

SHADY CANYON COMMUNITY ASSOCIATION

ELECTION RULES

Date Adopted: May 3, 2006

Section 1. Application of Rules: These rules shall apply to any meeting of the membership or solicitation of membership approval by a ballot vote.

Section 2. Qualifications for Membership Voting: Pursuant to the Association's governing documents, the Association has the following voting classes:

Class A Members. Initially, the Class A Members shall be all of the Owners other than Declarant and the Merchant Builders. Upon the conversion of the Class B membership as provided below, Declarant and each Merchant Builder shall become a Class A Member as to those Lots and Condominiums which they own and which are subject to the levy of Assessments by the Master Association. The Class A Members who own a Lot or Condominium which is subject to the levy of Assessments are entitled to one (1) vote for such Lot or Condominium. When more than one (1) person holds an ownership interest in a Lot or Condominium, all such persons shall be Class A members. The vote for such Lot or Condominium shall be exercised as such Owners determine among themselves, but in no event shall more than one (1) vote be cast with respect to any Lot or Condominium. The Master Association shall recognize the vote cast by a co-Owner, unless another co-Owner shall cast a conflicting vote, in which case both votes shall be null and void and not recognized by the Master Association.

Class B Members. The Class B Member shall be Declarant and the Merchant Builders. Except as provided in Sections 3 and 4 below, each Class B Member shall be entitled to three (3) votes for each Lot or Condominium it owns in the Community which is subject to the levy of Assessments. The Class B membership shall cease and shall be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

(a) When seventy five percent (75%) of the estimated total number of Lots and Condominiums proposed for the overall Community (i.e., approximately four hundred (400) Lots and Condominiums times 75% equals approximately three hundred (300) Lots and Condominiums) have been conveyed to Class A Members;

(b) The fifth anniversary of the first Close of Escrow for the sale of a Lot or Condominium pursuant to the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Community; or

(c) The fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the first Phase of the Community.

Class C Member. The Class C Member shall be the Declarant , without regard to whether Declarant is the Owner of a Lot or Condominium in the Community. The Class C Membership shall not be considered part of the voting power of the Master Association, and Declarant shall not be entitled to exercise any Class C vote except for the purpose of electing those members of the Board which the Class C Member is entitled to elect hereunder. The Class C Member is entitled to solely elect a majority of the members of the Board until the first to occur of the following events:

(a) When seventy five percent (75%) of the total number of Lots and Condominiums proposed for the overall Community (i.e., approximately four hundred (400) Lots and Condominiums times 75% equals approximately three hundred (300) Lots and Condominiums) have been conveyed to Class A Members;

(b) The fifth (5th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium pursuant to the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Community; or

(c) The fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium pursuant to the Final Subdivision Public Report issued by the DRE for the first Phase of the Community.

Unless a specific provision of the Master Declaration or the Articles requires the approval of a greater percentage of the voting membership, any action taken by the Master Association which must have the approval of the membership of the Master Association before being undertaken shall require the vote or written assent of both a majority of the Class B membership as well as a majority of the Class A membership, so long as both the Class A and Class B membership shall exist. Notwithstanding the foregoing, any action by the Master Association, pursuant to the Article in the Master Declaration entitled "Enforcement of Bonded Obligations" shall only require a majority of the voting power of the Owners, other than Declarant.

The Board may fix a record date in accordance with Corporations Code Section 7511 or as addressed in the Bylaws.

Following Notice and Hearing in compliance with Corporations Code section 7341, the Association's Board of Directors may terminate or suspend any Owner's right to vote as a penalty for violation of the Association's governing documents.

The authenticity, validity and effect of all ballots shall be determined by the Inspector(s) of Election on the night of any election. The polls for any vote of the membership shall be open from the date the Secret Ballot is mailed and shall be closed at the time that envelopes are opened, unless the Inspector determines another time for the polls to close.

The polls for any vote of the membership shall close when the Inspector(s) of Election has determined that the ballots shall be counted.

Section 3. Qualifications of Candidacy on the Board: The affairs of the Master Association shall be managed by a Board consisting of either three (3) or five (5) Directors, each of whom, except for those appointed and serving as first Directors, must either be an Owner of a Lot or Condominium or an authorized agent and representative of Declarant or a Merchant Builder, so long as Declarant owns a Lot or Condominium in the Community or is entitled to annex any of the Annexable Property into the Community as provided in the Master Declaration. The Board shall initially consist of three (3) Directors who shall be appointed by Declarant as soon as practicable after the incorporation of the Master Declaration, and shall hold office until Directors are elected at the first annual meeting as provided herein.

Section 4. Nominations: Subject to the Declarant's Class C voting rights, the nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two (2) or more Members of the Master Association. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members to serve from the close of such annual meeting, and such appointment shall be announced at each meeting. The Nominating Committee shall make as many nominations from election to the Board as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Nominations may be made from among Members or non-Members so long as Declarant is entitled to annex any of the Annexable Property into the Community. Thereafter, nominations shall only be made from among Members.

The Board shall adopt procedures that provide for a reasonable opportunity for nominees to (i) communicate to the Members their qualifications and reasons for their candidacy; (ii) solicit votes; and (iii) meet with the Members. Nominations will be solicited by candidacy statements being sent out by management on behalf of the association prior to the annual election and must be returned by the date specified in order to be sent with the balloting materials.

Section 5. Solicitation Materials: Every Candidate and Member shall have equal access to the Association mailings, newsletters, and website, if any access is provided, for the publication of view points reasonably related to any issue presented for membership vote.

Section 5.1. Content: The Association shall not edit or redact any content from these messages, but may include a statement specifying that the Candidate or Member, and not the Association, is responsible for the content of any published statement.

Section 5.2. Limitation on Publication Space Made Available: So long as each Candidate and/or Member is provided the same opportunities for publication, the Association may restrict the availability of any publication by limiting the printing space made available or the number of words that will be included from each Candidate or

Member included in the publication. In the absence of more restrictive limitations adopted by the Board for any particular matter, each Candidate and/or Member should be limited to no more than 200 words for any one publication. The Board may, in its sole discretion, present a candidacy questionnaire with questions for all interested Candidates and/or Members to complete. If such a questionnaire is provided, then the Association will only print the answers to such questions and may impose a limitation upon the number of words for the response to any question presented.

Section 6. Proxies: Every member entitled to cast a vote at a meeting of the members shall be entitled to vote either in person, or by proxy. The Association shall make available to owners upon written request, proxy materials for use at any meeting of members whereat the members are entitled to vote. The granting of a proxy shall not authorize the retrieval of any ballot previously cast. Ballots, once cast, are final and irretrievable.

Section 7. Availability of Meeting Space: Access to common area meeting space, shall be made equally available, at no cost, to all Candidates and/or Members desiring to use such space for any reason reasonably related to a membership vote. The Association may meet the requirements of this section by hosting a “Meet the Candidates Night”, or other such special meeting, so long as every Candidate and/or Member is provided with an equal opportunity to participate in the event.

Section 8. Selection of Inspector of Election: Prior to the presentation of any issue to the members for a membership vote, the Association shall appoint one (1) Inspector of Election. The Inspector appointed by the Board may be any person or entity other than: (1) a Director; (2) a Candidate; (3) a Director’s relations; or (4) a Candidate’s relations. The appointed Inspector of Election must be an independent third party and may include, but not be limited to, a Member of the Association or any person or entity employed by and receiving compensation from the Association.

Section 9. Meeting Conduct: Any inspection of ballots shall be done at an open meeting of the membership or the Board of Directors. Any Candidate or Member may observe the count, but shall stand at least five feet away from the Inspector(s). Candidates and/or Members may not harass, cajole or otherwise interfere with the Inspector(s) of Elections while the count is taking place. Members or persons not specifically authorized to do so may not touch any secret ballot or other election materials. All ballots will be made available for inspection by any Candidate or Member during regular business hours at the Association’s management office once the meeting is concluded. Any person violating this Section may be asked by the Inspector of Elections to leave the meeting to prevent further disruption.