

**BYLAWS**

**OF**

**PALACE ESTATES FILING TWO ASSOCIATION, INC.**

**ARTICLE I**  
**NAME AND LOCATION**

1. The name of the corporation is Palace Estates Filing Two Association, Inc., hereinafter referred to as the "Association".

The principal office of the corporation shall be located at 1460 North Avenue, Grand Junction, CO 81501, but meetings of members and Directors may be held at such places within the State of Colorado, County of Mesa, as may be designated by the Board of Directors.

**ARTICLE II**  
**DEFINITIONS**

1. "Association" shall mean and refer to Palace Estates Filing Two Association, Inc., its successors and assigns.
2. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions of Palace Estates Subdivision, Filing No. Two and such additions thereto as may hereafter be brought within the jurisdiction of the Association.
3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the owners.
4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the properties with the exception of the Common Area.
5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any lot which is a part of the

properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

6. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the properties recorded in the Office of the Clerk and Recorder of Mesa County, Colorado.
7. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

### **ARTICLE III MEETING OF MEMBERS**

1. Annual Meetings. The first annual meeting of the members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of 7:00 p.m. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.
2. Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the membership.
3. Notice of Meeting. Written notice of each meeting of the members shall be given by, or at the discretion of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

4. Quorum. The presence at the meeting of members entitled to cast, or of proxies to cast, five-sevenths (5/7) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.
5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his lot.

**ARTICLE IV**  
**BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE**

1. Number. The affairs of this Association shall be managed by a Board of three (3) Directors.
2. Term. At the first annual meeting, the members shall elect Directors for a term of one year.
3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.
4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.
5. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a

meeting which they could take at a meeting by obtaining the written approval of all of the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

## **ARTICLE V NOMINATION AND ELECTION OF DIRECTORS**

1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board prior to each annual meeting until the close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.
2. Election. Election to the Board shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

## **ARTICLE VI MEETINGS OF DIRECTORS**

1. Regular Meetings. Regular meetings of the Board shall be held quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board.

Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

2. Special Meetings. Special meetings of the Board shall be held when called by the president of the Association, or by any two Directors, after not less than three (3) days notice to each director.
  
3. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

**ARTICLE VII  
POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

1. Powers. The Board of Directors shall have the power to:
  - a) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
  - b) suspend the voting rights and right to use of the irrigation facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;
  - c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of

Incorporation, or the Declaration;

- d) declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board; and
- e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

2. Duties. It shall be the duty of the Board of Directors to:

- a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by five-sevenths (5/7) of the members who are entitled to vote;
- b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;
- c) as more fully provided in the Declaration, to:
  - 1) fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period;
  - 2) send written notice of each assessment to every owner subject thereto at least thirty (30) days in advance of each annual assessment period; and
  - 3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.
- d) issue, or to cause an appropriate officer to issue, upon demand by any persons, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

- e) procure and maintain adequate liability and hazard insurance on property owned by the Association;
- f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;
- g) cause the Common Area to be maintained.

**ARTICLE VIII  
OFFICERS AND THEIR DUTIES**

1. Enumeration of Offices. The officers of this Association shall be a president and vice president, who shall at all times be members of the Board of Directors, a secretary and a treasurer, and such other officers as the Board may from time to time by resolution create.
2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.
3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.
4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.
5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise

specified therein, the acceptance of such resignation shall not be necessary to make it effective.

6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.
7. Multiple Officers. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.
8. Duties. The duties of the officers are as follows:
  - a) President. The president shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign all checks and promissory notes.
  - b) Vice President. The vice president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.
  - c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses; and shall perform such other duties as required by the Board.
  - d) Treasurer. The treasurer shall receive and deposit in appropriate

bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

### **ARTICLE IX COMMITTEES**

The Association shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purpose.

### **ARTICLE X BOOKS AND RECORDS**

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

### **ARTICLE XI ASSESSMENTS**

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of 12 percent (12%) per annum, and the Association may bring an action at law against the owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his lot.

**ARTICLE XII  
CORPORATE SEAL**

The Association shall have a seal in circular form having within its circumference the words: Palace Estates Filing Two Association, Inc.

**ARTICLE XIII  
AMENDMENTS**

1. These Bylaws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy.
2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

**ARTICLE XIV  
MISCELLANEOUS**

The fiscal year of the Association shall begin on the first day of January and end on the 31<sup>st</sup> day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, we, being all of the Directors of the Palace Estates Filing Two Association, Inc., have hereunto set our hands this \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CERTIFICATION**

THAT I am the duly elected and acting secretary of Palace Estates Filing Two Association, Inc., a Colorado corporation, and,

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_\_\_.

\_\_\_\_\_  
Secretary

STATE OF COLORADO    )  
                                  ) SS.  
COUNTY OF MESA        )

I, the undersigned, a notary public, hereby certify that on February 13, 1998, the above named registered agent and incorporator personally appeared before me and being by me first duly sworn declared that they are the persons who signed the foregoing document as registered agent and incorporator and that the statements therein contained are true.

WITNESS my hand and official seal.  
My commission expires: 10/24/1998

          Joan L. Carrico            
NOTARY PUBLIC

**ARTICLES OF INCORPORATION**  
**OF**  
**PALACE ESTATES FILING TWO ASSOCIATION, INC.**

In compliance with the requirements of Article 7, Title 20, Section 101, 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 is Palace Estates Filing Two Association, Inc., hereinafter called the "Association".

**ARTICLE II**  
**PRINCIPAL PLACE OF BUSINESS**

The principal place of business of the Association is located at 1460 North Avenue, Grand Junction, CO 81501.

**ARTICLE III**  
**REGISTERED AGENT AND REGISTERED OFFICE**

John Davis is hereby appointed the initial registered agent of this Association with the registered office to be located at 1460 North Avenue, Grand Junction, CO 81501.

**ARTICLE IV**  
**PURPOSE AND POWERS OF THE ASSOCIATION**

1. This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the real property described as:

Palace Estates Subdivision, Filing No. Two  
Mesa County, Colorado

and to promote the health, safety and welfare of the residents within the above described property and any additions thereto as may hereafter be brought within the jurisdiction of this Association for this purpose to:

- a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", applicable to the property and recorded or to be recorded in the Office of the Clerk and Recorder, Mesa County, Colorado, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;
- b) fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;
- c) acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;
- d) borrow money, and with the assent of three-fourths (3/4) of the members, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- e) dedicate, sell or transfer all or any part of any Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members;
- f) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and Common Area;

- g) have and to exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Corporation Law of the State of Colorado by law may now or hereafter have or exercise.
2. No part of the income or net earnings of the corporation shall be distributable to or inure to the benefit of its members, Directors, officers or any individual; provided, however, that reasonable compensation may be paid for any services rendered to the corporation, and payments and distributions may be made in furtherance of the purposes set forth in Article IV hereof. No substantial part of the activities of the corporation shall be carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of the Articles, the corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from Federal income taxation under the provisions, applicable to this corporation, of Section 501 ( c) of the Internal Revenue Code of 1954, as amended, (or the corresponding provision of any future United States or Colorado law).
3. In the event of dissolution of the corporation, the property and assets thereof remaining, after providing for all obligations and liabilities of the corporation, shall then be disposed of exclusively for the purposes of the corporation in such manner, or to such organization or organizations exempt from taxation under Section 501 ( c) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States or Colorado law), as shall be determined by the Board of Directors.

## **ARTICLE V MEMBERSHIP**

Every person or entity who is a record owners of a fee or undivided fee interest in any property which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment by the Association.

**ARTICLE VI  
VOTING RIGHTS**

Members shall be all owners, and shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any lot.

**ARTICLE VII  
BOARD OF DIRECTORS**

The affairs of this Association shall be managed by a Board of not less than three Directors. The number of Directors may be changed by amendment of the Bylaws of the Association.

**ARTICLE VIII  
DISSOLUTION**

The Association may be dissolved with the assent given in writing and signed by not less than three-fourths (3/4) of the members. Upon dissolution of the Association, other than incident to merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigns to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

**ARTICLE IX  
DURATION**

The corporation shall exist perpetually.

**ARTICLE X  
AMENDMENTS**

Amendments of these Articles shall require the assent of 75 percent (75%) of the entire membership.

**ARTICLE XI  
INCORPORATOR**

The name and address of the incorporator is:

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

**ARTICLE XII  
CONSENT OF AGENT**

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

*John Davis*  
John Davis, Registered Agent

**IN WITNESS WHEREOF**, for the purpose of forming this corporation under the laws of the State of Colorado, I, the undersigned incorporator of this Association, have executed these Articles of Incorporation this 13<sup>th</sup> day of February, 1998.

*J. Richard Livingston*  
J. Richard Livingston, Incorporator