

**VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION
GENERAL RULES AND PROCEDURES FOR ELECTIONS AND VOTING**

INTRODUCTION

Under the new election procedure law, effective July 1, 2006, associations must conduct a number of homeowner votes by means of a statutorily-defined "secret ballot." The provisions of the law are found in Civil Code Section 1363.03. The statute provides that homeowner votes must be conducted by means of a double-envelope balloting system, which ballots may be cast in person or by mail. The votes in question are most often for the election (or removal) of directors, however, the statute also applies to other types of homeowner votes such as: amendments of the governing documents, votes to allow homeowners to use certain portions of the common area for exclusive use, and elections regarding assessments legally requiring a vote. These rules represent your Association's efforts to comply with the law.

GENERAL

1. These rules, policies and procedures shall apply to all items legally requiring a vote of the membership as required by Civil Code §1363.03, and any amendments thereto, including but not limited to, elections of directors, votes to remove one or more directors, votes on assessments that legally require a vote, amendments of the governing documents, grants of exclusive use of common areas, and such other votes as the Board determines should be conducted by secret ballot.
2. As described in these Rules and Procedures, votes may be cast by members in good standing either in person, by proxy, or by mail-in ballot.

SUSPENSION OF VOTING RIGHTS AND RIGHT TO RUN FOR DIRECTOR

3. Following a hearing and opportunity to be heard at least 5 and not more than 30 days prior to the annual meeting, members delinquent in the payment of assessments in an amount equal to at least one month's assessment for a period of time greater than 30 days, may be declared to be not in good standing and ineligible to vote at the annual membership meeting or other voting procedures so long as they remain not in good standing.

QUALIFICATION AND NOMINATION OF DIRECTORS

4. In accordance with the Association's bylaws, all members are eligible to run for election to the Board. Non-members are also eligible to serve on the Board.
5. The Association will publish a request for candidates in the Association's newsletter, other direct mailing and/or by posting a notice on the Association's website (as the Board of Directors shall determine) approximately 150 days prior to the date of the annual meeting. All potential candidates desiring to run for a position on the Board of Directors must complete a Candidate's Qualification Form and return the completed form to the designated person(s) on or before the deadline date noted on the form or accompanying materials. Potential candidates failing to submit a Candidate's Qualification Form by the deadline date will not have their names placed on the ballot or proxy, but are eligible to be nominated from the floor at the annual meeting and may receive write-in votes.
6. The Candidate's Qualification Form will be enclosed with the notice of the annual membership meeting mailed approximately 30 - 60 days prior to the meeting. The Association will not edit the content of these forms, but will publish a general statement of non-responsibility for the content of all published forms. Any candidate can request in writing that his/her form not be published as provided herein and the Association will honor any such request received prior to the date of publication of all forms.
7. Except as provided in Paragraph 6, no Candidate's Qualification Form or other editorial or campaign material will be published in the Association's newsletter or other Association media.
8. To help ensure that there is at least one (1) candidate willing to serve for each opening on the Board of Directors, the Board President will appoint, with the approval of the Board of Directors, at least three members of the Association to serve on a Nominating Committee approximately 150 days prior to the annual meeting or date of election to fill any vacancy. The Nominating Committee will perform its duties as outlined in the bylaws and/or Association published Rules and Regulations. Note, however, that a member may nominate himself or herself as set forth in Paragraph 5, above.
9. As provided in the Association's bylaws, nominations for election to the Board of Directors may be made from the floor during the annual meeting of members.

USE OF COMMON AREA FACILITIES FOR CAMPAIGN PURPOSES

10. Except at the annual meeting itself, the Association does not expect to hold a candidate's forum. All candidates known to be standing for election will be encouraged to attend the annual meeting to present their views and answer such questions as might be put to them. Attendance by the candidates is optional.
11. All candidates for election and other members may use the common areas to conduct campaign activities or advocate a point of view on an election or balloting issue pending before the membership. All candidates and members will be provided an equal opportunity to use the common areas for these purposes. No reservations are needed and no fees will be charged to any candidate or member for use of any common area conducting campaign activities or advocating a point of view on an election or balloting issue pending before the membership. All candidates or members using the common areas are asked to leave the areas in a clean and undamaged condition.

VOTING BY SECRET BALLOT

12. In the announcement of any meeting at which an election will be held or other balloting conducted, the Board of Directors shall announce the applicable voting period, including any deadline for submission of ballots. The Inspector(s) of Election shall determine when and where ballots can be submitted and the time when the polls shall open and close at any meeting at which ballots are cast. The Inspectors of Election shall have the right to extend any voting deadline established for the return of ballots whenever the number of ballots is, or may be, insufficient to establish either a quorum or the minimum number of votes necessary to accomplish the particular action.
13. Ballots may be submitted at any time from the members' receipt of the ballot until the announced deadline or any extension thereof as set by the Inspectors of Election. Ballots returned by mail are to be returned to the office of the management company unless otherwise specified by the Inspector(s) of Election and so noted in the balloting materials. Ballots may be brought to the membership meeting and deposited in the ballot box at the meeting so long as the time for the polls to close is after the time the membership meeting is scheduled to be called to order.
 - a. Whenever voting by secret ballot is conducted without a membership meeting being held, Inspector(s) of Elections shall have the right to review the number of ballots collected prior to the deadline for voting and inform the Board of Directors of the number of ballots received. The Inspectors of Election shall have the right to extend the voting deadline if there are an insufficient or possibly an insufficient number of ballots received. Voting envelopes shall not be opened as part of this review - only a review of unopened envelopes is allowed to determine the total number of votes cast. The review of the number of votes cast and a report to the Board of Directors may be either prior to or at the open meeting of the Board of Directors.
 - b. Once cast, secret ballots cannot be revoked or changed, even if the homeowner attends the meeting and seeks to change or withdraw his or her vote before the polls close.
 - c. Voting by proxy is allowed in any election or vote where a membership meeting will be held and voting will be allowed or tallied at the meeting, however the Association may elect not to prepare and distribute proxies in any vote or election covered by Civil Code §1363.03. The responsibility to prepare and submit a proxy shall rest with the owner seeking to authorize another to vote by proxy.
 - d. The Board of Directors shall set a record date establishing those owners entitled to vote on any ballot. Should the Board fail to set a specific record date, the record date shall be the date the ballot was posted in the United States mail.
 - e. In accordance with the governing documents of the Association, members shall be entitled to one vote per lot, except in the election of directors where cumulative voting is allowed. Cumulative voting for directors shall be permitted in any secret ballot for the election of directors.
14. Ballots and two pre-addressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Association to every member not less than 30 days prior to the deadline for voting. For the election of directors, ballots and voting envelopes will also be distributed at the annual membership meeting. In order to preserve confidentiality, a voter will not be identified by name, address, or lot, parcel, or unit number on the ballot. The Association shall generally use as a model those procedures used by California counties for ensuring confidentiality of voter absentee ballots, including the following:
 - a. The ballot itself will not be signed by the voter, but will be inserted into an envelope that is to be sealed by the voter. This envelope is to be inserted into a second (outer) envelope that is sealed by the voter. In the upper left hand corner of the second envelope, the voter must print and sign his or her name, address, date the ballot is completed, and lot, or parcel, or unit number that entitles him or her to vote.
 - b. The second (outer) envelope is to be addressed to the Inspector(s) of Election, who will be tallying the votes. Ballots must be returned in the official envelopes provided in the mailing or they will not be counted. The envelopes are to be mailed or delivered by hand to the address specified by the Inspector(s) of Election.
 - c. Balloting materials not completed in accordance with the instructions on or accompanying the balloting materials may result in the ballot being declared invalid, as determined by the Inspector(s) of Election. The Inspector(s) of Election shall have the right to count ballots submitted by owners failing to complete all of the above requirements so long as all ballots with similar defects are treated equally and so long as the Inspector(s) are able to verify that only one ballot per voting owner has been submitted.
 - d. Only the official ballots distributed by the Association will be counted. Proxies or other unofficial ballots will not be counted.
 - e. The mailing of election materials may, but is not required to, include a proxy (see below, Paragraphs 21 through 26) and return envelope for the proxy. At the option of the Board of Directors, the proxy form may be printed on the back of the second (outer) envelope in lieu of a separate form and envelope.
15. The ballots for election of directors shall be counted at the annual meeting if a quorum is established (see Paragraph 35, below), otherwise at a reconvened membership meeting. Ballots on other issues shall generally be counted at the next scheduled meeting of the Board of Directors following the expiration of the voting period. Subject to reasonable restrictions established by the Inspector(s) of Election to prevent interference with or intimidation of the Inspector(s) during the tabulation of the ballots, any candidate or other member of the Association may witness the counting and tabulation of the votes. No person observing the tabulation of the ballots may communicate with, interfere with, or in any way attempt to intimidate, harass or abuse the Inspector(s) or other person counting the ballots or assisting the Inspector(s).

16. Except as provided in Paragraph 13.a, no person, including a member of the Association or an employee of the management company, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated. At the request of the Inspector(s) of Election and upon a showing of good cause, the Board of Directors may authorize a postponement or extension of the counting of the ballots to another date and time, which shall be open to the membership. Inability to complete the counting of the ballots by 10:00 p.m. or within three hours of the close of the polls, whichever is the earlier time, shall constitute good cause for a delay or extension of the counting of the ballots. In case of a delay or extension of the time to complete the counting of the ballots, the Inspector(s) of Election shall retain custody of all ballots until the count has been completed and the results reported to the Board of Directors.
17. The results of the election shall be promptly reported to the Board of Directors of the Association and shall be recorded in the minutes of the next meeting of the Board of Directors and shall be available for review by members of the Association. Within 15 days of the election, the Board shall publicize the results of the election in a communication directed to all members.
18. Ballots will be retained by the Inspector(s) of Election or their designee for nine (9) months following an election, removal vote or other vote. Thereafter, the Inspector(s) of Election shall turn over all ballots to the Association, or its designated agent, for a period of at least three (3) additional months following the election or voting deadline, as the case may be. At the conclusion of the one-year period, the ballots may, at the option of the Board of Directors, be destroyed.
19. The mailed secret ballots described in these rules, once received by the Inspector(s) of Election, will serve to establish a quorum at any meeting of members.
20. In any vote pertaining to the election or removal of Directors, a quorum of members must be established at a membership meeting before the ballots can be counted. In accordance with the bylaws, a quorum requires the presence either in person or by proxy of members entitled to cast votes equal to at least fifty percent (50%) of the total voting power of the members; although the quorum may change for adjourned meetings, pursuant to statute, or if members' voting rights have been suspended. For other types of votes requiring a homeowner vote, if there is no quorum at the membership meeting at which the secret ballots were originally intended to be counted, the Inspector(s) of Election shall determine whether the ballots are to be counted at the next adjourned and reconvened membership meeting or the next Board of Directors meeting. If a proposed homeowner action requires a specific number of votes to be effective (e.g., to amend the governing documents), then the action will not be effective unless that number of votes is received.

PROXIES

21. Voting by proxy will be permitted in accordance with the provisions of the bylaws, although the Board of Directors need not prepare and distribute proxy forms with the election or voting materials. The Association will continue to honor proxies submitted in accordance with the bylaws. Proxies submitted to and accepted by the Association must conform to the requirements of the law. Proxies are not secret ballots in that they will be reviewed by management or other designated representative prior to the meeting.
22. Under Civil Code §1363.03, proxies submitted to the Association are to consist of two separate parts: 1) the designation of the proxy holder coupled with the scope and effective dates of the proxy; and 2) the instructions to the proxy holder on how to vote. Proxies submitted to the Association not meeting these requirements may result in the voter's voting preferences not remaining secret. The Inspector(s) of Election may, in their sole discretion, accept proxies that do not meet the standards set forth in this paragraph.
23. Civil Code §1363.03 provides that instructions given in a proxy that directs the manner in which the proxy holder is to cast the vote are to be set forth on a separate page from the proxy that can be detached and given to the proxy holder by the proxy giver (member). Any voting instructions prepared by the proxy giver are not to be returned to the Association. However, should the proxy giver do so, the voting instructions will, upon request, be given to the proxy holder when the proxy holder signs in at the meeting. Members acknowledge that returning voting instructions to the Association may result in Association representatives seeing how the member instructs his or her proxy holder to vote. The proxy holder shall cast the member's ballot by secret ballot. The instructions to the proxy holder shall not be counted as a ballot.
24. Proxies are to be returned to the Association's management company or other designated recipient/address as may be designated prior to any deadline set by the Board of Directors for the return of proxies. Proxies received after the deadline set by the Board shall not be counted but may be allowed at an adjourned and reconvened meeting as determined by the Inspectors of Election.
25. The management company or other designated representative of the Inspector(s) of Election shall register proxies received by the Association and shall report any noted problems to the Inspector(s) of Election.
26. In any election or voting procedure in which proxies are authorized, the Inspector(s) of Election shall be responsible to authenticate and determine the validity and effect of, any submitted proxy.

INSPECTORS OF ELECTION

27. Inspector(s) of Election may not be Board members or a candidate for election or related to or reside with Board members or the candidates for election. Inspector(s) of Election are to faithfully perform their responsibilities so as to ensure that the announced results of the voting and/or election represent the true and honest votes of the members casting ballots.
28. Approximately 120 days prior to the annual meeting of members, or approximately 60 days prior to the anticipated deadline for return of secret ballots for amendments to the Association's governing documents, votes on assessments, votes to grant exclusive use of common areas to one or more members, or other votes of the membership as determined by the Board or required by law, the Board of Directors will appoint one Inspector of Election to oversee and certify the results of the voting. The Inspector of Election may be an employee of the Association retained law firm. Any qualified person may be appointed. Unless an outside consultant is engaged to serve as the Inspector, the Inspector of Election

shall be a member of the Association. If not a member of the Association, the Inspector of Election may be compensated for his or her services. A member of the Association shall not be compensated for serving as the Inspector of Election.

29. The Inspector(s) of Election shall be responsible to:
- a. Determine the number of memberships entitled to vote and the voting power of each;
 - b. Determine the authenticity, validity and effect of proxies;
 - c. Receive the ballots and determine the location to which all ballots are to be returned;
 - d. Hear and determine all challenges and questions to the balloting or election;
 - e. Count and tabulate all ballots;
 - f. Determine when the polls shall close;
 - g. Determine the results of the election or balloting;
 - h. Report the results of the election or balloting to the Board of Directors within 10 days of the date the polls shall close;
 - i. Perform such other acts as may be necessary to conduct the election or balloting in fairness to all members and in accordance with all rules of the Association.
30. The Inspector(s) of Election may appoint additional persons to assist in performing any of the above duties. Any such persons shall meet the qualifications for appointment as an Inspector of Election.
31. The Board of Directors shall have the authority to remove and/or replace an Inspector of Election at any time if an Inspector resigns or whenever the Board determines that an Inspector will not be able to perform his or her duties impartially and in good faith or if the Inspector ceases to meet the qualifications to serve as described in Paragraph 27, above.
32. Management or the Board shall provide the Inspector(s) of Election with a membership list accurate as of the record date established by the Board for voting eligibility and such other documents as may be necessary for the Inspector(s) to verify the results of the election or votes.
33. Inspector(s) of Election shall have the authority to consult with the Association's legal counsel in the event of uncertainties in the interpretation or application of Civil Code §1363.03 et seq., these Rules and Procedures, the Association's governing documents or as might otherwise be necessary to ensure a fair election that complies with the law and the governing documents. All such consultations shall be protected by the Association's attorney-client privilege and shall be kept confidential from all persons other than the Board of Directors. Note, however, that neither the Inspector(s) of Election nor the attorney shall disclose to others, including the Board, how a particular ballot or proxy is to be voted.

ELECTION

34. Provided that a quorum is established at the membership meeting at which the election or removal of directors is held, the number of secret ballots returned to the Inspectors of Election, whatever the number might be, shall determine the election or removal of directors. The number of votes necessary for the removal of a director or directors shall be as provided in Corporations Code Section 7222 or any successor statute; a membership meeting for the purpose of removal also requires establishment of a quorum as set forth in Paragraph 19 and Paragraph 20, above. Secret ballots can only be opened and counted at a meeting of the members or Board of Directors at which a quorum of members or directors, as applicable, has been established.
35. Provided that the Association has distributed the ballots to the members in accordance with Section 1363.03, nothing in these rules, policies and procedures is intended to prevent the members from electing by voice acclamation all of the candidates standing for election whenever the number of candidates is equal to or less than the number of vacant positions being filled. If the candidates are elected by voice acclamation, the Inspector(s) of Election and the Association will nevertheless preserve the submitted ballots as provided in Paragraph 18.

MISCELLANEOUS

36. At the discretion of the Board of Directors, the above Rules and Procedures may be modified, delayed or repealed by the Board, in whole or in part, if the California State Legislature takes any action to change the content of Section 1363.03 which would affect said Rules and Procedures.