

BYLAWS
OF
CHAPELWOODS ESTATES OWNERS ASSOCIATION

ARTICLE I
Definitions

All terms as used in these Bylaws shall, unless stated otherwise, be defined as set forth in that certain Declaration of Covenants, Conditions and Restrictions Establishing a Plan of Condominium Ownership applicable to the condominium development commonly known as CHAPELWOODS ESTATES, Tract No. 37643 and situated in the County of Los Angeles, California, and any amendments thereto (the "Declaration"). All of the terms and provisions of the Declaration, and any amendments thereto, are hereby incorporated herein by reference.

ARTICLE II
Office

The principal office for the transaction of the business of the Association is hereby fixed and located within the Project, or as close thereto as practicable in the County of Los Angeles, State of California. The Board is hereby granted full power and authority to change said principal office from one location to another within said County.

ARTICLE III
Members

Section 1 - Membership

Each person or entity who is an Owner shall be a Member as provided in the Declaration. Members may not otherwise be admitted. The provisions of these Bylaws, which are binding upon all Members, are not exclusive, as Members shall also be subject

To the terms and provisions of the Articles, the Declaration and Association Rules.

Section 2 - Termination of Membership

Membership in the Association shall automatically terminate when such Member no longer holds an interest in a Condominium entitling him to such membership.

Section 3 - Voting Rights

The Association shall have the classes of voting membership and the Members shall have the same voting rights as are set forth in the Declaration.

Section 4 - Membership Certificates

In its discretion, the Board may, but need not, issue appropriate membership certificates evidencing membership in the Association.

Section 5 - Plural Memberships

A Member may own more than one (1) membership in the Association by complying with the qualifications of membership as to more than one (1) Condominium as set forth in Section 1 of this Article.

Section 6 - Assessments

The Members shall be jointly, severally and personally liable for payment of such Assessments as may from time to time be fixed and levied by the Board pursuant to the provisions of the Declaration and these Bylaws.

Section 7 - Enforcement of Payment of Assessments

Should any Member fail to pay his Assessments, the Association, in the discretion of the Board, shall have the right to enforce payment of such Assessments pursuant to the Declaration.

Section 8 - Association Rules; Enforcement

The following provisions shall govern the promulgation of the Association Rules authorized by the Declaration which shall include the establishment of a system of fines and penalties:

(a) The Board in its discretion shall adopt such rules and regulations as are consistent with and in furtherance of existing law, the Declaration, the Articles and these Bylaws. Such rules and regulations shall take effect as the Association Rules.

(b) The Board in its discretion shall adopt a list of specific fines and penalties for the violation by any Member of the provisions of the Declaration, the Articles, these Bylaws and the Association Rules, including suspension of voting and other rights of Members; provided, however, no such violation shall entitle the Board or the Association to cause a forfeiture or abridgement of a Member's rights to full use and enjoyment of the Unit of his Condominium, including all necessary access thereto. Such fines and penalties shall be binding on all Members and may be enforceable by the Board as a Special Assessment. Such remedy shall not be deemed to be exclusive and the Board shall have such other remedies as are provided for by applicable law, the Declaration, the Articles, these Bylaws and the Association Rules.

(c) Any Association Rules promulgated pursuant to this Section shall provide that no fine or penalty shall be imposed or levied without the following procedural safeguards:

(i) a written statement of the alleged violations shall be mailed to any Member against whom such charges are made by first-class or registered mail addressed to such Member at his last address as shown on the Association's records, and such written statement shall set forth the place, time and date (which date shall not be less than fifteen (15) days after the date of mailing of such statement) on which the charges shall be heard;

(ii) The Board shall appoint a panel of three (3) capable persons (one of whom shall be designated a chairman) who may or may not be directors or Members and who shall hear the charges and evaluate the evidence of the alleged violation;

(iii) At such hearing the Member so charged shall have the right to be heard by the presentation of oral or written evidence and to confront and cross-examine adverse witnesses; and

(iv) Within thirty (30) days after the conclusion of such hearing, the panel shall notify the Member so charged by mail as aforesaid of its decision, which notice shall specify the fines or penalties to be imposed or levied, if any, and the reasons therefor, and which notice shall state that such fines or penalties shall become effective on a date certain which shall not be less than fifteen (15) days after the date on which such notice is mailed to such Member.

(d) In the event that a Member shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

ARTICLE IV Meetings of Members

Section 1 - Place of Meeting

All meetings of Members shall be held at the principal office of the Association, or at such other place in said County as may be fixed from time to time by resolution of the Board as close thereto as shall be reasonably possible.

Section 2 - Organizational and Annual Meetings

There shall be an organizational meeting held as soon as possible following incorporation of the Association. Subsequent to the organizational meeting, the first annual meeting of the Members shall be held within forty-five (45) days after sales of fifty-one percent (51%) of the Condominiums located within the Project have closed escrow, or within six (6) months after the first sale of a Condominium has closed escrow, whichever occurs first, and each subsequent regular annual meeting of the Members shall be held on the same day of each year thereafter. If the day for the annual meeting of the Members is a legal holiday, the meeting shall be held on the first day following which is not a legal holiday. The Board shall fix the hour for the holding of regular annual meetings.

Section 3 - Special Meetings

(a) Authorized Persons Who May Call. A special meeting of the Members may be called at any time by any of the following: The Board, the Chairman of the Board, if any, or the President. A special meeting of the Members may also be called at any time by five percent (5%) or more of the Members.

(b) Calling Meetings by Members. If a special meeting is called by Members other than the President, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, the President, any Vice-President, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of Sections 4 and 5 of this Article IV, that a meeting will be held, and the date for such meeting, which date shall be not less than thirty-five (35) days nor more than ninety (90) days following the receipt of the request. If the notice is not given within the twenty (20) days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board or by an officer, as aforesaid.

Section 4 - Notice of Members' Meetings

(a) General Notice Contents. All notices of meetings of Members both special and annual, shall be sent or otherwise given in accordance with this Section not less than ten (10) days nor more than ninety (90) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the

business to be transacted, and that no other business may in that case be transacted, or (ii) in the case of the annual meeting, those matters which the Board or persons calling the meeting at the time of giving the notice intend to present for action by the Members.

(b) Notice of Certain Agenda Items. If action is proposed to be taken at any meeting for approval of any of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice states the general nature of the proposal(s):

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board by the Members;
- (iii) Amending the Articles; and
- (iv) Approving a contract or transaction in which a director has a material financial interest.

(c) Manner of Giving Notice. Notice of any meeting of Members, both annual and special, shall be given either personally or by first-class mail, telegraphic or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other address has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in said County where the principal office of the Association is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

(d) Affidavit of Mailing Notice. An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary, Assistant Secretary, or any other party giving the notice, and, if so executed, shall be filed and maintained in the minute book of the Association.

Section 5 - Quorum

(a) Percentage Required. Sixty-six and two-thirds percent (66 2/3%) of the voting power, represented in person or by proxy, shall constitute a quorum at all meetings of Members. If a quorum is present, the affirmative vote of a majority of the total voting power of the Association (and not such percentage of those Members at the meeting) shall be the act of the Members unless the vote of a greater number or voting by classes is required by the Articles, the Declaration or these Bylaws.

(b) Loss of Quorum. The Members present at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the total voting power of the Association or the vote of a greater number or voting by classes is required by the Articles, the Declaration or these Bylaws.

Section 6 - Adjourned Meetings

Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the Members represented at the meeting, either in person or by proxy; provided, however, an adjournment for lack of a quorum shall be to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. If after adjournment a new date is fixed for the adjourned meeting, notice of the time and place of such adjourned meeting shall be given to Members in the manner prescribed for the giving of notice of annual and special meetings of Members. In the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 5 of this Article IV.

*Quorum changed to
75% effective 5/13/84
per majority vote of HO's
at gen'l meeting*

Section 7 - Action by Written Consent of Members

(a) General. Other than the election of directors, any action which may be taken at any annual or special meeting of Members may be taken without a meeting if the Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association.

(b) Valid Approval. Approval by written ballot pursuant to this Section shall be valid only when the number of votes cast by ballot within the time period specified in the ballots equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of votes cast by ballot equals or exceeds the number of votes (including votes by classes) that would be required to approve the action at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(c) Transmittal of Ballots. Ballots shall be delivered personally or by mail or other means of written communication addressed to a Member at the address of such Member appearing in the books of the Association or given by the Member to the Association for purpose of notice: or, if no such address appears or is given, at the place where the principal of the Association is located or by publication at least once in a newspaper of general circulation in the County in which the principal office is located. An affidavit of transmittal in accordance with the provisions of this subsection, executed by the Secretary or Assistant Secretary, shall be prima facie evidence of the effective transmittal of ballots.

(d) Form of Ballots. Each ballot shall afford the opportunity thereon to specify a choice between approval and disapproval of each matter or group of related matters intended at

the time of distribution of the ballot to be acted upon by such written ballot.

Section 8 - Proxies

(a) Right of Members. Every person entitled to vote shall have the right to do so either in person or by one or more agents authorized by a written proxy, signed by the person and filed with the Secretary of the Association. A proxy shall be deemed signed if the Member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the Member or the Member's attorney-in-fact.

(b) Revocability. A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the Member executing it before the vote cast pursuant to that proxy, by a writing delivered to the Association stating that the proxy is revoked, by a subsequent proxy executed by such Member or by personal attendance and voting at a meeting by such Member, or (ii) written notice of the death or incapacity of the maker of the proxy is received by the Association before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of the California Nonprofit Corporation Law.

(c) Form of Solicited Proxies. In any election of directors, any form of proxy that is marked by a Member "withhold," or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, shall not be voted either for or against the election of a director. Failure to comply with this subparagraph shall not invalidate any election of directors held, but may be the basis for challenging the proxy at a meeting.

(d) Effect of Member's Death. A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of the death or incapacity is received by the Association.

Section 9 - Order of Business

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

- (a) roll call;
- (b) proof of notice of meeting or waiver of notice;
- (c) reading of minutes of preceding meeting;
- (d) reports of Board and officers;
- (e) election of directors, if any are to be elected;
- (f) unfinished business; and
- (g) new business.

Section 10 - Parliamentary Procedure

All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order.

ARTICLE V

Directors

Section 1 - Powers

In addition to the powers and duties of the Board as set forth in the Declaration, the Articles, or elsewhere in these Bylaws, and subject to limitations of the Articles, the Declaration or these Bylaws, and of the California Nonprofit Corporation Law as to action to be authorized or approved by the Members, all corporate powers shall be exercised by, or under the authority of, and the business and affairs of the Association, shall be controlled by, the Board. Without prejudice to such general powers but subject to the same limitations, the Board is vested with and shall have the following powers:

(a) To select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles, the Declaration and/or these Bylaws, to fix the compensation of agents and employees and to require from them security for faithful service when deemed advisable by the Board;

(b) To conduct, manage and control the affairs and business of the Association, and to enforce such rules and regulations therefor consistent with law, with the Articles, the Declaration and/or these Bylaws, as the Board may deem necessary or advisable;

(c) To fix, determine and name from time to time, if necessary or advisable, the nonprofit corporation, city or public agency which is then or thereafter organized or operated for purposes similar to the purposes of this Association to which the assets of this Association shall be distributed upon liquidation or dissolution according to the Articles, which assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Association and after distribution of all property held or acquired by the Association under the terms of a specific trust or trusts; and

(d) To adopt and use a corporate seal.

Section 2 - Number and Qualification of Directors

The Board shall consist of the number of initial directors named in the Articles until changed by amendment of these Bylaws, fixing or changing such number, but in no event shall the authorized number of directors be less than three (3). A person may serve as a director without being a Member.

Section 3 - Election and Term of Office

Until the holding of the first annual meeting of the Members referred to in the Article of these Bylaws entitled "Meetings of Members," the Board shall consist of those directors who constituted the first directors of the Association. The

directors shall be elected at each annual meeting of Members for concurrent annual terms, but if any such annual meeting is not held, or if the directors are not elected thereat, the directors may be elected for concurrent annual terms at any special meeting of Members held for that purpose. All directors shall hold office until their respective successors are elected.

Section 4 - Cumulative Voting

Voting for directors shall be by secret written ballot. Cumulative voting in the election of directors shall be required for all elections in which more than two (2) directors are to be elected. If cumulative voting is required, every Member entitled to vote for any election of directors shall have the right to cumulate his votes and give one (1) candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which he is entitled, or to distribute his votes on the same principle among as many candidates as he shall think fit. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. In connection with the foregoing, the Board shall (i) cause at least one (1) Member to give notice at the meeting and before the voting of such Member's intention to cumulate his votes, and (ii) shall cause all candidates names to be placed in nomination before the voting.

Section 5 - Special Voting Rights

The Members excluding Declarant shall be entitled to elect one (1) director under the circumstances set forth in the Declaration. Notwithstanding the provisions of the Section of this Article entitled "Removal of Directors," any director so elected may not be removed without the vote or assent of a majority of the voting power of the Members excluding Declarant.

Section 6 - Election Committee

An Election Committee shall be appointed annually by the Board to make rules for and supervise nominations, voting procedures, voting requirements and the orderly and fair election of directors. The Election Committee shall consist of a Chairman, who shall be a member of the Board, and two (?) or more persons who shall be Members; provided, however, so long as any Class B

membership is outstanding, the Board may appoint persons who are not Members to the Election Committee. The Election Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations shall be made at a time so as to permit the Secretary or other persons giving notice of such meeting to Members to include a list of such nominations therewith. Nominations to serve on the Board may also be made from the floor at any meeting of the Members at which directors are elected.

Section 7 - Removal of Directors

At any special meeting of the Members notice of which has been properly given as provided in these Bylaws, the entire Board or any individual director may be removed from office as hereinafter set forth, provided that the same notice of said special meeting has also been given to the entire Board or any individual director whose removal is to be considered at such special meeting. The entire Board or any individual director may be removed from office by a majority of the affirmative votes cast in the voting on any motion or resolution for removal. However, unless the entire Board is removed by the vote of Members, an individual director shall not be removed prior to the expiration of his term if the number of votes cast against his removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of directors were then being elected. Upon any such motion or resolution for removal, every Member may cumulate his vote or votes, as the case may be, in the same manner as provided for the election of directors in these Bylaws. In the event that any or all directors are so removed, new directors shall be elected at the same meeting. Notwithstanding the foregoing, a director elected pursuant to the special voting

rights set forth in the Declaration may only be removed by the vote of a majority of the voting rights held by Members other than Declarant.

Section 8 - Vacancies

A vacancy or vacancies on the Board shall be deemed to exist in case of the death, resignation or removal of any director, or in the case of a declaration of the Board of a vacancy by reason of a director having been declared of unsound mind by an order of court or convicted of a felony or having been found by final order or judgment by any court to have breached a duty under Sections 7230 and following of the California Nonprofit Corporation Law or any similar statutory section then in effect. If the Members shall increase the authorized number of directors but shall fail to elect additional directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or in case the Members fail to at anytime elect the full number of the authorized directors, a vacancy or vacancies shall also be deemed to exist. Vacancies on the Board created other than by removal may be filled by a vote of a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of Members or at a special meeting called for that purpose. Vacancies on the Board created by removal may only be filled by the vote of Members. The Members may at any time elect a director to fill any vacancy which the remaining directors are permitted to fill and have not filled, and may elect the additional directors at the meeting at which an amendment of the Articles or Bylaws is voted authorizing an increase in the number of directors. If any director tenders his resignation to the Board, the Board shall have power to elect a successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office. Notwithstanding the foregoing, a vacancy caused by the death, resignation or removal of any director

electd pursuant to the special voting rights of Members excluding Declarant set forth in the Declaration may only be filled by vote of a majority of the voting rights held by Members excluding Declarant.

Section 9 - Place of Meetings

All meetings of the Board shall be held at a place within the Project designated by the Board.

Section 10 - Organization Meeting

Immediately following each annual meeting of the Members, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 11 - Other Regular Meetings

Other regular meetings of the Board may be fixed from time to time by resolution of the Board; provided, however, should said day fall upon a legal holiday, then the meeting which otherwise would be held on said day shall be held at the same time on the next day thereafter ensuing which is not a legal holiday. Notice of the time and place of any regular meeting shall be posted at a prominent and accessible place or places within the Project and shall be communicated to the directors not less than four (4) days prior to the meeting; provided, however, that notice of the meeting need not be given to any director who has signed a waiver of notice or written consent to holding the meeting. Notices shall be delivered personally to the directors or sent to each director by letter or telegram, postage or charges prepaid, addressed to him at his address as it is shown upon the records of the Association. In case such notice is mailed or telegraphed, it shall be deposited in the United States Mail or delivered to the telegraph company at or near the place in which the principal office of the Association is located at least four (4) days prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as provided herein shall be due, legal and personal notice to each director. In no event shall regular meetings of the Board be held less than once every six (6) months.

Section 12 - Special Meetings; Notices

Special meetings of the Board for any purpose may be called at any time by the President or by any two (2) directors other than the President. Not less than seventy-two (72) hours prior to the scheduled time set for any special meeting of the Board, written notice of the time and place of such special meeting and the nature of any special business to be considered thereat shall be posted in a prominent and accessible place or places in the Project and shall be communicated to the directors; provided, however, that notice of the meeting need not be given to any director who has signed a waiver of notice or written consent to holding the meeting. Notices shall be delivered personally to the directors or sent to each director by letter or telegram, postage or charges prepaid, addressed to him at his address as it is shown upon the records of the Association. In case such notice is mailed or telegraphed, it shall be deposited in the United States Mail or delivered to the telegraph company at or near the place in which the principal office of the Association is located at least seventy-two (72) hours prior to the time of the holding of the meeting. Such mailing, telegraphing or delivery as provided herein shall be due, legal and personal notice to each director.

Section 13 - Notice of Adjournment

Notice of adjournment of any Board meeting, either regular or special, need not be given to absent directors, if the time and place are fixed at the meeting adjourned.

Section 14 - Entry of Notice

Whenever any director has been absent from any special meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall be prima facie evidence that due notice of such special meeting was given to such director as required by law and by these Bylaws.

Section 15 - Waiver of Notice

The transaction of any business at any meeting of the Board, however called and noticed to the directors, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

Section 16 - Quorum

A majority of the number of directors as fixed by the Articles or these Bylaws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision made or done by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board.

Section 17 - Adjournment

A majority of a quorum of the directors may adjourn any Board meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the directors present at any Board meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 18 - Presiding Officer

The members of the Board shall elect one (1) of their number to act as Chairman. The Chairman shall preside at all meetings of the Board.

Section 19 - Attendance of Board Meetings by Members

Regular and special Board meetings shall be open to all Members; provided, however, no Member who is not an officer or director shall participate in any deliberation or discussion unless expressly authorized by a majority of a quorum of the Board. The Board may, upon the vote of a majority of the Board's quorum, adjourn a Board meeting and reconvene in executive session exclusive of all Members who are not directors to discuss and vote upon personnel matters, litigation in which the Association is involved and other similar matters requiring confidentiality. The nature of any and all business to be so considered in executive session shall be announced in open session.

Section 20 - Action by Written Consent in Lieu of Meeting

Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action; provided, however, if the Board takes action by unanimous written consent of all of its members, a written explanation of such action taken shall be posted at a prominent place or places within the Project within three (3) days after the written consent of all directors have been obtained. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall state that the action was taken by unanimous written consent of the Board without a meeting, and that these Bylaws authorized the directors to so act. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

ARTICLE VI

Officers

Section 1 - Officers

The officers shall be a President, a Secretary and a Chief Financial Officer, which officers shall be elected by and hold office at the pleasure of the Board. There may also be, at the discretion of the Board, a Chairman of the Board, a Vice President and such other officers as may be appointed in

accordance with the provisions of this Article. The offices of Secretary and Chief Financial Officer may be held by the same person. All officers except the Chairman of the Board, if any, the President and the Vice President may be held by someone who is not a member of the Board.

Section 2 - Election

The officers of the Association, except such officers as may be appointed in accordance with the provisions of the Sections 3 and 5 of this Article, shall be chosen annually by the Board and each shall hold office until he shall resign or shall be removed or otherwise be disqualified to serve, or until his successor shall be elected and qualified.

Section 3 - Subordinate Officers

The Board may appoint 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 are provided in these Bylaws or as the Board may from time to time determine.

Section 4 - Removal and Resignation

Any officer may be removed, either with or without cause, by the vote of a majority of all the directors then in office at any regular or special meeting of the Board at which a quorum is present. Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary of the Association. Any such resignation shall take effect as of the date of the 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.

Section 5 - Vacancies

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 6 - Chairman Of The Board

If such an officer be elected, the Chairman of the Board shall preside at meetings of the Board and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board or prescribed by the Bylaws. If there is no President, the Chairman of the Board shall, in addition, be the chief executive officer of the Association and shall have the powers and duties of the President.

Section 7 - President

The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs of the Association. He shall be an ex-officio member of all standing committees, if any, and shall have the general powers and duties of management usually vested in the office of the President of a corporation, and shall have other powers and duties as may be prescribed by the Board or these Bylaws.

Section 8 - Vice President

In the absence or disability of the President, the Vice President, if any, shall perform all the duties of the President, and when so acting shall have the powers of, and be subject to all the restrictions upon, the office of President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed for him by the Board or these Bylaws.

Section 9 - Secretary

The Secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board may order, of all meetings of directors and Members; with the time and place of the holding of same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present or represented at Members' meetings and the proceedings thereof. The Secretary shall keep, or cause to be kept, at the principal office, a membership register showing the

following: (1) the names and addresses of all members of the Board; (2) the names of the Members and their addresses; (3) the property to which each membership relates; (4) the number of votes represented by each Member; (5) the number and date of membership certificates issued, if any; and (6) the number and date of cancellation of membership certificates, if any. The Secretary shall give, or cause to be given, notice of all meetings of the Members and of the Board required by the Bylaws or by law to be given, and he shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by these Bylaws.

Section 10 - Chief Financial Officer

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association. The books of account shall at all reasonable times be open to inspection by any director or by any Member. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE VII
Indemnification of Directors,
Officers And Other Agents

Section 1 - Definitions

For the purpose of this Article,

(a) "agent" means any person who is or was a director, officer, employee, or other agent of the Association, or is or was serving at the request of the Association, as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee, or agent of a foreign or domestic corporation that was a predecessor corporation of the Association, or of another enterprise at the request of the predecessor corporation;

(b) "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and

(c) "expenses" includes, without limitation, all attorneys' fees, costs, and any other expenses incurred in the defense of any claims or proceedings against an agent by reason of his position or relationship as agent and all attorneys' fees, costs, and other expenses incurred in establishing a right to indemnification under this Article.

Section 2 - Successful Defense by Agent

To the extent that an agent of the Association has been successful on the merits in the defense of any proceeding referred to in this Article, or in the defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the claim. If an agent either settles any such claim or sustains a judgment rendered against him, then the provisions of Section 3 to 5, inclusive, shall determine whether the agent is entitled to indemnification.

Section 3 - Actions Brought by Persons
Other Than the Association

Subject to the required findings to be made pursuant to Section 5, below, the Association shall indemnify any person who was a party, or is threatened to be made a party, to any proceeding other than an action brought by, or on behalf of, the Association, or by an officer, director or person granted related status by the Attorney General, or by the Attorney General on the ground that the defendant director was or is engaging in self-dealing within the meaning of Section 5233 of the California Nonprofit Corporation Law or any similar statutory section then in effect by reason of the fact that such person is or was an agent of the Association, for all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceeding.

Section 4 - Action Brought By
or on Behalf of the Association

(a) Claims Settled Out of Court. If any agent settles or otherwise disposes of a threatened or pending action brought by or on behalf of the Association, with or without court approval, the agent shall receive no indemnification for either amounts paid pursuant to the terms of the settlement or other disposition or for any expenses incurred in defending against the proceeding.

(b) Claims and Suits Awarded Against Agent. 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 brought by or on behalf of the Association, for all expenses actually and reasonably incurred in connection with the defense of that action, provided that both of the following are met:

(i) The determination of good faith conduct required by Section 5, below, must be made in the manner provided for in that Section; and

(ii) Upon application, the court in which the action was brought must determine that, in view of all of the circumstances of the case, the agent should be entitled to indemnity for the expenses incurred. If the agent is found to be so entitled, the court shall determine the appropriate amount of expenses to be reimbursed.

Section 5 - Determination of Agent's Good Faith Conduct

The indemnification granted to an agent in Sections 3 and 4, above, is conditioned on the following:

(a) Required Standard of Conduct. The agent seeking reimbursement must be found, in the manner provided below, that he acted in good faith, in a manner he believed to be in the best interest of the Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use in similar circumstances. The termination of any proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith or in a manner which he reasonably believed to be in the best interest of the Association or that he had reasonable cause to believe that his conduct was unlawful. In the case of a criminal proceeding, the person must have had no reasonable cause to believe that his conduct was unlawful.

(b) Manner of Determination of Good Faith Conduct. The determination that the agent did act in a manner complying with subparagraph (a), above, shall be made by:

- (i) the Board by a majority vote of a quorum consisting of directors who are not parties to the proceeding; or
- (ii) the affirmative vote (or written ballot) of a majority of the total votes of the Members of the Association, with the persons to be indemnified not being entitled to vote hereon; or
- (iii) the court in which the proceeding is or was pending, upon application made by the Association or the agent or

- the attorney or other person rendering services in connection with the defense of the agent, whether or not the application by the agent, attorney, or other person is opposed by the Association.

Section 6 - Limitations

No indemnification or advance shall be made under this Article, except as provided in Sections 2 or 5(b)(iii), in any circumstance when it appears:

(a) that the indemnification or advance would be inconsistent with a provision of the Articles, a resolution of the Members, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) that the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 7 - Advance of Expenses

Expenses incurred in defending any proceeding may be advanced by the Association before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance unless it is determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

Section 8 - Contractual Rights of Non-Directors and Non-Officers

Nothing contained in this Article shall affect any right to indemnification to which persons other than directors and officers of the Association, or any subsidiary hereof, may be entitled by contract or otherwise.

Section 9 - Insurance

In addition to insurance required by the Declaration, the Board may adopt a resolution authorizing the purchase and

maintenance of insurance on behalf of any agent of the Association against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against that liability under the provisions of this Article.

ARTICLE VIII Records and Reports

Section 1 - Inspection Rights

Any Member of the Association may:

- (i) inspect and copy the records of Members' names and addresses and voting rights during usual business hours on five (5) days' prior written demand on the Association, stating the purpose for which the inspection rights are requested; and
- (ii) obtain from the Secretary, on written demand and on the tender of the Secretary's usual charges for such a list, if any, a list of names and addresses of Members who are entitled to vote for the election of directors, and their voting rights, as of the most recent record date for which that list has been compiled, or as of a date specified by the Member after the date of demand. The demand shall state the purpose for which the list is requested. This list shall be made available to any such member by the Secretary on or before the later of ten (10) days after the demand is received or the date specified in it as the date by which the list is to be compiled. Any inspection and copying under this Article may be made in person or by an agent or attorney of the Member and the right of inspection includes the right to copy and make extracts.

Section 2 - Maintenance And Inspection
Of Articles And Bylaws

The Association shall keep at its principal office the original or a copy of the Articles and Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

Section 3 - Maintenance and Inspection
Of Other Corporate Records

The accounting books, records, and minutes of proceedings of Members and the Board and any committee(s) of the Board shall be kept at such place or places designated by the Board, or, in the absence of such designation, at the principal office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed or printed form. The minutes and accounting books and records shall be open to inspection on the written request of any Member at any reasonable time during usual business hours for a purpose reasonably related to the Member's interests as a Member. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts at the Member's expense.

Section 4 - Inspection By Directors

Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Association. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

ARTICLE IX
Miscellaneous

Section 1 - Record Date

The Board may fix a time, in the future, not exceeding fifteen (15) days preceding the date of any annual or special

meeting of the Members, as a record date for the determination of the Members entitled to notice of and to vote in person or by ballot at any such meeting, and in such case only Members of record on the date so fixed shall be entitled to notice of and to vote at such meeting, notwithstanding any transfer of any membership on the books of the Association after any record date so fixed.

Section 2 - Checks and Drafts

All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such officer or officers and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 3 - Contracts; How Executed

The Board, except as in the Declaration and these Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to engage its credit or to render it liable for any purpose or for any amount.

Section 4 - Financial Reports

The Board shall cause the financial statements and information for the Association set forth below to be sent to all Members (regardless of the number of Members or the amount of assets of the Association) within the respective time limits, as follows:

(a) An annual report consisting of the following within one hundred twenty (120) days after the close of the Association's fiscal year:

(i) a balance sheet as of the end of the fiscal year;

(ii) an operating (income) statement for the fiscal year;

(iii) a statement of changes in financial position for the fiscal year; and

(iv) any information required to be reported under Section 8322 of the California Nonprofit Corporation Law or any similar statutory section then in effect.

(b) A balance sheet as of an accounting date which shall be the last day of the month closest in time to six (6) months from the date of the first conveyance of a Condominium and an income statement for an accounting period from the aforesaid date of first conveyance to the aforesaid accounting date within sixty (60) days of said accounting date. Said income statement for the first six (6) months accounting period shall include a schedule of Assessments received or receivable itemized for each Condominium within the Project and by the name of the person or entity assessed therefor; and

(c) A pro forma operating statement (budget) for the next fiscal year, which operating statement shall be sent to Members no later than sixty (60) days before the beginning of such fiscal year.

Section 5 - Preparation of Annual Report

The annual report referred to in Section 4 of this Article shall be prepared by an independent accountant for any fiscal year in which the gross income of the Association exceeds Seventy-five Thousand Dollars (\$75,000.00). If such annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the same was prepared without audit from the books and records of the Association.

Section 6 - Singular Includes Plural

Wherever the context of these Bylaws requires same, the singular shall include the plural and the masculine shall include both the feminine and the neuter.

Section 7 - Fiscal Year

The fiscal year of the Association shall be a calendar year unless and until a different fiscal year is adopted by the Board.

Section 8 - Proof of Membership

No person shall exercise the rights of membership in the Association until satisfactory proof thereof has been furnished to the Secretary. Such proof may consist of either a copy of a duly executed and acknowledged grant deed or title insurance policy showing said person to be the Owner of an interest in a Condominium entitling him to membership. Such deed or policy shall be deemed conclusive in the absence of a conflicting claim based on a later deed or policy.

Section 9 - Roster of Mortgagees

The Owner or Owners of each Condominium shall provide the Board with the names and addresses of all Mortgagees encumbering such Condominium, and the Board, acting on behalf of the Association, shall maintain a Roster of Mortgagees of all Condominiums.

Section 10 - Conflicts

In the case of any conflict between the Articles 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 case of any conflict between the Declaration and the Articles, the Declaration shall control.

ARTICLE X

Amendments

Section 1 - Powers of Members

Bylaws may be amended or repealed, and new Bylaws may be adopted, by the vote or written assent of a majority of the voting power of the Members present and entitled to vote at a meeting of Members duly called for such purpose, which majority shall include

not less than a majority of the voting power of Members other than Declarant. Notwithstanding the foregoing, as long as there is a Class B membership, these Bylaws may be amended or repealed, and new Bylaws may be adopted, only by the vote or written assent of a majority of the voting power of the Members present and entitled to vote at a meeting of Members duly called for such purpose, which majority shall include not less than a majority of the voting power of each of the Class A and Class B membership.

Section 2 - Record of Amendments

Whenever an amendment or new Bylaw is adopted, it shall be placed in the Bylaws in an appropriate place. If any Bylaw is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in the Bylaws.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

- (1) That I am the duly elected and acting Secretary of
CHAPELWOODS ESTATES OWNERS ASSOCIATION,
a California nonprofit mutual benefit corporation; and
- (2) That the foregoing Bylaws constitute the original
Bylaws of said corporation as duly adopted at the first meeting of
the Board of Directors thereof duly held.

IN WITNESS WHEREOF, I have hereunto subscribed my name
this _____.

Secretary

GENERAL ASSUMPTIONS

The project consists of 26-units in one-building with individual parking. Common area include swimming pool, spa, recreation room, bath house with two-saunas and landscaping.

Data used in preparing this Proforma Budget is based on information obtained from the developer and from construction drawings.

The budget as submitted meets, or exceeds, the Operating Cost Manula for Homeowners Associations published by the Department of Real Estate.