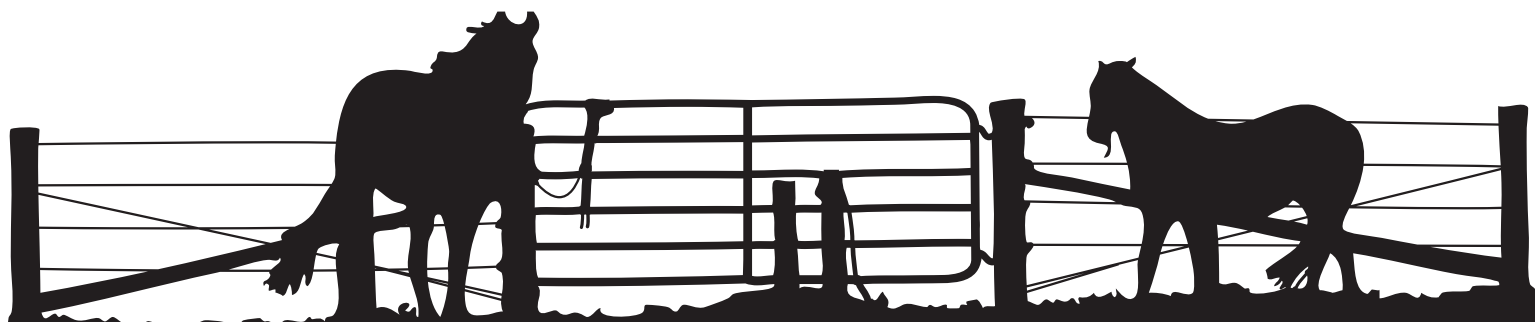


HR

Hollister Ranch

The Ranch Rules

Last amended by the Board November 18, 2006



THE HOLLISTER RANCH OWNERS' ASSOCIATION

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Contents

The Hollister Ranch Owners' Association, through its Board of Directors, establishes the Hollister Ranch Rules to govern activities upon the Hollister Ranch.

The current Hollister Ranch Rules concern themselves with the following subject matters:

	<u>Page</u>
Rule 1 – Guests	1
Rule 2 – House Guests	2
Rule 3 – Employees	2
Rule 4 – Applicable Laws	3
Rule 5 – Vehicles	4
Rule 6 – Livestock	4
Rule 7 – Pets	4
Rule 8 – Hunting	4
Rule 9 – Entry to Ranch	4
Rule 10 – Nudity	5
Rule 11 – Fires	5
Rule 12 – Fireworks	5
Rule 13 – Beach Driving	5
Rule 14 – Hollister House and Cabañas – Group Use Policies	5
Rule 15 – Election of Directors	6
Rule 16 – Voting by Secret Ballot to Approve Assessments, Amendments to Governing Documents, and/or Granting the Exclusive Use of Common Area to a Member	8

HOLLISTER RANCH OWNERS' ASSOCIATION

Ranch Rules

The Hollister Ranch Rules have been devised to reflect the philosophy of the Ranch, protect the environment, preserve the natural beauty and character of this area, encourage safety, and minimize annoyance to others using the Ranch. They apply to all who own property, work, live on, or visit the Hollister Ranch.

Failure to abide by the following rules can result in fines and/or revocation of all privileges as provided for in the Declaration of Restrictions, Covenants and Conditions (CC&Rs) of the Hollister Ranch. Owners are strictly responsible for their employees and guests. Security personnel may evict employees and guests violating these rules or the CC&Rs.

Rule 1 - GUESTS

Guests of an owner shall be allowed on the Ranch only during such periods as that owner is actually present on the Ranch, except as expressly authorized in these Rules. Security must be notified in advance and specific authorization must be given for each guest who enters the Ranch for any purpose.

A. Guest Lists.

Guest lists will be valid for two days only. Owners must include the names of all guests over the age of 12. Owners should present the guest list in person upon entering the Ranch. Guest lists may be accepted by phone, provided the owner is calling from within the Ranch.

B. Six-hour grace period. An owner may leave the Ranch for up to 6 hours while his guest remains on the Ranch. The owner must return, or the guest must leave, before the end of the six-hour period. Additional time may be approved by the Ranch Manager upon request. *(Rule #1 (b) was amended by the Third Amendment to the Third Amended and Restated Second Addendum 12/18/98.)*

C. Extended guest list. Extended guest lists are lists of guests in excess of the maximum number of 12, as permitted under Section 6.02(e) of the CC&Rs. Owners may request approval by the Ranch Manager of the extended guest lists of up to 75 persons for specific events, or occasions, and the Ranch Manager will consider such requests and approve or deny those requests, based on Board-approved policies then in effect and good judgment. Extended guest lists in excess of 75 persons must be approved by the Board of Directors. Requests for extended guest lists should be submitted in writing to the Ranch Office at least 2 business days prior to the requested even for lists that the

Ranch Manager considers and at least 10 days prior to a regular Board meeting for lists that the Board considers. Any event or occasion within excess of 75 persons shall be scheduled to occur at least 2 business days after the Board meeting, to allow adequate time to complete preparations. *(Rule 1 C was amended by the Fifth Amendment to the Third Amended and Restated Second Addendum on 11/18/06.)*

D. Surfing guests

No unescorted surfing guests are permitted in the Beach Recreation Common Area. Escorted surfing guests means that the owner should be in the immediate vicinity with their surfing guests. For example, a host owner at one cabaña should not have his surfing guests at another cabaña. Furthermore, a host owner at one surfing spot should have his guests at the same location. The Ranch Manager may make exceptions to this Rule upon request. *(Rule D was adopted by the Board on February 26, 2005, amended by the Fifth Amendment to the Third Amended and Restated Second Addendum on 11/18/06, and amended on 3/3/07.)*

E. Guest transfer. Owners may transfer guests to another owner on their parcel, provided that they notify the Gate and give the name of the owner taking responsibility. Owners may not transfer guests to another owner not on their parcel until the accepting owner has notified the Gate in person or by phone from within the Ranch.

F. Use fees for guests. Guest vehicles will be charged depending on their destination in accordance with the Schedule of Use Fees. Guests may leave the Ranch, return on the same day, and not receive an additional debit for that day.

G. Denial of guest access. Security may deny

entrance to persons they believe cannot safely negotiate our roads.

H. Guest use of Beach Recreation Common Areas.

Guests must use appropriately carded vehicles while in the Beach Recreation Common Area. Owners' rights and privileges do not apply to non-owners in owner sticker/carded vehicles when not accompanied by the owner. *(Rule 1 h was added in its entirety by the Fourth Amendment to the Third Amended and Restated Second Addendum 10/19/02.)*

RULE 2 - HOUSE GUESTS

A house guest is a person duly registered under the terms of this Ranch rule, as the guest of an owner who owns a completed residence for which an occupancy permit has been issued by Santa Barbara County and located on the owner's parcel for access to the Ranch for a time when the owner is not present. House guests are permitted as an exception to the accompanied guest rule set forth in Rule 1. House guests may be permitted under the following terms and conditions:

- A.** An owner can register up to six adults (persons 12 years or older), along with up to six children, per night, for a cumulative total of 30 days per calendar year.
- B.** A house guest may not tender any payment in cash or kind for registration as a house guest.
- C.** The owner shall complete a registration form provided by the Ranch Office and submit it to the Ranch Office at least two business days prior to the dates authorized for the house guest's visits, so that the Gate may be notified.
- D.** House guests may have the use of the Common Areas and may have guests themselves, if authorized by the owner, up to the maximum number permitted by the CC&Rs or by the owner in the registration form.

RULE 3 - PARCEL EMPLOYEES

The Ranch has the following categories for parcel employees: Day Workers, Temporary Overnight Employees, Real Estate Brokers, Private Permanent Resident Employees (PPREs), and House Sitters. The following rules shall apply to the use of the Common Areas by these employees:

A. Day Workers. Employees who reside off the Ranch and work for an owner on the Ranch are Day Workers.

- 1) Access for employees.** Day Workers have use

of the common road areas for ingress and egress by the most direct route to and from the job site. Such access shall be limited to normal daytime working hours. Day Workers have no guest privileges and no right to use the Beach Recreation Common Area.

2) Employee registration. An owner or contractor may call the Gate and leave Day Workers names for a maximum of five days. An extension over this period requires registration on a form provided by the Ranch Office. Employees and contractors shall be subject to the conditions set forth in the "Day Worker Employee Registration Permit" or "Temporary Overnight Employee Registration Permit" as may be amended or modified from time to time by the Board of Directors, copies of which are available through the Ranch Office. Persons entering the Ranch under either of these categories must be duly registered under the appropriate form prior to entry and, thereupon, subject to the respective rules applicable to their status.

3) Use fees. Day Worker entries will be debited in accordance with the Schedule of Use Fees.

4) Employees as guests. Employees who are to be guests after work must have their names phoned to the Gate so that their status can be changed and use fees adjusted as appropriate.

B. Temporary Overnight Employees. Temporary Overnight Employees are Day Worker Employees who routinely reside off the Ranch, but have a job that requires the employees to reside temporarily on the parcel. All other Day Worker rules apply to Temporary Overnight Workers.

1) Access for employees. Temporary Overnight Employees have use of the common area roads for ingress and egress by the most direct route to and from the job site. Such access shall be limited to normal daytime working hours. Temporary Overnight Employees have no guest privileges and no right to use the Beach Recreation Common Area.

2) Employee registration. All Temporary Overnight Employees require registration on a form provided by the Ranch Office. Employees and contractors shall be subject to the conditions set forth in the "Temporary Overnight Employee Registration Permit" as may be amended or modified from time to time by the Board of Directors, copies of which are available through the Ranch Office.

- 3) Use fees.** Temporary Overnight Employee

entries will be debited in accordance with the Schedule of Use Fees.

4) Employees as guests. Employees who are to be guests after work must have their name phoned to the Gate so that their status can be changed and use fees adjusted as appropriate.

C. Real Estate Brokers. Real Estate Brokers may be registered as Day Workers and, as such, shall have the right to show prospective purchasers the Common Areas of the Ranch, in addition to having access to the parcel that he/she has listed. The Ranch Office shall require proof of the listing, in order to register a real estate broker as a Day Worker. The real estate broker, under this registration, shall not make any recreational use of the Common Areas.

D. Private Permanent Resident Employees (PPRE). Private Permanent Resident Employees (and their immediate families) are bona fide, permanent, full-time employees of an owner having a completed residence with an occupancy permit issued by the Santa Barbara County on his or her parcel. Private Permanent Resident Employees shall be subject to the conditions set forth in the "Private Permanent Resident Employee (PPRE) Registration Permit" as may be amended or modified from time to time by the Board of Directors, copies of which are available through the Ranch Office. (Private Permanent Resident Employees include the employee's immediate family members, and must be listed on the PPRE registration form.) Such employees must fulfill a bona fide need for a full-time resident employee residing on the Ranch on a full-time basis in connection with the owner's operation on his or her parcel, or elsewhere on the Ranch. Proof of employment and compensation will be required.

1) Access for employees. Private Permanent Resident Employees (and their immediate family) have access to the owner's parcel and to the Common Areas of the Ranch, except that PPREs and their immediate family are subject to the requirements of the surfing guest rule found at Rule 1(d).

The number of Private Permanent Resident Employees and their immediate family members residing on the Ranch shall reduce the total maximum number of 12 guests allowed for access for any one parcel. If the cumulative number of PPREs and their immediate family members residing on the Ranch equals 12, there shall be no guests allowed for that parcel, except in accordance with Rule 1(c) - Extended Guest Lists.

2) Employee registration. Private Permanent Resident Employees must be duly registered under the "Private Permanent Resident Employee Registration Permit" prior to entry and, thereupon, subject to the respective rules applicable to their status.

3) Use fees for employees. Private Permanent Resident Employee entries will be debited in accordance with the Schedule of Use Fees.

(a) Owners may purchase an annual sticker for their Private Permanent Resident Employees, in lieu of being debited in accordance with the Schedule of Use Fees.

(b) Owners may purchase an annual window sticker in order for their Private Permanent Resident Employees to park and use the Beach Recreation Common Areas.

(c) Private Permanent Resident Employees may not drive on the beach at any time.

4) Guests of employees. An owner may authorize the Private Permanent Resident Employee to have a stipulated number of guests at any one time.

E. House sitters. During periods when no adult family member of the sponsoring owner is present on the Ranch, House Sitters may be registered as Private Permanent Resident Employees for the period they are looking after an owner's residence, so long as the owner has a completed residence with an occupancy permit issued by the Santa Barbara County on his parcel and regardless whether or not the owner compensates the house sitter beyond providing housing for the period the House Sitter is registered. House Sitters have the same access to the Common Areas as Private Permanent Resident Employees.

(Rule #3 was replaced in its entirety by the Third Amended and Restated Second Addendum 6/28/96. Rule #3 and its subsections were amended by the Amendment to the Third Amended and Restated Second Addendum 7/1/97. Rule #3 (5)- House sitters was amended by the Third Amendment to the Third Amended and Restated Second Addendum 12/18/98.)

RULE 4 - APPLICABLE LAWS

All applicable State Laws and County ordinances will be obeyed.

A. Camping. No camping is authorized in the Common Areas.

B. Trespassing. No person shall trespass upon privately owned parcels within the Hollister Ranch.

RULE 5 - VEHICLES

The following are applicable to the use of vehicles on the Hollister Ranch:

A. Vehicles shall use existing roads and authorized parking areas only. No off-road driving is permitted.

B. No parking is permitted on beach access roads, in front of horse and cattle gates, or wherever posted “no parking” in the Common Area.

C. Unless authorized by the Ranch Manager, vehicles shall not be driven on roads posted as “closed” or off roads, or on the railroad right-of-way, except at crossings. Charges will be made for assistance or towing.

D. All safety and traffic regulations must be observed and will be strictly enforced as posted.

E. The maximum speed limit on the road is 25 miles per hour unless otherwise posted or adverse conditions require a lower speed. The maximum speed on the beach is 15 miles per hour.

F. Use of motor cycles, motorbikes, and motor scooters is prohibited on the Ranch. Use of 3 or 4-wheeled, all terrain vehicles are limited to use on the owner’s parcel for transportation or agricultural needs on permitted roads only. Recreational use of all-terrain vehicles is prohibited. All-terrain vehicles may also be used on common area roads with the Ranch Manager’s approval when the condition of a road makes it unsafe to use conventional vehicles or creates a risk of damage to the road. All vehicles operated on the Ranch shall be appropriately muffled and shall also be subject to restrictions of CC&R Section 2.01 (e). Use of all-terrain vehicles in the Beach Common Areas is prohibited. *(Rule #5 (f) was amended by the Second Amendment to the Third Amended and Restated Addendum 7/1/98.)*

G. No jet skis, or similar watercraft, may be launched from the Common Area beaches.

H. All vehicles used on the Ranch shall be operated at the owner’s or operator’s sole risk.

I. Entry of heavy equipment. Owners are required to contact the Ranch Office at least one business day before bringing heavy equipment or excessive loads on the

Ranch. The Ranch Office will pass approvals to the Gate. Unauthorized equipment will be denied entrance until notification is given.

RULE 6 - LIVESTOCK

Unauthorized use, riding or herding, or any disturbing of livestock on the Ranch is prohibited.

RULE 7 - PETS

Owners shall control their pets to prevent disturbance to other owners, livestock, and wildlife.

RULE 8 - HUNTING

No hunting or shooting of any type is allowed on the Ranch except for authorized predator control.

RULE 9 - ENTRY TO RANCH

All vehicles entering or leaving the Ranch will do so only through the main Gate and must register on arrival and check out on departure, except with written permission for other access and except in case of emergencies. Any trespassing upon neighboring ranches will constitute a violation of this rule.

In order to implement a recommended profile for noise abatement and safety in the ingress and egress of helicopters, helicopter entry to the Ranch shall be permitted only in accordance with the following rules and procedures:

A. Only owners who have registered their helicopter with the Ranch office may have access to the Ranch by helicopter, except as may be expressly authorized, otherwise, by the Ranch Manager.

B. Helicopters approaching the Ranch shall be equipped to make radio contact with the Association at the Gate, and notify the Gate of their arrival and register the number of owners and guests on-board the helicopter. This radio notice is important, so that the helicopter pilot can be warned of any emergencies, such as with the Chevron facilities, which may be on-going at the time of his entry. Pilots may make telephone contact with the Gate prior to or upon landing, in lieu of radio contact.

C. Helicopters shall fly at the maximum height permissible under applicable FAA safety procedures and observe all noise abatement measures to minimize the noise and annoyance to persons on the Ranch. Ultra-lights are not considered helicopters within the meaning of this Rule and are not permitted on the Ranch. Failure to comply with the foregoing procedures may result in the revocation of an owner’s right to enter the Ranch by

helicopter upon review and action by the Board.

RULE 10 - NUDITY

Nudity in the Common Area is prohibited.

RULE 11 - FIRES

No fires are permitted on the Ranch, unless there is a water source and an area that is considered safe, approved by the Ranch Manager to be sufficient to provide adequate fire protection. Fires shall then be permitted only in containers deemed appropriate by the Ranch Manager (e.g., fireplaces, BBQ pits, fire pits). *(Rule 11 was amended in its entirety by the Third Amendment to the Third Amended and Restated Second Addendum 12/18/98.)*

RULE 12 - FIREWORKS

Fireworks are not permitted under any circumstances at any time.

RULE 13 - BEACH DRIVING

The vehicle registration form that an owner signs in order to obtain an HROA windshield sticker will indicate that the owner agrees to abide by the following rules and procedures while driving on the beach, and that beach driving privileges may be suspended or revoked for failure to follow these guidelines:

A. In the Beach Recreation Common Area, owners' vehicles are to be driven only in a corridor between the intertidal zone and the vegetation at the toe of the bluff. All estuaries, sand dunes, and vegetation are to be avoided, and the beach frontage or the Surfin' Cowboy Ranch, the Bixby Ranch and Gaviota State Park are off-limits to Hollister Ranch owner vehicles.

B. All vehicles driven on the beach should be in safe operating condition, adequately maintained, and without excessive smoke or noise.

C. The only permitted use of vehicles on the beach is for ingress and egress to and from locations on the beach. The use of vehicles for "dune-buggy" activities or for other similar recreational activities is strictly prohibited.

D. People, wildlife, and pet animals should always have the right-of-way on the beach.

E. Vehicles should slow to five miles per hour when people or animals are in the immediate vicinity. The maximum speed limit on the beach is fifteen miles per hour.

F. Only owners in owner-registered and owner-stickered vehicles may operate a vehicle on the beach. No guest may operate a vehicle on the beach at any time.

G. At vehicle access points to the beach, vehicle entrances or exits to or from the beach should be accomplished at the slowest possible speed, keeping the safety of pedestrians foremost in mind, and without damaging the ramp areas.

H. Assist in making certain that all owners and guests understand that vehicle access points to the beach should not also be used as pedestrian access ways, unless necessary. Separate access ways for vehicles and pedestrians have been developed and will be maintained according to the extent reasonable to all cabaña areas, and they should be used accordingly.

RULE 14 - HOLLISTER HOUSE AND CABAÑAS - GROUP USE POLICIES

The Board may adopt, from time to time, policies with respect to use by individuals or groups of the Hollister House, the Cabañas and the Beach Recreation Common Areas.

A. Conduct at Board Meetings. The Board of Directors shall conduct official meetings adopted from time to time in an orderly manner according to Robert's Rules of Order. The Board may enact and implement a "Meeting Code of Conduct" to govern the conduct of Members and their guests at meetings. If there are disruptions of such meetings, or other violations of the Meeting Code of Conduct, the offending parties shall be warned and asked to cease the disruption. If they fail to comply, the Board by majority vote may take one or more of the following actions:

1) Levy a fine as provided in the Schedule of Monetary Fines and Penalties per separate occurrence on each of the offending parties;

2) Expel the offending parties from the meeting;

3) If the expelled parties refuse to leave, recess the meeting and impose a charge as provided in the Schedule of Monetary Fines and Penalties per recessed hour rounded upward and levied on each of the expelled individuals who refuse to leave. The purpose of such charge will be to cover the expenses incurred by the Association in recessing the meeting. *(Rule #14 a 1-3 was added in its entirety by the Fourth Amendment to the Third Amended and Restated Second Addendum 11/9/02.)*

RULE 15 - ELECTION OF DIRECTORS

A. Meeting at which Secret Ballots Shall Be

Tabulated. The inspector(s) of election shall tabulate the ballots for the election of directors at the annual meeting of the owners or, if no quorum is present, at a special meeting of the Board duly noticed for the same date, time, and place, as the annual meeting called for the purpose of counting ballots. The Board shall determine the date, time, and place of said annual meeting of the Voting Members and the concurrent special meeting of the Board in accordance with the Association's Bylaws.

B. Nomination of Candidates

1) At least 60 days before the date of the meeting at which the ballots for the election of Directors are to be counted, the Association shall mail to each Voting Member a Candidate Nomination Form.

2) According to the Association's Bylaws "The Board shall consist of five Directors until changed by appropriate amendment. A Director must be an owner of an equitable or legal interest in a parcel or the spouse or adult child of an owner of an equitable or legal interest in a parcel." (Article V, Section 2.)

3) "Any Voting Member may nominate a candidate (including himself/herself) for election to the Board by submitting said nomination in writing to the Association no later than 4:00 p.m. on the 21st day of October. Additional candidates may be nominated not later than November 14; however, such nominations must be signed by not fewer than ten members from different parcels. Each candidate may submit a statement of qualifications to the Association, which, if received by November 14, shall be mailed by the Association to all Voting Members no later than 15 days prior to the day of the Annual Meeting." (Article V, Section 2.) All candidates must meet the qualifications set forth in Sections 2.2 and 2.3, herein.

4) Any candidate nominated by another Member will be contacted to confirm that such candidate consents to having his or her name placed in nomination for election to the Board. Candidates may be nominated from the floor at the annual meeting provided that at least 20 Voting Members move to admit such nomination, and such candidate must be present to accept such nomination.

5) All candidates who meet the qualifications to serve on the Board, if any and, if appropriate, who have confirmed their willingness to run for election to the Board, shall be listed on the secret ballot.

6) The Candidate Nomination Form must be returned to the Association at the address provided on, and by the deadline stated on, such form, which deadline must be at least 45 days before the date the ballots for the election of directors are scheduled to be counted.

C. Inspector(s) of Election

1) The Board shall appoint one or three independent third party(ies) as inspector(s) of election after the close of candidate nominations, but before the secret ballots are mailed to all of the owners. An independent third party includes, but is not limited to:

(a) A volunteer poll worker with the county registrar of voters;

(b) A licensee of the California Board of Accountancy;

(c) A notary public;

(d) A member of the Association, provided such member is not: a member of the Board, a candidate for the Board, or related to wither a member of the Board or a candidate for the Board; and,

(e) A person who is currently employed or under contract to the Association for any compensable services.

2) Prior to the secret ballots being mailed to all Voting Members, the inspector(s) of the election shall meet to determine to whom the secret ballots shall be returned (the "Ballot Collector"), which may be the Association's General Manager, if any.

3) The inspector(s) of election shall also do all of the following:

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

(b) Determine the authenticity, validity, and effect of ballots, proxies, etc. if any;

(c) Receive ballots;

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

(e) Count and tabulate all votes;

(f) Determine when the polls shall close;

(g) Determine the result of the election;

(h) Perform any acts as may be proper to conduct the election with fairness to all members in accordance with this section and all applicable rules of the Association regarding the conduct of the election that are not in conflict with this section.

4) The inspector(s) of election may appoint and oversee additional persons to count and tabulate the votes as the inspector(s) deem(s) appropriate.

5) An inspector of election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. The decision or act of a majority shall be effective in all respects as the decision or act of all.

6) Any report made by the inspector(s) of election is prima facie evidence of the facts stated in the report.

7) The Board may remove and replace any inspector of election prior to the tabulation of ballots if an inspector of election resigns or if the Board reasonably determines that an inspector of election will not be able to perform his or her duties impartially and in good faith.

D. Secret Ballot Procedure; Record Date

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 Association to every Member not fewer than 30 days prior to the deadline for voting.

2) Ballots must ensure the confidentiality of the voters.

(a) A Voting Member may not be identified by name, address, or parcel number on the ballot;

(b) The ballot may not require the signature of the Voting Member;

(c) The ballot itself 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 lot, or parcel, or unit number that entitles him or her to vote. The second envelope is addressed to the inspector(s) of election of the Association, who will be tallying the votes. Failure

to do so will invalidate the ballot and member's vote.

3) Voting Members may return their secret ballot by mail, hand deliver it to the meeting, or complete the ballot at the meeting; provided, only those ballots that are delivered to the inspector(s) of election prior to the polls closing shall be counted.

4) A Voting Member may submit a written request to the Association for a receipt for delivery of the election materials.

5) The record date for purposes of voting shall be the date the ballots are mailed to all Voting Members.

6) Once cast, secret ballots cannot be revoked; they are irrevocable.

7) Campaigning

(a) All candidates or other Members advocating a point of view during a campaign, including those not endorsed by the Board, shall be provided equal access to Association media, newsletters, or Internet Web sites (if any) for purposes that are reasonably related to the election. The Association may not edit or redact any content from these communications, but may include a statement specifying that the candidate or member, and not the Association, is responsible for that content.

(b) All candidates, including those who are not incumbents, and all Members advocating a point of view, including those not endorsed by the Board, for purposes reasonably relate to the election, shall be provided equal access to any common area meeting space, if any exists, during a campaign, at no cost.

8) Handling of Ballots

(a) As secret ballots are returned to the Ballot Collector, the Ballot Collector shall check off on a sign-in sheet that a ballot has been received for such a parcel. The first secret ballot received for any parcel shall be the ballot that is counted. Any subsequent ballots for the same parcel that are received shall be deemed invalid and shall be discarded.

(b) The sealed ballots at all times shall be in the custody of the inspector(s) of election, Ballot Collector, or at a location designed by the inspector(s) until delivered to the inspector(s) at the meeting for the opening of the ballots and the tabulation of the vote. After the counting of the ballots and the certification of the election results by the inspector(s) of election, the ballots shall be transferred to the Association.

(c) No person, including a Member of the Association or an employee of the Association, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated.

(d) After tabulation, election ballots shall be stored by the Association in a secure place for no less than one year after the date of the election. In the event of a recount or other challenge to the election process, the Association shall, upon written request, make the ballots available for inspection and review by Members or their authorized representatives. Any recount shall be conducted in a manner that shall preserve the confidentiality of the vote.

9. Tabulation of Votes; Quorum Requirement

(a) All votes shall be counted and tabulated by the inspector(s) of election in public at a properly noticed open meeting of the Voting Members or of the Board, at which a quorum of Voting Members or a quorum of the Board, as the case may be, must be present.

(b) The inspector(s) of election shall confirm that no more than one ballot was returned for each parcel.

(c) Any candidate of other Member of the Association may witness the counting and tabulation of the votes.

(d) The inspector(s) of election may establish a physical boundary or buffer zone around them during the tabulation of ballots.

(e) In order for the vote for the election of directors to be valid, ballots must be returned by at least a quorum of the Voting Members.

10. Announcement of Results

(a) The results of the election shall be promptly reported to the Board and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members of the Association.

(b) Upon certification of the election results by the inspector(s) of election, the newly elected Board shall be deemed to have taken office.

(c) Within 15 days of the election, the Board shall publicize the results of the election in a communication directed to all Members.

11) Other Voting/Campaign Issues

(a) As specified in the Bylaws, the total number of Voting Memberships equals the total number of parcels, exclusive of those parcels owned by the Association. However, Voting Members whose voting rights have been suspended in accordance with the Association's governing documents after notice and hearing shall not be entitled to vote.

(b) Cumulative voting is permitted.

(c) Association funds may not be used for "campaign purposes" in connection with any Board election. The term "campaign purposes" is defined to include, without limitation, (1) "expressly advocating the election or defeat" of any candidate that is on the ballot; or (2) "including the photograph or prominently featuring the name of a candidate on a communication" from the Association (except the ballot and voting materials and equal access communications sent pursuant to the Section, above, entitled "Campaigning").

(d) The Board may enact and implement a "Meeting Code of Conduct" to govern the conduct of Members at meetings.
(Rule 15 was adapted in its entirety by the Fifth Amendment to the Third Amended and Restated Second Addendum 11/18/06.)

RULE 16 - VOTING BY SECRET BALLOT TO APPROVE ASSESSMENTS, AMENDMENTS TO GOVERNING DOCUMENTS, AND/OR GRANTING THE EXCLUSIVE USE OF COMMON AREA TO A MEMBER

A. Applicability. Pursuant to new Civil Code Section 1363.03(e), when owners are to vote to approve assessments, amendments to governing documents, and/or granting the exclusive use of common area to a Member, the following must occur:

B. Meeting at which Secret Ballots Shall Be Tabulated

Unless the vote is being taken in connection with an annual meeting of the owners, the inspector(s) of election shall tabulate the ballots for the vote to approve assessments, amendments to governing documents, and/or granting the exclusive use of common area to a Member shall be tabulated at a duly noticed (regular or special) meeting of the Board of Directors (the "Board"). The Board shall determine the date, time, and place of said Board meeting.

C. Inspector(s) of Election

1) The Board shall appoint one or three independent third party(ies) as inspector(s) of election before the secret ballots are mailed to all of the owners. An independent third party includes, but is not limited too:

(a) A volunteer poll worker with the county registrar of voters;

(b) A licensee of the California Board of Accountancy;

(c) A notary public;

(d) A member of the Association provided such member is not: a member of the Board, a candidate for the Board, or related to wither a member of the Board or a candidate for the Board; and,

(e) A person who is currently employed or under contract to the Association for any compensable services.

2) Prior to the secret ballots being mailed to all Voting Members, the inspector(s) of the election shall meet to determine to whom the secret ballots shall be returned (the "Ballot Collector"), which may be the Association's General Manager, if any.

3) The inspector(s) of election shall also do all of the following:

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

(b) Determine the authenticity, validity, and effect of ballots, proxies, etc. if any;

(c) Receive ballots;

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

(e) Count and tabulate all votes;

(f) Determine when the polls shall close;

(g) Determine the result of the vote;

(h) Perform any acts as may be proper to conduct the vote with fairness to all Members in accordance with this section and all applicable rules of the Association regarding the conduct of the vote that are not in conflict with this section.

4) The inspector(s) of election may appoint and oversee additional persons to count and tabulate the votes as the inspector(s) deem(s) appropriate.

5) An inspector of election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. The decision or act of a majority shall be effective in all respects as the decision or act of all.

6). Any report made by the inspector(s) of election is prima facie evidence of the facts stated in the report.

7) The Board may remove and replace any inspector of election prior to the tabulation of ballots if an inspector of election resigns or if the Board reasonably determines that an inspector of election will not be able to perform his or her duties impartially and in good faith.

D. Secret Ballot Procedure; Record Date

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 Association to every Member not fewer than 30 days prior to the deadline for voting.

2) Ballots must ensure the confidentiality of the voters.

(a) A Voting Member may not be identified by name, address, or parcel number on the ballot;

(b) The ballot may not require the signature of the Voting Member;

(c) The ballot itself 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 lot, or parcel, or unit number that entitles him or her to vote. The second envelope is addressed to the inspector(s) of election of the Association, who will be tallying the votes. Failure to do so will invalidate the ballot and member's vote.

3) Voting Members may return their secret ballot by mail, hand deliver it to the meeting, or complete the ballot at the meeting; provided, only those ballots that are delivered to the inspector(s) of election prior to the polls closing shall be counted.

4) A Voting Member may submit a written request to the Association for a receipt for delivery of the election materials.

5) The record date for purposes of voting shall be the date the ballots are mailed to all Voting Members.

6) Once cast, secret ballots cannot be revoked; they are irrevocable.

E. Campaigning

1) All Members advocating a point of view during a campaign, including those not endorsed by the Board, shall be provided equal access to Association media, newsletters, or Internet Web sites (if any) for purposes that are reasonably related to the vote. The Association may not edit or redact any content from these communications, but may include a statement specifying that the candidate or member, and not the Association, is responsible for that content.

2) All Members advocating a point of view, including those not endorsed by the Board, for purposes reasonably related to the vote, shall be provided equal access to any common area meeting space, if any exists, during a campaign, at no cost.

F. Handling of Ballots

1. As secret ballots are returned to the Ballot Collector, the Ballot Collector shall check off on a sign-in sheet that a ballot has been received for such a parcel. The first secret ballot received for any parcel shall be the ballot that is counted. Any subsequent ballots for the same parcel that are received shall be deemed invalid and shall be discarded.

2. The sealed ballots at all times shall be in the custody of the inspector(s) of election, Ballot Collector, or at a location designed by the inspector(s) until delivered to the inspector(s) at the meeting for the opening of the ballots and the tabulation of the vote. After the counting of the ballots and the certification of the election results by the inspector(s) of election, the ballots shall be transferred to the Association.

3. No person, including a Member of the Association or an employee of the Association, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated.

4. After tabulation, election ballots shall be stored by the Association in a secure place for no less than one year after the date of the vote. In the event of a recount or other challenge to the election process, the Association shall, upon written request, make the ballots available for inspection and review by Members or their authorized representatives. Any recount shall be

conducted in a manner that shall preserve the confidentiality of the vote.

G. Tabulation of Votes; Quorum Requirement

1. All votes shall be counted and tabulated by the inspector(s) of election in public at a properly noticed open meeting of the Board, at which quorum of the Board must be present.

2. The inspector(s) of election shall confirm that no more than one ballot was returned for each parcel.

3. Voting Members who have not previously submitted a ballot may complete one at the meeting and return it to the inspector(s) of election prior to the polls closing.

4. Any Member of the Association may witness the counting and tabulation of the votes.

5. The inspector(s) of election may establish a physical boundary or buffer zone around them during the tabulation of ballots.

H. In order for the vote on the proposal to be valid, ballots must be returned by at least a quorum of the Voting Members and the requisite percentage of Voting Members must vote to approve the proposal.

I. Announcement of Results

1. The results of the vote shall be promptly reported to the Board and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members of the Association.

2. Within 15 days of the vote on the proposal, the Board shall publicize the results of the vote in a communication directed to all Members.

J. Other Voting/Campaign Issues

1. As specified in the By-Laws, the total number of Voting Memberships entitled to the total number of parcels in the Association, exclusive of those owned by the Association. However, Voting Members whose voting rights have been suspended in accordance with the Association's governing documents after notice and hearing shall not be entitled to vote.

2. Proxies will be accepted so long as they meet the requirements of all applicable laws and the Association's governing documents, and they are consistent with the secret ballot election process. Directed proxies and proxy envelopes are prohibited.

*(Rule 16 was adopted in its entirety by the Fifth
Amendment to the Third Amended and Restated Second
Addendum 11/18/06.)*