

AMENDED BYLAWS
OF
MOUNTAIN VALLEY ESTATES PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I - INTRODUCTION

These are the Amended Bylaws of Mountain Valley Estates Property Owners Association, Inc., a Colorado non-profit corporation ("Association"). Initial capitalized terms not otherwise defined herein are defined in Article I of the Second Amended Declaration of Protective Covenants for Mountain Valley Estates (previously platted as Creede Haven No. 2 and Creede Haven No. 3), as recorded in the real estate records in the Office of the Clerk and Recorder of Mineral County, Colorado (the "Declaration").

ARTICLE II - Board

Section 2.1 Number and Qualification; Termination of Declarant Control.

- (a) The affairs of the Common Interest Community known as Mountain Valley Estates ("Community") and the Association shall be governed by a Board of Directors ("Board") which, until the termination of the period of exclusive Declarant control, shall initially consist of one (1) Director, and following such date shall be increased to three (3) Directors, and may be increased to a maximum of five (5) Directors, all of whom, excepting the Directors appointed by the Declarant, shall be Lot Owners. If any Lot is owned by a partnership or corporation, any officer, partner or employee of that Lot Owner shall be eligible to serve as a Director and shall be deemed to be a Lot Owner for the purposes of the preceding sentence. Directors shall be elected by the Lot Owners, except for those appointed by the Declarant. At any meeting at which Directors are to be elected, the Lot Owners may, by resolution, adopt specific procedures which are not inconsistent with these Bylaws or the Colorado Non-Profit Corporation Act for conducting the elections.
- (b) The terms of at least one-third (a) of the Directors not appointed by the Declarant shall expire annually, as established in a resolution of the Lot Owners.
- (c) Article VIII. I. of the Declaration shall govern appointment of Directors of the Board during the period of Declarant control.
- (d) The Board shall elect the officers. The Directors and officers shall take office upon election and shall hold such offices until their successors are duly elected and qualified, or until removed pursuant to the Declaration, these Bylaws or Colorado law.
- (e) At any time after Lot Owners, other than the Declarant, are entitled to elect a Director, the Association shall call a meeting and give not less than fourteen (14) nor

more than fifty (50) days' notice to the Lot Owners for this purpose. This meeting may be called and the notice given by any Lot Owner if the Association fails to do so.

Section 2.2 Powers and Duties. The Board may act in all instances on behalf of the Association, except as provided in the Declaration, these Bylaws or the Colorado Common Interest Ownership Act, as set forth in §38-33.3-101, C.R.S., *et seq.* ("Act"). The 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 Community, which shall include the powers set forth in Article XXV B. of the Declaration, including but not limited to:

- (a) adopt and amend Bylaws, Rules and regulations;
- (b) adopt and amend budgets for revenues, expenditures and reserves;
- (c) collect Common Expenses Assessments from Lot Owners;
- (d) hire and discharge managing agents;
- (e) hire and discharge independent contractors, employees and agents other than managing agents;
- (f) institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of or otherwise enforce the Association's Declaration, Bylaws or Rules in the Association's name, on behalf of the Association or two or more Lot Owners on matters affecting the Common Interest Community;
- (g) make contracts and incur liabilities;
- (h) regulate the use, maintenance, repair, replacement and modification of the Common Elements;
- (i) cause additional improvements to be made as a part of the Common Elements;
- (j) 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;
- (k) grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions through or over the Common Elements, for no more than one year;
- (l) impose and receive a payment, fee or charge for the use, rental or operation of the Common Elements, other than Limited Common Elements, if any, and for services provided to Lot Owners;

(m) impose a reasonable charge for late payment of assessments, and after Notice and Hearing, levy reasonable fines for violations of the Declaration, Bylaws, Rules and regulations of the Association;

(n) impose a reasonable charge for the preparation and recording of amendments to the Declaration and for a statement of unpaid assessments;

(o) provide, at the option of the Board, for the indemnification of the Association's officers and Board and maintain Directors' and officers' liability insurance;

(p) assign the Association's right to future income, including the right to receive Common Expense assessments;

(q) exercise any other powers conferred by the Declaration, these Bylaws or the 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 permanent and standing committees of Directors 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 Lot Owners and the Board. However, actions taken by a committee may be appealed to the Board by any Lot Owner within forty-five (45) days of publication of the notice. If an appeal is made, the committee's action must be ratified, modified or rejected by the Board at its next regular meeting.

Section 2.3 Standard of Care. In the performance of their duties the officers and members of the Board are required to exercise: (1) if appointed by the Declarant, the care required of fiduciaries of the Lot Owners; and (2) if elected by the Lot Owners, ordinary and reasonable care. In the performance of their duties the officers and members of the Board are fiduciaries and are subject to the insulation from liability of the Colorado corporation laws. The members of the Board are required to exercise the ordinary and reasonable care of directors of a corporation subject to the insulation of the business judgment rule. If appointed by the Declarant, their fiduciary duties and standards of care to the Lot Owners are those of a director of a stock corporation to its shareholders.

Section 2.4 Additional Limitations. The Board shall be additionally limited pursuant to Article XXV of the Declaration.

Section 2.5 Manager. The Board may employ a Manager for the Community, at a compensation established by the Board, to perform duties and services authorized by the Board. The Board may delegate to the Manager only the powers granted to the Board by these Bylaws under subsections 2.2(c), (e), (g) and (h) above or such other powers as the Board shall unanimously approve for delegation. Licenses, concessions and contracts may be executed by the Manager pursuant to specific resolutions of the Board.

Section 2.6 Removal of Directors. The Lot Owners, by a two-thirds (b) vote of all persons present and entitled to vote, at any meeting of the Lot Owners at which a quorum is present, may remove any Director from the Board, other than a Director appointed by the Declarant, with or without cause and substitute any person eligible to be a Director hereunder for the balance of such removed Director's term.

Section 2.7 Vacancies. Vacancies in the Board caused by any reason other than the removal of a Director by a vote of the Lot Owners may be filled at a special meeting of the Board held for that purpose at any time after the occurrence of the vacancy, even though the Directors present at that meeting may constitute less than a quorum. These appointments shall be made in the following manner:

(a) as to vacancies of Directors whom Lot Owners other than the Declarant elected, by a majority of the remaining elected Directors constituting the Board; and

(b) as to vacancies of Directors whom the Declarant has the right to appoint, by the Declarant.

Each person so elected or appointed shall be a Director for the remainder of the term of the Director so replaced.

Section 2.8 Regular Meetings. All regular meetings of the Board are open to all Lot Owners or their representatives, except as otherwise provided in Article XXVI of the Declaration. Notice of and agendas for the meetings shall be made reasonably available for examination by all Lot Owners at least three (3) days prior to the meeting, except that if a schedule and standard agenda is set for regular board meetings, no notice beyond the schedule need be given. The Board may set a schedule of additional regular meetings by resolution.

Section 2.9 Special Meetings. Special meetings of the Board may be called by the President or by a majority of the Directors on at least three (3) business days' notice to each Director. The notice shall be hand-delivered or mailed and shall state the time, place and purpose of the meeting. The special meetings are open to all Lot Owners or their representatives, except as otherwise provided in Article XXVI of the Declaration.

Section 2.10 Location of Meetings. All meetings of the Board shall be held at a convenient location in Mineral County, Colorado unless a majority of the Directors consent in writing to another location.

Section 2.11 Waiver of Notice. Any Director may waive notice of any meeting in writing. Attendance by a Director at any meeting of the Board shall constitute a waiver of notice. If all the Directors are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

Section 2.12 Quorum of Directors. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute a decision of the Board. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting. At any adjourned 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 2.13 Compensation. A Director may receive a fee from the Association for acting as a director, as may be set by resolution of the Lot Owners, and may also receive reimbursement for necessary expenses actually incurred in connection with the Director's duties. Directors acting as officers or employees may also be compensated for those duties.

Section 2.14 Consent to Corporate Action. If all the Directors or all Directors 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 Directors constitutes a quorum, that action shall be a valid corporate action as though it had been authorized at a meeting of the Board or the committee, as the case may be. The secretary shall file these consents with the minutes of the meetings of the Board.

Section 2.15 Telephone Communication in Lieu of Attendance. A Director may attend a meeting of the Board by using an electronic or telephonic communication method whereby the director may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Board. The Director's vote shall be counted and the presence noted as if that Director were present in person on that particular matter.

ARTICLE III - LOT OWNERS

Section 3.1 Annual Meeting. Annual meetings of Lot Owners shall be held in August of each year starting 2007, at such date set forth in the notice. At these meetings, the Directors shall be elected by ballot of the Lot Owners, in accordance with the provisions of Article II of the Bylaws. The Lot Owners may transact other business as may properly come before them at these meetings.

Section 3.2 Budget Meeting. Meetings of Lot Owners to consider proposed budgets shall be called in accordance with Articles XIX D. and E. of the Declaration. The budget may be considered at Annual or Special Meetings called for other purposes as well.

Section 3.3 Special Meetings. Special meetings of the Association may be called by the president, by a majority of the members of the Board or by Lot Owners comprising twenty percent (20%) of the votes in the Association.

Section 3.4 Place of Meetings. Meetings of the Lot Owners shall be held at a suitable place convenient to the Lot Owners, as may be designated by the Board or the president.

Section 3.5 Notice of Meetings. The secretary or other officer specified in the Bylaws shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address of each Lot or to the mailing address designated in writing by the Lot Owner, not less than fourteen (14) 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 3.6 Waiver of Notice. Any Lot Owner may, at any time, waive notice of any meeting of the Lot Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

Section 3.7 Adjournment of Meeting. At any meeting of Lot Owners, a Majority of the Lot Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.8 Order of Business. The order of business at all meetings of the Lot 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 Board (if required and noticed);
- (f) election of inspectors of election (when required);
- (g) election of Directors of the Board (when required);
- (h) ratification of budget (if required and noticed);
- (I) unfinished business; and
- (j) new business.

Section 3.9 Voting.

(a) If only one of several owners of a Lot is present at a meeting of the Association, the owner present is entitled to cast all the Votes allocated to the Unit. If more than one of the owners are present, the Votes allocated to the Lot may be cast only in accordance with the written agreement of a majority in interest of the owners.

(b) Votes allocated to a Lot may be cast under a proxy duly executed by a Lot Owner. If a Lot is owned by more than one person, each owner of the Lot may vote or register protest to the casting of votes by the other owners of the Lot through a duly executed proxy. A Lot 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 eleven (11) months after its date, unless it specifies a shorter term.

(c) The Vote of a corporation or business trust may be cast by any officer of that corporation or business trust in the absence of express notice of the designation of a specific person by the board of directors or bylaws of the owning corporation or business trust. 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 Vote of a limited liability company may be cast by any manager of that limited liability company in the absence of express notice of the designation of a specific person by the operating agreement of the owning limited liability company. The moderator of the meeting may require reasonable evidence that any person voting on behalf of any legal entity which is an owner is duly authorized by such legal entity to vote on its behalf.

(d) Votes allocated to a Lot owned by the Association may not be cast.

Section 3.10 Quorum. Except as otherwise provided in these Bylaws, the Lot Owners present in person or by proxy at any meeting of Lot Owners owning at least twenty percent (20%) of the Lots (including the Declarant) shall constitute a quorum at that meeting.

Section 3.11 Majority Vote. The Vote of a majority of the Lot Owners present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Lot Owners for all purposes except where a higher percentage Vote is required in the Declaration, these Bylaws or by law.

ARTICLE IV - 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 Board. The Board may appoint an assistant treasurer, an assistant secretary and other officers as it finds necessary. The president and vice president, but no other officers, need to be Directors. Any two offices may be held by the same person. The office of vice president may be vacant.

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

Section 4.3 Removal of Officers. Upon the affirmative vote of a majority of the Directors, any officer may be removed, either with or without cause. A successor may be elected

at any regular meeting of the Board or at any special meeting of the 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 Lot Owners and of the Board. The president shall have all of the general powers and duties which are incident to the office of president of a non-profit corporation organized under the laws of the State of Colorado, including but not limited to the power to appoint committees from among the Lot 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 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.

The Association is required by the terms of the decree entered by the District Court, Water Division No. 3, in Case No. 01CW3 to appoint a point of contact and an alternate point of contact for the Division Engineer and Water Commissioner to contact in the event it becomes necessary to enforce the terms of the decree regarding lawn and tree watering. The President shall make the appointments and notify the Division Engineer by U.S. Mail at 301 Murphy Drive, Alamosa, CO 81101.

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 Board shall appoint some other Director to act in the place of the president on an interim basis. The vice president shall also perform other duties imposed by the Board or by the president.

Section 4.6 Secretary. The secretary shall keep the minutes of all meetings of the Lot Owners and the Board. The secretary shall have charge of the Association's books and papers as the Board may direct and shall perform all the duties incident to the office of secretary of a non-profit 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 and may record same 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 Board and shall perform all the duties incident to the office of treasurer of a non-profit 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 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 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 one Director, who may be the treasurer if the treasurer is also a Director.

Section 4.8 Agreements, Contracts, Deeds, Checks, etc. Except as provided in Sections 4.4, 4.6, 4.7, and 4.10 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 Board.

Section 4.9 Compensation. An officer may receive a fee from the Association, in an amount set by resolution of the Lot Owners, for acting as an officer. An officer may also receive reimbursement for necessary expenses actually incurred in connection with Association duties.

Section 4.10 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(8) of the Act.

The Association shall charge a reasonable fee for preparing statements of unpaid assessments, in accordance with rules and regulations to be promulgated by the Board. Any unpaid fees may be assessed as a Common Expense against the Lot for which the statement is furnished.

ARTICLE V - ENFORCEMENT

Section 5.1 Abatement and Enjoinment of Violations by Lot Owners. The violation of any of the rules and regulations adopted by the Board or the breach of any provision of the Documents (as that term is defined in the Common Interest Community Declaration of the Association recorded in the land records of the Clerk and Recorder for the county in which the Community is located) shall give the Board the right, after Notice and Hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws and in rules and regulations to be promulgated by the Board:

(a) to enter the Lot 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 Lot Owner, any structure, thing or 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 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. Following Notice and Hearing, the Board may levy such fines as set out in the rules and regulations to be promulgated by the Board.

ARTICLE VI - INDEMNIFICATION

The Directors and officers of the Association shall have the liabilities, and be entitled to indemnification, as provided in the Colorado nonprofit corporation law, the provisions of which are incorporated by reference and made a part of this document.

ARTICLE VII - RECORDS

Section 7.1 Records and Audits. The Association shall maintain financial records in accordance with the Act, as set out in the rules and regulations to be promulgated by the Board, and shall allow or conduct any audit as required by the Act. The cost of the audit shall be a Common Expense unless otherwise provided in the Documents or the Act.

Section 7.2 Examination. All records maintained by the Association or the Manager shall be available for examination and copying by any Lot Owner, any holder of a Security Interest in a Lot or its insurer or guarantor, or by any of their duly authorized agents or 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. financial records sufficiently detailed to enable the Association to provide statements of unpaid assessments in accordance with the Colorado Common Interest Ownership Act;
- b. minutes of membership meetings, minutes of Board meetings, a record of all actions taken by the members or Board by written ballot or written consent in lieu of a meeting, a record of all actions taken by a committee of the Board in place of the Board on behalf of the Association, and a record of all waivers of notices of meetings of members and of the Board or any committee of the Board;
- c. a record of members in a form that permits preparation of a list of names and addresses of all members, showing the number of votes each member is entitled to vote ("Membership list");
- d. the Articles of Incorporation, Declaration, Covenants, Bylaws, rules and regulations, and resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of members;
- e. written communications within the past three years to members generally;
- f. a list of the names and business or home addresses of its current directors and officers;

- g. its most recent annual report, if any; and
- h. all financial audits or reviews conducted pursuant to the Colorado Common Interest Ownership Act during the immediate preceding three years.

Records shall be made reasonably available for inspection and copying by a member or the member's authorized agent. "Reasonably available" means available during normal business hours upon notice of 5 business days, to the extent that:

- a. the request is made in good faith and for a proper purpose;
- b. the request describes with reasonable particularity the records sought and the purpose of the request; and
- c. the records are relevant to the purpose of the request.

A Membership list may not be:

- a. used to solicit money or property unless such money or property will be used solely to solicit votes of the members in an election held by the Association;
- b. used for any commercial purpose;
- c. sold to or purchased by any person; or
- d. used for any other purpose prohibited by law.

Any member requesting a Membership list shall be required to sign an agreement indicating that he/she will not use the list for the purposes stated above.

ARTICLE VIII - MISCELLANEOUS

Section 8.1 Notices. All notices to the Association or the 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 Board may designate by written notice to all Lot Owners and to all holders of Security Interests in the Lots who have notified the Association that they hold a Security Interest in a Unit. Except as otherwise provided, all notices to any Lot Owner shall be sent to the Lot Owner's address as it appears in the records of the Association. All notices to holders of Security Interests in the Lots shall be sent, except where a different manner of notice is specified elsewhere in the Documents, by registered or certified mail to their respective addresses, as designated by them in writing to the Association. All notices shall be deemed to have been given when mailed, except notices of changes of address, which shall be deemed to have been given when received.

Section 8.2 Fiscal Year. The 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 of 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 on the Property or at such other place as the Board may from time to time designate.

Section 8.5 Reserves. As a part of the adoption of the regular budget pursuant to Sections 19.4 and 19.5 of the Declaration, the 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 and those Limited Common Elements that it is obligated to maintain, based upon the project's age, remaining life and the quantity and replacement cost of major Common Element improvements.

ARTICLE IX - AMENDMENTS TO BYLAWS

The Bylaws may be amended only pursuant to the provisions of Article XVI of the Declaration.

ATTEST: Certified to be the Amended Bylaws adopted by consent of the Directors of Mountain Valley Estates Property Owners Association, Inc., dated September 5, 2007.



Secretary