the president.

Section 4.6 Secretary. The secretary shall keep the minutes of all meetings of the Unit Owners and the Executive Board. The Secretary shall have charge of the Association's books and papers as the Executive Board may direct and shall perform all the duties incident to the office of secretary of a nonprofit corporation organized under the laws of the State of Colorado. The Secretary may cause to be prepared and may attest to execution by the president of amendments to the

Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.7 Treasurer. The treasurer shall be responsible for Association funds and securities, for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial data. This officer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Executive Board and shall perform all the duties incident to the office of treasurer of a nonprofit corporation organized under the laws of the State of Colorado. The treasurer may endorse on behalf of the Association, for collection only, checks, notes and other obligations and shall deposit the same and all monies in the name of and to the credit of the Association in banks designated by the Executive Board. Except for reserve funds described below, the treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others. Reserve funds of the Association shall be deposited in segregated accounts or in prudent investments, as the Executive Board decides. Funds may be withdrawn from these reserves for the purposes for which they were deposited, by check or order, authorized by the treasurer, and executed by two members of the Executive Board, one of whom may be the treasurer if the treasurer is also a Director.

Section 4.8 Execution of Instruments. Except as provided in Sections 4.4, 4.6, 4.7 and 4.9 of these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any officer of the Association or by any other person or persons designated by the Executive Board.

Section 4.9 Statements of Unpaid Assessments. The treasurer, assistant treasurer, a manager employed by the Association or, in their absence, any officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid assessments, in accordance with Section 316 of the Act.

The Association may charge a reasonable fee for preparing statements of unpaid assessments. The amount of this fee and the time of payment shall be established by resolution of the Executive Board. Any unpaid fees may be assessed as a Common Expense Assessment against the Unit for which the certificate or statement is furnished.

ARTICLE 5. ENFORCEMENT

Section 5.1 Abatement and Enjoinment of Violations by Unit Owners. The violation of any of the Rules and Regulations adopted by the Executive Board or the breach of any provision of the Documents shall give the Executive Board the right, after notice and hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws:

(a) To enter the Unit or Limited Common Element in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing of condition (except for additions or alterations of a permanent nature that may exist in that Unit) that is existing and creating a danger to the Common Elements contrary to the intent and meaning of the provisions of the Documents. The Executive Board shall not be deemed liable for any manner of trespass by this action; or

(b) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

Section 5.2 Fine for Violation. The Executive Board may adopt resolutions providing for fines or other monetary penalties for the infraction of its Rules and Regulations or of the Declaration. Fines will be levied after notice thereof and an opportunity to be heard. The Executive Board may levy fines in amounts that it, in its sole discretion, shall determine to be reasonable for each violation of the Declaration, Bylaws, Rules or Regulations, including those violations which persist after notice and an opportunity for a hearing is given.

ARTICLE 6. INDEMNIFICATION

The Executive Board members and officers of the Association shall have the liabilities, and be entitled to indemnification, as provided in Colorado Nonprofit Corporation Act, the provisions of which are incorporated by reference and made a part of this document.

ARTICLE 7. RECORDS

Section 7.1 Records and Audits. The Association shall maintain financial records, and such other records as required by the Declaration or the Act. The cost of any audit shall be a Common Expense unless otherwise provided in the Documents.

Section 7.2 Examination. All records maintained by the Association or the Manager shall be available for examination and copying by any Unit Owner or by any of their duly authorized attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

Section 7.3 Records. The Association shall keep the following records:

(a) An account for each Unit, which shall designate the name and address of each Unit Owner, the name and address of each mortgagee who has given notice to the Association that it holds a mortgage on the Unit, the amount of each Common Expense Assessment, the dates on which each assessment comes due, the amounts paid on the account and the balance due;

(b) An account for each Unit Owner showing any other fees payable by the Unit Owner;

(c) A record of any capital expenditures in excess of \$3,000 approved by the Executive Board for the current and next two succeeding fiscal years;

(d) A record of the amount and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Association for a specific project;

(e) The most recent regularly prepared balance sheet and income and expense statement, if any, of the Association;

(f) The current operating budget adopted pursuant to Section 815(1) of the Act and ratified pursuant to the procedures of Section 308(4) of the Act;

(g) A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant;

- (h) A record of insurance coverage provided for the benefit of Unit Owners and the Association;
- (i) A record of any alterations or improvements to Units which violate any provisions of the Declarations of which the Executive Board has knowledge;
- (j) A record of any violations, with respect to any portion of the Common Interest Community, of health, safety, fire or building codes or laws, ordinances, or regulations of which the Executive Board has knowledge;
- (k) A record of the actual cost, irrespective of discounts and allowances, of the maintenance of the Common Elements;
- (l) Balance sheets and other records required by the Colorado Nonprofit Corporation Act;
- (m) Tax returns for state and federal income taxation;
- (n) Minutes of proceedings of incorporators, Unit Owners, Executive Board and its committees, and waivers of notice; and
- (o) A copy of the most current versions of the Declaration, Bylaws, Rules and Regulations, and resolutions of the Executive Board, along with their exhibits and schedules.

ARTICLE 8. MISCELLANEOUS

Section 8.1 Notices. All notices to the Association or the Executive Board shall be delivered to the office of the Manager, or, if there is no Manager, to the office of the Association, or to such other address as the Executive Board may designate by written notice to all Unit Owners. Except as otherwise provided, all notices to any Unit Owner shall be sent to the Unit Owner's address as it appears in the records of the Association. All notices shall be deemed to have been given when deposited into the United States mail, first class postage prepaid, except notices of changes of address, which shall be deemed to have been given when received.

Section 8.2 Fiscal Year. The Executive Board shall establish the fiscal year of the Association.

Section 8.3 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason or any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 8.4 Office. The principal office of the Association shall be within the Common Interest Community or at such other place as the Executive Board may from time to time designate.

Section 8.5 Working Capital. A working capital fund is to be established in the amount of two months' regularly budgeted initial Common Expense Assessments, measured as of the date of the first assessment for all Units in proportion to their respective Allocated Interests in Common Expenses. Any amounts paid into this fund shall not be considered as advance payment of assessments. Each Unit's share of the working capital fund may be collected and then contributed to the Association by the Declarant at the time the sale of the Unit is closed or at the termination of Declarant control. Until paid to the Association, the contribution to the working capital shall be considered an unpaid Common Expense Assessment, with a lien on the Declarant's unsold Units

pursuant to the Act. Until termination of Declarant control of the Executive Board, the working capital shall be deposited without interest in a segregated fund. While the Declarant is in control of the Executive Board, the Declarant cannot use any of the working capital funds to defray its expenses, reserve contributions or construction costs or to make up budget deficits.

Section 8.6 Reserves. As a part of the adoption of the regular budget the Executive Board shall include an amount which, in its reasonable business judgment, will establish and maintain an adequate reserve fund for the replacement of improvements to the Common Elements based upon the age, remaining life and the quantity and replacement cost of improvements to the Common Elements.

ARTICLE 9. AMENDMENT TO BYLAWS

Section 9.1 Vote. The Bylaws may be amended only by vote of two-thirds of the members of the Executive Board, following notice and comment to all Unit Owners, at any meeting duly called for such purpose.

Section 9.2 Rights of Mortgagees. No amendment of the Bylaws of this Association shall be adopted which would affect or impair the validity or priority of any mortgage or deed of trust encumbering any Unit or which would change the provisions of the Bylaws with respect to institutional mortgagees of record.

ATTEST:

Certified to be the Bylaws adopted by the Executive Board of Water Valley Master Association, Inc., dated May 21, 1996.

Secretary