

**BYLAWS
OF THE
PALACE ESTATES FILING THREE
CONDOMINIUM VI ASSOCIATION, INC.,
A COLORADO NONPROFIT CORPORATION**

**ARTICLE I
INTRODUCTION AND PURPOSE**

- 1.1 Introduction. These are the Bylaws of Palace Estates Filing Three Condominium VI Association, Inc., a Colorado nonprofit corporation (the "Association"), which Association shall operate under the Colorado nonprofit Corporation Act (the "Corporation Act"), as amended, and the Colorado Common Interest Ownership Act, as amended ("Act").
- 1.2 Purposes. The purposes for which the Association was formed are to preserve and enhance the value of the properties of Association Members (as that term is defined below) and to govern the Common Elements and affairs of "The Palace Estates Filing Three Condominium VI", a Colorado Condominium Common Interest Community situated in the County of Mesa, State of Colorado (the "Community"), as the Community was created pursuant to the Declaration. Terms which are defined in the Declaration shall have the same meaning herein, unless defined otherwise in these Bylaws.
- 1.3 Persons Subject to Bylaws. All present or future owners, tenants, future tenants, guests or any person that might use or occupy, in any matter, the facilities within the Community, are subject to the terms and provisions of

these Bylaws, and the other governing

documents of the Community. The mere acquisition, rental or use of a unit will signify that the documents of the community are acceptable, ratified and will be complied with.

ARTICLE II BOARD

2.1 Number and Qualifications.

- a) 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, shall consist of three persons. If any unit is owned by a partnership or corporation, any officer, partner or employee of that unit owner shall be eligible to serve as a director and shall be deemed to be a unit owner for the purposes of these bylaws. At any meeting at which Directors are to be elected, the owners may, by resolution, adopt specific procedures which are not inconsistent with these Bylaws, Corporation Act or for conducting the elections.
- b) The terms of at least one-third of the Directors shall expire annually.
- c) The Declaration shall govern appointment of Directors of the Executive Board during the period of Declarant control.
- d) The Executive Board shall elect the officers. The Directors and officers shall take office upon election.

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 the Community, including the following powers and duties:

- a) Adopt and amend Bylaws and Rules and Regulations;
- b) Adopt and amend budgets for revenues, expenditures and reserves;
- c) Collect assessments for Common Expenses from unit owners;
- d) Hire and discharge managing agents of either the Association and/or on behalf of individual unit owners;
- e) Hire and discharge employees, independent contractors and agents other than managing agents of either the Association and/or on behalf of individual unit owners.
- f) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Declaration, Bylaws or Rules in the Association's name, on behalf of the Association or two or more unit owners on matters affecting the Community;
- g) Make contracts and incur liabilities, both on behalf of the Association and any individual unit owners engaging the Association for such purposes;
- h) Regulate the use, maintenance, repair, replacement and modification of Community Common Elements;
- I) Cause additional improvements to be made as a part of the Community Common Elements;
- j) Acquire, hold, encumber and convey, in that Association's name, any right, title or interest to real estate or personal property; provided that Community 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 for no more than one year, through or over the Community Common Elements;
- l) Impose and receive a payment, fee or charge for services provided to unit owners and for the use, rental or operation of the Community Common Elements, other than Limited Common Elements described in Subsections 202(1)(b) and (d) of the Act;
- m) Impose a reasonable charge for late payment of assessments and, after notice and hearing, levy reasonable fines for violation of the Declaration, these Bylaws, and/or the Rules and Regulations of the Association;
- n) Impose a reasonable charge for the preparation and recording of amendments to the Declaration or statements of unpaid assessments;
- o) Provide for the indemnification of the Association's officers and the Executive Board and maintain Directors' and officers' liability insurance;
- p) Exercise any other powers conferred by the Declaration or these Bylaws;
- q) Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association;
- r) Exercise any other power necessary and proper for the governance and operation of the Association; and
- s) By resolution, establish committees of Directors, 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. However, actions taken by a committee may be appealed

to the Executive Board by any unit owner within 15 days after 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.

- 2.3 Association Manager. The Executive 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 this manager only the powers granted to the Board by these Bylaws under Section 2.2, Subdivisions (c), (e), (g) and (h). Licenses, concessions and contracts may be executed by the manager pursuant to specific resolutions of the Board and to fulfill the requirements of the budget. Regardless of any delegation to a manger or managing agent, the Directors of the Board shall not be relieved of responsibilities under the Declaration, the Articles of Incorporation, these Bylaws or Colorado law.
- 2.4 Individual Unit Owners' Manager. The Board may also employ a manager or managers for each individual unit owner as shall designate the Association as their agent for purposes of engaging management of their unit(s). In this capacity as the unit owner(s) agent, the Board may employ such manager or managers to perform such services and duties and at a compensation established by the Board with the consent of the unit owner.
- 2.5 Removal of Directors. The unit owners, by a vote of at least two thirds of the votes at any meeting of the unit owners at which a quorum is present, may remove a director, other than a director appointed by Declarant pursuant to the Act, with or without cause.
- 2.6 Vacancies. Vacancies in the Board, caused by any reason other than the

removal of a director by a vote of the unit 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 subject to the reserved rights of Declarant to appoint Directors, unless those rights have expired, in which event, appointment shall be made by a majority of the remaining elected Directors constituting the Board. Each person so elected or appointed shall be a director for the remainder of the term of the director so replaced.

- 2.7 Regular Meetings. The first regular meeting of the Board following each annual meeting of the unit owners shall be held within 10 days after the annual meeting at a time and place to be set by the unit owners at the meeting at which the Board shall have been elected. No notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, provided a majority of the Directors are present. The Board may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.
- 2.8 Special Meetings. Special meetings of the Board may be called by the president or by a majority of the Directors on at least three 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.
- 2.9 Location of Meetings. All meetings of the Board shall be held within Colorado, unless all Directors consent in writing to another location.
- 2.10 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.
- 2.11 Quorum of Directors. At all meetings of the Board, a majority of the

Directors shall constitute a quorum for the transaction of business. At a meeting at which a quorum is present, 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.

- 2.12 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 meeting of the Board.
- 2.13 Communication. 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 notice as if that director were present in person on that particular matter.

ARTICLE III UNIT OWNERS AND MEMBERSHIP

- 3.1 Membership. Ownership of a unit is required in order to qualify for

membership in this Association. Membership is more fully addressed in the Articles of Incorporation and the Declaration.

- 3.2 Annual Meeting. Annual meetings of unit owners shall be held during each of the Association's fiscal years, at such time of the year and date as determined by the Board and set forth in the notice. At these meetings, the Directors shall be elected by ballot of the unit owners, in accordance with the provisions of these Bylaws, the Declaration and the Articles of Incorporation. The unit owners may transact other business as may properly come before them at these meetings. Failure to hold an annual meeting shall not work a forfeiture or dissolution of the association.
- 3.3 Budget Meeting. Meetings of the 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.
- 3.4 Special Meetings. Special meetings of the Association may be called by the president, by a majority of the Board or by any unit owners comprising 20% of the votes in the Association.
- 3.5 Place of Meetings. Meetings of the unit owners shall be held anywhere in the Community, the Town of Grand Junction, or the County of Mesa, Colorado, and may be adjourned to a suitable place convenient to the unit owners, as may be designated by the Board or the president.
- 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 U.S. mail to the mailing address of each unit or to the mailing address designated in writing by the unit owner, not less than 10 nor more than 50 days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice.

- 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.
- 3.8 Adjournment. 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.
- 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 Directors on the Board (if required and notice);
 - f) Election of inspectors of election (when required);
 - g) Election of Directors on the Executive Board (when required);
 - h) Ratification of budget (if required and noticed);
 - I) Unfinished business; and
 - j) New business.
- 3.10 Voting.
- a) If only one of several owners of a unit 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 unit may be cast only in accordance with the agreement of majority in interest of the owners. There is majority agreement if any one of the 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.

- b) 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 Associations. 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.
- 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 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 moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership or business trust owner is qualified to vote.
- d) Votes allocated to a unit owned by the Association may not be cast.

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, but no less than 50% of the unit owners, shall constitute a quorum at that meeting.

3.12 Majority Vote. The vote of a majority of the votes 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, the Articles of Incorporation or by law.

3.13 Address. Of Unit Owners for Notices. Unless a unit owner shall have notified the Association by registered or certified mail of a

different address, any notice required to be given, or otherwise given by the Association under these Bylaws to any unit owner or any other written instrument to be given to any unit owner, may be mailed to such unit owner in a postage prepaid envelope and mailed by first class, registered or certified mail to the address of the unit shown upon the Association's records as being owned by such unit owner. If more than one unit owner owns a particular unit, then any notice or other written instrument may be addressed to all of such owners and may be mailed in one envelope in accordance with the foregoing. Any notice or other written instrument given by the Board in accordance with the foregoing will be deemed to have been given on the date that it is mailed.

- 3.14 Rules at Meeting. The Board may prescribe reasonable rules for the conduct of all meetings of the Board and unit owners. In the absence of such rules, Robert's Rules of Order shall be used.

ARTICLE IV OFFICERS

- 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, except the offices of president and secretary. The office of vice president may be vacant.

- 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.

- 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.
- 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 the 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 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.
- 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.
- 4.6 Secretary. The secretary shall keep the minutes of all meetings of the unit owners and the Board. The secretary shall have charge of the Association's books and papers at the 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 of 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.

- 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 other 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 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 Board. 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 money order, authorized by the treasurer, and executed by two Directors, one of whom may be the treasurer if the treasurer is also a director.
- 4.8 Agreements. Contracts, Deeds, Checks, etc. Except as provided in Sections 4.4, 4.6 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 Board.
- 4.9 Statements of Unpaid Assessments. The treasurer, assistant treasurer, a manager employed by the Association, if any, 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 Board. Any unpaid fees may be assessed as Common Expense against the unit for which the certificate or statement is furnished.

ARTICLE V ENFORCEMENT

- 5.1 Abatement and Enjoinment of Violations by Unit Owners. The violation of any of the rules and regulations adopted by 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;
- 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 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 Community 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.
- 5.2 Fines for Violation. By resolution, following notice and hearing, the Board may levy reasonable fines per day for each day that a violation of the documents or rules persists after notice and hearing, but this amount shall not exceed that amount necessary to insure compliance with the rule or order of 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 Corporation Act, the provisions of which are incorporated by reference and made a part of this document.

ARTICLE VII RECORDS

- 7.1 Records and Audits. The Association shall maintain financial records. The cost of any audit shall be a Common Expense unless otherwise provided in the Community Documents.
- 7.2 Examination. All records maintained by the Association or the manager shall be available for examination and copying by any unit owner, any holder of a security interest in a unit 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.
- 7.3 Records. The Association or its manager or managing agent, if any, may 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 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 capital expenditures approved by the Board.

- 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 315(1) of the Act and ratified pursuant to the procedures of Section 303(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 or Limited Common Elements which violate any provisions of the Declaration of which the 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 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 Colorado corporation law;

- m) Tax returns for state and federal income taxation;
- n) Minutes of proceedings of unit owners, Directors, committees of Directors and waivers of notice; and
- o) A copy of the most current versions of the Declaration, Articles of Incorporation, Bylaws, Rules and resolutions of the Board, along with their exhibits and schedules.

ARTICLE VIII MISCELLANEOUS

- 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 unit owners and to all holders of security interests in the units who have notified the Association that they hold a security interest in a unit. Except as otherwise provided, all notices to any unit owners shall be sent to the unit owner's address as it appears in the records of the Association. All notices to holders of security interests in the units 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 change of address, which shall be deemed to have been given when received.
- 8.2 Fiscal Year. The Board shall establish the fiscal year of the Association.
- 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.
- 8.4 Office. The principal office of the Association shall be at such place as the Board may from time to time designate.

- 8.5 Working Capital. A working capital fund is established pursuant to the Declaration. 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.
- 8.6 Reserves. As a part of the adoption of the regular budget 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 age, remaining life and quantity and replacement cost of major Community Common Element improvements.

ARTICLE IX AMENDMENTS TO BYLAWS

- 9.1 Vote of Executive Board. The Bylaws may be amended only by vote of two-thirds of the Directors of the Executive Board, following notice and opportunity to comment to all unit owners, at any meeting duly called for such purposes.
- 9.2 Restrictions on Amendments. No amendment of the Bylaws of this Declaration shall be adopted which would affect or impair the validity or priority of any security interest covering any unit or which would materially change the provisions of the Bylaws with respect to a first lien security interest or the interest of any mortgagees or liens of record.

ATTEST: Certified to be the Bylaws adopted by consent of the Directors of the Association dated this _____ day of _____, _____.

Signature

ARTICLES OF INCORPORATION
OF
PALACE ESTATES FILING THREE
CONDOMINIUM VI ASSOCIATION, INC.

In compliance with the requirements of Article 7, Title 121, Section 201, C.R.S., as amended, et seq., the undersigned, acting as incorporator of a corporation under the Colorado Nonprofit Corporation Act, hereby adopts the following Articles of Incorporation for such corporation:

ARTICLE I
NAME

The name of the Corporation shall be Palace Estates Filing Three Condominium VI Association, Inc.

ARTICLE II
DURATION

The period of duration of this Corporation shall be perpetual.

ARTICLE III
PURPOSES

The business, objects and purposes for which the Corporation is formed are as follows:

1. To be and constitute the association to which reference is made in the "Condominium Declaration, Palace Estates Filing Three Condominium VI, hereinafter referred to as the "Declaration", to be recorded in the records of the County Clerk and Recorder of Mesa County, Colorado, pursuant to

Sections 38-33.3-201, C.R.S., relating to a condominium ownership project, hereinafter sometimes called "Palace Estates Filing Three Condominium VI, " located in Mesa County, Colorado, and to perform all obligations and duties of the association and to exercise all rights and powers of the association, as specified therein.

2. To provide an entity for the furtherance of the interests of the owners of the Condominium Units in Palace Estates Filing Three Condominium VI, with the objectives of establishing and maintaining the Palace Estates Filing Three Condominium VI as a condominium ownership project of the highest possible quality and value and enhancing and protecting its value, desirability and attractiveness.

ARTICLE IV POWERS

In furtherance of its purposes, but not otherwise, the corporation shall have all the powers conferred upon corporations not for profit by the statutes and common law of the State of Colorado in effect from time to time including all the powers necessary or desirable to perform the obligations and duties and exercise the rights and powers of the association under the Declaration which include, but are not limited to, the following:

1. To make and collect assessments against members of the association for the purpose of defraying the costs, expenses (including the expenses incurred in exercising its powers or of performing its functions) and any losses of the corporation.
2. To manage, control, operate, maintain, repair and improve the Project as defined in the Declaration.
3. To enforce covenants, restrictions or conditions to the extent so authorized under the Declaration and to enforce rules and regulations as provided herein.
4. To engage in activities which will actively foster, promote and advance the interests of the owners of Condominium Units in Palace Estates Filing Three Condominium VI.

ARTICLE V
MEMBERSHIPS

1. This corporation shall be a membership corporation without certificates or shares of stock. There shall be one class of membership and there shall be one membership in the corporation for each condominium unit, as defined in the Declaration. The owner or owners of a condominium unit shall hold and share the membership related to that condominium unit in the same proportionate interest and by the same type of tenancy in which the title to the condominium unit is held provided always that there shall be only one membership per condominium unit. No person or entity other than owner of a condominium unit may be a member of the corporation.
2. Each membership shall have the vote as set forth in the Declaration - Palace Estates Filing Three Condominium VI of all matters in which members are entitled to vote.
3. Each membership in the corporation and the share of a member in the assets of the corporation shall not be assigned, encumbered or transferred in any manner except as an appurtenance to transfer of title to the condominium unit to which the membership pertains; provided, however, that the rights of membership may be assigned to the holder of mortgage, deed of trust, or other security instrument on a condominium unit as further security for a loan secured by a lien on such condominium unit.
4. A transfer of membership shall occur automatically upon the transfer of title to the condominium unit to which the membership pertains; provided, however, that the Bylaws of the corporation may contain reasonable provisions and requirements with respect to recording such transfers on the books and records of the corporation.
5. Members shall have no pre-emptive right to purchase other condominium units or the memberships appurtenant thereto. The corporation shall have the right to purchase condominium units as provided in the Declaration.
6. The corporation may suspend the voting rights of a member for failure to

comply with the rules and regulations of the corporation or with any other obligations of the owners or any condominium unit under the Declaration.

7. The Bylaws may contain provisions, not inconsistent with the foregoing, setting forth the rights, privileges, duties and responsibilities of the members.

ARTICLE VI BOARD OF DIRECTORS

1. The business and affairs of the Association shall be conducted, managed and controlled by a Board of Directors. The Board of Directors shall consist of not less than three nor more than five members, the specific number to be set forth from time to time in the Bylaws of the Association. In the absence of any provisions in the Bylaws, the Board shall consist of three members of the Association or residents of the State of Colorado.
2. Members of the Board of Directors shall be at the annual meeting of the members in the manner determined by the Bylaws. In all elections for Directors, cumulative voting shall be required.
3. Directors may be removed and vacancies of the Board of Directors shall be filled in the manner to be provided by the Bylaws.
4. The Board of Directors may, by resolution, create an Executive Committee of the Board. The number of members of the Executive Committee and the person who shall be members thereof shall be determined by the Board of Directors consistent with applicable law. Unless limited by resolution of the Board or by applicable law, the Executive Committee shall have all of the powers of the Board to arrange and direct all of the business affairs of the corporation and, whenever action is required to be taken by the Executive Committee and shall be deemed to have been taken by the Board of Directors.

ARTICLE VII OFFICERS

The Board of Directors may appoint a president, one or more vice presidents, a secretary, a treasurer and such other officers as the Board believes will be in the best interest of the corporation. The officers shall have such duties as may be prescribed in the Bylaws of the corporation and shall serve at the pleasure of the Board of Directors.

ARTICLE VIII CONVEYANCE AND ENCUMBRANCES

Association property may be conveyed or encumbered by authority of the Board of Directors or the Executive Committee of the Board or such other person or persons to whom such authority may be delegated by resolution of the Board or the Executive Committee of the Board. Conveyances or encumbrances shall be by a secretary or an assistant secretary, or executed by such other person or persons to whom such authority may be delegated by the Board or Executive Committee of the Board.

ARTICLE IX INITIAL REGISTERED OFFICE AND AGENT

The initial registered office of the association shall be 1460 North Avenue, Unit H, Grand Junction, Colorado 81501. The initial registered agent as such officer shall be John Davis.

ARTICLE X PRINCIPAL PLACE OF BUSINESS

The initial principal place of business of the corporation shall be at 1460 North Avenue, Unit H, Grand Junction, CO 81501. The principal place of business of the corporation may be changed in the manner provided by law.

ARTICLE XI DISSOLUTION

In the event of Dissolution of the corporation, either voluntarily by the members hereof, by operation of law, or otherwise, then the assets of the corporation shall be deemed to be owned by the members in proportion to each member's ownership of the common elements of the condominium community.

**ARTICLE XII
INCORPORATION**

The incorporator of this corporation and his address is as follows:

J. Richard Livingston
2808 North Avenue, Suite #400
Grand Junction, CO 81501

**ARTICLE XIII
AMENDMENTS**

Amendments to these Articles of Incorporation shall be adopted, if at all, in the manner set forth in the Bylaws; provided, however, that no amendment to these Articles of Incorporation shall be contrary to or inconsistent with the provisions of the Declaration.

**ARTICLE XIV
CONSENT OF AGENT**

The undersigned hereby consents to be appointed as the initial registered agent of the above condominium association.

John Davis
John Davis, Registered Agent

IN WITNESS WHEREOF, the above named incorporator signed these Articles of Incorporation on September 24, 2001.

J. Richard Livingston
J. Richard Livingston, Incorporator

