

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. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership or by the vote of the preferred stockholders shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting.

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

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person to be a member for the purposes of being a candidate. See Civil Code section 5105(b)(2).

5. Candidate Disqualifications

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.

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

9. Common Area Meeting Space Available

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

10. Number of Inspectors

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

11. Who may Serve as an Inspector?

- 11.1. An inspector of elections may be a member of the Mutual but not members of the Board of Directors or candidates for the Board of Directors or related to a

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member of the Board of Directors or a candidate for the Board of Directors. An inspector of elections may be an independent third party, including but not limited to a volunteer poll worker with the county register of voters, a licensee of the California Board of Accountancy, and/or a notary public, but may not be a person or business entity who is currently employed or under contract to the Mutual for any compensable services other than as an inspector of elections. Civil Code section 5110(b).

12. Powers of Inspector

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

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

13.1. The process for nominating a candidate to run for the board of directors shall be as follows in this section:

13.1.1. Self-Nomination. Any member of the Mutual qualified to serve on the Board of Directors may nominate himself or herself by personally delivering or mailing a letter or other writing advising the Board of Directors of his or her intent to run for a position on the Board of Directors, received by the Mutual no later from the Fortieth (40th) day before the ballot counting meeting of the membership, to be included on the written ballot mailed to owners. A member may also self-nominate thereafter or from the floor of the election meeting before the close of any additional nominations.

13.1.2. Nomination by Third Party. If the name of a candidate is proposed into nomination by someone other than the candidate, the candidate must verify his/her willingness to be placed on the ballot.

13.1.3. Close of Nominations. Candidate Nominations will be closed at 4:00 p.m. on the Fortieth (40th) day before the ballot counting meeting, with respect to such nominee's name being printed on the ballot. Only written nominations (including the nominating committee's list of nominees and any self-nominations) personally delivered on or before the

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close of nominations will be accepted. Any nominee(s) thereafter or from the floor at the election meeting must be handwritten in on a blank space to be provided on the written ballot, by the member so voting.

14. Notice of Nomination Procedures. Pre-Ballot Notice and Ballot Materials

At least thirty (30) days before the deadline for nominations and approximately one hundred and five (105) days before the voting deadline, the Mutual will send out to members a General Notice of Nominations Procedures and Deadlines (so as to be listed on the mailed out ballots and to be nominated thereafter). The deadline for submitting candidate nominations will be at least thirty (30) days after the mailing date of such General Notice of Nomination Procedures and Deadlines. Individual notice of such will be made only if requested by a member beforehand. See Civil Code section 5115(a).

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

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

The ballot materials for the annual election of the Board of Directors shall be mailed to each member of the Mutual or otherwise delivered between the thirty-fifth (35th) and thirtieth (30th) days before the annual meeting of the members during which the ballots will be counted. These ballot materials will include the ballot(s). These ballot materials will also include a copy of the election rules or will include an internet website address on the ballot together with the phrase, in at least twelve (12) point font: "The rules governing this election may be found here", while posting the election operating rules on this same internet website. See Civil Code sections 5105(g)(4)(B)(i) & (ii).

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15.1. Ballots and two pre-addressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Mutual to every member not less than 30 days prior to the deadline for voting. A voter may not be identified by name, address, or unit number on the ballot.

15.2. The Mutual shall use the following procedures:

15.2.1. 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 prints and signs his or her name, address, and unit number that entitles him or her to vote.

15.2.2. 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. The member may request a receipt for delivery at the beginning of the voting process.

16. Custody of Cast Ballots at Designated Location

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

17. Record Date for Voting

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

18. Correction of Voter List and/or Candidate Registration List

18.1. Members will be allowed to verify the accuracy of his/her/their information on the voter lists and/or the candidate list until forty (40) days before the voting deadline. The Inspector of Elections will correct any errors on the same within two (2) business days. The voter list shall 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 if only the parcel number is used. Civil Code section 5105(a)(7).

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- 19.1. Ballots will not be denied to a member for any reason other than not being a member at the time of the record date for voting. A ballot will not be denied to a person with a general power of attorney for a member and will be counted if returned in a timely manner. See Civil Code sections 5105(g)(1), (2) & (3).

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

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

21. Quorum

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

22. Votes Tabulated

- 22.1. All votes shall be counted and tabulated by the inspector or inspectors of election in public at a properly noticed open meeting of the Mutual. Any candidate or other member of the Mutual may witness the counting and tabulation of the votes. No person, including a member of the Mutual 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. See Civil Code section 5120(a).

23. Election Results

- 23.1. The results of the election shall be promptly reported to the Board of Directors of the Mutual and 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 Mutual. Within fifteen (15) days of the election, the Board shall publicize the results of

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the election in a communication directed to all members. See Civil Code section 5120(b).

24. Storage of Ballots after Election

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

25. Election Rule Amendments

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

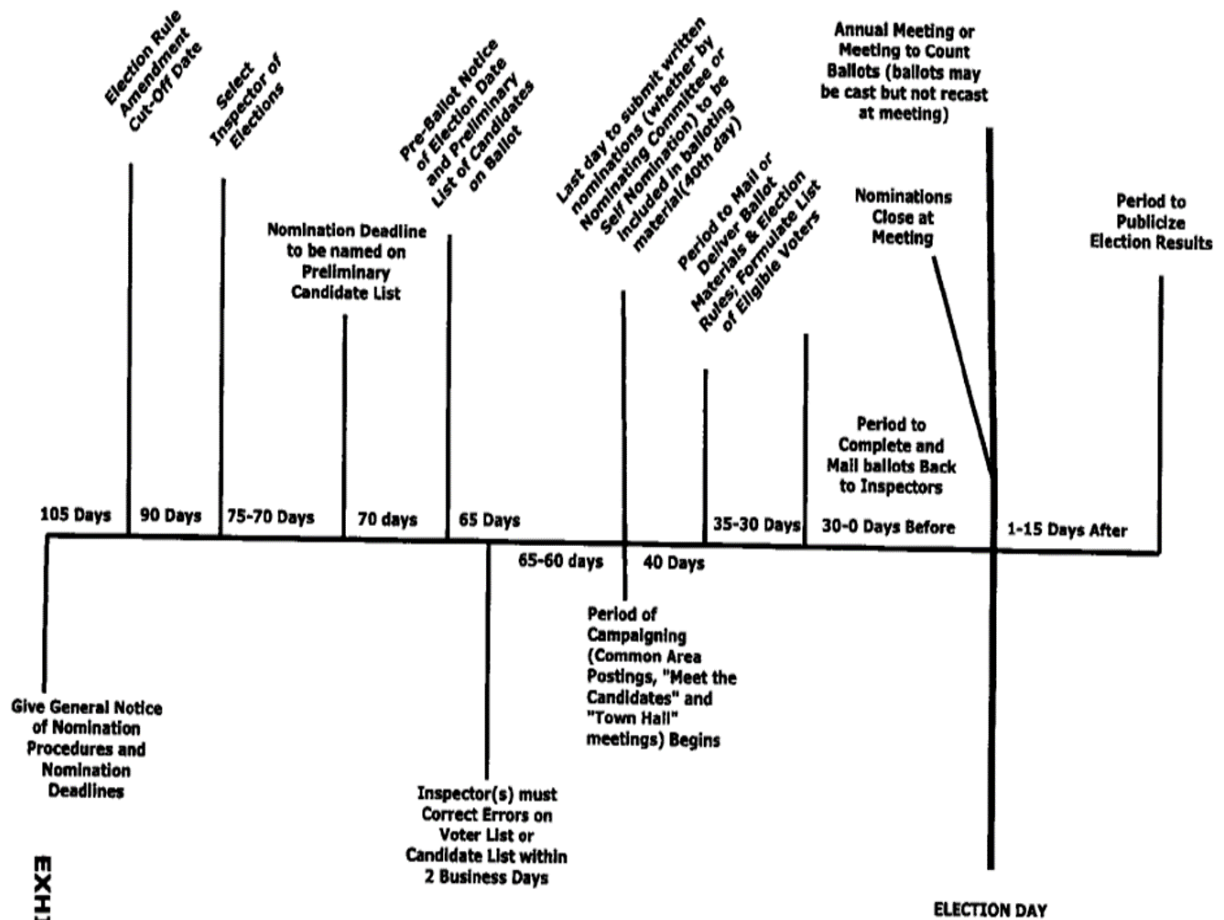
26. Election Rules may Supersede other Governing Documents

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

27. Election Timeline

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

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SEAL BEACH MUTUAL NO. FOUR**Mutual Operations – Stockholders Meetings****Exhibit “A”****ELECTION TIMELINE (BOARD OF DIRECTORS AND BALLOT MEASURES)****EXHIBIT****Document History**

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