

SEAL BEACH MUTUAL NO. FOUR**Mutual Operations – Stockholders Meetings****Annual Elections****SEAL BEACH MUTUAL NO. FOUR****7210 ANNUAL ELECTION POLICY**

In accordance with State Law and the Mutual By-Laws, the following policy is established for the general election of directors to Seal Beach Mutual No. Four's Board of Directors (hereinafter referred to as the "Mutual" on occasion).

1. Board of Directors, Annual Election of All Directors

- 1.1. The election of the Board of Directors shall be held at the annual meeting of the Mutual. Three (3) Board positions shall be filled at such election in even-numbered years, and four (4) Board positions shall be filled in odd-numbered years, on an alternating basis. The Board of Directors shall consist of seven (7) persons in total. By-Laws Article V Section 3.

2. Two Year Term

- 2.1. Each Board member will serve a two (2) year term, or until the next election, whichever is longer.

3. Vacant Board Positions

- 3.1. Vacant Board positions will be filled by Board member appointment until the next election applicable to the vacant seat filled by such appointment.

4. Candidate Must be an Owner

- 4.1. A candidate for the Board of Directors must be a current shareholder of the Mutual. Hereinafter, a shareholder may also be referred to as a "member" of the Mutual. Nominations may be made by any shareholder including nominating oneself. The Mutual will disqualify a person from nomination as a candidate if the person is not a member of the Mutual at the time of 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 the purposes of being a candidate. See Civil Code section 5105(b)(2).

5. Candidate Disqualifications

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5.1. A candidate will be disqualified: 1) if the candidate has a prior criminal conviction that prevents the Mutual from acquiring a fidelity bond or would result in the termination of any such bond, 2) if such candidate's election would result in joint owners of a separate interest serving on the Board at the same time, 3) if such candidate has been a member of the Mutual for less than one (1) year, and/or 4) if such candidate is delinquent in assessment payments (and not for failure to pay fines), unless a) the candidate has paid the same under protest, b) has entered into an assessment payment plan, or c) has not been provided the opportunity to engage in IDR. See Civil Code section 5105(c). However, any such disqualified person will be given the opportunity to engage in Internal Dispute Resolution. See Civil Code 5105(e).

6. One vote per Unit. Cumulative Voting Allowed

6.1. The shareholder (or shareholders, jointly) of each unit may cast one vote for each board position to be filled at a given election. The candidates receiving the highest number of votes shall be elected as directors and shall take office immediately following their election. There shall be cumulative voting. Each unit will be entitled to cast one vote for each of the open Board director positions up for election, to cast all such votes for a single candidate, or, to be distributed among the candidates to be elected. See the By-Laws Article IV Section 7.

7. Operational Biographical Information and/or Candidate Statement. No other Media Access

7.1. A candidate for the Board of Directors may submit a short biography of qualifications and/or a candidate statement to be included in the mailing of ballots, not to exceed one hundred (100) words. The Mutual shall not edit or redact any content from any such biography of qualifications and/or candidate statement, but may include a statement specifying that the candidate, and not the Mutual, is responsible for the content. Other than the foregoing, any candidate or member advocating a point of view will not be provided access to any Mutual media, newsletter, or internet website during a campaign.

8. Canvassing and Petitioning. Reasonable Hours set Forth

8.1. Shareholders will be allowed to canvass and petition shareholders, Board members and residents in a reasonable manner with respect to elections. A Shareholder will also be allowed to reasonably distribute and circulate

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82 information about elections and candidates. Such activity may include mailing
 83 or sliding flyers under front doors, door mats or behind any screen. Such
 84 activity may also include passively handing out flyers in the common area.
 85 These activities must all be within reasonable hours and may not be made with
 86 such aggressiveness as to create a nuisance. Flyers shall not be affixed to
 87 common area walls, doors, windows, and the like, nor to private vehicles.
 88 Shareholders and residents should not be disturbed before 8: 00 a.m. nor after
 89 8 p.m. Civil Code sections 4515(b)(4) & (5).

9. Common Area Meeting Space Available

93 **9.1.** Candidates and Shareholders will be allowed to use any suitable common
 94 area, or a community room, recreational hall and/or clubhouse meeting room,
 95 for the peaceful assembly and meeting with other members or residents, their
 96 invitees or guests, to conduct a "Meet the Candidate Forum" or the like for any
 97 election to the Board of Directors, or to conduct a "Town Hall Meeting" for
 98 persons to express points of view concerning other matters subject to
 99 membership vote, when not otherwise in use. There will be no charge for the
 100 use of any such meeting place, nor will the applicant for such space be
 101 required to make a deposit, pay a fee, buy a liability policy of insurance or pay
 102 a premium or deductible on the Mutual's insurance policy for such use. An area
 103 of separate interest with the consent of the applicable member may also be
 104 used for such an assembly or meeting. Civil Code sections 4515(b)(1) & (3).

10. Number of Inspectors

108 **10.1.** The Board of Directors shall appoint one (1) to three (3) inspector(s) of
 109 election. Civil Code section 5110(a). If there are three inspectors, the decision
 110 or act of a majority shall be effective in all respects as the decision or act of all.
 111 Civil Code section 5110(d). Any inspector report is prima facie evidence of the
 112 facts stated in such report. Civil Code section 5110(d).

11. Who may Serve as an Inspector?

116 **11.1.** An inspector of elections may be a member of the Mutual but not members of
 117 the Board of Directors or candidates for the Board of Directors or related to a
 118 member of the Board of Directors or a candidate for the Board of Directors. An
 119 inspector of elections may be an independent third party, including but not
 120 limited to a volunteer poll worker with the county register of voters, a licensee
 121 of the California Board of Accountancy, and/or a notary public, but may not be
 122 a person or business entity who is currently employed or under contract to the

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123 Mutual for any compensable services other than as an inspector of elections.
 124 Civil Code section 5110(b).

12. Powers of Inspector

128 **12.1.** The inspector(s) of elections shall determine the number of memberships
 129 entitled to vote and the voting power of each; determine the authenticity,
 130 validity, and effect of proxies if any; receive ballots; hear and determine all
 131 challenges and questions in any way arising out of or in connection with the
 132 right to vote; count and tabulate all votes; determine when the polls shall close;
 133 determine the results of the election; and perform any acts as may be proper to
 134 conduct the election with fairness to all members. Civil Code section 5110(c).
 135 An inspector shall perform all duties impartially, in good faith, to the best of the
 136 inspector's ability, as expeditiously as is practical, and in a manner that
 137 protects the interest of all members of the Mutual. Civil Code section 5110(d).

13. Nomination Process. Nominations May be Made from the Floor

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 141 **13.1.** The process for nominating a candidate to run for the board of directors shall
 142 be as follows in this section:
 143 **13.1.1. Self-Nomination.** Any member of the Mutual qualified to serve on
 144 the Board of Directors may nominate himself or herself by personally
 145 delivering or mailing a letter or other writing advising the Board of
 146 Directors of his or her intent to run for a position on the Board of
 147 Directors, received by the Mutual no later from the Fortieth (40th)
 148 day before the ballot counting meeting of the membership, to be
 149 included on the written ballot mailed to owners. A member may also
 150 self-nominate thereafter or from the floor of the election meeting
 151 before the close of any additional nominations.
 152 **13.1.2. Nomination by Third Party.** If the name of a candidate is proposed
 153 into nomination by someone other than the candidate, the candidate
 154 must verify his/her willingness to be placed on the ballot.
 155 **13.1.3. Close of Nominations.** Candidate Nominations will be closed at
 156 4:00 p.m. on the Fortieth (40th) day before the ballot counting
 157 meeting, with respect to such nominee's name being printed on the
 158 ballot. Only written nominations (including the nominating
 159 committee's list of nominees and any self-nominations) personally
 160 delivered on or before the close of nominations will be accepted. Any
 161 nominee(s) thereafter or from the floor at the election meeting must be
 162 handwritten in on a blank space to be provided on the written ballot, by the
 163 member so voting.
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167 At least thirty (30) days before the deadline for nominations and approximately one
 168 hundred and five (105) days before the voting deadline, the Mutual will send out to
 169 members a General Notice of Nominations Procedures and Deadlines (so as to be
 170 listed on the mailed out ballots and to be nominated thereafter). The deadline for
 171 submitting candidate nominations will be at least thirty (30) days after the mailing date
 172 of such General Notice of Nomination Procedures and Deadlines. Individual notice of
 173 such will be made only if requested by a member beforehand. See Civil Code section
 174 5115(a).
 175

176 At least thirty (30) days after the General Notice of Nomination Procedures and
 177 Deadlines was sent, and at least thirty (30) days before the ballots are distributed, the
 178 Mutual will send out to members a Pre-Ballot Notice. In such Pre-Ballot Notice to
 179 owners, the Board shall state 1) the date, time and physical address for ballots to be
 180 mailed or hand delivered to inspectors, 2) the date, time and meeting location for the
 181 ballot counting meeting, and 3) the preliminary list of candidates whose names will
 182 appear on the mailed ballot. Individual notice of such will be made only if requested by
 183 a member beforehand. See Civil Code section 5115(6).
 184

185 About sixty (60) to sixty-five (65) days before the voting deadline, members will be
 186 permitted to verify the accuracy of his/her information on the preliminary candidate list
 187 and voter list, until forty (40) days before the voting deadline. The inspector will then
 188 change and correct such lists within two (2) business days of any error or omission
 189 being reported by the Mutual or member. See Civil Code section 5105 (a)(7). All
 190 qualified candidates nominated at least forty (40) days before the election will be listed
 191 on the mailed ballots.
 192

193 The ballot materials for the annual election of the Board of Directors shall be mailed to
 194 each member of the Mutual or otherwise delivered between the thirty-fifth (35th) and
 195 thirtieth (30th) days before the annual meeting of the members during which the ballots
 196 will be counted. These ballot materials will include the ballot(s). These ballot materials
 197 will also include a copy of the election rules or will include an internet website address
 198 on the ballot together with the phrase, in at least twelve (12) point font: "The rules
 199 governing this election may be found here", while posting the election operating rules
 200 on this same internet website. See Civil Code sections 5105(g)(4)(B)(i) & (ii).
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202 **15. Secret Ballot**
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204 **15.1.** Ballots and two pre-addressed envelopes with instructions on how to return
 205 ballots shall be mailed by first-class mail or delivered by the Mutual to every

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206 member not less than 30 days prior to the deadline for voting. A voter may not
 207 be identified by name, address, or unit number on the ballot.

208
 209 **15.2.** The Mutual shall use the following procedures:

210 **15.2.1.** The ballot itself is not signed by the voter but is inserted into an
 211 envelope that is sealed. This envelope is inserted into a second
 212 envelope that is sealed. In the upper left-hand corner of the second
 213 envelope, the voter prints and signs his or her name, address, and
 214 unit number that entitles him or her to vote.

215 **15.2.2.** The second envelope is addressed to the inspector or inspectors of
 216 election, who will be tallying the votes. The envelope may be mailed
 217 or delivered by hand to a location specified by the inspector or
 218 inspectors of election. The member may request a receipt for
 219 delivery at the beginning of the voting process.

220
 221 **16. Custody of Cast Ballots at Designated Location**

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 223 **16.1.** The sealed ballots at all time shall be in the custody of the inspector or
 224 inspectors of election or at a location designated by the inspector or inspectors
 225 until after the tabulation of the vote.

226
 227 **17. Record Date for Voting**

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 229 **17.1.** The record date for voting shall be the date when ballots are distributed. See
 230 Civil Code section 5105(g)(1).

231
 232 **18. Correction of Voter List and/or Candidate Registration List**

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 234 **18.1.** Members will be allowed to verify the accuracy of his/her/their information on
 235 the voter lists and/or the candidate list until forty (40) days before the voting
 236 deadline. The Inspector of Elections will correct any errors on the same within
 237 two (2) business days. The voter list shall include the name, voting power, and
 238 either the physical address of the voter's separate interest, the parcel number,
 239 or both. The mailing address for the ballot shall be listed on the voter list if it
 240 differs from the physical address of the voter's separate interest or if only the
 241 parcel number is used. Civil Code section 5105(a)(7).

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 243 **19. Ballots Will Generally Not be Denied**

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 245 **19.1.** Ballots will not be denied to a member for any reason other than not being a

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246 member at the time of the record date for voting. A ballot will not be denied to a
 247 person with a general power of attorney for a member and will be counted if
 248 returned in a timely manner. See Civil Code sections 5105(g)(1), (2) & (3).
 249

20. Verification of Voter’s Signature prior to Meeting. Cast Ballot is Irrevocable

252 **20.1.** The inspector of elections, or the designee of the inspector, may verify the
 253 member's information and signature on the outer envelope prior to the meeting
 254 at which the ballots are tabulated. Once a secret ballot is received by the
 255 inspector of elections, it shall be irrevocable. Civil Code section 5120(a).
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21. Quorum

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 259 **21.1.** The holders of one-third (1/3) of the members entitled to vote thereat, present
 260 in person, or represented by proxy, shall constitute a quorum. If such holders
 261 shall not be present or represented at such election meeting, the members
 262 entitled to vote thereat, present in person or represented by proxy, shall have
 263 the power to adjourn the meeting from time to time, until the requisite amount
 264 of voting shares shall be present. See the By-Laws Article IV Section 5.
 265

22. Votes Tabulated

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 268 **22.1.** All votes shall be counted and tabulated by the inspector or inspectors of
 269 election in public at a properly noticed open meeting of the Mutual. Any
 270 candidate or other member of the Mutual may witness the counting and
 271 tabulation of the votes. No person, including a member of the Mutual or an
 272 employee of the management company, shall open or otherwise review any
 273 ballot prior to the time and place at which the ballots are counted and
 274 tabulated. See Civil Code section 5120(a).
 275

23. Election Results

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 278 **23.1.** The results of the election shall be promptly reported to the Board of Directors
 279 of the Mutual and shall be recorded in the minutes of the next meeting of the
 280 Board of Directors and shall be available for review by members of the Mutual.
 281 Within fifteen (15) days of the election, the Board shall publicize the results of
 282 the election in a communication directed to all members. See Civil Code
 283 section 5120(b).
 284

24. Storage of Ballots after Election

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287 **24.1.** After tabulation, election ballots, the signed voter envelopes, the voter list, any
 288 proxies and the candidate registration list shall be stored by the inspector of
 289 elections in a secure place at his or her designation, for no less than one year
 290 after the date of the election. Thereafter, the Mutual shall keep such ballots. In
 291 the event of a recount or other challenge to the election process, the Mutual
 292 shall, upon written request, make the ballots available for inspection and review
 293 by Mutual members or their authorized representatives. Signed voter
 294 envelopes may be inspected but not copied. Any recount shall be conducted in
 295 a manner that shall preserve the confidentiality of the vote. See Civil Code
 296 sections 5105 and 5200.

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 298 **25. Election Rule Amendments**

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 300 **25.1.** These election operating rules shall not be amended to be applicable less than
 301 ninety (90) days prior to an election, but any such amendment will be applied if
 302 required by law. See Civil Code section 5105(h).

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 304 **26. Election Rules may Supersede other Governing Documents**

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 306 **26.1.** These election rules may contain provisions mandated by the Davis-Stirling Act
 307 under California state law, and as such, may supersede any conflicting
 308 provisions in the Mutual's Bylaws and/or CC&Rs.

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 310 **27. Election Timeline**

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 312 **27.1.** An election timeline is attached hereto as Exhibit "A".

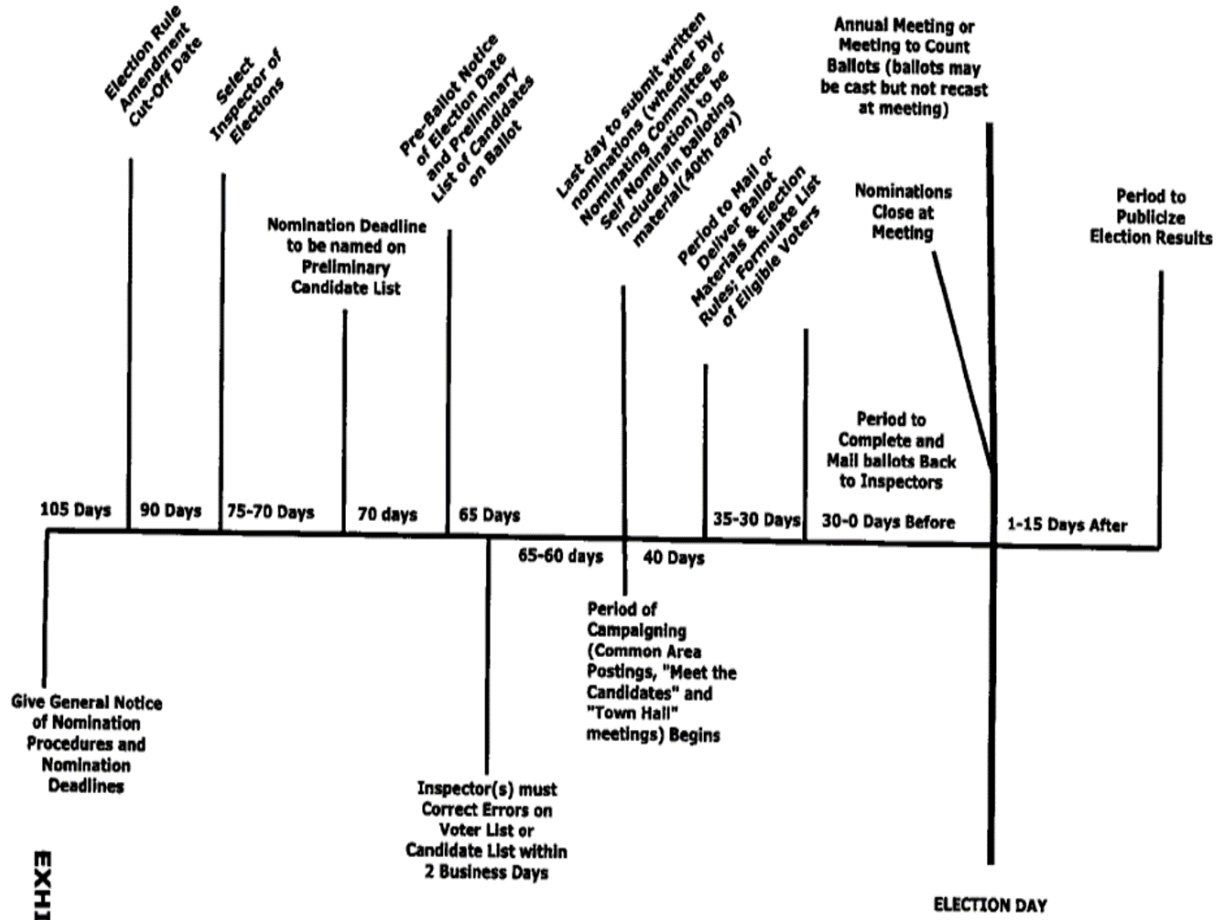
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 314 **Exhibit "A"**

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ELECTION TIMELINE (BOARD OF DIRECTORS AND BALLOT MEASURES)



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