

VELLANO HOMEOWNERS ASSOCIATION ELECTION RULES

Date Adopted: March 11, 2020

Section 1. Application of Rules: These rules shall apply to any meeting of the membership or solicitation of membership approval by a ballot vote required under the California *Civil Code*.

Section 2. Qualifications for Membership Voting: Pursuant to the Association's governing documents, the Association has the following voting classes:

Class A Members. Class A Members shall be all Owners, with the exception of Declarant and the Merchant Builders for so long as Class B membership exists. Each Class A Member shall be entitled to one (1) vote for each Lot owned and subject to Assessment. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot. Declarant and Merchant Builders shall become a Class A Member upon conversion of Declarant's Class B Membership as provided below.

Class B Members. The Class B Members shall be the Declarant and the Merchant Builders, if any. The Class B Member shall be entitled to three (3) votes for each lot owned by Declarant and Merchant Builders subject to Assessment. The Class B membership shall, as to each Phase be converted to Class A membership, as to each Phase, upon the happening of either of the following events, whichever occurs earliest;

- a. The Close of Escrow for the sale to Owners of a total of one hundred fifty-one (151) Lots in the Community; or
- b. The fourth (4th) anniversary date of the first Close of Escrow in the Phase for which a Final Subdivision Public Report was most recently issued by the DRE; or
- c. The tenth (10th) anniversary of the first Close of Escrow for the sale of a Lot in the Community.

Class C Member. In addition to other memberships it may hold, Declarant shall be the sole Class C Member of the Association, if applicable. The Class C membership shall exist, whether or not Declarant is an Owner of a Lot in the Community. The Class C membership shall be considered a part of the

Association's voting power for the sole purpose of Class C Member electing a majority of the directors of the Association, and reference to "each class of membership" in the Declaration or in the Bylaws or the Articles shall not refer to Class C membership for any purpose other than election of a majority of the members of the Board of Directors. The directors shall be elected as set forth in the Bylaws. The Class C membership shall forever cease on the happening of any of the following events, whichever occurs earlier;

- a. The Fourth (4th) anniversary of the first Close of Escrow in the Phase for which a Final Subdivision Public Report was most recently issued by the DRE; or
- b. The tenth (10th) anniversary of the first Close of Escrow pursuant to the Final Subdivision Public Report for Phase 1.

The Class C member shall have the right to cause early termination of the Class C membership or to reduce the number of directors that the class C member is entitled to elect by notifying the Secretary of the Association in writing.

The Board may fix a record date in accordance with *Corporations Code* Section 7511 or as addressed in the Bylaws.

The authenticity, validity and effect of all ballots shall be determined by the Inspector(s) of Election on the night of any election. The polls for any vote of the membership shall be open from the date the Secret Ballot is mailed and shall be closed at the time that envelopes are opened, unless the Inspector(s) determines another time for the polls to close. The polls for any vote of the membership shall close when the Inspector(s) of Election has determined that the ballots shall be counted.

Section 3. Qualifications of Candidacy on the Board: Every person who is an Owner within the Vellano Homeowners Association is a Member of the Association. A Director must be a Member of the Association, an agent of the Declarant for so long as Declarant owns a Lot in the Community or in the Annexable Property, or the duly designated representative of a Corporation Member, and all Candidates must meet that qualification at the time of nomination. Pursuant to *Civil Code* §5105, the Association shall disqualify a person from a nomination as a candidate for not being a Member of the Association at the time of the nomination. If title to a separate interest parcel is held by a legal entity that is not a natural person, the governing authority of that legal entity shall have the power to appoint a natural person to be a Member for voting purposes.

A nominee for a Board seat will be disqualified from nomination as a candidate if that person discloses, or if the Association is aware or becomes aware of, a past criminal conviction that would either prevent the Association from purchasing required fidelity bond coverage should the person be elected, or terminate the

Association's existing fidelity bond coverage as to that person should the person be elected.

The Association requires all nominees, and all persons acting as Directors during their Board tenure, to be current in the payment of regular and special assessments. A nominee for a Board seat will be disqualified from nomination as a candidate for failure to be current in the payment of regular and special assessments, unless any of the following are accurate: (1) the nominee has paid such assessment(s) under protest; (2) the nominee is subject to an approved payment plan; or (3) the nominee has not been provided an opportunity to participate in internal dispute resolution pursuant to the *Civil Code*. The Association may not disqualify a nominee for nonpayment of fines, fines renamed as assessments, collection charges, late charges, or costs levied by a third party.

A nominee for a Board seat will be disqualified from nomination as a candidate if the person, if elected, would be serving on the Board at the same time as another person who holds a joint ownership interest in the same separate interest parcel as the person, and the other person is either properly nominated for a current election or an incumbent Director.

A nominee for a Board seat will be disqualified from nomination as a candidate if that person has been a Member of the Association for less than one (1) year.

Section 4. Nominations: The Association will cause general notice of the procedure and deadline for submitting a nomination to be provided to the Members at least thirty (30) days before any deadline for submitting a nomination.

Nominations for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting and self-nominations are permitted. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each meeting. The Nominating Committee shall make as many nominations for election to that Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Nominations may be made from among Members, or non-Members so long as the Class B membership exists. Thereafter, nominations shall only be made from among the Members. In addition, nominations will be solicited by candidacy statements being sent out by management on behalf of the association prior to the annual election and must be returned by the date specified in order to be sent with the balloting materials.

Section 5. Solicitation Materials: Every Candidate and Member shall have equal access to the Association mailings, newsletters, and website, if any access is provided, for the publication of view points reasonably related to any issue presented for membership vote.

Section 5.1. Content: The Association shall not edit or redact any content from these messages, but may include a statement specifying that the Candidate or Member, and not the Association, is responsible for the content of any published statement.

Section 5.2. Limitation on Publication Space Made Available: So long as each Candidate and/or Member is provided the same opportunities for publication, the Association may restrict the availability of any publication by limiting the printing space made available or the number of words that will be included from each Candidate or Member included in the publication. In the absence of more restrictive limitations adopted by the Board for any particular matter, each Candidate and/or Member should be limited to no more than 200 words for any one publication. The Board may, in its sole discretion, present a candidacy questionnaire with questions for all interested Candidates and/or Members to complete. If such a questionnaire is provided, then the Association will only print the answers to such questions and may impose a limitation upon the number of words for the response to any question presented.

Section 6. Proxies: Every Member entitled to cast a vote at a meeting of the Members shall be entitled to vote either in person, or by proxy. The Association shall make available to Owners, upon written request, proxy materials for use at any meeting of Members whereat the Members are entitled to vote. The granting of a proxy shall not authorize the retrieval of any ballot previously cast. Ballots, once cast, are final and irretrievable.

Section 7. Availability of Meeting Space: Access to common area meeting space, shall be made equally available, at no cost, to all Candidates and/or Members desiring to use such space for any reason reasonably related to a membership vote. The Association may meet the requirements of this section by hosting a “Meet the Candidates Night”, or other such special meeting, so long as every Candidate and/or Member is provided with an equal opportunity to participate in the event.

Section 8. Selection of Inspector of Election: Prior to the presentation of any issue to the members for a membership vote, the Association shall appoint one (1) or three (3) Inspectors of Election. If there are three (3) Inspectors of Election, the decision or act of a majority shall be effective in all respects as the decision or act of all. The Inspector appointed by the Board may be any person or entity other than: (1) a Director; (2) a Candidate; (3) a Director’s relations; or (4) a Candidate’s relations. The appointed Inspector of Election must be an independent third party and may be a Member of the Association, but may not be a person or entity employed by and receiving compensation from the Association other than serving as an Inspector(s) of Election.

Section 9. Role of Inspector of Election: At least thirty (30) days before an election, the Inspector(s) of Election will deliver, or cause to be delivered through Association management or other authorized designee, to each Member a (1) ballot and (2) a copy of the Association’s Election Rules. Delivery of the Election Rules to the Members may be accomplished by either posting the Election Rules to the Association’s website, or via individual delivery to all Members pursuant to the *Civil Code*.

Inspector(s) will determine the number of Memberships entitled to vote and the voting power of each in accordance with the Association's governing documents. Inspector(s) will determine the authenticity, validity, and effect of proxies, if any, and receive ballots. Inspector(s) will hear and determine all challenges and questions in any way arising out of or in connection with the right to vote. Ballots will be returned to the Association's managing office, unless another location is designated by the Inspector(s). Inspector(s) will determine when the polls shall close. Inspector(s) will determine and announce the results of the election.

Inspector(s) may also perform any acts as may be proper to conduct the election with fairness to all Members in accordance with the Inspector(s) of Election rules and all applicable rules of the Association regarding the conduct of the election that are not in conflict with the Inspector(s) of Election rules. Inspector(s) must perform all duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical.

Section 10. Ballots: At least thirty (30) days before ballots are distributed to the Members, the Association will provide general notice to the Members of (1) the date and time by which, and the physical address where, ballots are to be returned by mail or handed to the Inspector(s) of Election or its authorized designee, (2) the date, time, and location of the meeting at which ballots will be counted, and (3) the list of all candidates' names that will appear on the ballot.

These Election Rules specifically prohibit the denial of a ballot to a Member for any reason other than not being a Member of the Association at the time when ballots are distributed, and prohibit the denial of a ballot to a person with general power of attorney for a Member. These Election Rules also require the ballot of a person with general power of attorney for a Member to be counted if the ballot is returned in a timely manner.

Section 11. Meeting Conduct: Any inspection of ballots shall be done at an open meeting of the membership or the Board of Directors. Any Candidate or Member may observe the count, but shall stand at least five feet away from the Inspector(s). Candidates and/or Members may not harass, cajole or otherwise interfere with the Inspector(s) of Elections while the count is taking place. Members or persons not specifically authorized to do so may not touch any secret ballot or other election materials. All ballots will be made available for inspection by any Candidate or Member during regular business hours at the Association's management office once the meeting is concluded. Any person violating this Section may be asked by the Inspector of Elections to leave the meeting to prevent further disruption.

Section 12. Tabulation of Votes: Inspector(s) count and tabulate all votes. All votes shall be counted and tabulated by the Inspector(s) at a duly noticed meeting of the Board of Directors or Members. Any candidate or other Member of the Association may witness the counting and tabulation of the votes. Members who are not Inspectors or being overseen by an inspector must remain at least five feet away from the counting

area. Members who are not Inspectors may not participate in the counting or tabulation process or any discussions that may arise among the Inspectors or their designated assistants. Every Inspector(s) of Election must sign the ballot tally sheet for the Association's corporate records.

Section 13. Recording and Announcing Election Results: Inspector(s) must report the tabulated results of the election promptly to the Board of Directors and the results will be recorded in the next regular session Board meeting Minutes, and shall be available for review by Members. Within fifteen (15) days of the election, the Board shall give general notice to the Members pursuant to California *Civil Code* Section 4045 of the tabulated results of the election.

Section 14. Records Retention: In accordance with California law, the Association shall retain, as Association election materials, a candidate registration list and a voter list. The voter list will include the name, voting power, and either the physical address of the voter's separate interest, the parcel number, or both. The mailing address for the ballot shall be listed on the voter list if it differs from the physical address of the voter's separate interest or only if the parcel number is used. The Association will permit Members to verify the accuracy of their individual information on both lists at least thirty (30) days before ballots are distributed. The Association or Member must report any errors or omissions to either list to the Inspector(s) of Election, who shall make the corrections within two (2) business days. Association election materials that shall be retained by the Association for required records-keeping include returned ballots, signed voter envelopes, the voter list of names, parcel numbers, and voters to whom ballots were to be sent, proxies, and the candidate registration list. Association election materials are generally subject to inspection and copying by Members pursuant to the *Civil Code*; however, signed voter envelopes may be inspected but not copied.

The sealed ballots, signed voter envelopes, voter list, proxies, and candidate registration list shall at all times be in the custody of the Inspector(s) of Election or at a location designated by the Inspector(s) until after the tabulation of the vote, and until the time allowed by the *Civil Code* for challenging the election has expired, at which time custody shall be transferred to the Association.

These Election Rules are intended to be compliant with California statutory law. To the extent that any of these Election Rules is determined to conflict with such law, the statutory law shall control.