

**BYLAWS
OF
SHADOW MOUNTAIN VILLAGE COMMUNITY ASSOCIATION**

ARTICLE 1 GENERAL PROVISIONS

1.1 Defined Terms. Capitalized terms used in these bylaws without definition shall have the meanings specified for such terms in the Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements for Shadow Mountain Village Recorded on December 18th, 2020 at Instrument No. 3899433 in the Official Records of the Coconino County, Arizona Recorder, and as the Declaration may thereafter be further amended from time to time ("Declaration"). Whenever the context so requires, the use of the singular shall include and be construed as including the plural and the masculine shall include the feminine and neuter. Individual members of the Board of Directors are referred to herein as a "director."

1.2 Principal Office/Known Place of Business. The principal office and known place a business of the Association shall be located at the place designated in the Articles or such other place as may be designated from time to time pursuant to applicable laws. Meetings of members and the board of directors may be held at the principal office of the Association or at such other place as may be designated by the board of directors within the state of Arizona.

1.3 Conflicting Provisions. In the case of any conflict between the Articles and these Bylaws, the Articles shall control; And in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

1.4 Corporate Seal. The Association may have a seal in a form approved by the Board of Directors should the Association so elect.

1.5 Designation of Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

1.6 Books and Records. The project documents and all other books, records and papers of the Association shall be available for inspection by any Member or First Mortgagee during reasonable business hours at the principal office of the Association where copies may be purchased at reasonable cost. The Association may withhold from inspection those books, records and papers designated in A.R.S §33-1805 and/or other Applicable Laws.

1.7 Amendment. Except as provided herein or in Section 1.8 below and with regard to Section 3.1 as further provided in this Section 1.7 below, these Bylaws may only amended, at

a regular or special meeting of the Members, by: (i) a vote of the Members entitled to cast more than fifty percent (50%) of the total votes entitled to be cast by the Members present in person, by proxy (during the Declarant Control Period), or by absentee or other form of written or electronic ballot as may be permitted by Applicable Laws and (ii) only with the consent of Declarant during the Declarant Control Period. As long as Declarant owns any Lot in the Project, no amendment may be made to Section 3.13 of these Bylaws without Declarant's written consent or affirmative vote. During the Declarant Control Period, the Declarant, and thereafter the Board, may, without the consent of any other Member or First Mortgagee, amend these Bylaws to comply with the requirements or guidelines of the Veterans Administration (VA) or Federal Housing Administration (FHA) or any governmental or quasi-governmental entity or federal corporation whose approval of the Property or the Project Documents is required by Applicable Laws or requested by Declarant or the Board. Section 3.1 of these Bylaws may be amended from time to time unilaterally by vote of the Board of Directors without the consent of the Members to change the number of Directors serving on the Board after the Declarant Control Period expires or terminates to either three (3) or five (5) directors from the number of director positions then established for the Board, with the amendment to be effective at the next election of directors.

1.8 Indemnification. To the extent it has the power to do so under the Arizona Nonprofit Corporation Act, A.R.S. §10-3850, et seq., as it may be amended from time to time, 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, by reason of the fact that he is or was a director or officer of the Association, against expenses, including attorneys' fees, and against judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted, or failed to act, in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Indemnification of any such Person shall be made in accordance with the procedures set forth in the Arizona Nonprofit Corporation Act and/or the Articles. Liability of the Directors shall also be limited as provided in the Articles. This Section 1.8 may only be amended, at a regular or special meeting of the Members, by a vote of Members holding at least ninety percent (90%) of the votes in the Association entitled to be cast by the Members present in person, by proxy (during the Declarant Control Period), or by absentee or other form of written or electronic ballot as may be permitted by Applicable Laws. No repeal, amendment, or modification of this Section 1.8, whether direct or indirect, shall eliminate or reduce its effect with respect to any matter giving rise to indemnification and advancement of expenses occurring prior to such repeal, amendment or modification. Liability of Directors shall be further limited as provided in the Declaration, the Articles and Applicable Laws.

1.9 Notices. All notices, demands, statements or other communications required to be given or served under these Bylaws shall be in writing and shall be deemed to have been duly given and served if delivered personally or sent by United States mail, postage prepaid, or, in the case of a notice pursuant to Section 2.11 or Section 5.2 of these Bylaws, registered or certified United States mail, return receipt requested, postage prepaid, (i) if to a Lot Owner, at the address which the Lot Owner shall designate in writing and file with the Secretary or, if no such address

is designated, at the address of the Lot of such Lot Owner, (ii) if to the Association and/or its Board of Directors (including any Committee of the Board) or the Managing Agent, to the last known address of such Person on file with the Arizona Corporation Commission, and, if a different address, also to the address of any statutory agent of such Person, and (iii) if to Declarant, at the address designated for Declarant in the records of the Arizona Corporation Commission and, if a different address, also to the statutory agent of Declarant. A notice given by mail, whether regular, certified or registered, shall be deemed to have been received by the Person to whom the notice was addressed on the earlier of the date the notice is actually received or three (3) days after the notice is mailed. If a Lot is owned by more than one person, notice to one of the Lot Owners shall constitute notice to all Lot Owners of the same Lot. Addresses for notice may be changed from time to time by the giving of notice in the manner provided herein for the giving of notices.

ARTICLE 2 MEETINGS OF MEMBERS

2.1 Annual Meeting. The first annual meeting of the Members shall be held within one (1) year of the date on which the Association is incorporated, and an annual meeting of the Members shall be held during each calendar year thereafter. The date, time and place of each annual meeting of the Members shall be determined by the Board of Directors, but shall always be held within the State of Arizona.

2.2 Special Meetings. Subject to Applicable Laws, special meetings of the Members may be called at any time by the President or a majority of the Board of Directors or by Members having at least ten percent (10%) of the total votes in the Association. Special meetings called for the removal of a Director shall further comply with Section 3.3 of these Bylaws and the requirements of Applicable Laws. All special meetings of the Association Membership shall be held within the State of Arizona. The close of business on the thirtieth (30th) day before delivery of the demand or demands for a special meeting by Members shall be the record date for purposes of determining whether the demand has been signed by the requisite number of Members.

2.3 Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting by mailing a copy of each notice, postage prepaid, no fewer than ten (10) nor more than fifty (50) days before such meeting to each Member entitled to vote at the meeting 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 items on the agenda and purpose of the meeting, including the general nature of any proposed amendment to the Declaration or the Bylaws, any budget changes or changes in assessments that require the approval of Members, and any proposal to remove a Director or officer. A Member's attendance at a meeting waives objection to the lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting and transacting business at the meeting. In addition, a Member's attendance at the meeting waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the notice of meeting unless the Member objects to consideration of the matter at the time it is presented.

2.4 Quorum and Adjournment. Except as may be otherwise provided in the Declaration or these Bylaws, including, without limitation, Section 6.19 of the Declaration, the presence in person, by proxy during the Declarant Control Period or by absentee or other form of written or electronic ballot of Members (as may be permitted by Applicable Laws) entitled to cast at least thirty percent (30%) of the total authorized votes in the Association shall constitute a quorum at all meetings of the Members. If a quorum shall not be present at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Except as may be provided in Section 6.19 of the Declaration, any adjournment for lack of a quorum shall be to a date not more than thirty (30) days from the original meeting date. Meetings may also be adjourned to another place and time for reasons other than lack of quorum if the place and time are announced at the meeting at which adjournment is taken and the reconvened meeting is held within thirty (30) days of the adjourned meeting. A determination of Members entitled to notice of or to vote at a meeting of the Members is effective for any adjourned meeting at the time it is reconvened.

2.5 Multiple Owners. If more than one Person owns a Lot and only one of those multiple Owners of a Lot is present at a meeting of the Association, he is entitled to cast all of the votes allocated to that Lot on behalf of the other Persons who co-own the Lot. If more than one of the co-Owners are present, the votes allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the multiple co-Owners, unless the Declaration otherwise provides. There is deemed to be agreement of a majority in interest of the co-Owners if any one of the attending co-Owners of the Lot casts the votes allocated to that Lot without any of the co-Owners present promptly making a protest to the person presiding over that annual or special meeting of the Members.

2.6 Proxies/Absentee Ballots.

(A) During the Declarant Control Period, votes allocated to a Lot may be cast pursuant to a proxy duly executed by a Lot Owner. If a Lot is owned by more than one Person, each co-Owner of the Lot may vote or register protest to the casting of votes by another co-Owner of the Lot through a duly executed proxy. A Lot Owner may not revoke a proxy except 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 if it purports to be revocable without notice. The proxy is revoked on presentation of a later dated proxy executed by the same Lot Owner. All proxies, including irrevocable proxies coupled with an interest, shall automatically cease upon conveyance by the Member of his Lot or upon receipt of actual notice by the Secretary of the Board of the death or judicially declared incompetence of such Member. No proxy shall be valid more than one year after the date of its execution.

(B) After the Declarant Control Period has terminated, votes allocated to a Lot may not be cast pursuant to a proxy, but only in person by the Lot Owner or by absentee or some other form of written or electronic ballot pursuant to the procedures for absentee ballot voting set forth in A.R.S. §33-1812(A). If an absentee ballot also qualifies as a "written ballot" pursuant to

the provisions of A.R.S. §10-3708, the Association's mailing of the ballot and solicitation of responses shall also comply with the provisions of said §10-3708.

2.7 Record Date. For any meeting of the Members, the Board of Directors may fix in advance a date, not more than fifty (50) days nor less than ten (10) days before the date of such meeting, as a record date for the determination of the Members of record entitled to notice of, and to vote at, such meeting. The Members entitled to notice of and to vote at any meeting of the Members will be determined as of the applicable record date if one has been fixed as aforesaid, otherwise as of any record date determined pursuant to A.R.S. §10-3707, as amended from time to time. The Board shall also fix a record date for the purpose of determining Members entitled to exercise any rights in respect of any other lawful action of the Members. Absent a different record date fixed by the Board or in a specific provision of these Bylaws, Members at the close of business on the sixtieth (60th) day before the effective date of such action are entitled to exercise such rights.

2.8 Cumulative Voting. There shall be no cumulative voting in the affairs of the Association, including the election of Directors.

2.9 Organization and Conduct of Meetings. All meetings of Members will be called to order and thereafter chaired by the President of the Association. If the President is unavailable, such other officer of the Association or such other Member as may be appointed by the Board of Directors may call the meeting to order and chair the meeting. The Association's Secretary will act as secretary of each membership meeting. In his absence, the chairman of the meeting may appoint any person (whether a Member or not) to act as secretary thereat. After calling a meeting to order, the chairman thereof may require the registration of all Members intending to vote in person and the filing of all proxies during the Declarant Control Period, with the election inspector or inspectors, if one or more has/have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies will be accepted. If any Person entitled to vote in such election so requests at any meeting of the Members where Directors are to be elected, a tabulation of filed proxies and any absentee or other form of written or electronic ballots cast as may be permitted by Applicable Laws shall be announced at the meeting (or adjournment thereof) prior to the closing of the election polls. Absent a showing of bad faith on his part, the chairman of the meeting will, among other things, have absolute authority to: (i) fix the period of time allowed for the registration of Members, the filing of proxies, and the delivery of absentee ballots, (ii) determine the order of the business to be conducted at such meeting, and (iii) establish reasonable rules for expediting the business of the meeting (including any informal or question-and-answer portion thereof). The provisions of Section 3.11 below and A.R.S. §33-1804 relating to open meetings shall apply to regular and special meetings of the Members as described in this Article 2.

2.10 Action Without a Meeting by Written Consent. Except as expressly prohibited under the Project Documents, any action that may be taken at an annual or special meeting of the Members pursuant to the provisions of the Arizona Nonprofit Corporation Act or the Project Documents, may be taken without a meeting if (a) approved by the requisite number of Members pursuant to a written or form of electronic ballot delivered to every Member to entitled to vote on

the matter pursuant to the provisions of A.R.S. §10-3708; or (b) authorized by a writing signed by those Members holding a majority of the votes entitled to be cast upon such an action at a meeting or any greater percentage of votes as may be required by Applicable Laws or the Project Documents. Written consents shall be subject to the provisions of A.R.S. §10-3704, as it may be amended from time to time, and shall be filed with the Secretary of the Association for inclusion in the corporate records, with written notice of Member approval of the consent delivered to all of the Members. The execution of a written ballot, electronic ballot or written consent by any Member who holds fee title to a Lot (or by his proxy during the Declarant Control Period) shall be sufficient to be binding as to that Lot without regard to whether any other Members whose membership is derived through ownership of that Lot have executed such instrument.

2.11 Suspension of Voting Rights. In the event any Lot Owner is in arrears in the payment of any Assessment or Collection Costs or any other fees or charges due under the terms of the Project Documents for a period of thirty (30) days, the Lot Owner's right to vote as a Member of the Association shall be automatically suspended and shall remain suspended until all payments, including accrued interest and attorneys' fees, are paid and/or brought current. In addition, a Lot Owner's right to vote may be suspended for any continuing infraction of the Project Documents by the Owner, his Lessees or their respective family members and Invitees, that is not cured within thirty (30) days after notice thereof from the Association, except as further provided below, and shall remain suspended until any such infraction or violation of the Project Documents ceases as reasonably determined by the Board. The Board may also impose a suspension of an Owner's right to vote for a period not to exceed sixty (60) days for any single infraction of the Project Documents. In the case of a summary suspension of voting rights pursuant to this Section 2.11 for non-monetary violations of the Project Documents relating to the condition of the Owner's Lot, the Board shall comply with the notice and opportunity for hearing requirements of A.R.S. §33-1803 or other Applicable Laws before suspending the Owner's voting rights.

2.12 Membership Mandatory. The Membership of the Association shall consist of all record Owners of Lots. Membership in the Association shall be mandatory and such Membership and voting rights are appurtenant to, and may not be separated from, ownership of the Lot. No Owner during his ownership of a Lot shall have the right to relinquish or terminate his Membership in the Association.

ARTICLE 3 BOARD OF DIRECTORS

3.1 Number/Composition/Qualifications. The affairs of this Association shall be managed by a board of at least one (1) Director appointed by the Declarant during the Declarant Control Period and not more than five (5) Directors at any time. At the first election of directors held after the Declarant Control Period expires or terminates, the number of Director positions on the Board shall automatically increase to three (3) Directors, who shall be elected by the Members as provided in these Bylaws. Thereafter, the number of Director positions on the Board may be changed at any time by an amendment to these Bylaws unilaterally adopted by the Board of Directors as provided in Section 1.7 above, with such amendment to be effective at the

next meeting of the Association membership at which an election of directors is to be held. Directors shall be elected by the Members or appointed by Declarant as provided in these Bylaws. Until the termination of the Declarant Control Period, Directors need not be Members of the Association. After the Declarant Control Period, Directors shall be Lot Owners, or, if any Lot Owners are legal entities or are other than a natural person, Directors may also be an officer, Director, member, manager, partner or other principal or authorized representative of those Lot Owners. No Member of the Association whose right to vote has been suspended pursuant to Section 2.11 above may stand for election to the Board by the Membership after the Declarant Control Period has terminated and such person shall automatically be deemed disqualified. At such time as Declarant or any of its affiliates no longer own any Lots in the Project, no Director serving on the Board at any time thereafter shall be related by blood, adoption, or marriage to, or share ownership of or any interest in a Lot with, any other Director serving on the Board at that same time. In that event, the most recently elected Director in such a relationship shall be deemed disqualified from serving on the Board.

3.2 Appointment and Election and Term of Office. Until the termination of the Declarant Control Period, the Declarant shall have the right to appoint and remove the members of the Board. Directors appointed by Declarant shall hold office until their death, resignation or removal from office by Declarant. After the Declarant Control Period has terminated, the Directors elected at the first meeting of the Members at which Directors are to be elected shall serve staggered terms as follows:

If a three person Board: The first Director shall serve a three-year term, the next Director elected shall serve a two-year term, and the remaining Director shall serve a one-year term. If a five person Board: The first two Directors shall serve a three-year term, the next two Directors shall serve a two-year term, and the remaining Director shall serve a one-year term. Thereafter, all Directors shall be elected to three (3) year terms. All elections of Directors shall be for such terms as will preserve the staggering of terms as provided in this Section 3.2. To determine which Director shall serve terms of three years, two years or one year, respectively, the Director(s) obtaining the most votes at the election at which they were elected shall serve the longest terms until all such terms are filled. Despite the expiration of a Director's term, a Director elected by the Members shall continue to hold office until the Director's successor is elected and qualified or until the Director's resignation or removal.

For each election of Directors, the Board shall either prescribe an opening and closing date of a reasonable filing period in which eligible persons may declare their candidacy for election to the Board by giving written notice to the Secretary of the Association or appoint a Nominating Committee whose purposes shall be to solicit and to nominate candidates for election to the Board pursuant to Association Rules adopted by the Board.

3.3 Removal and Resignation. After the Declarant Control Period expires, any one or more of the members of the Board of Directors may be removed from the Board of Directors, with or without cause, by a majority vote of the Members entitled to vote and voting on the matter in person or by absentee or other form of written or electronic ballot as may be permitted by Applicable Laws at a special meeting called pursuant to the procedures specified in A.R.S. §33-1813(A) or other Applicable Laws. A successor shall then and there be elected to fill the

vacancy thereby created unless a majority of the Board is removed at the meeting, in which event another special meeting for the election of replacement directors shall be held pursuant to Applicable Laws. Any petition to call a special meeting of the Members for purposes of removing a designated member of the Board of Directors must have the signatures of at least twenty-five percent (25%) of the Membership and may not be submitted more than once during the term of office for that particular Board member. A Director may resign at any time by delivering written notice to the Board, its presiding officer, or the Association. A resignation is effective when the notice is delivered unless the notice specifies a later effective date or event. If a resignation is made effective at a later date, the Board may fill the pending vacancy before the effective date if the Board provides that the successor does not take office until the effective date.

3.4 Compensation/Conflicts of Interest. No Director shall receive compensation for any service he may render to the Association which is within his duties as a Director. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties. A Director may receive compensation for services rendered to the Association which are outside his duties as a Director if the payment of such compensation is approved by all of the other Directors. Any Director with a "conflict of interest" or "conflicting interest" as determined by the most strict interpretation of the director "conflict of interest" provisions of the Arizona Nonprofit Corporation Act (A.R.S. §10-3860 et seq.) and Arizona's Planned Communities statutes (A.R.S. §33-1811), as amended from time to time, may not vote on any proposal to provide director compensation to himself or any other Director and shall recuse himself from participating in any discussions regarding a "conflicting interest" transaction.

3.5 Action Taken Without A Meeting/Informal Meetings. Subject to, and only in the event permitted by, the "open" meeting requirements contained in Arizona's Planned Communities statutes, A.R.S. §§33-1801 et seq., 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 consent of all the Directors. Any such written consent shall be filed with the minutes of the proceedings of the Board and shall be effective when the last Director signs the consent unless the consent specifies a different effective date. Any quorum of the Board that meets informally to discuss Association business, including workshops, shall comply with the open meeting and notice provisions of Applicable Laws without regard to whether any vote or action was taken on any matter at that informal meeting.

3.6 Vacancies. Until the termination of the Declarant Control Period, any vacancy on the Board shall be filled by Declarant. After the termination of the Declarant Control Period, all vacancies in the Board of Directors shall be filled by a vote of a majority of the remaining Directors though less than a quorum or by a sole remaining Director. Any person so elected shall serve the unexpired portion of the prior Director's term. Any newly created directorship shall be deemed a vacancy. Any person elected to fill such a vacancy shall serve until the next annual meeting or special meeting of the Members for the purpose of electing a Director to that position.

3.7 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place within the State of Arizona as shall be determined from time to time by the Board of Directors. Such meetings shall be held at least once during each fiscal year.

3.8 Special Meetings. Special meetings of the Board may be called by the President on at least three (3) business days' notice to each Director, given in writing, by hand delivery, mail or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors may also be called in like manner and on like notice on the written request of at least two (2) Directors. Special meetings of the Board shall be held within the State of Arizona. Emergency meetings of the Board shall be governed by the provisions of A.R.S. §33-1804(D), as amended from time to time.

3.9 Quorum/Proxy Voting by Directors. A majority of the Directors shall constitute a quorum for the transaction of business until adjournment of the meeting, irrespective of the departure of one or more Directors during the meeting. 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 of Directors. A Director may vote in person or by proxy. A Director may appoint another Director as a proxy to vote or otherwise act for the Director by signing an appointment form, either personally or by the Director's attorney-in-fact. The appointment does not relieve the Director of liability for acts or omissions imposed by law on directors. An appointment of a proxy is effective when received by the Secretary and is valid for a period of one (1) month unless a different period is expressly provided, but not to exceed a period of three (3) months. An appointment of a proxy is revocable by the Director but the death or incapacity of a Director appointing a proxy shall not affect the right of the Association to accept the proxy's authority unless written notice of the death or incapacity is received by the Association before the proxy exercises his authority under the appointment.

3.10 Waiver of Notice/Attendance/Notice to Members. Before any meeting of the Board, any Director may waive notice of such meeting in writing, and such waiver shall be deemed equivalent to the giving of such notice to that Director. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place of the meeting unless such attendance is for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Directors may attend and shall be deemed "present" at a regular or special meeting of the Board of Directors by means of a conference telephone, video conference, fiber optics, cable, computer or similar communications equipment by means of which all persons participating in the meeting can hear each other as long as such telephonic or video conference is originated in the State of Arizona. After the Declarant Control Period has terminated, notice of the time and place of Board meetings and the agenda shall be given to Members by newsletter, conspicuous posting on the Common Elements, or by any other reasonable means as determined by the Board. During the Declarant Control Period, no notice of Board meetings need be given to Lot Owners; provided, however, that information regarding the time and place of the next scheduled Board meeting shall be provided to any Member who requests such information in good faith.

3.11 Open Meetings. All regular and special meetings of the Board and of the Association Membership shall be held in compliance with the provisions of A.R.S. §33-1804 that

allow for any Member or his designated representative to attend and speak at such meeting before any deliberative action is taken on a matter; provided, further, that only one person representing a Lot may speak on any issue; and the Board may establish a reasonable time limit for persons speaking at the meeting and may establish a reasonable limit on the number of persons speaking on each side of an issue. Persons attending any Board or Association Membership meeting may tape record or videotape those portions of the meeting that are open as long as the Person who intends to tape record or videotape provides the Association at least forty-eight (48) hours prior notice of the intent to tape record or videotape, the Person agrees in writing to provide the Association with a true and correct copy of the recording within forty-eight (48) hours after the meeting, the tape or video recording is done in non-intrusive manner that does not unreasonably interfere with the conduct of the meeting and is otherwise in compliance with all other reasonably adopted Association Rules.

Notwithstanding the above, the person presiding over the Board meeting may adjourn any such Board meeting and reconvene in executive session, excluding Members, to discuss those matters which may be considered by the Board at a closed meeting pursuant to A.R.S. §33-1804.

3.12 Powers and Duties.

(A) The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by required by the Project Documents to be exercised or done by the Members. In addition to the duties imposed by these Bylaws or by any resolution of the Members that may hereafter be adopted, the Board of Directors shall have the following powers and duties:

(i) Open bank accounts on behalf of the Association and designate the signatories thereon; including segregated or trust accounts specifically required in the Declaration to be maintained by the Board for a particular purpose or reasonably deemed necessary by the Board to satisfy its obligations under the Project Documents;

(ii) Make, or contract for the making, of repairs, additions to, improvements to or alterations of the Common Area and other Areas of Association Responsibility, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings or otherwise in accordance with the Declaration and comply with all Arizona Department of Health Services pool safety and public health rules;

(iii) In the exercise of its discretion, enforce by legal means the provisions of the Project Documents and enter into such contracts, easements, maintenance agreements and like agreements concerning the Common Area as are provided for in the Declaration or in any other Project Document;

(iv) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair, and replacement of the Property, and where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties;

(v) Borrow money on behalf of the Association when required in connection with any one instance relating to the operation, upkeep and maintenance of the Common Areas or other Areas of Association Responsibility; provided, however, the consent of Members having at least seventy-five percent (75%) of the total votes in the Association shall be obtained if the Association is to borrow in excess of \$50,000 or to mortgage or encumber the Common Areas;

(vi) Prepare and adopt an annual budget for the Association prior to the commencement of each fiscal year and obtain an annual financial audit, review or compilation of the Association's financial records as determined in the best judgment of the Board to be appropriate for an Association of this size and financial condition; with such audit, review or compilation to be performed by a qualified Person such as a licensed and insured independent accountant pursuant to A.R.S. §33-1810 or other Applicable Laws;

(vii) Adopt and publish Association Rules governing matters concerning the Property, including the establishment of monetary penalties for any violation of the Project Documents;

(viii) In accordance with the Declaration, these Bylaws and Applicable Laws, suspend a Lot Owner's voting rights;

(ix) Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of the Project Documents;

(x) After the Declarant Control Period has terminated, 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 of Directors;

(xi) After Declarant Control Period has terminated, declare the office of a member of the Board to be vacant in the event such Member's right to vote as a Member of the Association has been suspended pursuant to Section 2.11 above for a period not less than sixty (60) consecutive days, or, regardless of whether such Member's right to vote has been suspended, in the event such Member is delinquent in the payment of any Annual Assessment or Special Assessment for a period of not less than sixty (60) consecutive days;

(xii) 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 any Member entitled to vote;

(xiii) Supervise all officers, agents and employees of the Association and see that their duties are properly performed;

(xiv) Levy Assessments and other fees and charges of the Association (including Collection Costs) in accordance with the Declaration and take all necessary action to collect the same to the extent permitted under the Project Documents and Applicable Laws;

(xv) As required by the Declaration and/or Applicable Laws, issue, or cause an appropriate officer to issue upon demand to any person, a certificate setting forth whether or not any Assessment has been paid and any information or statement required to be issued pursuant to A.R.S. §33-1806 or §33-1807(I), as amended from time to time;

(xvi) Procure and maintain adequate property, liability and other insurance or fidelity bonds as required by the Declaration;

(xvii) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate or as is required by the Declaration;

(xviii) Prepare and file annual tax returns with the federal government and the State of Arizona and to make such elections as may be necessary to reduce or eliminate the tax liability of the Association, including an election to be taxed under Section 528 of the Internal Revenue Code or any successor statute conferring income tax benefits on homeowners associations; and

(xix) Cause an Association contact notice to be Recorded for the Association if required by Applicable Laws or as recommended by any Managing Agent and approved by the Board;

(xx) Subject to the limitations of the Declaration and Applicable Laws on the authority of the Association or the Board to commence litigation, arbitration or administrative proceedings, institute, defend, and intervene in, any litigation, arbitration or administrative proceedings in its own name or on behalf of the Lot Owners.

(B) Subject to the Declaration, the Board of Directors may employ a Managing Agent for the Property at a compensation established by the Board of Directors. The Managing Agent shall perform such duties and services as the Board of Directors shall authorize, including, but not limited to, all of the duties listed in the Project Documents, except for such duties and services that under the Project Documents may not be delegated to the Managing Agent. The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors or the officers of the Association by the Project Documents other than the following powers:

(i) To adopt the annual budget, any amendment thereto, or to assess any Common Expenses:

(ii) To adopt, repeal or amend Association Rules;

(iii) To designate signatories on Association bank accounts;

(iv) To borrow money on behalf of the Association;

(v) To acquire or mortgage Lots or other real property on behalf of the Association.

3.13 Right of Declarant to Veto Actions.

(A) After any waiver of the Declarant Control Period but before Declarant has conveyed all of its Lots, the Declarant shall have the right to veto any action, policy or program of the Association, the Board and any Committee which, in the sole judgment of the Declarant, would tend to impair or limit the rights of the Declarant under the Declaration or these Bylaws, or interfere with development or construction of any portion of the Property, or diminish the level of services being provided by the Association.

(B) The Declarant shall be given written notice of all meetings and proposed actions of the members by written consent or written ballot without a meeting and of all meetings and proposed actions of the Board or any Committee by written consent without a meeting at least fifteen (15) days prior to the meeting or proposed action. Such notice shall be given by United States mail, postage prepaid, or by personal delivery at the address the Declarant has registered with the Secretary of the Association, which notice shall, except in the case of the annual meeting of the Members, set forth with reasonable particularity the agenda to be followed at such meeting.

(C) The Declarant shall be given the opportunity at any such meeting to participate in or to have its representatives or agents participate in discussion from the floor of any prospective action, policy, or program which would be subject to the veto right set forth in this Section. No action, policy or program subject to the Declarant's veto right set forth in this Section shall become effective or be implemented until and unless the requirements of this Section have been met.

(D) The Declarant, through its representatives or agents, may make its concerns, thoughts and suggestions known to the Board and/or the members of a Committee. The Declarant acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within ten (10) days following the meeting at which such action was taken or, in the case of any action taken by written consent or written ballot in lieu of a meeting, at any time within ten (10) days following receipt of written notice of the action taken. The Declarant may use its veto right to block proposed actions. The Declarant shall not use its veto right to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with the Project Documents and/or Applicable Laws.

ARTICLE 4 OFFICERS AND THEIR DUTIES

4.1 Enumeration of Officers. The principal officers of the Association shall be the president, vice-president, the secretary, and the treasurer. The Board of Directors may create such other offices as the affairs of the Association may require. All officers shall be elected by the Board of Directors. The President must be a member of the Board of Directors. Any other officers may, but need not, be members of the Board of Directors.

4.2 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.

4.3 Term. The officers of the Association shall be elected annually by the Board of Directors and each shall hold office for one (1) year, unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

4.4 Resignation and Removal. Any officer may be removed from office with or without cause by the Board of Directors. Any officer may resign at any time by giving written notice to the entire Board of Directors, 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.

4.5 Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

4.6 Multiple Offices. Any two or more offices may be held by the same person. Unless a separate Vice-President is appointed, the Treasurer shall also hold the office of Vice-President.

4.7 Powers and Duties. The powers and duties of the officers shall be as follows:

(A) **President.** The President shall be the chief executive officer of the Association; shall preside at all meetings of the Board of Directors or the Members; shall see that orders and resolutions of the Board of Directors are carried into effect; shall sign checks and promissory notes of the Association; shall have the right, along with the Treasurer, to deposit monies in bank accounts of the Association; and shall generally manage the business of the Association. The duties of the President specified herein may be delegated to a Managing Agent to the extent permitted by Section 3.12(B) of these Bylaws and/or Applicable Laws.

(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 of Directors.

(C) **Secretary.** The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the members; shall keep the corporate seal of the Association and affix it on all papers requiring said seal; shall serve notice of meetings of the Board of Directors and of the Members; shall 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 of Directors.

(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 checks and promissory notes of the Association; shall keep proper books of account; shall prepare an annual budget and a statement of income and expenditures to be presented to the Members at the regular annual meeting, and deliver a copy of each to the Members; and, in general, perform all the duties incident to the office of Treasurer. The duties of the Treasurer specified herein may be delegated to a Managing Agent to the extent permitted by Section 3.12(B) of these Bylaws and/or Applicable Laws.

4.8 Officers Authorized to Execute Amendments to Declaration. Any amendments to the Declaration or the Plat, which are required by the Declaration to be executed by the Association, may be executed by either the President or Vice-President of the Association.

4.9 Compensation/Conflicts of Interest. No officer shall receive compensation for any service he may render to the Association which is within his duties as an officer. However, any officer may be reimbursed for his actual expenses incurred in the performance of his duties. An officer may receive compensation for services rendered to the Association which are outside his duties as an officer if the payment of such compensation is approved by the Board. Any Director with a "conflict of interest" or "conflicting interest" as determined by the most strict interpretation of the "director conflict of interest provisions" of the Arizona Nonprofit Corporation Act and §33-1811 of Arizona's Planned Communities statutes, as amended from time to time, may not vote on any proposal to provide officer compensation and shall recuse himself from participating in any such discussions.

ARTICLE 5 MONETARY AND OTHER PENALTIES

5.1 Power of Board of Directors to Impose Monetary Penalties. In accordance with the procedures set forth in this Article 5, the Board of Directors shall have the right to impose reasonable monetary penalties or fines against any Lot Owner who violates any provisions of the Project Documents. Any monetary penalty or fine imposed by the Board of Directors shall be imposed only after the procedures set forth in this Article 5 and all notice and opportunity to hearing requirements of the Planned Communities statutes and any other Applicable Laws have been satisfied. The requirement of a notice and hearing under this Article 5 shall not apply to the imposition of late fees or any other charges lawfully imposed for non-payment of Assessments or to the suspension of voting rights as a result of non-payment of Assessments. At such time as the Board adopts a schedule of late charges and penalties for late payment of Assessments, the same shall accrue automatically upon lapse of the fifteen day grace period established in the Declaration for payment of Assessments.

5.2 Notice of Violation. If the Board of Directors becomes aware of a violation of the Project Documents and desires to impose a monetary penalty against the Lot Owner who violated the Project Documents, the Board of Directors shall serve the Lot Owner with written notice of the violation. Any such initial notice of violation or Association response to the Lot Owner after timely receipt of a Member response pursuant to A.R.S. §33-1803(C) (including alleged violations regarding the condition of an Owner's Lot without regard to whether a monetary penalty is imposed) shall comply with all timeliness, information content and other requirements of A.R.S. §33-1803(D) and any other Applicable Laws, and shall provide the Lot Owner with an opportunity to request a hearing in front of the Board in which case the provisions of Section 5.3 below shall apply. Upon the Board's receipt of a request for hearing pursuant to Section 5.3 or petition filed by the Member pursuant to Applicable Laws regarding an alleged violation of the Project Documents, fines, imposition of monetary penalties and commencement of legal actions, shall be stayed until the matter of the alleged violation is resolved unless otherwise indicated by the Board in a written notice due to the seriousness of the alleged violation.

5.3 Hearing. The hearing on any alleged violation of the Project Documents shall be held at the time and at the place designated in the notice served pursuant to Section 1.9 and Section 5.2 of these Bylaws. Proof of service of the notice as required by Section 5.2 of these Bylaws shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director or agent who served the notice. The notice requirement shall also be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the monetary or other penalty, if any, imposed by the Board of Directors. Any fine which is imposed by the Board following a hearing pursuant to this Section 5.3 shall be paid by the offending Owner within a reasonable time frame established by the Board on a case by case basis pursuant to Board policies or Rules (but not less than ten (10) days after a notice of the action of the Board resulting from the hearing is served upon the Owner as provided in Section 1.9 of these Bylaws). After the payment period established by the Board in its notice of action has lapsed, if such monetary penalty or fine has not been paid, the Association, among other remedies, may: (i) seek to enforce its Assessment Lien to the extent any penalties or fees payable under this Article 5 are secured thereby in the manner provided in the Declaration and Applicable Laws for enforcement of Assessment Liens or, in the alternative, and/or if not so secured, or (ii) file suit to obtain a civil judgment against the offending Owner and, upon obtaining same, Record the judgment against his Lot. Any fines imposed pursuant to this Article 5 shall be the joint and several liability of all of the joint Owners of the Lot, including co-tenants and Persons holding title as community property. To the extent applicable, all notices given by the Association under this Section 5.3 shall include the information required to be given under A.R.S. §33-1803 and any other Applicable Laws.

5.4 No Limitation on Other Rights and Remedies. Nothing contained in this Article 5 of these Bylaws shall be construed as limiting the rights and remedies of the Board or any other Owner to enforce the Project Documents provided therein or available at law or in equity, it being understood that this Article 5 relates to the imposition of certain fines and other penalties and is not intended as a recitation of the entire scope of the rights and remedies of the Board, the Association or any Owner or Member. In addition, nothing contained in this Article 5 shall limit the right of any Member or the Association to petition for a hearing or avail itself of the rights to a hearing with any state agency as may be authorized under Applicable Laws.

ARTICLE 6 ARCHITECTURAL CONTROL AND ARCHITECTURAL COMMITTEE

6.1 Committee Composition. As provided in the Declaration, the Board may appoint an Architectural Committee to perform the duties of the Board with regard to architectural review of any Improvements subject to the jurisdiction of the Board. Otherwise, the Board as a whole shall act as an architectural committee for purposes of Section 3.1 of the Declaration. If so appointed by the Board, the Architectural Committee shall consist of three (3) persons and the following provisions of this Article 6 shall apply. None of the Committee members shall be required to be an architect or to meet any other particular qualifications. At least one person serving on the Architectural Committee shall be a member of the Board, who shall serve as

chairperson of the Architectural Committee. The Board may increase the number of persons on the Architectural Committee, but the number of persons must always be an odd number. If the Board elects to appoint an Architectural Committee, the following provisions shall apply concerning appointment to and service on the Committee.

6.2 Terms of Office. The term of office for members of the Architectural Committee shall be for a period of one (1) year, or until the appointment of a successor. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Any members who have resigned, been removed, or whose terms have expired may be reappointed.

6.3 Appointment and Removal. Except as may be otherwise provided in the Declaration, the right to appoint and remove all members of the Architectural Committee at any time, shall be and is hereby vested solely in the Board; provided, however, that no member may be removed from the Architectural Committee by the Board except by the vote or written consent of more than fifty percent (50%) of the entire Board.

6.4 Resignations. Any member of the Architectural Committee may resign at any time upon written notice to the Board.

6.5 Vacancies. Vacancies on the Architectural Committee however caused, shall be filled by the Board. A vacancy or vacancies on the Architectural Committee shall be deemed to exist in case of the death, resignation, or removal of any member thereof.

6.6 Duties. It shall be the duty of the Architectural Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declaration, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by the Declaration.

6.7 Meetings and Compensation. The Architectural Committee shall meet from time to time as necessary to perform its duties. The vote or written consent of a majority of the members of the Architectural Committee, at a meeting or otherwise, shall constitute the act of the Architectural Committee unless the unanimous decision of the Architectural Committee is required by any other provision of the Declaration. The Architectural Committee shall keep and maintain a written record of all actions taken by it at such meeting or otherwise. Members of the Architectural Committee shall not be entitled to compensation for their services. However, the Architectural Committee may, at the expense of the Association, employ one or more consultants to assist the Architectural Committee. To the extent required by Applicable Laws, including the provisions of A.R.S. §33-1817, the Architectural Committee shall hold a final design approval meeting at which the Member who submitted the plans or his agent shall have an opportunity to attend the meeting. If the plans are so approved, pursuant to A.R.S. §33-1817, the Architectural Committee shall provide a written acknowledgement of compliance and a notice that refund of any construction security deposit required as a condition of approval is subject to completion of the construction in accordance with such approved plans.

6.8 Architectural Committee Rules. Any Architectural Committee appointed by the Board shall adopt, amend, and repeal, by unanimous vote or written consent, rules and regulations including procedures for appeal of any disapproval by the Architectural Committee of plans submitted by a Member and subject to an Architectural Submission Notice. These Architectural Committee Rules shall also interpret and implement the Declaration by setting standards and procedures for Architectural Committee review and the guidelines for architectural design, placement of buildings and other Improvements, landscaping, color schemes, exterior finishes and materials, and similar features which are required or permitted to be used within the Property.

6.9 Waiver. The approval by the Architectural Committee of the plans, drawings, or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Committee under the Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification, or matter subsequently submitted for approval.

6.10 Liability. So long as a member of the Architectural Committee has acted in good faith on the basis of information actually possessed, neither the Architectural Committee nor such member thereof, shall be liable to the Association, any Owner, or to any other party, for any damage, loss, or prejudice suffered or claimed on account of: (i) the approval or disapproval or any plans, drawings, or specifications, whether or not defective; (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; (iii) the development of any portion of the Property; or (iv) the execution and filing of any estoppel certificate, whether or not the facts in the estoppel certificate are correct.

6.11 Time for Approval/Appeals to the Board/Post Approval Reviews and Compliance Reports. In the event the Architectural Committee fails to approve or disapprove any application for approval within sixty (60) days after its receipt of a Modification application or within thirty (30) days after any required Design Approval Meeting, if applicable, together with complete and legible copies of the supporting plans and specifications, the application shall be deemed approved, and further approval will not be required, and this Article 6 and the architectural review provisions of the Declaration will be deemed to have been complied with. Any adverse or disapproval decision made by the Architectural Committee may be appealed to the Board in accordance with the Architectural Rules as further provided in Section 3.1.4 and Section 5.10 of the Declaration. The decision of the Board regarding a Modification application shall be final. In accordance with and to the extent required by A.R.S. §33-1817, the Architectural Committee shall conduct at least two on-site formal reviews for the purpose of determining compliance with any approved plans and shall provide the written reports specified therein after each review specifying deficiencies, violations or unapproved variations from the approved plans within the applicable time frames allowed by Applicable Laws.

ARTICLE 7 OTHER COMMITTEES

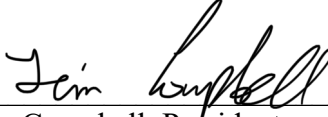
7.1 Board Committees. The Board may create one or more Committees, including a Nominating Committee described in Section 3.2 above (other than the Architectural Committee described in the Declaration and governed by Article 3 thereof and Article 6 of these Bylaws)

and appoint members of the Board to serve on them. Each Committee shall have one or more members and each member of a Committee shall serve at the pleasure of the entire Board. The creation of a Committee and appointment of members of the Board to the Committee must be approved by the greater of: (a) a majority of all the Directors in office when the action is taken; or (b) the number of Directors required by section 3.9 above to take action. The provisions of these Bylaws governing meetings, action without meetings an notice, waiver of notice, quorum, voting an open meeting requirements of the Board shall also apply to Committees of the Board and their members. Each Committee of the Board may exercise the authority of the Board to the extent specified by the Board, except that a Committee shall not take any of the following actions: (a) authorize distributions of Association funds; (b) fix vacancies on the Board or any of its committees; (c) adopt, amend or repeal these Bylaws; and (d) fix the compensation of Directors for serving on the Board or any Committee or fix the compensation of any officer serving the Board. The Board may designate one or more Directors as alternate members of any committee who may replace any absent member at any meeting of the committee.

7.2 Advisory Committees. The Board may appoint Committees consisting of a combination of Directors and/or non-members of the board (including, but not limited to Lot Owners) to advise the Board and to perform such tasks as the Board deems necessary or desirable. Such advisory Committee shall not have the power to exercise any authority of the board. Except for any Architectural Committee as may be formed pursuant to Section 5.10 of the Declaration and Article 6 of these Bylaws, any Board Committee that includes persons in its membership that are not also members of the Board shall automatically be deemed advisory in nature.

CERTIFICATION

I hereby certify that the foregoing bylaws for Shadow Mountain Village Community Association were duly adopted by the Board of Directors of the Association on 12/22/2020.



Tim Campbell, President