

**BYLAWS
OF
SHADOW RUN TOWNHOMES
HOMEOWNERS ASSOCIATION, INC.**

**ARTICLE I
NAME AND LOCATION**

The name of the corporation is SHADOW RUN TOWNHOMES HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association." The principal office of the corporation shall be at 399 Perry Street, Suite 300, Castle Rock, Colorado 80104, but meetings of the Members and the Board of Directors may be held at such places within the State of Colorado as may from time to time be designated by the Board of Directors of the Association ("Board"), as defined below.

**ARTICLE II
PURPOSE**

The purpose for which the Association is formed is to govern the Lots, exercise the rights, power and authority, and fulfill the duties of the Association, as provided in that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions of Shadow Run Townhomes, and any amendments and supplements thereto, recorded in the office of the Clerk and Recorder of each county in which any portion of the Project is located ("Declaration") (terms which are defined in the Declaration shall have the same meanings herein unless otherwise defined), and those certain Articles of Incorporation of Shadow Run Townhomes Homeowners Association, Inc., and any amendments thereto, filed in the office of the Secretary of State of the State of Colorado ("Articles of Incorporation"). All present and future Owners, tenants, occupants, and any other Person who may use the Lots, or any portion thereof, or any facilities or appurtenances thereto or thereon, in any manner, shall be subject in all respects to the covenants, conditions, restrictions, reservations, easements, regulations, and all other terms and provisions set forth in the Declaration, Articles of Incorporation and these Bylaws. The mere acquisition, rental or occupancy of any Lot, or any portion thereof, shall signify that all terms and provisions of the Declaration, Articles of Incorporation and these Bylaws are accepted, ratified and shall be complied with.

**ARTICLE III
MEETINGS OF MEMBERS**

1. Annual Meetings. Meetings of the Owners, as the Members of the Association, shall be held at least once a year. The first annual meeting of the Members shall be held no later than December 2007, and each subsequent regular annual meeting

of the Members shall be held in the same month of each year thereafter, the specific date and time thereof to be designated by the Board from time to time. At each annual meeting, the Members shall elect directors to fill vacancies and conduct such other business as may properly come before the meeting.

2. Special Meetings. Special meetings of the Members may be called at any time by the President or by a majority of the Board of Directors or by Members having twenty percent (20%) of the votes of the Association.

3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary of the Association or Person authorized to call the meeting. Not less than ten (10) nor more than fifty (50) days in advance of such meeting, the Person giving such notice, as aforesaid, shall cause notice of the meeting to be hand delivered or sent prepaid by United States mail to the mailing address of each Lot or to any other mailing address designated in writing by the Owner. The notice of any meeting shall be physically posted in a conspicuous place, to the extent that such posting is feasible and practicable, in addition to any electronic posting or electronic mail notices that may be given. The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Board.

The Association is encouraged to provide all required notices and agendas in electronic form, by posting on a web site or otherwise, in addition to printed form. If such electronic means are available, the Association shall provide notice of all regular and special meetings of Members by electronic mail to all Members who so request and who furnish the Association with their electronic mail addresses. Electronic notice of a special meeting shall be given as soon as possible but at least twenty-four (24) hours before the meeting.

4. Quorum.

(a) A quorum is deemed present throughout any meeting of the Association if persons entitled to cast twenty percent (20%) of the votes which may be cast for election of the Board are present, in person or by proxy, at the beginning of the meeting.

(b) unless otherwise specifically provided by the Declaration, the Articles of Incorporation, these Bylaws or by statute, all matters coming before a meeting of Members at which a proper quorum is in attendance, in person or by proxy, shall be decided by the vote of a majority of the votes validly cast at such meeting.

(c) Once a quorum has been established, the Members present at the meeting may continue to transact business until adjournment, notwithstanding the withdrawal of Members so as to leave less than a quorum. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours nor more than 30 days from the time set for the original meeting at which adjourned meeting the quorum requirement shall be the Members entitled to cast at least 10% of the total votes of all Members.

5. Voting

(a) If only one of the multiple Owners of a Lot is present at a meeting of the Association, such Owner is entitled to cast all votes allocated to that Lot. If more than one of the multiple Owners are present, the votes allocated to that Lot may be cast only in accordance with the agreement of a majority of the Owners, unless the Declaration expressly provides otherwise. There is majority agreement if any one of the multiple Owners casts the votes allocated to that Lot without protest being made promptly to the Person presiding over the meeting by any of the other Owners of the Lot.

(b) Votes for positions on the Board shall be taken by secret ballot, and, upon the request of one or more Members, a vote on any other matter affecting the Project on which all Members are entitled to vote shall be by secret ballot. Ballots shall be counted by a neutral third party or by a Member who is not a candidate, who attends the meeting at which the vote is held, and who is selected at random from a pool of two or more such Members. The results of the vote shall be reported without reference to names, addresses or other identifying information.

6. Proxies.

(a) Votes allocated to a Lot may be cast pursuant to a proxy duly executed by an Owner. A proxy shall not be valid if obtained through fraud or misrepresentation.

(b) If a Lot is owned by more than one Person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy.

(c) An Owner may not revoke a proxy given pursuant to this section 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 purports to be revocable without notice. A proxy terminates eleven (11) months after its date unless it provides otherwise.

7. Acceptance/Rejection of Votes and Proxies.

(a) The Association is entitled to reject a vote, consent, written ballot, waiver, proxy appointment, or proxy appointment revocation if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the Owner.

(b) The Association and its officer or agent who accepts or rejects a vote, consent, written ballot, waiver, proxy appointment, or proxy appointment revocation in good faith and in accordance with the standards of this section are not liable in damages for the consequences of the acceptance or rejection.

(c) Any action of the Association based on the acceptance or rejection of a vote, consent, written ballot, waiver, proxy appointment, or proxy appointment revocation under this section is valid unless a court of competent jurisdiction determines otherwise.

8. Open Meetings. All meetings of the Association and the Board of Directors are open to every Member and to any person designated by a Member, in writing, as the Member's designated representative.

9. Security Interest Holders. Each Security Interest Holder shall have the right to designate a representative to attend all meetings of Members.

ARTICLE IV
BOARD OF DIRECTORS - SELECTION - TERM OF OFFICE

1. Number. The affairs of this Association shall be managed by a Board of at least three (3), but no more than five (5), directors. Directors shall be Members, which, in the case of Declarant, may include any partner of Declarant or any officer, director, employee or authorized agent of Declarant or any partner of Declarant, and in the case of corporate Members may include the officers and directors of each such corporate Member.

2. Appointment, Election and Term of Office.

(a) Except as provided in subsection (b) of this Article IV and the Act, during the Period of Declarant Control (as defined by the Declaration), the Declarant may appoint and remove the officers and directors of the Board. However, this right to appoint and remove officers and directors of the Board shall

terminate no later than sixty (60) days after conveyance of seventy-five percent (75%) of the Lots That May Be Created to Owners other than the Declarant.

All directors and officers appointed by the Declarant shall be subject to removal and replacement at any time and from time to time by the Declarant in its sole and absolute discretion.

(b) Not later than sixty (60) days after conveyance to Owners, other than a Declarant, of twenty-five percent (25%) of the Lots That May Be Created, at least one (1) member, and not less than twenty-five percent (25%) of the members of the Board, shall be elected by Owners other than a Declarant. Not later than sixty (60) days after conveyance to Owners, other than a Declarant, of fifty percent (50%) of the Lots That May Be Created, not less than one-third (1/3) of the members of the Board must be elected by Owners other than a Declarant.

Directors elected by the Owners under this subsection (b) shall hold office for a term of one (a) year, or until the election described under subsection (c) of this Article IV occurs, whichever occurs first.

(c) Except as otherwise provided above, not later than the termination of the Period of Declarant Control (as defined by the Declaration), the Owners, including Declarant, shall elect a Board of at least three (3) members, at least a majority of whom must be Owners other than the Declarant. The Board shall elect the officers. These Board members and officers shall take office upon termination of the Period of Declarant Control.

The Owners shall elect at least one director for a term of one (1) year, at least one director for a term of two (2) years, and at least one director for a term of three (3) years, and at each annual meeting thereafter the Owners shall elect the same number of directors as there are directors whose terms are expiring at the time of each election, for terms of three (3) years.

3. Removal. The Members, by a two-thirds (2/3) vote of all Persons present and entitled to vote at any meeting of the Members at which a quorum is present, may remove any members of the Board with or without cause, other than a Board member appointed by the Declarant. Declarant may at any time remove, and appoint the successor of, any member of the Board who was appointed by the Declarant. In the event of death, resignation or removal of a director, his or her successor shall be selected by a majority of the remaining members of the Board, whether or not such remaining members constitute a quorum, and shall serve for the unexpired term of the director being replaced; provided, however, that the Declarant may appoint the successor of any director who served in such capacity as a result of being appointed by the Declarant.

4. Compensation. No director shall receive compensation for any service rendered to the Association. However, any director may be reimbursed for actual expenses incurred in the performance of the director's duties.

5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all of the directors. Any action so approved shall have the same effect as though taken at a meeting of the Board.

6. Conflicts of Interest. If any contract, decision, or other action taken by or on behalf of the Board would financially benefit any director of the Board or any person who is a parent, grandparent, spouse, child, or sibling of a director of the Board or a parent or spouse of any of those persons, that director of the Board shall declare a conflict of interest for that issue. The director shall declare the conflict in an open meeting, prior to any discussion or action on that issue. After making such declaration, the director may participate in the discussion but shall not vote on that issue. Any contract entered into in violation of this section is void and unenforceable.

ARTICLE V NOMINATION AND ELECTION OF DIRECTORS

1. Nomination. Nomination for election to the Board may be made by a Nominating Committee if such a Committee is appointed, from time to time, by the Board. Nominations may also be made from the floor at any Member meeting.

2. Election. Election to the Board shall be by secret written ballot, pursuant to the procedures set forth in Article III, Section 5(b) herein. At such election the Owners or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI MEETINGS OF THE BOARD

1. Regular Meetings. Regular meetings of the Board shall be held not less often than annually, without notice, at such place and hour as may be fixed from time to time by the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

2. Special Meetings. Special meetings of the Board shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days' notice to each director.

3. Quorum; Actions of Board. A quorum is deemed present throughout any meeting of the Board if directors entitled to cast fifty percent (50%) of the votes on the Board are present at the beginning of 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.

4. Open Meetings.

(a) All regular and special meetings of the Board, or any committee thereof, shall be open to attendance by all Members of the Association or to any Member's designated representative. Agendas for meetings of the Board shall be made reasonably available for examination by all Members or their designated representatives.

(b) All Members or designated representatives so desiring shall be permitted to attend, listen and speak at an appropriate time during the deliberations and proceedings as further set forth by policies, procedures or rules adopted by the Board.

(c) The Board may place reasonable time restrictions on those persons speaking during the meeting but shall permit a Member or a Member's designated representative to speak before the Board takes formal action on an item under discussion, in addition to any other opportunities to speak. The Board shall provide for a reasonable number of persons to speak on each side of an issue.

(d) Upon the final resolution of any matter for which the Board received legal advice or that concerned pending or contemplated litigation, the Board may elect to preserve the attorney-client privilege in any appropriate manner, or it may elect to disclose such information, as it deems appropriate, about such matter in an open meeting.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD

1. Responsible Governance Policies. To promote responsible governance, the Association shall:

(a) maintain accounting records using generally accepted accounting principles; and

(b) adopt policies, procedures, and rules and regulations concerning the following: collection of unpaid assessments; handling of conflicts of

interest involving Board members; conduct of meetings, which may refer to applicable provisions of the nonprofit code or other recognized rules and principles; enforcement of covenants and rules, including notice and hearing procedures and the schedule of fines; inspection and copying of Association records by Members; investment of reserve funds; and procedures for the adoption and amendment of policies, procedures, and rules.

2. Owner Education. The Association shall provide, or cause to be provided, education to Members at no cost on at least an annual basis as to the general operations of the Association and the rights and responsibilities of Members, the Association, and its Board under Colorado law. The criteria for compliance with this Section 2 shall be determined by the Board.

3. Powers. The Board shall have power to:

(a) adopt and publish rules and regulations governing the use of the Lots and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and the right of a Member to use recreational facilities, if any, during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of published rules and regulations;

(c) enter into, make, perform or enforce contracts, licenses, leases and agreements of every kind and description. The following contracts and leases, if entered into before the Board elected by the Owners pursuant to Article IV, Section 2(b), of these Bylaws takes office, may be terminated without penalty by the Association at any time after the Board elected by Owners pursuant to Article IV, Section 2(b) takes office upon not less than ninety (90) days' notice to the other party:

(i) any management contract, employment contract or lease of recreational or parking areas or facilities;

(ii) any other contract or lease between the Association, Declarant or an Affiliate of a Declarant;

(iii) any contract or lease that is not bona fide or was unconscionable to the Owners at the time entered into under the circumstances then prevailing.

(d) 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 these Bylaws, the Articles of Incorporation or the Declaration;

(e) declare the office of a member of the Board to be vacant in the event such member shall be absent from two (2) regular meetings of the Board during any one year period;

(f) employ a manager, an independent contractor, or such other employees as they deem necessary, and prescribe their duties.

(g) authorize and account for as a common expense, reimbursement of Board members for their actual and necessary expenses incurred in attending educational meetings and seminars on responsible governance of Owners' Associations. The course content of such educational meetings and seminars shall be specific to Colorado, and shall make reference to applicable sections of the Act.

4. Duties. It shall be the duty of the Board to:

(a) cause to be kept a record of all its acts and corporate affairs and 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 Members entitled to cast at least one-fourth ($\frac{1}{4}$) of the votes at such meeting;

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

(c) issue, or cause an appropriate officer or authorized agent to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment as to all persons who rely thereon in good faith;

(d) comprise and act as the architectural control committee as that function is described in the Declaration. Any of the aforesaid duties may be delegated by the Board to any other person(s) or to the managing agent; and,

(e) within ninety (90) days after adoption of any proposed budget for the Project, the Board shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all the Members and shall set a date for a meeting of the Members to consider the budget. The Board shall give notice to the Members of the meeting as provided for in Article III, Section 3 herein. Unless the Declaration requires otherwise, the budget proposed by the Board does not require approval

from the Members and it will be deemed approved by the Members in the absence of a veto at the noticed meeting by a majority of all Members, or if permitted in the Declaration, a majority of a class of Members, or any larger percentage specified in the Declaration, whether or not a quorum is present. In the event that the proposed budget is vetoed, the periodic budget last proposed by the Board and not vetoed by the Members must be continued until a subsequent budget proposed by the Board is not vetoed by the Members.

5. Delegation of Powers to Managing Agent. If the Board delegates its powers relating to the collection, deposit, transfer or disbursement of Association funds to a managing agent, the following shall be required:

(a) the managing agent shall maintain fidelity insurance coverage or a bond in an amount not less than fifty-thousand dollars (\$50,000) or such higher amount as the Board may require;

(b) the managing agent shall maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the managing agent and shall maintain all reserve accounts of the Association separate from operational accounts of the Association;

(c) the managing agent, a public accountant, or a certified public account, shall prepare and present to the Association an annual accounting for the Association funds and a financial statement

6. Limitation on Powers. The Board may not act on behalf of the Association to amend the Declaration, to terminate the Project or to elect members of the Board or determine the qualifications, powers and duties, or terms of office of Board members, but the Board may fill vacancies in its members for the unexpired portion of any term.

ARTICLE VIII RIGHTS OF THE ASSOCIATION

The Association may exercise any and all rights or privileges given to it under the Declaration, the Articles of Incorporation or these Bylaws, or as may otherwise be given to it by law, and every other rights or privilege reasonably to be implied therefrom or reasonably necessary to effectuate any such right or privilege.

ARTICLE IX
OFFICERS AND THEIR DUTIES

1. Enumeration of Offices. The officers of this Association may be a president and vice-president, a secretary, a treasurer, and such other offices as the Board may from time to time by resolution create.

2. Election of Officers. The Board shall elect the officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

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

4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

5. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed such vacancy shall serve for the remainder of the term of the officer replaced.

7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

8. Duties. The duties of the officers, which are delegable to other persons or the managing agent, are as follows:

(a) President: The president shall preside at all meetings of the Board and Members; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgage, deeds and other written instruments; and shall co-sign or authorize a designated agent to co-sign promissory notes and checks of the Association.

(b) Vice-President: The vice-president shall act in the place and stead of the president in the event of the president's absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of the vice-president by the Board.

(c) Secretary: The secretary or a designated agent shall record the votes and keep the minutes of all meetings and proceedings of the Board 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 and of the Members; shall keep appropriate current records showing the names of the Members together with their addresses; shall prepare, execute, certify and record amendments to the Declaration on behalf of the Association; and shall perform such other duties as required by the Board.

(d) Treasurer: The treasurer or a designated agent 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; shall sign or authorize a designated agent to sign promissory notes and checks of the Association; shall keep proper books of account; shall cause an annual compilation report of the Association books to be made by a Certified Public Accountant at the completion of each fiscal year or, at the option of the Board, an annual review or audited financial statement may be required; and shall prepare an annual budget to be presented to the membership, and deliver a copy of each to the Members.

(e) Any officer of the Association may prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

ARTICLE X COMMITTEES

The Board of the Association shall appoint the Architectural Review Committee, subject to the provisions of the Declaration. In addition, the Board may appoint other committees as it deems appropriate in carrying out its purposes.

ARTICLE XI BOOKS AND RECORDS

1. The Association shall keep the following books and records:

(a) Financial records sufficiently detailed to enable the Association to comply with C. R.S. 38-33.3-316(8) concerning statements of unpaid assessments;

(b) Shall keep as permanent records: minutes of all meetings of Members and the Board, a record of all actions taken by the Members or the Board by written ballot or written consent in lieu of a meeting, a record of all actions taken by a committee of the Board in place of the Board on behalf of the Association, and a record of all waivers of notices of meetings of Members and of the Board or any committee of the Board;

(c) A record of Members in a form that permits preparation of a list of the names and addresses of all Members, showing the number of votes each Owner is entitled to vote; and

(d) Shall keep a copy of each of the following records at its principal office: its Articles of Incorporation; the Declaration; its Bylaws; resolutions adopted by its Board relating to the characteristics, qualifications, rights, limitations, and obligations of Members or any class or category of Members; the minutes of all Members meetings, and records of all action taken by Members without a meeting, for the past three (3) years; all written communications within the past three (3) years to Members generally as Members; a list of the names and business or home addresses of its current members and officers of the Board; its most recent annual report, if any; and all financial audits or reviews conducted during the immediately preceding three (3) years.

2. The Association shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

3. All financial and other records shall be made reasonably available for examination and copying by any Owner and such Owner's authorized agents.

4. The Association may charge a fee, not to exceed the Association's actual cost per page, for copies of Association Records.

5. As used in this Article XI, "reasonably available" means available during normal business hours, upon notice of five (5) business days, or at the next regularly scheduled meeting if such meeting occurs within thirty (30) days after the request, to the extent that: the request is made in good faith and for a proper purpose; the request describes with reasonable particularity the records sought and the purpose of the request; and the records are relevant to the purpose of the request.

ARTICLE XII CORPORATE SEAL

The Association shall have a seal in circular form and within its circumference the words: SHADOW RUN TOWNHOMES HOMEOWNERS ASSOCIATION, INC.

ARTICLE XIII
AMENDMENTS

Subject to the limitations that the Board may not act on behalf of the Association to amend the Declaration, to terminate the Project, or to elect members of the Board or determine the qualifications, powers, duties or terms of Board members, these Bylaws may be amended, at a regular or special meeting of the Board, by a vote of a majority of the votes of a quorum of Board members present in person or by proxy; provided, however, that the written approval of HUD or VA shall be required for any amendments enacted during the Period of Declarant Control if, at the time such amendment is enacted, HUD has insurance or VA has a guarantee(s) on one or more First Mortgages.

ARTICLE XIV
CONFLICTS OF PROVISIONS

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the case of any conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

ARTICLE XV
INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify every director, officer, agent and employee, and any former director, officer, agent and employee, against all loss, costs and expenses, including attorney's fees reasonably incurred in connection with any action, suit, or proceeding to which such person may be made a party by reason of being or having been such a director, officer, agent or employee of the Association, except for matters in which such person shall be finally adjudged to be liable for gross negligence or fraud. Any such indemnity shall be limited to and may only be paid out of the insurance proceeds provided by an insurer furnishing officers and directors errors and omissions insurance coverage and any other insurance protecting the Association from liability because of the negligent acts of its servants, including insurance covering motor vehicles or public liability, property damage, medical and other similar coverage, it being the intent and purpose of this provision to limit all payments or settlements in indemnification to the actual proceeds of insurance policies. No indemnification shall be provided for acts constituting gross negligence, nor fraud or other more reprehensible conduct. In the event of a settlement, the settlement shall be approved by the insurance carrier and paid for by the insurance carrier out of the insurance proceeds. The foregoing rights shall not be exclusive of other rights to which such director, officer, agent or employee may be entitled.

ARTICLE XVI
FISCAL YEAR

The fiscal year of the Association shall begin on the first day of January and end on the last day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

CERTIFICATION

By signature below, the Secretary of the Board of Directors certifies these Bylaws were duly adopted by the affirmative vote of all of the directors of the Board.

Effective the _____ day of _____, 2007.

By:

Joseph Deering, Secretary
Shadow Run Townhomes Homeowners
Association, Inc.