ELECTION AND VOTING RULES AND REGULATIONS OF TOLUCA TOWN HOUSE NO. 3 HOMEOWNERS' ASSOCIATION

INTRODUCTION

The Board of Directors ("Board") of Toluca Town House No. 3 Homeowners' Association ("Association") has adopted these Election Rules and Regulations ("Election Rules"), in accordance with Civil Code section 5105, et seq., to establish certain procedural rules for the successful management of meetings of the Association's members ("Members") and the implementation of the relevant provisions of the Association's Bylaws concerning elections and voting. These Election Rules are not intended to conflict with, replace, or supersede the provisions of the Association's Bylaws concerning voting rights, Board member qualification, or any other matter addressed in the Bylaws. Any inconsistency between these Election Rules and the Bylaws shall be governed in accordance with the Civil Code. Any capitalized, or otherwise defined terms, contained herein are as defined in the Association's Bylaw, CC&Rs, and any other governing documents.

RULES AND REGULATIONS

1. Qualifications of Directors/Elected Positions

a. The Board shall be composed five (5) persons who shall be owners, or Non-Member Spouses of owners, of condominiums within the Association. In order to be a candidate for election for director or any other elected position, such owners, or Non-Member Spouses of owners, as of the date of such owner's or Non-Member Spouse's nomination: (a) must be a Member or Non-Member Spouse of a Member, in good standing, as defined in Section 4.3 of the Bylaws; (b) may not be a party to any litigation against the Association; (c) may not be a party to any litigation against any of the Association's past or present agents or representatives, including, without limitation, past or present members of the Board of Directors (collectively "Agents"), which arises out of such Agents' acts or omissions while an agent or representative of the Association; and (d) may not be co-owner of a Condominium with any owner who is a party to any litigation described in Section 7.2 of the Bylaws. For purposes of this section, the term "litigation" shall refer to any adverse proceeding of whatever type or nature, including, without limitation, any state or federal actions, arbitration proceedings, and any actions brought before a division or department of any state or federal government. Only one (1) member, or Non-Member Spouse, per Condominium shall be eligible to serve on the Board at any time.

b. In order to remain qualified to serve on the Board, at all times during such owner's, or Non-Member Spouse's term as a director, the member or Non-Member Spouse must: (a) not be absent from more than three (3) consecutive meetings of the Board; (b) attend at least seventy-five percent (75%) of the Board meetings held during the year and attend the entire meeting each time; (c) comply with every duly approved action of the Board; (d) Owner's condominium, or such condominium within which Non-Member Spouse resides, must not be subject to a pre-lien demand letter for the non-payment of all assessments levied against the condominium and/or owner; (e) within five (5) days after receipt of written notice by the Association, comply with the governing documents and correct (to the satisfaction of the Board) any violation of the governing documents, for which the director has been determined to be responsible pursuant to applicable due process requirements; (f) not be actively engaged in litigation against the Association; (g) exhibit respect, professionalism, and courteous behavior to owners, committee members, vendors, the manager

and its staff, and any other persons associated with or retained by the Association; (h) not act in a manner determined by a majority vote of the Board to be grossly detrimental to the general safety, health or welfare of the Association and/or its members; and (i) comply with all requirements of members of boards of directors of homeowners associations under applicable statutes.

2. Nomination Procedures

a. The Association shall send to all Members a request-for-candidates form, seeking nominations for candidates for the Board, approximately sixty (60) days prior to the annual meeting. Notice to the Members of the meeting shall include the names of all those who are nominees, at the time the Notice is sent.

b. Nominations will be valid so long as the nominee has either nominated himself/herself, or provides notice of acceptance of the nomination prior to the close of nominations.

c. If a person or entity nominated is not qualified to serve on the Board, that candidate's name shall not appear on the ballot and that person or entity will not be permitted to serve if elected.

3. Voting Qualifications of Members

a. All Members in good standing shall be entitled to vote in any membership vote. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's condominium(s) and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the governing documents. A Member, or Non-Member Spouse, must be in good standing at least thirty (30) days prior to the date of the annual meeting.

b. Each Member shall have one (1) vote per condominium owned. In no event shall more than one (1) vote be cast with respect to any condominium. When more than one (1) person owns any condominium, all such persons shall be deemed Members, provided however, the vote for such condominium shall be exercised as a unit, in accordance with the provisions of the Association's governing documents. If two (2) or more ballots are received for any one (1) condominium, the first ballot received shall be counted and the additional ballot(s) discarded.

4. Inspector of Election

a. At an open meeting, the Board shall appoint one (1) or three (3) persons to serve as independent Inspector(s) of Election ("Inspector").

b. The Inspector must be an independent third party who is not:

i) Currently a member of the Board or a candidate for the Board; or

ii) Related to a member of the Board or a candidate for the Board.

c. The Board may select as the Inspector(s), Association Member(s), a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, a notary public, the Association's managing agent, or a professional election manager.

d. The Board may, in its discretion, appoint an Inspector, which consists of a person, business entity, or subdivision of a business entity, who is currently employed by, or under contract with, the Association, for any compensable services.

e. The Board, in its discretion, may remove and replace the Inspector at any time prior to the date of any election.

f. The Board may pay reasonable compensation to a non-Member third-party Inspector. If the Board determines that it will appoint and pay non-Member third-party Inspector, the following terms must be fulfilled:

i) A formal written contract for the Inspector, stating that the Inspector is an independent contractor;

ii) The Inspector will maintain insurance with at least one million dollars ($1,000,000.00) CGL coverage, including completed operations coverage, and one million dollars ($1,000,000.00) D&O/E&O (naming the Association and its management company as additional insureds on both policies); and

iii) The contract shall require the Inspector to indemnify the Association for gross negligence and willful and/or malicious misconduct.

g. If an Inspector is unwilling, unable, or does not perform his/her duties as stated in these rules, or becomes ineligible to be an Inspector at any time after appointment, the Board may remove that Inspector without notice, and may appoint another Inspector in his/her place.

h. The Inspector shall perform his/her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical.

i. The Inspector shall have the duty to:

i) Determine the number of Members entitled to vote and the voting power of each;

ii) Determine the authenticity, validity, and effect of proxies, if required by statute;

iii) Receive ballots;

iv) Determine the existence of a quorum, if required by statute. For the purposes of determining a quorum, each ballot received by the Inspector(s) shall be treated as a Member present, except in the case of duplicate ballots or multiple ballots from the same condominium;

v) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote;

vi) Count and tabulate all votes;

vii) Determine when the polls shall close, consistent with the governing documents;

viii) Determine the tabulated results of the election;

ix) Perform any acts as may be proper to conduct the election with fairness to all members in accordance with Civil Code section 5110, the Corporations Code, and all applicable rules of the Association; and

x) Prepare a written report of the activities undertaken in any election.

j. The Inspector may meet and discuss election issues amongst themselves and/or with Association counsel.

k. If there are three (3) Inspectors, the decision or act of two (2) or more Inspectors shall be effective in all respects as the decision or act of all.

l. The Inspector may appoint and oversee additional persons to verify signatures and to count and tabulate votes as the Inspector deems appropriate, provided that the persons are independent third parties, as set forth in Paragraph 4(b) herein.

m. The Inspector's report of the election, once signed to certify the election, is prima facie evidence of the facts stated in the report.

5. Access to Association Media

a. No candidate or Member shall be provided access to Association media, newsletters or internet web sites during the campaign except with the express consent of the Board, and solely for purposes that are reasonably related to that election. The Board's consent may be withheld at its sole discretion and for any reason.

b. In the event access to Association media, newsletter or internet web sites is granted to any candidate or Member advocating a point of view, during any campaign for purposes that are reasonably related to that election, then all candidates and Members advocating a point of view, including those not endorsed by the Board, shall be provided equal access for purposes reasonably related to that election.

c. In the event access to Association media, newsletter or internet web sites is granted, the Association shall not censor, edit or redact any content from the communications of the candidates and Members advocating a point of view, but may include a statement specifying that the candidate or Member, and not the Association, is responsible for the content of the message. The following statement may be published by the Association:

> *"The views expressed are those of its author and do not reflect the view of the Association, its directors, managers, employees or agents. The author is solely responsible for its content. The Association was required by law to publish the communication as written, regardless of content."*

6. Access to Common Area Meeting Space

a. If any Common Area meeting space exists within the Association, access to such meeting space shall be made available at no cost to all candidates, including those who are not incumbents, and to all Members advocating a point of view, including those not endorsed by the Board, for purposes reasonably related to the election or vote, upon reasonable request.

7. Association Funds

a. Association funds shall not be used for campaign purposes in connection with any election except to the extent necessary to comply with the duties of the Association imposed by law.

8. Proxies

a. Voting by proxy shall be allowed, pursuant to the Bylaws.

9. Secret Balloting Procedures

a. The Association shall utilize a secret ballot process pursuant to Civil Code section 5115 for the following matters:

i) A vote of the membership regarding assessments per Civil Code section 5605;

ii) Election of members of the Board;

iii) Amendments to the governing documents;

iv) Grant of Exclusive Use Common Area pursuant to Civil Code section 4600;

v) Removal of Directors; and

vi) Any other membership vote which the law requires to be conducted via the secret ballot process;

b. Notwithstanding Paragraph 9(a) herein, the Association may utilize a secret ballot process for any other membership vote, if allowed by law or the governing documents.

c. A ballot and two (2) pre-addressed envelopes (Envelopes #1 and #2) with instructions on how to return the ballot shall be mailed by first-class mail or delivered by the Association to every Member at least thirty (30) days prior to the deadline for voting.

d. The ballot shall contain the names of any candidates known to the Association at the time the ballot is mailed. If no candidates are known or if there are fewer candidates than the number of Directors to be elected, the Association will send out a ballot which has the names of the known candidates.

e. Write-In candidates and nominations from the floor shall not be permitted.

f. A voter may not be identified by name, address, or unit number on the ballot.

g. The ballot itself is not signed by the Member voting, but is to be inserted into Envelope #1 that is sealed by the Member. Envelope #1 is then inserted into Envelope #2, which is then sealed by the Member.

h. Envelope #2 is addressed to the Inspector(s). In the upper left-hand corner of Envelope #2, the voter shall sign his or her name, print his or her name, and indicate the address or separate interest identifier that entitles him or her to vote.

i. Envelope #2 may be mailed or delivered by hand to a location specified by the Inspector(s). The Member may request a receipt for delivery.

j. Once a ballot has been cast, it cannot be revoked.

k. Only the Association's ballots and envelopes which are sent out to the membership by the Association or are provided by the Association at the membership meeting will be accepted by the Inspector(s).

10. Voting Period

a. The Board shall generally determine the dates upon which polls will open and close, consistent with the governing documents and applicable law.

b. The Association shall provide written notice of the annual meeting ("Notice") to each Member. The Notice shall, without limitation, advise the Members of the times when the polls will open and close for election of directors, as well as the date and time when the Members and candidates may attend the Annual Meeting and/or Board meeting to witness the inspectors' registration, review, count and tabulation of the votes.

c. All candidates shall have reasonable opportunity to communicate their qualifications to Members and to solicit votes.

11. Vote Tabulation

a. All votes shall be counted and tabulated by the Inspector(s), or the duly authorized persons appointed by the Inspector(s), in public at a properly noticed membership meeting.

b. The ballots shall not be opened or otherwise reviewed prior to the time and place which the ballots are counted and tabulated.

c. Any candidate or Member may witness the counting and tabulation of the votes.

d. The Inspector(s), or his or her designee, may verify the Member's information and signature on Envelope #2 prior to the meeting at which ballots are tabulated.

12. Election Results

a. The Inspector(s) shall promptly report the results of the election to the Board. The Board shall record the results of the election in the minutes of the next Board meeting and make them available to the Members for review.

b. Within fifteen (15) days of the election, the Board shall publicize the results of the election in a communication directed to all members.

13. Custody, Storage and Retention of Ballots

a. The sealed ballots shall, at all times shall be in the custody of the Inspector(s), or at a location designated by the Inspector(s), until after the tabulation of the vote, and until the time allowed by Civil Code section 5145 for challenging the election has expired, at which time the ballots shall be transferred to the Association.

b. If there is a recount or other challenge to the election process, the Inspector(s) shall, upon written request, make the ballots available for inspection and review by an Association Member or his or her authorized representative. Any recount shall be conducted in a manner that preserves the confidentiality of the vote.

c. After the transfer of the ballots to the Association, the ballots shall be stored by the Association in a secure place for no less than one (1) year following the date of the election.