



THE AVALON MANAGEMENT GROUP, INC.

"Excellence in Association Management"

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May 18, 2006

Dear Rancho Del Mar Homeowner:

Enclosed please find a copy of the Association Membership Meeting and Voting Rules for Rancho Del Mar Homeowners Association, which was adopted by the Board of Directors at the General Session Board meeting held on May 17, 2006.

The Board's intent in adopting these Membership Meeting and Voting Rules is due to New Legislation Laws.

Thank you in advance for taking time to read the enclosed information. Please keep this report with your other Association information.

Very truly yours,

Dena Zorotovich
As Agent for the Board of Directors
Rancho Del Mar Homeowners Association

RANCHO DEL MAR HOMEOWNERS ASSOCIATION

ASSOCIATION MEMBERSHIP MEETING AND VOTING RULES (Civil Code Section 1363.03)

Effective July 1, 2006

1. Membership Meetings, Annual Meeting and Election of Directors

- a. The Association will hold an Annual Meeting of the membership to elect directors and to conduct Association business.
- b. The Board of Directors will consist of five (5) directors. Directors are elected for one-year terms.
- c. The members of the Association who are in good standing may vote at membership meetings. "Good standing" includes members whose Association rights and privileges have not been suspended after notice and opportunity for hearing.
- d. Any director may not have been convicted of a felony or declared of unsound mind by a court and must meet the qualifications set by the Bylaws at Article III, Section 1.
- e. The Association will send out to all members a request-for-candidates form, seeking candidates for the Board, at least 120 days prior to the Annual Meeting date. All forms must be completed by the candidate and must be received by the Association by the deadline stated in the form in order for a candidate's name to appear on the Notice of Annual Meeting and the Ballot. If the fully completed form is not received by the Association by the deadline date, a candidate may still be nominated by himself, herself or by someone else from the floor of the Annual Meeting.
- f. The candidacy form will include the opportunity for each candidate to submit a 150-word written statement which is reasonably related to the election, including advocating a point of view. Candidates' statements will be included with the Association's mailing of the Notice and Ballot materials. The Association will not edit or redact these statements but may include a statement specifying that the candidate is responsible for that content.
- g. Secret Ballots: The Association will utilize a secret ballot process, as described below, for all items legally requiring a vote of the membership, including, but not limited to:
 - i. A vote of the membership regarding assessments per Civil Code Section 1366

- ii. Election of members of the Association's Board of Directors
 - iii. Amendments to the governing documents
 - iv. Grant of exclusive-use common area property pursuant to Civil Code Section 1363.07
- h. The Association's Annual Meeting will be held in September of each year, on a date and at a time to be determined by the Board of Directors. The Association will send out a Notice of Annual Meeting and will advise all members of times when polls will open and when the members and candidates may attend the Annual Meeting and/or Board of Directors' meeting to witness the inspectors' registration, review, count and tabulation of the Ballots. The Notice of Annual Meeting will also provide the date(s)/time(s) of access to common area meeting space available for candidates/advocates for purposes reasonably related to the election.
- i. Other meetings of the members ("Special Membership Meetings") may be noticed and held by the Association to vote on matters which are proper for member vote.
- j. The directors must be elected by secret ballot and cannot be elected by voice vote or show of hands at the Annual Meeting.
- k. All membership meetings and votes will be conducted in accordance with the Association's governing documents and California Corporations and Civil Codes, as appropriate.
- l. Members will have one vote per unit owned.
- m. For election of directors, cumulative voting will be used as permitted by the Association's CC&R's at Article III, Section 2. This means that a member may cast all votes for one candidate or divide up the votes among the candidates. No fractional votes are permitted.

2. **Inspector(s) of Election**

- a. One or three inspector(s) of election ("Inspectors") will be selected and appointed by the Board of Directors at an open Board meeting, approximately 150 days prior to the date of the Annual Meeting or other membership meeting.
- b. The Board may, but is not required to, select non-member third parties as the Inspectors, which may include, but is not limited to, a volunteer poll worker with the county registrar of voters, a licensee of the California Board of Accountancy, or a notary public.
- c. The Board will not select a member of the Board of Directors, a candidate for the Board of Directors, a relative of a member of the Board or of a candidate, or a

person currently employed by or under contract to the Association for other compensable services, except the Board may hire a CPA or accounting firm to act as Inspectors even though the CPA or accounting firm is employed for audit, tax or other Association accounting work.

- d. The Board may determine to pay compensation to the Inspectors.
- e. Inspectors' Duties:
 - i. Determine number of memberships entitled to vote and the voting power of each;
 - ii. Determine the authenticity, validity, and effect of proxies, if any;
 - iii. Receive Ballots;
 - iv. Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote;
 - v. Count and tabulate all votes;
 - vi. Determine when the polls shall close;
 - vii. Determine the results of the election;
 - viii. Perform any acts as may be proper to conduct the election with fairness to all members, in accordance with Civil Code Section 1363.03 and these rules;
 - ix. All duties must be performed in good faith, to the best of the inspector's ability, and as expeditiously as practical;
 - x. Prior to the mailing of the Ballots by the Association, the inspector(s) will determine the location where the sealed ballots will be mailed or delivered and where the inspector(s) will maintain custody of the sealed ballots until after the tabulation of the vote by the inspector(s).
- f. The Inspectors may appoint and oversee additional personnel to assist them in their duties.
- g. If there are three Inspectors, the decision to act must be by a majority of the Inspectors and is effective, in all respects, as the decision of all.
- h. The Inspectors' report is prima facie evidence of the facts stated in the report.

3. Secret Ballot Procedures

- a. At least 30 days prior to the Annual Meeting or other membership meeting which is the deadline for voting, the Association will mail to members in Good Standing, by first-class mail, the Ballots, along with two preaddressed envelopes. A Notice of Meeting will also be sent which will include instructions on how to return Ballots during the voting period which shall extend through close of the polls at the Annual Meeting.
- b. The Ballot will not identify voter by name, address, lot, parcel number or unit number.
- c. The Ballot will 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 and/or blank lines for write-in candidates.
- d. Any write-in candidate must be nominated from the floor of the Annual Meeting, by himself, herself or another member.
- e. The Ballot itself is not signed by voter but is inserted into a sealed, preaddressed (to the Inspectors) envelope (Envelope #1).
- f. The sealed Envelope #1 is then inserted by the voter into a second preaddressed envelope (Envelope #2) which should then be sealed. In the upper left-hand corner of Envelope #2, the voter signs his or her name, and indicates his or her name, address and lot, parcel or unit number that entitles him/her to vote.
- g. The owners of multiple properties must submit separate sealed Ballot envelopes (#1 and #2) for each property.
- h. Envelopes #1 and #2 are preaddressed, addressed to the Inspectors.
- i. Ballots may be mailed to that address or delivered by hand by the member to the location selected by the Inspectors.
- j. The member may request a receipt for hand delivery of the sealed Envelope #2 to the location selected by the Inspectors. Any member desiring a receipt for mail delivery should send the Ballot by certified mail, return receipt requested, to the location selected by the Inspectors.
- k. Only the Association's Ballots in the form 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 Inspectors.

4. **Proxies**

- a. Proxies will be accepted pursuant to the Bylaws at Article II, Section 12 only if those proxies are determined by the Inspectors to meet the requirements of the Bylaws, California Corporations Code and California Civil Code.
- b. Any instruction given in a proxy that directs the manner in which the proxy holder is to cast the vote must be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain.
- c. The proxy holder shall cast the member's vote by secret ballot, unless the proxy is revoked by the member prior to the receipt of the ballot by the Inspector(s) or a designated representative thereof.
- d. Any member who gives another person his or her proxy does so with the full understanding that the Association and Inspectors will not be responsible for ensuring that any proxy holder votes the proxy in accordance with the proxy holder's direction.

5. **Revocability and Priority of Ballots**

- a. Ballots, once submitted to the Inspectors, are **not revocable**.
- b. If more than one Ballot is received for any property, the first Ballot received will be the one counted. If it cannot be determined which Ballot was the earliest received, no Ballot will be counted for that property except one Ballot for quorum purposes only.
- c. If a Ballot is received for any property, no proxy will be counted for that property, regardless of the date of the proxy.

6. **Registration of Secret Ballots at the Meeting**

- a. The Association will have the membership registration list at the membership meeting.
- b. Management will not register any of the Ballots or proxies received by the Association.
- c. All Ballots must be sealed in the two sealed preaddressed envelopes and contain all required information on the upper left-hand corner of Envelope #2.
- d. If a member brings ballots for other members to the membership meeting, the Ballots must be sealed in separate individual Envelopes #1 and #2 as required above. The Inspector(s) will register and make all necessary determinations regarding those sealed Ballot envelopes.

- e. The Inspector(s) will review the information provided on the upper left-hand corner of Envelope #2. The Inspector(s) will require, at a minimum, the following:
 - i. The printed name of the member must be legible and must match the name of at least one of the record owners of the property as shown on the Association's membership list;
 - ii. The member's signature must be on the Envelope #2;
 - iii. The address shown on Envelope #2 must correspond to the member's address on the Association's membership list;
 - iv. If these requirements are not met, the envelope/Ballot will not be valid for any purpose, including quorum, and will not be registered.

7. **Registration of Members in Person**

- a. A member wishing to vote in person at the membership meeting must present himself/herself at the registration table.
- b. If the member has not previously mailed or delivered a Ballot to the Inspector(s), she/he will be given a Ballot to mark and cast in secret at the membership meeting. The Inspector(s) will mark the registration list to memorialize that the member received a Ballot at the membership meeting.
- c. Members voting in person at the meeting must still use Envelopes #1 and #2, and Envelope #2 must be filled out, sealed and signed. Failure to use the two envelope system at the meeting may lead to invalidation of the Ballot cast at the meeting and shall prevent the Ballot from being counted at any adjourned date if the meeting is adjourned for lack of a quorum.

8. **Registration of Proxies/Determination of Quorum**

- a. If a person brings proxies to the membership meeting, or if any proxy is delivered to the Inspector(s) prior to the meeting, the Inspector(s) will review and make all necessary determinations regarding those proxies, including the validity of those proxies before counting the proxy toward any quorum. Such review may take place prior to the meeting.
- b. The Inspector(s) will determine, based upon the count of the number of members voting in person or by mail as shown on the registration list, that quorum has been obtained.
- c. Upon determination that a quorum has been obtained, the Inspector(s) may close registration at the polls.

9. **Adjourned for Lack of Quorum**

- a. Any Ballots which are cast in person at the Annual Meeting and put directly into the ballot box without Envelopes #1 and #2 for that meeting will not be counted at or used for any adjourned meeting. Ballots which are mailed in or delivered to the Inspector(s) in properly completed, sealed Envelopes #1 and #2 will be valid for adjourned meetings.
- b. The Ballots will be counted during a duly noticed Board or membership meeting. The Inspector(s) may request that the meeting be recessed to allow the Inspector(s) to complete the counting and tabulation of the Ballots to another time. The Inspector(s) will continue to maintain custody of all Ballots until the counting and tabulation is complete.

10. **Observation/Custody of Ballots, Etc.**

- a. Any candidate or other member of the Association may witness the registration of sealed Ballots, proxies (if any), the counting and the tabulation of the votes.
- b. No person, including any member of the Association, any employee or manager, may open any Ballot envelope prior to the time and place at which the Ballots are counted and tabulated.
- c. The sealed Ballots at all times will be in the custody of the Inspector(s) until after the tabulation of the votes, at which time custody is transferred to the Association.

11. **Privilege Suspensions.** Management will provide the Inspector(s) with a list of those members whose rights and privileges have been duly suspended after notice and hearing and who are not entitled to vote at the membership meeting. The Inspector(s) will take appropriate steps, including making notations or otherwise marking the membership registration list and/or sealed Ballot envelopes, to not allow suspended members to vote at the membership meeting or in other membership votes.

12. **Consultation With Association Counsel.** The Inspector(s) will have the authority to confer with the Association's legal counsel in advance or at the meeting. Legal counsel represents the Association and does not represent the members, Inspector(s), Board members, management or any other person. By the adoption of these rules, the Association's legal counsel has been authorized by the Board of Directors to provide advice to and to waive the attorney-client confidential communication privilege as determined necessary or prudent by the attorney to inform and advise the Inspectors regarding issues related to the Inspectors' performance of their duties for the Association.

13. **Nominating/Balloting.** Once registration for the polls has been closed, if a quorum is present, the meeting may proceed with nominations from the floor, followed by balloting, etc.

14. Tabulation, Counting, Inspectors' Conduct, Etc.

- a. Once the balloting has been closed by the Inspector(s), the Inspector(s) may then open the sealed envelopes and begin the count and tabulation of the ballots.
- b. All votes shall be counted and tabulated by the Inspector(s) of election in public, at a properly noticed open meeting of the Board or of the members, after verification of a quorum of the membership.
- c. Members and candidates may witness the counting and tabulation from a distance of no less than six feet from any Inspector.
- d. The Inspector(s) will not provide members or candidates with information, will not answer questions and will not provide any interim counts or tabulations. Inspectors will only provide the members or candidates with a final count and tabulation.
- e. Members and candidates may not communicate with the Inspectors during the inspection, registration, counting, or tabulation process.
- f. Any Ballot must be legible and clearly marked. If the ballot is marked to cast more votes than the maximum number of votes for that election, no votes will be counted, and the Ballot will be used for quorum purposes only.
- g. Inspectors will certify the results of the election by completing a report.

15. After Tabulation

- a. Results of the election shall be announced and be promptly reported to the Board of Directors and recorded in the minutes of the next meeting of the Board.
- b. Results shall be available for review by all members after the certification of the membership meeting by the Inspectors.
- c. Tie Votes: In the event of a tie vote among any number of the candidates, the Association will notice a special membership meeting and send out Ballots to all members for a vote to break the tie. Said vote shall be conducted in accordance with the procedures herein to the extent they are applicable to a run-off vote. No previously cast ballots or proxies will be used at the meeting to break the tie.
- d. Within 15 days of the election, the Board shall publicize the results of the election in a communication directed to all the members.
- e. The Ballots will be stored by the Association in a secure place for no less than one year after the date of the election.

- f. In the event of an election challenge and upon receipt of a written request from a member, the Association will make the Ballots available for inspection and review by Association members or their authorized representatives. In order to protect the security of the Ballots, one or more Association representatives must be present during such review.
- g. Any recount shall be conducted in a manner that shall preserve the confidentiality of the vote.

16. Access to Association Facilities and Communications

- a. If any candidate or member advocating a point of view is provided access to any Association media, including newsletters, Internet web sites, or other Association publications during any campaign, for purposes that are reasonably related to that election, then all candidates and members advocating a point of view shall be provided with equal access for purposes reasonably related to that election.
- b. The Association shall not edit or redact any content from these communications but will provide a statement specifying that the candidate or member, not the Association, is responsible for that content.
- c. Access to common area meeting space will be made available to all candidates and members advocating a point of view, for purposes reasonably related to the election, at no charge, on the specific dates and times which will be contained in the Notice of the membership meeting