

BYLAWS
OF
SYLVAN LAKE HOME OWNER'S ASSOCIATION, INC.
(A Kansas Non-Profit Corporation)

ARTICLE I

NAME

1.1 NAME. The name of the organization shall be SYLVAN LAKE HOME OWNERS' ASSOCIATION, INC., hereinafter called "Association".

ARTICLE II

PURPOSE AND MEMBER OBLIGATION

2.1 PURPOSE. The corporation is organized and shall be operated exclusively for non-profit purposes. The specific purposes for which the corporation is organized are to operate a home owners' association for the real estate known as Sylvan Lake in Johnson County, Kansas ("Property") to maintain and administer the restrictions, easements and charges contained in the Declaration of Restrictions for Sylvan Lake executed by B. M. W. Communities, Inc., a Kansas corporation, and filed with the Register of Deeds of Johnson County, Kansas on January 15, 1987, and recorded in Volume 2500 at page 850, and the Home Owners' Association Declaration executed by B.M.W. Communities, Inc., a Kansas Corporation, and filed with the Register of Deeds of Johnson County, Kansas on January 15, 1987 and recorded in Volume 2500 at Page 850 (such Declarations referred to herein as the "Declarations"), to collect and disburse assessments and charges, and to engage in any lawful act or activity for which corporations may be organized under the general non-for-profit corporation laws on Kansas.

2.2 MEMBER OBLIGATION. All present or future Members (as defined in Article III), or any other person who might use the facilities of the property in any manner, are subject to the regulations set forth in the Declarations and these Bylaws. The mere acquisition of any of the Lots (hereinafter referred to in the singular as "Lot" or in the plural as "Lots") of the Property

or the mere act of occupancy of any of said Lots will signify that the Declarations and Bylaws are accepted, ratified and will be strictly followed.

ARTICLE III

DEFINITIONS AND TERMS

3.1 DEFINITIONS. Capitalized terms contained herein which are not otherwise defined shall have the same definition as set forth in the Declarations.

3.2 MEMBERSHIP.

Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment. When more than one person holds an interest in any Lot, all such persons shall be Members.

3.3 VOTING RIGHTS.

(a) A Member shall be entitled to one (1) vote on each Lot owned; provided, however, when more than one person holds an interest in any Lot, the vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

(b) Approval of any action shall require the approval of a majority of all votes cast unless the Declarations specifically require otherwise.

3.4 CERTIFICATION. At least fifteen (15) but no more than sixty (60) days before each annual meeting of Members, the Association shall determine and certify the number of Lots occupied by Lot Owners, the number of Members eligible to vote and the Director positions to be elected by the Members.

3.5 NOTICE AND QUORUM. Written notice of any meeting called for the purpose of taking any action shall be sent to all Members not less than ten (10) days nor more than sixty (60) days in

advance of the meeting. The presence of Members entitled to cast votes plus all properly executed proxies properly filed with the Secretary shall constitute a quorum.

3.6 PROXIES. Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary and postmarked three days before the appointed time of each meeting. Unless a proxy specifies a shorter time period, it shall be deemed valid for one (1) year. Proxies may only be revoked by a writing filed with the Secretary, such revocation being effective upon actual receipt of the same by the Secretary. A proxy is void if it is not dated or purports to be revocable without notice.

ARTICLE IV

ADMINISTRATION

4.1 ASSOCIATION RESPONSIBILITIES. The Members constitute the Association and will have the responsibility of administering these Bylaws through the Association Board.

4.2 PLACE OF MEETINGS. All annual and special meetings of the Association shall be held at the principal office of the Association or at such other suitable and convenient place as may be permitted by law and from time to time fixed by the Association Board and designated in the notices of such meetings.

4.3 ANNUAL MEETINGS. Annual meetings shall be held between October 1 and November 30 of each year.

4.4 SPECIAL MEETINGS. It shall be the duty of the President of the Association Board to call a special meeting of the Members, as directed by a petition approved by a simple majority of the Directors of the Association Board, or upon a petition signed by at least twenty percent (20%) of the Members and presented to the Secretary. The President may also call for a special meeting upon his own initiative. The notice of any special meeting shall state the time and place of such meeting and the purpose or purposes thereof, including the items on the agenda, the general nature of any proposed amendment to the Declarations or these Bylaws, any budget changes, and any proposal to remove an officer or Director of the Association Board. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths (4/5) of the Members present, either in person or by proxy.

4.5 ORDER OF BUSINESS. The order of business at all meetings of the Members shall follow Robert's Rules of Order and follow the general format as follows:

- (a) Roll Call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting (unless waived).
- (d) Reports of officers (if any).
- (e) Reports of committees (if any).
- (f) Election of Directors (if applicable).
- (g) Unfinished business (if applicable).
- (h) New business.

ARTICLE V

BOARD OF DIRECTORS

5.1 ASSOCIATION BOARD. The powers of the Association shall be vested in, exercised by and under authority of, and the affairs of the Association shall be controlled by, a Board of Directors consisting of not less than five (5) nor more than seven (7) person who are Members (the "Association Board"). The Association Board, by a majority vote, shall exercise for and on behalf of the Association all powers, duties and authority vested in or delegated to the Association.

5.2 POWERS AND DUTIES. The Association Board shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of a residential homes association. The Association Board may do all such acts and things that are not by these Bylaws or by the Declarations directed to be exercised and done by the Members.

5.3 OTHER POWERS. The Association Board may exercise the following powers, including by way of illustration and not obligation or limitation:

- (a) Assessments. To levy assessments on the Owners of Lots or Living Units and to enforce payment of such

assessments, all in accordance with the provisions of the Declarations.

(b) Right of Enforcement. The Association shall also have the power and authority from time to time in its own name, on its own behalf or on behalf of any Lot Owner or Lot Owners who consent thereto, to commence and maintain actions and suites to restrain and enjoin any breach or threatened breach of the Declarations and to enforce, by mandatory or prohibitive injunction or otherwise, all of the provisions hereof.

(c) Programs. To plan and implement community programs and to conduct Association programs on or in Common Property.

(d) Common Property. To plan, design, acquire, improve, construct on, maintain, lease and equip the Common Property with, by way of example and not limitation of affirmative obligation, parks and other open space, trees, flowers, other landscaping, fountains, benches, shelters, public sculpture, pedestrian, bicycle and equestrian pathways, lighting systems for such pathways, bridges or underpasses for such pathways, earthen dams, retention basins, totlots, playgrounds, ball fields, tennis courts, pools, ice rinks, gymnasiums and other recreational facilities, auditoriums, galleries, child care facilities, theaters, meeting halls, conference rooms, cable television or other similar communication systems, mass transit systems, libraries, office space, storage and maintenance yards, garages and other buildings and facilities deemed necessary or desirable by the Association Board. The Association may also enter into contracts, leases or rental agreements for the purposes of providing such recreational facilities, including boats, as deemed necessary or desirable by the Association Board.

(e) Easements and Rights-of-Way. To grant and convey to any third party easements and rights-of-way in, on, over or under the Common Property and the Property for the purposes of constructing, erecting, operating or maintaining thereon, therein or thereunder: (i) overhead or underground lines, cables, wires, conduits or other devices for the transmission of electricity and for lighting, heating, power, telephone, community television, radio and audio antenna facilities and other purposes; (ii) public sewers, storm water, heating and gas lines or pipes; and (iii) any similar

public or quasi-public improvements or facilities as may be considered necessary for the common good of said community. The Association Board cannot approve of the conveyance and/or mortgage of the Common Property without the consent of a two-thirds (2/3) vote of the Members present, either in person or by valid proxy, and entitled to vote any such meeting at which a quorum is present.

(f) Employment of Agents. To employ the services of any person or corporation as manager (herein, "Manager"), together with other employees, to, as may be directed and delegated by the Association Board, manage, conduct and perform the business, obligations and duties of the Association and to enter into contracts for such purpose; provided, however, that no management contract shall exceed a term of one (1) year and such contract shall be cancelable with or without cause shown by either party upon thirty (30) days' written notice. Such employees shall have the right of ingress and egress over such portions of the Property as is reasonably necessary for the purpose of performing such business, duties and obligations.

(g) Insurance. To obtain and maintain, to the extent reasonably available, such forms, types and amounts of insurance coverage as the Board, in its discretion, deems advisable. Types of insurance the Board may obtain shall include, but are not limited to, casualty insurance to cover damage or loss, up to the replacement cost, or improvements located upon real estate owned by the Association by reason of fire or other hazard covered by a standard extended coverage endorsement; casualty insurance to cover such other property similar in construction, location and use; public extent necessary to comply with any applicable laws; a legal expense indemnity endorsement, or its equivalent, affording protection for the officers and Directors of the Association for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Director shall have been made a party by reason of his or her service as such; fidelity insurance against dishonest acts on the parts of Directors, managers, trustees, employees or volunteers; and such other policies of insurance, including blanket policies of insurance for the common properties, if authorized by applicable Kansas law and by the Board of Directors of the Association.

(h) Management of Improvements. To manage and control for its Members all public improvements upon and to the land in the Property, or improvements on the Common Property.

(i) Trash Collection. To provide for collection and disposal of rubbish and garbage.

(j) Landscape Maintenance. To care for, spray, trim, protect and replant trees on all streets, on the Common Property and on any Lot, if necessary; to care for, protect and replant shrubbery, resow grass and replace sod in parks which are in streets and in any parks set aside for general use of Lot Owners in the Property, or to which such Lot Owners have access and the use thereof, or in landscaped easements where the maintenance thereof is to the welfare and benefit of the Residents, Members and Lot Owners in the judgment of the Association Board.

(k) Maintenance of Vacant Property. To mow, care for, maintain and remove rubbish from vacant or unimproved property and to do any other things necessary or desirable in the judgment of the Association Board to keep any vacant and unimproved property and the parking in front of any property neat in appearance and in good order.

(l) Snow Removal. To provide for plowing and removal of snow from sidewalks and streets.

(m) Maintenance of Public Rights-of-Way. To provide for maintenance of any pedestrian ways, gateways, entrances, fountains, gardens, pools, lighting, water sprinkling systems, landscaped areas within public rights-of-way and platted landscape easements, fences and ornamental features now existing or which may be hereafter erected or created in any public street or park or any Common Property.

(n) Maintenance of Waterways. To provide for maintenance and upkeep of any streets, waterways and natural watercourses within the Property.

(o) Street Lighting. To provide such lights as the Association may deem advisable on streets, parks, pedestrian ways, gateways, entrances, or other features, and on other Common Property or public property.

(p) Street Cleaning. To provide for cleaning of

streets, gutters, catch basins, sidewalks and pedestrian ways, and for repair and maintenance of sewers, storm sewers and appurtenant drainage facilities.

(q) Signs. To erect and maintain signs for the marking of streets and safety signs for protection of children and other persons, after such signs are approved by appropriate public authorities.

(r) Security Protection. To employ duly qualified officers for the purpose of providing such security protection as the Association Board may deem necessary or desirable in addition to the protection rendered by public authorities.

(s) Acquisition of Real Estate. To acquire and own title to such real estate as may be reasonably necessary in order to carry out the purpose of the Association and promote the health, safety, welfare and recreation of Lot Owners; to pay taxes on real estate and facilities owned by it; and to pay such taxes as may be assessed against the Common Property.

(t) Utilities. To provide for, establish, construct, operate and maintain such utilities, including but not limited to pressure sewer systems, as the Association Board may deem advisable on any Property, Common Property or public property.

Consistent with the foregoing, the Association is authorized to execute all powers which a corporation organized under the Not-For-Profit Corporation Law of Kansas may exercise.

5.4 ELECTION AND TERM OF OFFICE. The initial Board of Directors shall be selected by the Incorporators. Thereafter, the Directors, whose terms are expiring in the current fiscal year, shall be elected at the Annual Meeting of the Members and shall be voted on in accordance with Section 3. of these Bylaws. Each Director shall hold office for his term as previously elected and until his successor is duly elected and qualified, except in the event of earlier termination of his term of office by reason of death, resignation or removal from office. If five directors are elected, three (3) will serve for two (2) years and two (2) will serve for one (1) year; if six directors are elected, three (3) will serve for two (2) years and three (3) will serve for one (1)

year; if seven directors are elected, four (4) will serve for two (2) years and three (3) will serve for one (1) year.

5.5 VACANCIES. Vacancies on the Association Board caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Each Director so elected shall serve out the remaining term of his predecessor.

5.6 REMOVAL OF DIRECTORS. At any regular or special meeting duly called, any one (1) or more of the Directors may be removed with or without cause by a two-thirds (2/3) vote of the Members present, either in person or by valid proxy, and entitled to vote at any such meeting at which a quorum is present, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

5.7 ORGANIZATION MEETING. The first (1st) meeting of a newly elected Association Board shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Association Board shall be present.

5.8 REGULAR MEETINGS. Regular meetings of the Association Board may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Association Board shall be given to each Director, personally, by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

5.9. SPECIAL MEETINGS. Special meetings of the Association Board may be called by the president or Secretary, or upon the written request of a simple majority of Directors. The President or Secretary will give three (3) days' personal notice to each Director by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

5.10 WAIVER OF NOTICE. Before or at any meeting of the Association Board, any Director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the

giving of such notice. Attendance by a Director at any meeting of the Association Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Association Board, no notice shall be required, and any business may be transacted at such meeting.

5.11 BOARD OF DIRECTORS' QUORUM. At any meeting of the Association Board, the presence at the beginning of such meeting of persons entitled to cast a simple majority of the votes on the Association Board shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Association Board. If, at any meeting of the Association Board, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such subsequent meeting at which a quorum is present, any business which might have been transacted at the meeting, as originally called, may be transacted without additional notice.

5.12 FIDELITY BONDS. The Association may maintain adequate fidelity bonds for all officers, Directors, trustees, and employees of the Association and for all other persons handling or responsible for funds of, or administered by, the Association. In the event the Association delegates some or all of the responsibility for the handling of funds to a management agent, such bonds shall be maintained for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The total amount of fidelity bond coverage required hereunder shall not be less than the estimated maximum funds in the custody of the Association or the management agent, if any, at any given time during the term of each bond. In no event shall the aggregate amount of such bonds be less than a sum equal to three (3) months' aggregate assessments on all Lots. Such bonds shall also meet the following requirements:

- (a) fidelity bonds shall name the Association as an obligee;
- (b) the bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions;
- (c) the premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by a management agent for its officers, employees and agents)

shall be paid by the Association as a common expense;

(d) the bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days' prior written notice to the Association.

ARTICLE VI

OFFICERS

6.1 DESIGNATION. The officers of the Association shall be a President, one or more Vice Presidents, Secretary and Treasurer, all of whom shall be elected by the Association Board.

6.2 ELECTION OF OFFICERS. The officers of the Association shall be elected annually by the Association Board at the organization meeting of each new Association Board and shall hold office at the pleasure of the Association Board.

6.3 REMOVAL OF OFFICERS. Upon an affirmative vote of a simple majority of the Directors of the Association Board, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Association Board or at any special meeting of the Association Board called for such purpose.

6.4 PRESIDENT. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of both the Members and the Association Board. The President shall have all the general powers and duties which are usually vested the office of president of an association, including, but not limited to, the power to appoint committees from among the Members to assist in the administration of the affairs of the Association. The President, or the designated alternate, shall represent the Association at all meetings of SYLVAN LAKE HOME OWNERS' ASSOCIATION, INC.

6.5 VICE PRESIDENT. The Vice President shall perform all of the duties of the President in his absence and such other duties as may be required from time to time by the Association Board.

6.6 SECRETARY.

(a) The Secretary shall keep the minutes of all

meetings of the Association Board and the minutes of all meetings of the Members. He shall have charge of such books and papers as the Association Board may direct; and he shall, in general, perform all the duties incident to the office of the Secretary.

(b) The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Members and their last known addresses as shown on the records of the Association. Such list shall be open for inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

(c) The Secretary shall issue notices of all regular and special meetings of the Members and the Association Board as set forth in paragraphs 3.5, 5.8 and 5.9 above.

6.7 TREASURER. The Treasurer shall receive and deposit in appropriate bank accounts all money of the Association and shall disburse such as directed by resolution of the Association Board; provided, however, that a resolution of the Association Board shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Association Board, including authority to sign all checks and promissory notes of the Association; keep proper books of account; cause an annual statement of the Association's books to be made at the completion of each fiscal year; prepare an annual budget and a statement of income expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members; and prepare all other duties assigned to him by the Association Board.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

7.1 INDEMNIFICATION. The Association shall indemnify every Director or officer, his heirs, executors and administrators, against all loss, cost and expense, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party in connection with his being or having been a Director or officer of the Association, except in matters of gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters in which the Association is

advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or officer may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the Association in connection with the foregoing indemnification provision shall be treated and handled by the Association as Common Expenses; provided, however, nothing contained in this Article VII shall be deemed to obligate the Association to indemnify any Member who is or has been a Director or officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declarations as an Owner of a Lot covered thereby.

ARTICLE VIII

OBLIGATIONS OF THE MEMBERS

8.1 ASSESSMENTS. All Members shall be obligated to pay the Assessments imposed pursuant to the approved Association Budget, and any user fees, Annual or Special Assessments as defined in the Declarations. The Assessments shall be due in advance, or at dates otherwise deemed by the Board of Directors by resolution. A Member shall be deemed to be in good standing and entitled to vote at any annual or special meeting of Members, within the meaning of these Bylaws, only if such Member is current in the Assessments, user fees, Annual and Special Assessments made or levied against him.

8.2 GENERAL.

(a) Each Member shall comply strictly with the provisions of the Declarations.

(b) Each Member shall always endeavor to observe and promote the purposes for which the Property was built.

8.3 USE OF COMMON PROPERTY. Each Member may use the Common Property in accordance with the purposes for which they were intended.

ARTICLE IX

AMENDMENT TO BYLAWS

9.1 BYLAWS. These Bylaws may be amended by the Association at any Regular or Special meeting duly constituted. No amendment shall take effect unless approved by an affirmative vote of a simple majority of members with ownership interest in the Property who appear at a Regular or Special Meeting plus all proxies properly filed with the Secretary.

ARTICLE X

NON-PROFIT ASSOCIATION

10.1 NON-PROFIT PURPOSE. The corporation is irrevocably dedicated to and operated exclusively for, non-profit purposes; no part of the income or assets of the corporation shall be distributed to, nor inure to the benefit of, any of its Members, officers, Directors or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, nor intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these Articles, the corporation shall not carry on any activities not permitted to be carried on: (a) by a corporation exempt from federal income tax under Section 501(C)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provisions of any future United States Internal Revenue law); or (b) by a corporation, contributions to which are deductible under Section 170(C)(2).

ARTICLE XI

PRINCIPAL OFFICE

11.1 ADDRESS. The principal office of the Association shall be located at a suitable and convenient place as shall be permitted by law and designated by the Directors.

ARTICLE XII

EXECUTION OF INSTRUMENTS

12.1 AUTHORIZED AGENTS. The persons who shall be authorized to execute any and all instruments of conveyance or encumbrances, including promissory notes, shall be the President and the Secretary of the Association.