

**BYLAWS
OF
PARADISE VILLAGE AT ST. MICHAEL'S
OWNERS ASSOCIATION, INC.**

**ARTICLE I
INTRODUCTION**

These are Bylaws of Paradise Village at St. Michael's Owners Association Inc. ("Association") that shall operate under the Colorado Revised Nonprofit Corporation Act, as amended, and the Colorado Common Interest Ownership Act, as amended ("Act"). Except as otherwise provided herein, the definitions of capitalized terms herein shall be the same as provided in the Declaration of Covenants, Conditions and Restrictions of Paradise Village at St. Michael's ("Declaration").

**ARTICLE II
BOARD OF DIRECTORS**

- A. Number and Qualification – Termination of Declarant Control
1. The affairs of Paradise Village at St. Michael's community and the Association shall be governed by a board of directors (the "Board") that shall consist of **three persons**. The majority of directors, excepting the directors appointed by the Declarant, shall be Owners. Directors shall be elected by the Owners, except for those appointed by the Declarant. At any meeting at which directors are to be elected, the Owners may, by resolution, adopt specific procedures that are not inconsistent with these Bylaws or the Colorado Revised Nonprofit Corporation Act for conducting the elections.
 2. The Declaration shall govern appointment of directors of the board during the period of Declarant control.
 3. The Board shall elect the officers. The directors and officers shall take office upon election.
 4. The Board shall serve without compensation.
 5. At any time after Owners, other than the Declarant, are entitled to elect a director, the Association shall call a meeting and give not less than 10 nor more than 60 days' notice to the Owners for this purpose. This meeting may be called and the notice given by any Owner if the Association fails to do so.

B. Powers and Duties

The Board shall have, in addition to those rights and powers established in the Declaration and 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 Paradise Village at St. Michael's community, including but not limited to the following powers and duties:

1. Adopt and amend Bylaws and Rules and Regulations ("Rules");
2. Adopt and amend budgets for revenues, expenditures and reserves;
3. Levy and collect assessments for Common Expenses from Owners;
4. Hire and discharge managing agents;
5. Hire and discharge employees, independent contractors and agents other than managing agents;
6. Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Association's Declaration, Article of Incorporation, Bylaws or Rules ("Association Documents") in the Association's name, or on behalf of the Association or two or more Owners, on matters affecting the Paradise Village at St. Michael's community;
7. Make contracts and incur liabilities;
8. Regulate the use, maintenance, repair, replacements and modification of Common Elements;
9. Cause additional improvements to be made as a part of the Common Elements;
10. 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;
11. Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions through or over the Common Elements;
12. Impose and receive a payment, fee or charge for services provided to Owners and for the use, rental or operation of the Common Elements, other than Limited Common elements described in Subsections 202(1)(b) and (d) of the Act;

13. Impose a reasonable charge for late payment of assessments and, after notice and hearing, levy a reasonable fine for a violation of the Declaration, Bylaws, or Rules of the Association;
14. Impose a reasonable charge for the preparation and recording of amendments to the Declaration or statements of unpaid assessments;
15. Provide for the indemnification of the Association's officers, directors and the Board and maintain directors' and officers' liability insurance;
16. Exercise any other powers conferred by the Declaration or Bylaws;
17. Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association; and
18. Exercise any other power necessary and proper for the governance and operation of the Association; and
19. 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 the Board. However, actions taken by a committee may be appealed to the Board by any Owner within 45 days of publication of notice of that action, and the committee's action must be ratified, modified or rejected by the Board at its next regular meeting.

C. Manager

The Board may employ a Manager for the Paradise Village at St. Michael's 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 Article II., Section B., Subdivisions 3, 4, 5 and 8. 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.

If the Board delegates powers relating to the collection, deposit, transfer or disbursement of Association funds to a Manager or other persons, that Manager or other persons shall:

1. Maintain fidelity insurance coverage or a bond in an amount not less than the amount required pursuant to the Declaration;
2. Maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Manager or other

persons, and maintain all reserve accounts of each association so managed separate from operational accounts of the Association; and

3. Cause to be prepared, by the Manager, a public accountant or a certified public accountant, and present to the Association an annual accounting for Association funds a financial statement.

D. Removal of Directors

The Owners, by a vote of Sixty-seven (67%) of the vote of the Owners at any meeting at which a quorum is present, may remove any director of the Board, other than a director appointed by the Declarant, with or without cause. The Declarant may, at any time and for any or no reason, remove any director it has appointed without Owner consent.

E. Vacancies

Vacancies in the Board, caused by any reason other than the removal of a director by a vote of the 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:

1. As to vacancies of directors who Owners other than the Declarant elected, by a majority of the remaining elected directors constituting the Board; and
2. 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.

F. Regular Meetings

The first regular meeting of the Board following each annual meeting of the Owners shall be held within ten days after the annual meeting at a time and place to be set by the 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 quorum of the directors is present. The Board may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.

G. Special Meetings

Special meetings of the Board may be called by the President or by a majority of the directors on not less than three (3) business days' notice to each director. The notice

shall be hand delivered or sent prepaid by U.S. mail to the mailing address of each unit or to any other mailing address designated in writing by the unit owner and shall state the time, place and purpose of the meeting. Notice by facsimile or e-mail will also be deemed appropriate.

H. Location of Meetings

All meetings of the Board shall be held at the Association office of the Paradise Village at St. Michael's community unless all directors consent in writing to another location.

I. 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.

J. Quorum of Directors

At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and 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.

K. Consent to Corporate Action

Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of directors, may be taken without a meeting if each Director, in writing either (a) votes for such action, or (b) votes against such action or abstains from voting and waives the right to demand that a meeting be held. Action is taken under this section only if the affirmative vote for such action equals or exceeds the minimum number of votes that would be necessary to take such action at a meeting at which all of the directors then in office were present and voted.

L. 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 member 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.

M. Proxy

Voting by proxy shall be permitted; provided, however, that the proxy is granted in writing to another Director who attend the meeting, and the proxy is limited to a vote that is directed to be cast by the written proxy with respect to the particular proposal that is described with reasonable specificity in the proxy.

**ARTICLE III
OWNERS/MEMBERS**

A. Annual Meeting

Annual meetings of Owners shall be held at such date set forth in the notice of the meeting. At these meetings, the directors shall be elected by ballot of the Owners, in accordance with the provisions of Article II of the Bylaws. The Owners may transact other business as may properly come before them at these meetings.

B. Budget Meeting

Meetings of the 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.

C. Special Meetings

Special meetings of the Association may be called by the president, by a majority of the members of the Board or by Owners comprising twenty percent of the votes in the Association.

D. Place of Meetings

Meetings of the Owners shall be held at the Association's principal office or may be adjourned to a suitable place convenient to the Owners, as may be designated by the Board or the president.

E. Notice of Meetings

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

F. Waiver of Notice

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

G. Adjournment of Meeting

At any meeting of Owners, a majority of the Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

H. Order of Business

The order of business at all meetings of the Owners shall be as follows:

- i. Roll call (or check-in procedure);
- ii. Proof of notice of meeting;
- iii. Reading of minutes of preceding meeting;
- iv. Reports;
- v. Establish number and term of memberships of the Board (if required and noticed);
- vi. Election of Directors of the Board (when required);
- vii. Ratification of budget (if required and noticed);
- viii. Unfinished business; and
- ix. New business.

I. Voting

1. If only one of several owners of a Unit is present at a meeting of the Association, the Owner present is entitled to cast the vote allocated to the condominium unit may be cast only in accordance with the agreement of a majority in interest of the Owners. There is a majority agreement if any one of the Owners casts the vote allocated to the unit without protest being made promptly to the person presiding over the meeting by another Owner of the condominium unit.

2. The vote allocated to the Unit may be cast under a proxy duly executed by an 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. An 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 months after its date, unless it specifies a shorter term.

3. 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 to the Board of a specific designated person. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice to the Board of the designation

or a specific person by the owning partnership. The vote of a limited liability company may be cast by any manager of the owning limited liability company may be cast by any manager of the owning limited liability company in the absence of express notice to the Board of the designation of a specific person by the owning limited liability company. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership, business trust or limited liability company owner is qualified to vote.

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

J. Quorum

Except as otherwise provided in these Bylaws or the Declaration, Owners present in person or by proxy at any meeting of Owners holding at least 20% of the vote in the Association shall constitute a quorum at that meeting.

K. Majority Vote

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

ARTICLE IV OFFICERS

A. 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.

B. 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.

C. 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.

D. President

The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Owner 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 Owners, and others as permitted in the Declaration, from time to time as the president may decide is appropriate to assist in the conduct of the affairs of the Association. The president may fulfill the role of treasurer in the absence of the treasurer. The president may cause to be prepared and may execute amendments, attested by the secretary, to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

E. Secretary

The secretary shall keep the minutes of all meetings of the 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 nonprofit corporation organized under the laws of the State of Colorado. The secretary may cause to be prepared and may attest to execution by the president of amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

F. Treasurer *MATT*

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 date. 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 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. Except for reserve funds described below, the treasurer may have custody of all 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 the directors, one of whom may be the treasurer if the treasurer is also a director.

G. Agreements, Contracts, Deeds, Checks, etc.

Except as otherwise provided in 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 persons designated by the Board.

H. Statements of Unpaid Assessments

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

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

**ARTICLE V
ENFORCEMENT**

A. Abatement

The violation of any of the Rules adopted by the Board or the breach of any provisions of the Association Documents shall give the Board the right, after notice and hearing (as provided in the Rules), except in case of an emergency, in addition to any other rights set forth in these Bylaws, the Rules and the Declaration:

1. To enter the condominium 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 Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that condominium unit) that is existing and creating a danger to the Common Elements or another condominium unit contrary to the intent and meaning of the provisions of the Association Documents. The Board shall not be deemed liable for any manner of trespass by this action; or
2. To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

B. Fine for Violation

Pursuant to the procedures set forth in the Rules, the Board may levy fines for violations of the Association Documents.

C. Notice and Hearing

Except as otherwise expressly stated in the Association Documents, the Board shall not impose a fine, suspend voting rights, or infringe upon other rights of a member for violations of Rules or of the other Association Documents unless the notice and hearing procedures set forth in the Rules is followed; provided, however, such procedures shall not be necessary in order to impose any sanction or penalty, or pursue any remedy, for nonpayment of Assessments.

**ARTICLE VI
INDEMNIFICATION**

A. Actions Other Than By or in the Right of the Association

The Association shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a member of the Board or officer of the Association, who is or was serving at the request of the Association in such capacity, against expenses (including expert witness fees, attorneys' fees and costs) judgments, fines, amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner which such individual reasonably believed to be in the best interest of the Association, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Determination of any action, suit or proceeding by judgment, or order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner he or she reasonably believed to be in the best interest of the Association and, with respect to any criminal action or proceeding, had reasonable cause to believe his or her conduct was unlawful.

B. Actions By or in the Right of the Association

The Association shall indemnify any person who was or is a party or who is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure judgment in its favor by reason of the fact that such person is or was a member of the Board or officer of the Association or is or was serving at the request of the Association in such capacity, against expenses (including expert witness fees, attorneys' fees and costs) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if such person

acted in good faith and in a manner which he or she reasonably believed to be in the best interest of the Association; but not indemnification shall be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable for negligence, recklessness, or willful misconduct in the performance of his or her duty in the Association unless, and to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses if such court deems proper.

C. Successful on the Merits

To the extent that a member of the Board or any manager, officer, project manager, employee, fiduciary or agent of the Association has been wholly successful on the merits in defense of any action, suit or proceeding referred to in paragraphs A. or B. of this Article VI, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including expert witness fees, attorneys' fees and costs) actually and reasonably incurred him or her in connection therewith.

D. Determination Required

Any indemnification under paragraphs A. or B. of this Article VI (unless ordered by a court) and as distinguished from paragraph C. of this Article VI, shall be made by the Association only as authorized by the specific case upon a determination that indemnification of the member of the Board or officer is proper in the circumstances because such individual has met the applicable standard of conduct set forth in paragraphs A. or B. above. Such determination shall be made by the Board by majority vote of a quorum consisting of those members of the Board who were not parties to such action, suit or proceeding or, if a majority of disinterested members of the Board so directs, by independent legal counsel or by members entitled to vote thereon. Such determination shall be reasonable, based on substantial evidence of record, and supported by a written opinion. The Board shall provide a copy of its written opinion to the officer or Board member seeking indemnification upon request.

E. Payment in Advance of Final Disposition

The Association shall pay for or reimburse the reasonable expenses incurred by a former or current member of the Board or officer who is a party to a proceeding in advance of final disposition of the proceeding if (i) the member of the Board or officer furnishes to the Association a written affirmation of the Board member's good faith belief that he or she has met the standard of conduct described in paragraphs A. or B. of this Article VI; (ii) the Board member or officer furnishes to the Association a written understanding, executed personally or on the Board member's or officer's behalf to repay the advance if it is ultimately determined that the Board member or officer did not meet the standard of conduct; and (iii) a determination is made that the facts then known to those making the determination would not preclude indemnification under this Article. The undertaking required in this Paragraph E. shall be an unlimited general obligation of

the Board but need not be accepted by the Board member or officer or may be accepted without reference to financial ability to make repayment.

F. No Limitation of Rights

The indemnification provided by this Article VI shall not be deemed exclusive or a limitation upon any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of the members or disinterested members of the Board, or otherwise, not by any rights which are granted pursuant to the Act and the Colorado Revised Nonprofit Corporation Act. Upon a vote of the Board, the Association may also indemnify a member appointed by the Board to serve on a committee (when such committee member which is not also a member of the Board) upon such terms and conditions, as the Board shall deem just and reasonable.

G. Directors and Officers Insurance.

The Association shall purchase and maintain insurance on behalf of any person who is or was a member of the board or an officer of the Association against any liability asserted against him or her and incurred by such individual in any such capacity or arising out of his or her status as such, whether or not the Association would have the power to indemnify such individual against such liability under provisions of this Article VI.

ARTICLE VII RECORDS

A. Records and Audits

The Association shall maintain financial records. The cost of any audit shall be a Common Expense unless otherwise provided in the Association Documents.

B. Examination

All records maintained by the Association or the Manager shall be available for examination and copying by any 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 at least 72 hours notice.

C. Records

The association shall keep the following records:

1. A record for each **condominium 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 **condominium unit**, the amount of each Common Expense assessment, the

dates on which each assessment comes due, the amounts paid on the account and the balance due;

2. A record for each Owner showing any other fees payable by the Unit Owner;
3. A record of any capital expenditures in excess of Three Thousand Dollars (\$3,000) approved by the Board for the current and next two (2) succeeding fiscal years;
4. 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;
5. The most recent regularly prepared balance sheet and income and expense statement, if any, of the Association;
6. 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;
7. A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant;
8. A record of insurance coverage provided for the benefit of Owners and the Association;
9. A record of any alterations or improvements to condominium units or Limited Common Elements which violate any provisions of the Declarant of which the Board has knowledge;
10. A record of any violations, with respect to any portion of the Project, of health, safety, fire or building codes or laws, ordinances, or regulations of which the Board has knowledge;
11. A record of the actual cost, irrespective of discounts and allowances, of the maintenance of the Common Elements;
12. Balance sheets and other records required by local corporate law;
13. Tax returns for state and federal income taxation;
14. Minutes of proceedings of Owners, directors, committees of the Board and waivers of notice; and

15. A copy of the most current version of the Declaration, Articles of Incorporation, Bylaws, Rules, and resolutions of the Board, along with their exhibits and schedules.

ARTICLE VIII MISCELLANEOUS

A. 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 Owners and to all holders of security interest in the **condominium units** who have notified the Association that they hold a security interest in a **condominium unit**. Except as otherwise provided herein or in the Declaration, all notices to any Owner shall be sent to the Owner's address as it appears in the records of the Association. All notices to holders of security interest in the **condominium units** shall be sent, except where a different manner of notice is specified elsewhere in the Association Documents, by first class 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.

B. Fiscal Year

The fiscal year of the Association is hereby set as the calendar year.

C. 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.

D. Office

The initial principal office of the Association shall be as provided in the Article of Incorporation of the Association. Any future principal office of the Association shall be on the Property or at such other place as the Board may from time to time designate.

E. Working Capital

The Association shall establish an initial working capital fund equal to two-twelfths (2/12) of the estimated Annual Assessments for Common Expenses for each Unit subject to the terms of the Declaration. The working capital fund may be used by the Association for emergencies, insurance deductibles in the event of casualty or other loss, capital expenditures for repair or replacement of common elements, and such other expenses which do not occur on a regular and on-going basis, as may be determined by a majority of the Board. The initial working capital fund shall be established upon the

conveyance of the first condominium unit in the Project by Declarant to a third-party purchaser.

Annual Assessments shall commence upon the conveyance of the first condominium unit in the Project by Declarant to a third-party purchaser. Upon acquisition of record title to a condominium unit from Declarant, each such new Owner shall contribute to the working capital fund of the Association an amount equal to two-twelfths (2/12) of the Annual Assessment determined by the board for that Unit for the year in which the new Owner acquired title. In the event that the Declarant contributes to the working capital account for a Unit prior to the closing of the initial sale of such Unit, at the closing of such Unit the new Owner will reimburse the Declarant directly for Declarant's working capital contribution. Such payments shall not be considered advance payments of annual Assessments. The working capital fund deposit made by such new Owner(s) shall be non-refundable. The working capital fund must be maintained by the Association in a segregated account, and may not be used by the Declarant to defray any of its expenses, reserve contributions, or construction costs.

F. 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 the project's age, remaining life and the quantity and replacement cost of major Common Element improvements.

**ARTICLE IX
AMENDMENTS TO BY-LAWS**

- A. The Bylaws may be amended by vote of two-thirds of the members of the Board.
- B. No amendment of the Bylaws of this Association shall be adopted which would affect or impair the validity or priority of any Mortgage covering any condominium unit or which would change the provisions of the Bylaws with respect to institutional Mortgagees of record.
- C. Notwithstanding the foregoing, amendments to these Bylaws are subject to the provisions of the Articles of Incorporation of the Association and the Declaration.

ATTEST:

Certified to be the Bylaws adopted by consent of the directors of Paradise Village at St. Michael's Owners Association, Inc, a Colorado non-profit corporation, dated _____, 200__.

President