

**BYLAWS
OF
PETRINI PLACE
HOMEOWNERS ASSOCIATION**

TABLE OF CONTENTS OF
BYLAWS
OF
PETRINI PLACE
HOMEOWNERS ASSOCIATION

ARTICLE I - NAME AND LOCATION	1
ARTICLE II - DEFINITIONS	1
Section 2.1	1
Section 2.2 "Declaration"	1
ARTICLE III - MEETING OF MEMBERS AND VOTING	2
Section 3.1 Annual Meeting	2
Section 3.2 Special Meetings	2
Section 3.3 Notice, Place of Meetings and Procedure	2
Section 3.4 Quorum	3
Section 3.5 Proxies	3
Section 3.6 Voting	4
(a) Class A	4
(b) Class B	5
Section 3.7 Actions Without a Meeting	5
ARTICLE IV - BOARD OF DIRECTORS	6
Section 4.1 Number of Directors	6
Section 4.2 Term of Office	6
Section 4.3 Removal; Vacancies	6
Section 4.4 Compensation	7
Section 4.5 Action Taken Without a Meeting	7
Section 4.6 Indemnification	7
ARTICLE V - ELECTION OF DIRECTORS	7
Section 5.1 Nominations	7
Section 5.2 Election of Directors	8
ARTICLE VI - MEETINGS OF DIRECTORS	8
Section 6.1 Regular Meetings	8

Section 6.2	Special Meetings	9
Section 6.3	Emergency Meetings	9
Section 6.4	Quorum; Director Votes	9
Section 6.5	Open Meetings	9
Section 6.6	Executive Session	10
Section 6.7	Minutes	10
ARTICLE VII - POWERS AND DUTIES OF THE BOARD OF DIRECTORS . . .		10
Section 7.1	Duties	10
Section 7.2	Powers	11
Section 7.3	Prohibited Acts	12
Section 7.4	Capitalization Fund	14
ARTICLE VIII - OFFICERS AND THEIR DUTIES		14
Section 8.1	Enumeration of Officers	14
Section 8.2	Election of Officers	14
Section 8.3	Term	14
Section 8.4	Special Appointments	14
Section 8.5	Resignation and Removal	15
Section 8.6	Vacancies	15
Section 8.7	Multiple Offices	15
Section 8.8	Duties	15
ARTICLE IX - BANK ACCOUNTS; FINANCIAL STATEMENTS AND REPORTS		16
Section 9.1	Bank Accounts	16
Section 9.2	Financial Documents	16
(a)	Reserve Study	16
(b)	Budget	17
(c)	Financial Statement	18
(d)	Summary of Budget	19
Section 9.3	Statement Regarding Member Defaults	19
Section 9.4	Schedule of Monetary Penalties	19
Section 9.5	Notice Regarding Alternative Dispute Resolution	19
Section 9.6	Summary of Insurance Coverage	20
Section 9.7	Notice to Members Regarding Civil Code Section 1368.4	21
ARTICLE X - COMMITTEES		21
ARTICLE XI- BOOKS AND RECORDS		21
Section 11.1	Inspection by Members	21

Section 11.2 Rules for Inspection	22
Section 11.3 Inspection by Directors	22
ARTICLE XII - ASSESSMENTS	22
ARTICLE XIII - AMENDMENTS	23
Section 13.1	23
Section 13.2	23
ARTICLE XIV - TAX-EXEMPT STATUS	23
Section 14.1 Tax-Exempt Status	23
Section 14.2 Filing	24
ARTICLE XV - MISCELLANEOUS	24

BYLAWS
OF
PETRINI PLACE
HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the Association is Petrini Place Homeowners Association, a California nonprofit mutual benefit corporation, hereinafter referred to as the "Association". The principal office of the Association shall be located at 1750 Fulton Street, San Francisco, California.

ARTICLE II

DEFINITIONS

Section 2.1 The definitions contained in the Declaration are incorporated by reference herein.

Section 2.2 "Declaration" shall mean and refer to the Declaration of Conditions, Covenants and Restrictions of Petrini Place, a Condominium Project, recorded on the 446 day of September, 2002 in Reel , Image , in the Official Records of the City and County of San Francisco, State of California.

ARTICLE III

MEETING OF MEMBERS AND VOTING

Section 3.1 Annual Meeting. The first annual meeting of the Members shall be held within forty-five (45) days after the closing of the sale of the Condominium which represents the fifty-first percentile interest under the first public report of the Project, provided that such public report authorizes the sale of fifty (50) Condominiums or more in the Project. However, in no event shall the first annual meeting be held later than six (6) months after the closing of the sale of the first Condominium in the Project without regard to the number of Condominiums authorized for sale in the first public report.

The next annual meeting, and each subsequent annual meeting, shall be set by the Board so as to occur no later than ninety (90) days after the close of the Association's fiscal year, at the hour of 7:30 p.m., or at such other date and time as may be fixed by the Board, but in no event shall an annual meeting be held less than once each calendar year.

Section 3.2 Special Meetings. Special meetings of the Members of the Association shall be promptly scheduled by the Board in response to a vote of the Board itself or upon receipt of a written request for a special meeting signed by Members representing at least five percent (5%) of the total voting power of the Association.

Section 3.3 Notice, Place of Meetings and Procedure. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call a meeting, by personal delivery or mailing a copy of such notice postage prepaid, at least fifteen (15), but not more than thirty (30), days before such meeting to each Member, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of the notice. Such notice shall specify the place, day and hour of the meeting, and, notwithstanding any other provision of law, shall specify those matters the Board intends to present for action by the Members; but, except as otherwise provided by law, any proper matter may be presented at such meeting for action. If action is proposed to be taken at any meeting for approval for any of the following proposals, the notice shall also state the general nature of the proposal; membership action on such items is invalid unless

the notice or written waiver of notice states the general nature of the proposal(s): (a) removing a director without cause; (b) filling vacancies on the Board of Directors by Members; (c) amending the Articles of Incorporation; and/or (d) approving a contract or transaction in which a director has a material financial interest. Meetings shall be held within the Project, or at a meeting place within the same county, as close to the Project as possible. Meetings of the Members shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt.

Section 3.4 Quorum. The presence (either in person or by proxy) at any meeting of Members entitled to cast fifty-one percent (51%) of votes of the total voting power of the Association shall constitute a quorum for any action, except as otherwise provided in the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, a majority of the Members entitled to vote at such meeting shall have the power to adjourn the meeting to a date not less than five (5) days or more than thirty (30) days from the meeting date, at which meeting the quorum requirements shall be reduced to at least twenty-five percent (25%) of votes of the total voting power of the Association. The reduced quorum provisions of this Section shall not apply to any meeting at which a vote is taken to increase Assessments, pursuant to Article IV, Section 4.5 of the Declaration. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members, according to Section 3.3 hereof. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 3.5 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Condominium, or upon receipt of notice by the Secretary of the Board of the death or judicially declared incompetency of any Member. The proxy shall not be valid after the expiration of eleven (11) months from the date thereof, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Every proxy continues in full force and effect

until revoked by the person executing it prior to the vote, pursuant thereto, except as otherwise provided in this Section. Such revocation may be effected by a writing delivered to the Association stating that the proxy is revoked; or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting; or, as to any meeting, by attendance at such meeting and voting in person by the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed.

Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the governing body be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

Section 3.6 Voting. The Association shall have two classes of voting membership:

(a) Class A. Class A Members shall be all Owners with the exception of Declarant. Each Condominium shall be allocated one vote in the Association. When more than one Owner holds an interest in any Condominium, all such co-Owners shall be Members of the Association. However, the vote for each Condominium must be cast as a whole. No fractional votes shall be allowed with respect to any Condominium, nor shall more than one vote be cast with respect to any Condominium. When more than one person owns a Condominium, there shall be one "Voting Owner" for such Condominium. The Voting Owner shall be designated by the record Owners of each Condominium by written notice to the Board. The designation shall be revocable at any time by actual notice to the Board given by any Owner of record of such Condominium or by the death or judicially declared incompetency of any record Owner. The power herein conferred to designate a Voting Owner, and to revoke said designation, may be exercised by the Owner's conservator or by the guardian of his estate, or in the case of a minor having no guardian, the parent or parents entitled to custody of said minor, or during the administration of his estate, the executor or the administrator of a deceased Owner, where the latter's interest in the Condominium is subject to administration in his estate. Where

no Voting Owner of a Condominium has been designated, or the designation has been revoked as provided herein, the vote for such Condominium shall be exercised as the majority of the co-Owners of the Condominium mutually agree. No vote shall be cast for any Condominium where there is no designated Voting Owner or the majority of co-Owners present in representing the Condominium cannot agree in their vote as provided herein.

(b) Class B. The Class B Member shall be Declarant, who shall be entitled to vote as follows: Voting shall be the same as for Class A memberships, except the Class B Member may triple his vote for each Condominium owned. The Class B membership shall cease and be converted to Class A membership upon the happening of either of the following events, whichever occurs first:

i. When the total votes outstanding in the Class A membership equals or exceeds the total vote (tripled as stated) outstanding in the Class B membership; or

ii. On the second anniversary date of the first conveyance of a Condominium in the Project.

Except as otherwise provided in the Condominium Documents, any action by the Association which must have the approval of the Members before being undertaken shall require the vote or written assent of fifty-one percent (51%) of each class of membership during the time that there are two outstanding classes of membership. When only a single class exists after conversion of Class B to Class A shares, any action by the Association which is subject to the approval of Members other than Declarant shall require the vote or written assent of fifty-one percent (51%) of the total voting power of the Association, as well as the vote or written assent of fifty-one percent (51%) of the total voting power of Members other than Declarant.

Section 3.7 Actions Without a Meeting. Any action that may be taken at any annual or special meeting of Members (except the election of directors) may be taken without a meeting in accordance with California Corporations Code Section 7513.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1 Number of Directors. The affairs of the Association shall be managed by a Board of five (5) directors who need not be Members of the Association until conversion of Class B membership to Class A, after which time all directors must be Members of the Association (or an officer, director, employee or agent of a Member, including Declarant).

Section 4.2 Term of Office. Declarant shall appoint the first directors who shall serve until the first meeting of the Association held pursuant to Section 3.1 hereof. At the first meeting of the Association, the Members shall elect four (4) directors and Declarant shall appoint one (1) director, all for a term of one (1) year. This procedure for the selection of directors shall be followed at each annual meeting thereafter, until ten (10) years after the date of issuance of the Final Subdivision Public Report by the California Department of Real Estate for the Project. After the expiration of such ten (10) year period, at each annual meeting the Members shall elect all the Directors for a term of one (1) year.

Section 4.3 Removal; Vacancies. Unless the entire Board is removed from office by the vote of Association Members after the expiration of the ten (10) year period referred to in Section 4.2, an individual director elected by the Members shall not be removed prior to the expiration of his term of office 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 Board members, authorized at the time of the most recent election of the Board members, were then being elected. A director who was elected solely by votes of Members other than Declarant may be removed from office prior to expiration of his term only by the vote of a majority of Members other than Declarant. A director who was appointed by Declarant may be removed from office prior to the expiration of his term only by Declarant. In the event of death or resignation of (i) a director elected by the Members, his successor shall be selected by a majority of the remaining members of the Board, and (ii) a director appointed by Declarant, his successor shall be appointed by Declarant, and in either case such successor shall serve for the unexpired term of his predecessor; provided, however, that if such director was elected by cumulative voting,

the successor shall also be elected by cumulative voting. If a director elected by the Members is removed from office, he shall not be replaced by the remaining Board members; his term shall be completed by a director elected by the Association, pursuant to Article V hereof; except that if the director being removed was appointed by Declarant, then Declarant shall have the right to appoint the successor director.

Section 4.4 Compensation. No director shall receive compensation for any service he may render the Association. However, any director may be reimbursed for his actual expenses incurred, if reasonable, in the performance of his duties.

Section 4.5 Action Taken Without a Meeting. The directors shall have the right to take action in the absence of a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as that taken at a meeting of directors. An explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Board members have been obtained.

Section 4.6 Indemnification. Each present and former director, officer, employee or other agent of the Association shall be indemnified by the Association to the fullest extent authorized under California Corporations Code Section 7237, or any successor statute. The Association may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding, unless it is determined that such person was not entitled to indemnification under this Section 4.6.

ARTICLE V

ELECTION OF DIRECTORS

Section 5.1 Nominations. Nomination for election to the Board of Directors (except for the director appointed by Declarant) shall be made by a Nominating Committee. Notice to the Members of the meeting shall include the names of all those who are nominees at the time the notice is sent. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of Board of Directors, and two (2) or more Members of the Association. The Nominating

Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Members, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

Section 5.2 Election of Directors. The first election of the Board shall be conducted at the first meeting of the Association. At such election, the Members 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 and these Bylaws. The persons receiving the largest number of votes shall be elected. Cumulative voting shall be utilized during all elections in which more than two (2) positions of the Board are to be filled. Voting for directors shall be by secret written ballot. So long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two (2) outstanding classes of Members in the Association, not less than twenty percent (20%) of the incumbents on the Board shall have been elected solely by the votes of the Members other than Declarant. The remaining directors shall be elected in accordance with normal voting procedures.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 6.1 Regular Meetings. Regular meetings of the Board of Directors shall be held at least quarterly at such place within the Project and at such hours as may be fixed from time to time by resolution of the Board. Should such meeting fall upon a legal holiday, then the meeting shall be held at the same time on the next day which is not a legal holiday. Notice of the time and place of meeting (except for an emergency meeting) shall be posted at a prominent place within the Common Area and shall be communicated to Board members not less than four (4) days prior to the meeting. Notice of a meeting need not be given to any Board member who has signed a waiver of notice or a written consent to holding of a meeting. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the

Board of Directors shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

Section 6.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President of the Association or by two (2) Directors other than the President. The notice shall specify the time and place of the meeting and the nature of the special business to be considered. The notice shall be sent to all Directors and posted at a prominent place within the Common Area or communicated not less than four (4) days prior to the scheduled time of the meeting; provided, however, that notice of the meeting need not be given to any Board member who signed a waiver of notice or a written consent to holding of the meeting. If the Common Area consists only of an easement or is otherwise unsuitable for posting of such notice, the Board of Directors shall communicate the notice of the time and place of such meeting by any means it deems appropriate.

Section 6.3 Emergency Meetings. An emergency meeting of the Board may be called by the President or by two (2) Directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice to the Members as required by this Article VI.

Section 6.4 Quorum; Director Votes. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act performed or decision 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.

Section 6.5 Open Meetings. All meetings of the Board shall be open to all Members, but Members other than Directors may not participate in any discussion or deliberation, unless expressly so authorized by a majority of a quorum of the Board. As used in this section, "meeting" includes any congregation of a majority of Board members at the same time and place to hear, discuss or deliberate upon any item of business scheduled to be heard, except those matters that may be discussed in executive session. Except for emergency meetings, the Members shall be given notice of the time and place of a meeting as defined in this Section at least four (4) days prior to the meeting. Notice may be given by posting the notice in a prominent place in the Common Area, by mail or delivery of the notice to each Unit, or by newsletter or similar means of communication.

The Board shall permit any Member to speak at any meeting of the Association or the Board, except for meetings of the Board held in executive session. The Board shall establish a reasonable time limit for all Members to speak at such meetings.

Section 6.6 Executive Session. The Board may, with approval of a majority of its members present at a meeting at which a quorum for the transaction of business has been established, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, the formation of contracts with third parties and Member discipline. The nature of any and all business to be considered in executive session shall first be announced in open session. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the Board.

Section 6.7 Minutes. The minutes, draft minutes proposed for adoption (marked to indicate draft status) or a summary of the minutes of any meeting of the Board, other than an executive session, shall be available to Members within thirty (30) days of such meeting. The minutes, draft minutes or summary minutes shall be distributed to any Member upon request and upon reimbursement of the Association's cost in making such distribution. At the time that the pro forma budget is distributed to the Members in accordance with Section 9.2(b) of these Bylaws, or at the time of any general mailing to the entire membership of the Association, Members shall be notified of their right to have copies of the minutes of meetings of the Board and how and where such minutes may be obtained.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.1 Duties. It shall be the duty of the Board of Directors to:

(a) Maintain the Project in accordance with Article V, Section 5.1(a) of the Declaration.

(b) Maintain insurance as required by Article V, Section 5.1(b) of the Declaration.

(c) Discharge by payment, if necessary, any lien against the Common Area and assess the cost thereof to the Member or Members responsible for the existence of such a lien, provided that such Member(s) is given notice and the opportunity to be heard by the Board before the lien is discharged.

(d) Fix, levy, collect and enforce Assessments as set forth in Article IV of the Declaration.

(e) Pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes or governmental charges levied or imposed against the property of the Association.

(f) Cause to be kept a complete record of all its acts and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting where such a statement is requested, in writing, by one of the Class A Members.

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

(h) Establish, maintain and review bank accounts and prepare financial documents and other reports, as set forth in Article IX hereof.

(i) Enforce these Bylaws, the Declaration, and other instruments for the ownership, management and control of the Project.

(j) Notify the Members of filing of any civil action by the Association against the Declarant or other developer for alleged damage, as specified in Section 9.7 of the Bylaws.

Section 7.2 Powers. The Board of Directors shall have power to:

(a) Employ a manager as provided in Article V, Section 5.2(c) of the Declaration.

(b) Adopt rules in accordance with Article V, Section 5.2(d) of the Declaration.

(c) Levy and collect Assessments and impose fines as provided in Article V, Section 5.2(f) of the Declaration.

(d) Enforce these Bylaws and the Declaration in accordance with Article VIII thereof.

(e) Contract for goods and/or services in accordance with Article V, Section 5.2(j) of the Declaration.

(f) Delegate its authority and powers to committees, officers and employees of the Association. The following powers, however, may not be delegated:

i. To make capital expenditures;

ii. To levy fines, hold hearings, or impose discipline;

iii. To file suit, to cause a claim of lien to be recorded, or to foreclose for failure to pay Assessments; or

iv. To levy Regular Assessments and Special Assessments.

(g) Determine the fiscal year of the Association.

(h) Institute, defend, settle or intervene on behalf of the Association in litigation, arbitration, mediation, or administrative proceedings, as set forth in Section 5.2(n) of the Declaration.

Section 7.3 Prohibited Acts. The Board of Directors shall not take any of the following actions, except with the assent, by vote at a meeting of the Association or by written ballot without a meeting pursuant to Corporation Code Section 7513, by a simple majority of the Members, other than Declarant, constituting a quorum consisting of more than fifty percent (50%) of the total voting power of the Association residing in Members other than Declarant:

(a) Enter into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year, with the following exceptions:

i. A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utility Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regular rate.

ii. Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration; provided that the policy permits short rate cancellation by the insured.

iii. A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

iv. Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration, provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

v. Agreements for cable television services and equipment, or satellite dish television services and equipment, of not to exceed five (5) years duration, provided that the supplier is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

vi. Agreements of sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration, provided that the supplier or suppliers are not entities in which Declarant has a direct or indirect ownership interest of five percent (5%) or more.

vii. A contract for a term not to exceed three (3) years that is terminable by the Association after no longer than one (1) year without cause, penalty or other obligation, upon ninety (90) days written notice of termination to the other party.

(b) Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(d) Pay any compensation to any members of the Board or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member of the Board or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

(e) Fill a vacancy on the Board created by the removal of a Board member.

Section 7.4 Capitalization Fund. Pursuant to the terms of Declarant's Contract for the Sale and Purchase of Real Property for the Condominiums, the initial Owner of each Condominium is required to pay to the Association an amount equal to two (2) month's worth of regular assessments to be used to establish a capitalization fund (the "Fund"). The Association shall maintain the Fund in a separate account, to be disbursed by the Board to pay for the start-up and initial organization of the Association, the initial occupancy and operation of the Project, additions and upgrades to the Project, and other purposes deemed appropriate by the Board.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 8.1 Enumeration of Officers. The officers of the Association shall be a President and a Vice President (who shall at all times be members of the Board of Directors), a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution designate.

Section 8.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors and following each annual meeting of the Members.

Section 8.3 Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year, unless he shall sooner resign or shall be removed or otherwise disqualified to serve.

Section 8.4 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 determine from time to time.

Section 8.5 Resignation and Removal. Any officer may be removed from office by the Board, with or without cause. 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. The acceptance of such resignation shall not be necessary to make it effective. This Section shall not apply to the removal of directors from the Board.

Section 8.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve the remainder of the term of the officer he replaces.

Section 8.7 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 this Article VIII, Section 8.4.

Section 8.8 Duties. The duties of the officers are as follows:

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign all checks and promissory notes.

(b) The Vice President shall act in the place and stead of the President in the event of his absence, inability or refusal to act; and shall exercise and discharge any other duties as may be required of him by the Board.

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; shall serve notices of the meetings of the Board and of the Members; shall keep appropriate current records showing the Members of the Association, together with their addresses; and shall perform such other duties as required by the Board.

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse funds as directed by the resolution of the Board of

Directors; shall co-sign all checks and promissory notes of the Association; shall keep proper books and accounts; and shall prepare and distribute financial statements and reports to each Member, as required in Article IX of these Bylaws.

ARTICLE IX

BANK ACCOUNTS; FINANCIAL STATEMENTS AND REPORTS

Section 9.1 Bank Accounts. The Board shall establish and maintain at least two separate bank accounts, one operating account and one reserve account. That portion of each month's Regular Assessments which has been allocated in the budget for reserves shall be deposited into the reserve account; the remainder of each Assessment shall be deposited into the operating account and used to pay the operating expenses for which the Association is responsible. Use of the funds in the reserve account shall be as set forth in Article IV, Section 4.3 of the Declaration. The signatures of at least two persons shall be required for the withdrawal of monies from any reserve accounts, which signatures shall be of Board members or one (1) officer and one (1) Board member.

In connection with these accounts, the Board shall review the following as indicated:

- (a) Reconciliations and income/expense statements of the accounts at least quarterly.
- (b) The current year's actual reserve revenues and expenses, compared to the current year's budget, at least quarterly.
- (c) The latest bank statements for the accounts.

Section 9.2 Financial Documents.

(a) Reserve Study. At least once every three (3) years, the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components of the Common Area and facilities which the Association is obligated to repair, replace, restore, or maintain (the "major components") as part of a study of the reserve account requirements

of the Project if the current replacement value of the major components is equal to or greater than one-half of the annual gross budget, exclusive of the reserve account for that period. The Board shall review this study annually and adjust its analysis of the reserve account requirements as a result of that review. Such study shall at a minimum include:

i. Identification of the major components, as of the date of the study, having a remaining useful life of less than 30 years (the "Components").

ii. Determination of the probable remaining useful life of the Components as of the date of the study.

iii. An estimate of the cost of repair, replacement, restoration, or maintenance of each Component during and at the end of its useful life.

iv. An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each Component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

For purposes of this Article, "reserve funds" shall mean monies that the Association has set aside to defray the future repair or replacement of, or additions to, the major components; and "reserve account requirements" means the estimated funds which the Association has determined must be available at a specified point in time to repair, replace, or restore the major components.

(b) Budget. The Board shall prepare and distribute to all Members a pro forma operating budget for the immediately ensuing fiscal year. The budget shall be distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year and shall include the estimated revenue and expenses on an accrual basis and a summary of the reserves based on the most recent review of study conducted pursuant to subsection (a) above, printed in bold type, and including:

i. The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component;

ii. As of the end of the fiscal year, the reserve funds and reserve account requirements; and

iii. The percentage that the reserve funds are of the reserve account requirements.

The budget shall also include a statement as to whether the Board has determined or anticipates that Special Assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor, and a statement outlining the procedure for the calculation and establishment of reserves.

(c) Financial Statement. The Board shall prepare and distribute to all Members the following:

i. A balance sheet (as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of an interest in the Project) and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received or receivable, identified by the number of the Unit and the name of the entity assessed.

ii. A report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

A. A balance sheet as of the end of the fiscal year.

B. An operating (income) statement for the fiscal year.

C. A statement of changes in financial position for the fiscal year.

D. For any fiscal year in which the gross income to the Association exceeds \$75,000, a review of the annual report, prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. If the report referred to in this subclause ii. is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association, without independent audit or review.

E. Any information required to be reported under California Corporations Code Section 8322 with respect to transactions with interested persons and indemnifications.

(d) Summary of Budget. In lieu of distributing the budget required in subsection (b) above, the Board may distribute a summary of the budget to all Members, with a written notice (in 10-point bold type on the front page of the summary) that such budget is available at the Association's business office, or at another suitable location within the Project's boundaries, and that copies will be provided upon request and at the Association's expense. The Board must mail a copy of the pro forma operating budget to any Member requesting same, by first class U.S. mail at the Association's expense and mailed within five (5) days.

Section 9.3 Statement Regarding Member Defaults. The Board shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular and Special Assessments, including the recording and foreclosing of liens against Members' Units, and a statement of the place where names and addresses of the current Members are located.

Section 9.4 Schedule of Monetary Penalties. If the Association adopts a policy of imposing any monetary penalty on any Member for a violation of the Condominium Documents, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall adopt and distribute to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for those violations. The Board shall not be required to distribute any additional schedules of monetary penalties unless there are changes from the schedule that was adopted and previously distributed to the Members.

Section 9.5 Notice Regarding Alternative Dispute Resolution. The Board shall annually distribute to all Members of the Association, together with the pro forma operating budget required by Section 9.2(b), a summary of the provisions of Section 1354 of the California Civil Code, relating to enforcement of this Declaration and alternative dispute resolution. The summary shall specifically reference such Section, and shall include the following language:

"Failure by any Member of the Association to comply with the prefiling requirements of Section 1354 of the

California Civil Code may result in the loss of your rights to sue the Association or another Member of the Association regarding enforcement of the Condominium Documents."

Section 9.6 Summary of Insurance Coverage.

(a) At least sixty (60) days prior to the beginning of the Association's fiscal year, the Association shall prepare and distribute to the Members a summary of the Association's property, general liability, and earthquake and flood insurance policies, stating (1) the insurer's name, (2) the type of insurance, (3) the policy limits and (4) the amount of deductibles, if any.

The Association may meet the requirements of this subsection (a) by distributing to all Members copies of the insurance policy declaration page if it discloses all of the required information.

(b) Notwithstanding the above, the Association shall, as soon as reasonably practicable, notify the Members by first class mail if any of the policies described above have lapsed, been canceled and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible for any such policy. If the Association receives any notice of nonrenewal of a policy described above, the Association shall immediately notify its Members if replacement coverage will not be in effect by the date existing coverage will lapse.

(c) The summary distributed pursuant to subsection (a) above, shall contain, in at least 10-point boldface type, the following statement:

"This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling.

Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

Section 9.7 Notice to Members Regarding Civil Code Section 1368.4. No later than thirty (30) days prior to filing any civil action by the Association against the Declarant or other developer of the Project for alleged damage (1) to the Common Area; or (2) to the separate interests that the Association is obligated to maintain or repair; or (3) to the separate interests that arise out of, or is integrally related to, damage to such Common Area or separate interests, the Association shall give written notice to Members who appear on the Association records, in the manner set forth in California Civil Code Section 1368.4. Notwithstanding the foregoing, if the Association has reason to believe that the applicable statute of limitations will expire prior to the filing of such civil action, the Association may give the notice required by said Section 1368.4 within thirty (30) days after filing the action.

ARTICLE X

COMMITTEES

The Board of Directors shall appoint such committees as it shall deem appropriate.

ARTICLE XI

BOOKS AND RECORDS

Section 11.1 Inspection by Members. The membership register, including mailing addresses and telephone numbers; books of account; and minutes of meetings of the Members, of the Board, and of committees of the Board or the Association shall be made available for inspection and copying by any Member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Project as the Board shall prescribe.

Section 11.2 Rules for Inspection. The Board shall establish reasonable rules with respect to:

(a) Notice to be given to the custodian of records by the Member desiring to make inspection;

(b) Hours and days of the week when such inspection may be made;

(c) Payment of the cost of reproducing copies of documents requested by a Member.

Section 11.3 Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extra copies of documents at the Association's cost.

ARTICLE XII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association Regular and Special Assessments which are secured by a lien upon the Condominium against which the Assessment is made. Any Assessments which are not paid within 15 days after the due date shall be delinquent and shall bear interest and be subject to a late charge, as provided in Section 4.9 of the Declaration, until the date paid. The Association may bring an action at law or in equity against the Owner personally obligated to pay the same or record a notice of delinquent Assessment, pursuant to California Civil Code Section 1367, and foreclose the lien against the Condominium, and interest, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such Assessment. No Owner may waive or otherwise escape liability for such Assessment by nonuse of the Common Area or abandonment of his Unit.

Fines, penalties, and reimbursement charges levied to reimburse the Association for costs incurred in the repair of damage to Common Areas and facilities for which the Owner was allegedly responsible, or in bringing the Owner and his Unit into compliance with the governing instruments, are not Assessments

subject to enforcement by lien or power of sale in accordance with Sections 2924, 2924(b), and 2924(c) of the California Civil Code.

The above statement does not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent Assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent Assessments.

ARTICLE XIII

AMENDMENTS

Section 13.1 These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members, (or, where the two class voting structure is still in effect, by a vote at a meeting where a quorum exists, by a majority of Members in each class present in person or by proxy) and a majority of the votes of Members other than Declarant. In no event, however, may any clause, provision or Section of these Bylaws be amended by a percentage of voting power of the Association which is lower than the percentage of affirmative votes prescribed for action to be taken under that clause, provision or Section.

Section 13.2 In case of any conflict between these Bylaws and the Articles of Incorporation, the Articles shall control. In case of any conflict between these Bylaws and the Declaration, the Declaration shall control. In case of any conflict amongst these Bylaws, the Articles of Incorporation, the Declaration, and the Davis-Stirling Common Interest Development Act (California Civil Code Section 1350 and following), the provisions of said statute shall control.

ARTICLE XIV

TAX-EXEMPT STATUS

Section 14.1 Tax-Exempt Status. The Board and Members of the Association shall conduct the business of the Association in such

manner that the Association qualify and be considered an organization exempt from federal and state income taxes, pursuant to Internal Revenue Code Section 528 and California Revenue and Taxation Code Section 23701t, as amended.

Section 14.2 Filing. The Board shall cause to be timely filed any annual election for tax-exempt status as may be required under federal or state law, and shall undertake to cause the Association to comply with the statutes, rules, and regulations which have been or shall be adopted by federal and state agencies pertaining to such exemptions.

ARTICLE XV

MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, or such other dates as may be approved by the Board, except that the first fiscal year shall begin on the date of the close of escrow of the first sale of a Condominium.

We the undersigned, being all of the Directors of the Petrini Place Homeowners Association, do hereby certify:

That we are entitled to exercise all of the voting power of the Association; that we hereby consent to the within and foregoing Bylaws and hereby adopt the same as the Bylaws of the Association.

IN WITNESS WHEREOF, we have executed these Bylaws this _____ day of _____, 200_.

I, the undersigned, being the duly elected and acting Secretary of Petrini Place Homeowners Association, do hereby certify:

That the within and foregoing Bylaws were adopted as the Bylaws of the Association on the ____ day of _____, 200__, and that the same do now constitute the Bylaws of the Association.

IN WITNESS WHEREOF, I have subscribed my name to this certificate this ____ day of _____, 200__.

Secretary