

THE VILLAGE AT SANTA BARBARA OWNERS ASSOCIATION, INC.

ELECTION RULES

Introduction

California Civil Code 1363.03 requires that the Association's voting and election processes have written rules, policies and procedures adopted and distributed. The Village at Santa Barbara Owners Association ("Association") has adopted the following Election Rules at a noticed Board Meeting, effective the June 12, 2012. The purpose of this document is to provide comprehensive and balanced guidelines for its Members with regard to the secret ballot voting process. These policies and procedures will assist its Members in understanding the voting process and hopefully will encourage them to participate in the Association's decision-making process.

Secret Ballot Voting for Specific Matters

Secret Ballot rules, procedures and policies apply to the following matters of the Association:

1. **Assessments** (Increases in Regular Assessments over 20% of previous year's budgeted gross expenses or Special Assessments exceeding 5% of budgeted gross expenses for the fiscal year (Civil Code section 1366(b));
2. **Election and removal of Members of the Board of Directors;**
3. **Amendment of governing documents** (Articles of Incorporation, By-Laws and Covenants, Conditions & Restrictions); and/or
4. **Granting of exclusive use of common area property** (Civil Code section 1363.07).

The foregoing issues are regulated by California statute and require a secret ballot vote.

Additionally, note that: *The Board's authority to impose assessments to meet its obligations under the governing documents and Civil Code section 1366 is not limited by this rule, nor is its authority to make Rules & Regulations pursuant to its Bylaws and CC&Rs.* The Board's recommendations to Members with regard to all matters, including items 1-4 above, are not limited as long as they are in agreement with the

governing documents of the Association and the law. However, the Association shall not advocate the election or defeat of any candidate on an election ballot.

Call for Election or Other Voting Meeting

For the foregoing four matters requiring a secret ballot, the call for an election or other voting meeting to conduct the business of the Association, including the “Notice of Meeting and Agenda” will proceed in the usual manner set forth in the Association’s CC&Rs and By-laws (currently 30 days). All ballots and voting materials shall be provided to Members not less than 30 days prior to the meeting of Members or the Board at which the votes will be counted. Written ballots and proxies must be returned and received by the Inspector(s) of Elections no later than one hour prior to the scheduled time for the meeting at which the votes will be counted.

Voting Rights

The Owners of each residence/lot shall have one vote per residence/lot.

Where there are multiple Owners of a single residence/lot, they shall decide who shall cast the vote on behalf of the residence/lot. If one vote is cast on behalf of a single residence/lot, then it shall be conclusively presumed that the vote was cast by the authorized Owner. If more than one vote is cast on behalf of a single residence/lot, then the votes in excess of one vote shall be disregarded.

Candidates for Board of Directors

A candidate for the Board of Directors shall be an Owner of record of a residence/lot in the development who is in good standing. No more than one Member from any residence/lot or family may serve on the Board simultaneously. The procedures for nominating a candidate for the Board of Directors are as follows:

- (a) an Owner may nominate himself or herself as a candidate;
- (b) an Owner may nominate any other Owner or resident as a candidate; or
- (c) the Board may nominate the candidates or may appoint a three-person nominating committee, chaired by a Board member to nominate Owners as candidates.

All nominations to be included in the written ballot must be in writing and delivered to the Association not less than 5 days prior to the date set for mailing the ballots to the members. In addition, nominations may be made from the floor at the meeting at which the election is held.

Elections Not Required

If, after close of nominations, the number of Owners nominated for the Board is not more than the number of Directors to be elected, the current Board of Directors may, without further notification, declare that those nominated and qualified have been elected by acclamation.

Keeping Elections Fair

The Association will provide any candidate or Member advocating a point of view with access to all communication routes available through the Association during a campaign, for purposes reasonably related to that election, regardless of whether that point of view is endorsed by the Board. The Association shall not edit or redact any content from these communications, but may include a statement specifying that the candidate or Member (not the Association) is solely responsible for its content. Note that the Association does not have a meeting hall.

Association Funds May Not Be Used for Campaign Purposes

No Association funds shall be used for campaign purposes in connection with an Association Board election, nor with any other Association election, except when necessary to perform the duties imposed by law on the Association. The term “campaign purposes” includes, but is not limited to:

- (a) Expressly advocating the election or defeat of any candidate on the ballot;
- (b) Including the photograph or prominently featuring the name of any candidate on a communication from the Association or Board (excepting on the ballot itself and accompanying ballot materials) within 30 days of an election. If the communication is one for which Civil Code section 1363.03 requires equal access, this shall not be deemed to be for “campaign purposes.”

Inspector(s) of Election

The Board of Directors, for each matter to be voted on by secret ballot, shall select one or three independent persons to act as inspector(s) of election. The inspector(s) of election selected by the Board may, include, but shall not be limited to:

- (a) The Association's Managing Agent (see Civil Code section 1363.03 (c) (2));
- (b) A notary public;
- (c) A volunteer poll worker for the County Registrar of Voters;
- (d) A licensee of the California Board of Accountancy;
- (e) A Member of the Association who is not a Board Member or candidate to be a Board Member.

The inspector(s) may not be currently employed or under contract to the Association for any paid services, unless such person is expressly authorized by these Rules in accordance with Civil Code section 1363.03(a)(5). The inspectors of elections are to be appointed after the close of candidate nominations but, in all elections, before the Secret Ballots are mailed to the Members. The inspector(s) are to determine to whom the Secret Ballots shall be returned.

The duties of the inspector(s) of election shall be as follows:

- (a) Determine the number of Memberships entitled to vote and the voting power of each;
- (b) Determine the authenticity, validity and effect of proxies, if any;
- (c) Receive ballots;
- (d) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote;
- (e) Count and tabulate all votes;
- (f) Determine when the polls shall close;
- (g) Determine the tabulated results of the election;
- (h) Perform any other acts which are proper to conduct a fair election for all Members in accordance with Civil Code section 1363.03, the Corporations Code, and the governing documents of the Association that do not conflict with Civil Code section 1363.03.

The inspector(s) of election shall perform said duties impartially, in good faith, to the best of their abilities, and as efficiently as possible. If there are three inspectors of election, the decision or act of a majority shall be effective. Any report made by the inspector(s) shall be taken at face value.

The Association will defend, indemnify and hold harmless the inspector(s) of elections from any and all claims, demands, damages, costs, liabilities and expenses arising out of their activities absent gross negligence or willful misconduct.

Proxies

The Secret Ballot process eliminates, or at least reduces, the need for a proxy vote because the Member may cast his/her vote by mailing in the Secret Ballot. The Board is not required to provide proxy forms. However, if a proxy is given, any instructions given by a Member for an election which states the manner in which the proxy holder is to cast a vote shall be on a separate page of the proxy which can be detached by the proxy holder in order to cast the Member's vote by Secret Ballot.

Each ballot or proxy received by the inspector(s) of election, for purposes of establishing a quorum, shall be treated as a Member present at the meeting.

Voting Procedure by Secret Ballot

Ballots, together with an inner envelope, an outer preaddressed envelope, and instructions on how to return the ballots, are to be mailed by first-class mail, or hand-delivered by the Association, to each Member of the Association, not less than 30 days prior to the deadline for voting. A voter may not be identified by name, address, lot, or parcel on the ballot. The model for the Association shall be the procedures used by California counties for voter absentee ballots, which include:

- (a) The ballot itself is not signed by the voter, but is placed into a small envelope which is then sealed. This envelope is then placed into a **second** larger envelope that is also sealed;
- (b) In the upper left hand corner of the **second** envelope, the voter prints and signs his/her name and indicates his/her address and the second envelope is addressed to the inspector of election, who will be tabulating the votes. The envelope may be mailed or delivered by hand to the location specified by the inspector of election. The Member may request a receipt for delivery.

Tabulating the Votes to Determine Election Outcome

The inspector(s) of election shall count and tabulate all votes in public, at a properly noticed open meeting of the Board of Directors or the Members. A quorum of Members does not need to be in attendance at such meeting. Any candidate or Member of the Association may witness the counting and tabulation of the votes. No one shall open or review any ballot prior to the time and place at which ballots are counted and tabulated, except that the inspector(s) of election (or his/her designee) may verify the Member's

information and signature on the outer envelope prior to the meeting at which ballots are tabulated.

The tabulated results of the election shall be reported promptly to the Board of Directors and shall be recorded in the minutes of the next Board meeting. Those minutes shall be available for review by Members of the Association.

The Board shall publicize the results of the election in a communication directed to all Members, within 15 days of the election.

Possession of Sealed Ballots and Storage After Election

The sealed ballots shall be in the possession of the inspector(s) of election or at a location designated by the inspector(s) until after the tabulation of the vote, and until nine (9) months after the election. Thereafter, possession shall be given to the Association. In the event of a recount or other challenge to the election process, the inspector(s) shall make the ballots available, upon written request for inspection and review by Members of the Association or their designated representatives. Any recount shall be conducted in a manner which preserves the confidentiality of the vote.

After transfer of the election ballots to the Association, they shall be stored in a secure place for at least one year after the date of the election.

Resolution of Conflict Between Rules and Governing Documents

In the event of a conflict between these rules and any provision of the Articles of Incorporation, By-Laws or CC&Rs, these rules, which are mandated by statute, shall prevail.

Modification of Rules

These rules shall be construed to conform to any legislative changes in Civil Code Section 1363.03 without any further adoption procedures. Any other change in these rules shall be done only after 30 days written notice to all Owners in accordance with the provisions of Civil Code Section 1357.130.