

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION ELECTION RULES

Pursuant to California Civil Code Section 5105, Gold Mountain Homeowners Association (“Association”) hereby adopts the following Election Rules (“Rules”) regarding elections and voting. These Rules amend, supersede and replace in their entirety all previously adopted Election Rules.

Article 1. Application.

Notwithstanding any other law or provision of the governing documents, elections regarding assessments legally requiring a vote, election and removal of directors, amendments to the governing documents, or the grant of exclusive use of common area property pursuant to Civil Code Section 4600 shall be held by secret ballot in accordance with the procedures set forth in these Rules.

Article 2. Equal Access.

Section 2.1. All candidates and Members advocating a point of view shall be provided equal access to any Common Area meeting space, as well as any Association media, bulletin board, newsletters, or Internet Web sites during a campaign for purposes related to an election. Equal access shall be provided to all candidates and Members advocating a point of view, including those not endorsed by the Board of Directors (“Board”), for purposes that are reasonably related to the election. The Association shall not edit or redact any content from these communications. Candidates and/or Members making such communications are solely responsible for content. The Association and Board shall be immune from any liability for the content of such communication(s).

Section 2.2. All candidates and Members shall have equal access to the Common Area meeting space, during a campaign. There shall be no cost for this access and it shall be available 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. The Association and Board shall be immune from any liability for the content of such communication(s).

Article 3. Qualifications to Serve on Board of Directors.

The affairs of the Association shall be managed by a Board of Directors consisting of five (5) persons who shall be Members in Good Standing. Each Director shall hold office until his or her term expires and a successor has been elected and qualified. All Directors shall be elected for staggered two-year terms as more particularly provided for in Article V, Section 5.3 of the First Restated Bylaws of Gold Mountain Homeowners Association (“Bylaws”). All candidates for the Board shall be Owners of Lots and accordingly, Members of the Association, and meet the following requirements:

- (1) Candidates must be Members of the Association.

(2) Candidates must be Members in Good Standing. Candidates must be current in the payment of all dues, Assessments, fines, penalties, and other charges imposed in accordance with the Governing Documents, and must be in compliance with all of the provisions of the Governing Documents. In order to be eligible for nomination, election and service on the Board, the Association must certify that the candidate is a Member in Good Standing with the Association.

(3) If more than one Owner owns an interest in any Lot, only one (1) of said Owners may serve on the Board at any time.

Article 4. Prohibition of Use of Association Funds for Campaign Purposes.

Section 4.1. Association funds may not be used for campaign purposes in connection with any Board of Directors election.

Section 4.2. Association funds may not be used to advocate the election or defeat of any candidate that is on the ballot of election to the Board of Directors.

Section 4.3. Association funds may not be used to include a photograph or prominently feature the name of any candidate in a communication from the Association or Board except for the ballot or ballot materials. In the event the statement or actions of an incumbent director, who is also a candidate for reelection to the board, is reported in any Association media solely in the context of that directors' performance of his or her duties, those reports or statements shall not constitute provision by the Association of access to its media for campaign purposes.

Article 5. Nomination of Candidates for Board Election.

This section shall apply to elections regarding selection of Directors.

Section 5.1. In addition to any nomination procedures set forth in the Association's Bylaws (except as noted below), Members shall become candidates for election to the Board of Directors as follows: No less than 45 days before the Association mails out the ballot packets, the Association shall send a Notice to all Members inviting eligible Members to become candidates for election to the Board (the "Candidate Solicitation Notice"). The Candidate Solicitation Notice which may be presented in the Association's regular newsletter, shall state all of the following:

- a. Interested Members must notify the Association, or its Agent in writing, that they would like to be a candidate;
- b. Candidates and Members advocating a point of view may, but are not required to, submit a statement (hereafter, "Director Election Statement") which shall not exceed one side of a single 8 ½ x 11 inch page and which shall be reasonably related to the election, and by submitting a Director Election Statement, the author accepts full responsibility for the content thereof and agrees to indemnify the Association and its Agents and representatives for any and all damage arising from and related to any such content; and
- c. The written notification of desire to be a candidate and the Director Election Statement must either be mailed, hand delivered or e-mailed to the Association, or its Agent at the address(es) designated by the Board of Directors for that purpose, and must be received by the Association or its Agent no later than 5:00 p.m. on the date that is 30 days after the date the Candidate Solicitation Notice was mailed to its Members, and it

is each Member's responsibility to confirm that his or her written notification and Director Election Statement were received by the Association.

Section 5.2. Nomination for election to the Board of Directors may be made by a Nominating Committee consisting of three (3) or more persons. At least ninety (90) days prior to the date of any election of Directors, the Board may appoint a Nominating Committee to select qualified candidates for election to those positions on the Board of Directors held by Directors whose terms are then expiring. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association who may or may not be Board members. In order to comply with the procedures set forth in Civil Code Section 5115, the Nominating Committee shall make its report to the Board at least thirty (30) days before the date that secret written ballots are delivered to the Members, and the Secretary shall forward to each Member, with the notice of meeting, a list of candidates nominated. The Nominating Committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but not less than the number of vacancies on the Board to be filled. Members in Good Standing may be nominated as candidates for election to the Board.

Section 5.3. If a Nomination Committee has not been appointed, written notification of a desire to be a candidate shall be given to the Board or its Designated Agent.

Article 6. Voting.

Section 6.1. Each Owner of a Lot in the Development, by virtue of being an Owner, shall be a Member of the Association. No other person shall be accepted as a Member. Each Member in Good Standing shall have one (1) vote for each Lot owned by the Member. If more than one Owner owns an interest in a Lot, only one (1) vote may be cast with respect to that Lot as is set forth in Section 6.2, below.

Section 6.2. In the event more than one person owns a given Lot, the vote for such Lot shall be exercised as the Owners among themselves shall determine, but in no event shall more than one vote be cast with respect to any Lot. If the joint Owners of a Lot are unable to agree among themselves as to how their vote or votes are to be cast, such vote shall be cast in accordance with the decision of a majority of such Owners. If there is no such majority, the vote for the Lot shall not be cast either in favor of or opposed to the issue or issues which are the subject of the vote, but the membership shall be counted for purposes of determining whether the quorum requirements applicable to the vote or meeting have been met. If any Owner casts a vote representing a certain Lot and no written objection thereto is received by the Secretary prior to the close of voting, it will thereafter be conclusively presumed for all purposes that such Owner was acting with the authority and consent of the other Owners of that Lot.

Section 6.3. If the voting requirements and/or procedures set forth in the Second Restated Master Declaration of Covenants, Conditions Restrictions of Gold Mountain ("CC&Rs"), Bylaws or these Rules conflict with any applicable statutory requirements, the statutory requirements shall control.

Section 6.4. For the purpose of determining which Members are entitled to vote, the persons entitled to vote shall be those persons who are Members as of the record date determined in accordance with the Bylaws and subject to the provisions of California's Non-Profit Corporation

Law. A Member must be in good standing, current in the payment of all dues, Assessments, fines, penalties, and other charges imposed in accordance with the Governing Documents, and must be in compliance with all of the provisions of the Governing Documents, in order to be eligible to vote. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges based on the nonpayment of assessments, although a delinquent member shall be entitled to request such a hearing in accordance with the CC&Rs. A Member who owns more than one Lot shall be ineligible to vote if that Member is delinquent with respect to any of such Lots.

Section 6.5. The Association shall have but one class of voting membership

Section 6.6. The term Record Date shall mean the date on which eligibility to vote on a specific matter or at a meeting is determined. The Board shall set a Record Date for any vote held pursuant to Civil Code Section 5100, these Rules and the Secret Ballot Procedure and the Record Date shall mean the date on which eligibility to vote on a specific matter or at a meeting is determined. The Record Date may not be more than sixty (60) days before the day on which the first written ballot is mailed. If a Record Date for any vote held pursuant to Civil Code Section 5100, these Rules or the Secret Ballot Procedure is not set by the Board, the Record Date shall be the day the first written ballot is mailed. Notices and ballots shall be given to each Member at either (a) the last address for the Member appearing on the books of the Association or (b) the address supplied by the Member of the Association for the purpose of receipt of notice or a ballot. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first class mail or telegraphic or other written communication to the Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation.

Section 6.7. Cumulative voting for the election of Directors is prohibited.

Section 6.8. Each Member may vote by proxy. Proxies shall not be construed as, or used in lieu of, a written ballot. The Association may use proxies as permitted by the Bylaws of the Association and these Rules if those proxies meet the requirements of Civil Code Section 5130 and any other applicable laws. The Association shall not be required to prepare or distribute proxies pursuant to these Rules. To the extent proxies are permitted, any instruction given in a proxy issued for an election that directs the manner in which the proxy holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder shall cast the Member's vote by secret written ballot. Each proxy shall be in writing, shall identify the person or persons authorized to exercise the proxy and the length of time it will be valid, and shall be signed and dated by the Member and filed with the Association. The Member may revoke the proxy prior to the receipt of the ballot by the inspector of elections as described in Section 7613 of the Corporations Code.

Section 6.9. When required, secret ballots shall be distributed to the Membership by first class mail or personal delivery at least thirty (30) days prior to the deadline for voting or the meeting to consider the matter to be voted upon. The Voting period for annual elections of directors may be set to coincide with the Annual Meeting, and votes may be tabulated at said Meeting. Polls close on the date and time prescribed as deadline by Board but no less than 30 days from mailing, unless otherwise indicated. A written ballot may not be revoked.

Article 7. Election Inspectors.

Section 7.1. The Association shall use one (1) or three (3) independent third party as the inspector(s) of elections (“Election Inspector(s)”).

Section 7.2. The Board shall appoint the Election Inspector(s).

Section 7.3. For purposes of serving as the Election Inspector, an independent third party may be a person employed or under contract to the Association.

Section 7.4. The Election Inspector(s) shall do all of the following:

(A) Determine the number of memberships entitled to vote and the voting power of each.

(B) Determine the existence of a quorum at the meeting by counting the number of eligible voters present, in person and by proxy

(C) Determine the authenticity, validity, and effect of proxies, if any.

(D) Receive ballots.

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

(F) Count and tabulate all votes.

(G) Determine when the polls shall close, consistent with the governing documents and these Rules.

(H) Determine the tabulated results of the election.

(I) Perform any acts as may be proper to conduct the election with fairness to all Members in accordance with this section, the Corporations Code, and all applicable rules of the association regarding the conduct of the election that are not in conflict with this section.

Section 7.5. Indemnification of Inspectors and Liability Insurance. Election Inspectors shall be deemed to be agents of the Association for purposes of Corporation Code §7237 and shall be entitled to indemnification by the Association to the fullest extent provided by law. As provided in Corporations Code §7237(i), the Association shall have the power to purchase and maintain insurance on behalf of any Association agent against any liability asserted against or incurred by the agent in his or her capacity as an agent of the Association or arising out of the agent’s status and duties as such, whether or not the Association would have the power to indemnify the agent against such liability under pertinent provisions of the Corporations Code.

Article 8. Secret Ballot Procedures.

Section 8.1. Ballots and two preaddressed 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 thirty (30) days prior to the deadline for voting. In order to preserve confidentiality, name, address, parcel, or Lot number on the ballot may not identify a voter. The Association shall use as a model those procedures used by California counties for ensuring confidentiality of vote by mail ballots, including all of the following set forth in Sections 8.2 and 8.3, below.

Section 8.2. The ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into a second envelope that is sealed. In the upper left-hand corner of the second envelope, the voter shall sign his or her name, indicate his or her name, and indicate the address or separate interest identifier that entitles him or her to vote.

Section 8.3. The second envelope is addressed to the inspector or inspectors of election, who will be tallying the votes. The envelope may be mailed or delivered by hand to a location specified by the inspector or inspectors of election. A Member may request a receipt for delivery.

Article 9. Tabulation of Votes.

Section 9.1. All votes shall be counted and tabulated by the inspector of elections or his or her designee in public at a properly noticed open 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. 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. The Election Inspector, or his or her designee, may verify the Member's information and signature on the outer envelope prior to the meeting at which ballots are tabulated. Once the Election Inspector receives a secret ballot, it shall be irrevocable.

Section 9.2. The tabulated results of the election shall be promptly reported to the Board of directors of the Association, 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 fifteen (15) days of the election, the Board shall publicize the tabulated results of the election in a communication directed to all Members.

Section 9.3. Votes in relation to annual elections shall be counted and tabulated by the inspector of elections at the Annual Meeting.

Article 10. Custody of Election Materials and Recount Procedures.

Section 10.1. The sealed ballots at all times shall be in the custody of the Election Inspector(s) or at a location designated by the Inspector(s) until after the tabulation of the vote, and until the time allowed by Section 5145 of the Civil Code for challenging the election has expired, at which time custody shall be transferred to the Association.

Section 10.2. If there is a recount or other challenge to the election process, the Election 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.

Article 11. Conflict.

To the extent there is any conflict between these Rules and any provision of the governing documents, interpretation of these Rules shall be consistent with the requirements for election rules as codified in Part 5, Chapter 6, Article 4 of the California Civil Code and such amendments thereto. In the event of any such conflict between these Rules and the Civil Code, or other superseding or applicable statute, the statutory authority shall control.

Article 12. Defined Terms.

Any capitalized term or terms used in these Rules carry the same meanings as set forth in the CC&Rs and Bylaws.