

Sierra Moon Mutual Water Company Election Rules

These Election Rules apply to all Shareholder votes undertaken by SIERRA MOON MUTUAL WATER COMPANY ("Company"). These Election Rules shall be effective on the date of adoption, shall supersede any other rules of the Company affecting voting or elections, and shall remain in effect until modified by the Board of Directors (the "Board").

ARTICLE 1 SHAREHOLDER VOTING RIGHTS

1.1 Shareholder Voting Rights. Notwithstanding anything to the contrary in the Company's governing documents, all Shareholders shall be entitled to vote, and no Shareholder shall be denied a ballot for any reason other than not being a Shareholder. "Shareholder" means a person who holds legal title to a share of stock by virtue of their ownership of a separate interest lot within the Sierra Moon residential development.

1.1.1 Entity Owners. In the case of a Shareholder that is not a natural person (such as a trust, corporation or other entity), the vote of such Shareholder may be cast by any authorized representative of the Shareholder designated by written notice to the Company.

1.1.2 General Power of Attorney. A person with general power of attorney for a Shareholder, who has provided satisfactory evidence thereof, shall not be denied a ballot and said ballot shall be counted if returned by the deadline for voting.

1.2 Voter List. The Company shall maintain a "Voter List" which shall include for each separate interest: the Shareholder's name; voting power; and, unless the Shareholder has "opted out" of the public distribution of their address, the physical address of the Shareholder's separate interest, or the parcel number, or both, and the mailing address of the Shareholder if it is different than the physical address of the separate interest (or if the parcel number is used). Upon request, the Company shall permit Shareholders to verify the accuracy of their individual information on the Voter List at least 30 days before the ballots are mailed. The Shareholder shall report any errors to the Inspector of Elections who shall make the correction within two business days. The Company may, at its discretion, report any known errors to the Inspector of Elections. The Voter List shall be retained as "company election materials" as required by law.

1.3 Voting Power of Each Share of Stock. On each matter before the Shareholders, only one (1) vote shall be cast for each share of stock. Once a ballot is received by the Inspector of Elections, it may not be rescinded. Votes on behalf of a separate interest owned by more than one person or entity shall be treated as a single Shareholder for voting purposes. The vote for such separate interest shall be exercised as the owners among themselves shall determine, but in no event shall more than one (1) vote be cast with respect to any separate interest. If the joint owners of a separate interest are unable to agree among themselves as to how their vote is to be cast, they shall lose their right to vote on the matter in question. If any joint owner of a separate interest casts a vote representing the separate interest, it will thereafter be conclusively presumed for all purposes that such owner was acting with the authority and consent of the other owners of that separate interest.

1.4 Cumulative Voting. Cumulative voting is not permitted in the election of directors.

1.5 Proxies. Proxies may be used by the Shareholders at a shareholder meeting only as authorized in the Bylaws. In any election or vote of the Shareholders conducted by the Company, only official ballots issued by the Company shall be counted as votes. Proxies are not ballots and are not valid as votes in any election or vote conducted by the Company.

1.6 General Power of Attorney. A Shareholder may delegate their voting rights to a third party by use of a general power of attorney that conforms to the laws of the state in which the power is conveyed. The power of attorney must be returned to the Company at or before the casting of the ballot for which voting rights have been delegated.

ARTICLE 2 VOTING PROCEDURE

2.1 Notice of Election Information. At least thirty (30) days before the ballots are distributed, the Company shall provide general notice of all of the following: (i) the date and time by which, and the physical address where, ballots are to be returned by mail or handed to the Inspector of Elections; (ii) the date, time, and location of the meeting at which ballots will be counted; and (iii) the "Candidate Registration List," as defined in Section 3.3 below.

2.2 Distribution of Ballots. For a vote on any of the matters specified in *Civil Code* section 5100(a), voting by the Shareholders shall be conducted by secret ballot using a "double envelope system" as described in *Civil Code* section 5115(a). Ballots and two envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered to all Shareholders in such vote or election. Ballots shall be distributed a minimum of thirty (30) days prior to the deadline for voting. These matters are: (i) elections regarding assessments legally requiring a Shareholder vote, (ii) election and removal of directors, (iii) amendments to the governing documents, and (iv) grants of exclusive use of common area property pursuant to *Civil Code* section 4600.

For votes on any other matter, votes may be by secret ballot or by written ballot, and ballots may be distributed a reasonable time (which may be less than thirty (30) days) prior to the deadline for voting.

2.3 Election by Acclamation. If, as of the published deadline for receiving nominations, the number of qualified candidates for election to the Board is not more than the number of directors to be elected, then the qualified candidates shall be declared elected and shall take office at the first Board meeting following the deadline for nominations or, if later and an annual meeting is held, then at the first Board meeting after the annual meeting. Written notice of the election shall be given to the Shareholders.

2.4 Frequency of Director Elections. The Company shall hold an election for a seat on the Board at the expiration of the corresponding director's term or sooner if required by the Bylaws.

2.5 Extension of Voting. The Board shall be entitled to extend the deadline for the return of ballots one or more times due to the lack of a quorum or for such other reason(s) as the Board deems reasonable and prudent.

2.6 Tabulation and Observation. The Inspector of Elections shall open all ballots and tabulate the votes at a properly noticed open meeting of the Board or Shareholders in a manner that allows the Shareholders to view the opening and tabulation. The Inspector of Elections may appoint additional persons to assist in the opening of ballots and tabulation of votes. Observers must remain at least five (5) feet from the area of opening and tabulation and not communicate, harass, or otherwise interfere with the Inspector of Elections and/or those assisting the Inspector of Elections in any manner whatsoever. The Inspector of Elections or the Board shall have the power and authority to cause the removal of any person who interferes with or disrupts the voting,

opening or tabulating process. The Inspector of Elections may suspend the opening and tabulation process if anyone causes interference with or disrupts the process.

2.7 Reporting Election Results. The tabulated results of the election shall be promptly reported to the Board and shall be recorded in the minutes if reported at a meeting of the Board or recorded in the minutes of the next meeting of the Board if reported at a Shareholder meeting. Within fifteen (15) days of the election, the Board shall give the Shareholders general notice of the tabulated results of the election.

2.8 Retention of Company Election Materials. "Company election materials" shall mean the returned ballots, signed voter envelopes, the Voter List, proxies, and the Candidate Registration List. The Company election materials shall at all times be in the custody of the Inspector of Elections or at a location designated by the Inspector of Elections for a period of one (1) year after the Inspector of Elections notifies the Board and the Shareholders are notified of the election results, at which time custody shall be transferred to the Company. The Company shall retain the Company election materials for the current fiscal year and prior two (2) fiscal years. At the expiration of the retention period all Company election materials may be destroyed.

ARTICLE 3 CANDIDATES FOR THE BOARD AND NOMINATION PROCEDURES

3.1 Qualification of Candidates. Candidates for the Board must be Shareholders at the time of their nomination and (i) must meet all other qualifications or restrictions set forth in these Election Rules and (ii) must meet any other qualifications or restrictions set forth in the Bylaws so long as they do not conflict with these Election Rules. In the case of a Shareholder that is not a natural person (such as a corporation or other entity), the entity Shareholder shall have the power to appoint a natural person as the "Shareholder" for purposes of director elections. The Company shall disqualify a nominee for the Board for any of the following reasons:

3.1.1 The nominee is not a Shareholder.

3.1.2 If the nominee, if elected, would be serving on the Board at the same time as another Shareholder representing ownership of the same separate interest and the other person is either properly nominated for the current election or is an incumbent director.

3.1.3 If the nominee, at the time of nomination, is delinquent in the payment of regular and/or special assessments. A nominee shall not be considered "delinquent" if the delinquency relates to the payment of fines, fines renamed as assessments, collection charges, late charges, or costs levied by a third party and/or if the nominee: (a) has paid the regular or special assessment under protest; (b) has entered into a payment plan for repayment of the delinquent assessments and is not delinquent in payments due under the plan; or (c) the nominee has requested and has not been provided an opportunity to engage in internal dispute resolution.

3.1.4 If the nominee has been a Shareholder of the Company for less than one year.

3.1.5 If the nominee discloses, or if the Company is aware or becomes aware of, a past criminal conviction that would, if the Shareholder was elected, either prevent the Company from purchasing the fidelity bond coverage required by Civil Code section 5806 or terminate the Company's existing fidelity bond coverage.

3.2 Nominations.

3.2.1 Solicitation of Candidates. At least thirty (30) days before the deadline for submitting a nomination, the Company shall provide general notice of the procedure and deadline for submitting a nomination for the Board. Any Shareholder who satisfies the qualifications and is not otherwise prohibited from running for the Board may place their name in nomination for the Board by submitting the nomination before the published deadline for receiving nominations. In addition, the Board may recruit qualified candidates and/or may appoint a nominating committee to nominate qualified candidates.

3.2.2 No Write-Ins. No "write-in" candidates shall be permitted on the ballots in the election of directors.

3.3 Candidate Registration List. The "Candidate Registration List" shall mean the list of candidates who will appear on the ballot. Upon request, the Company shall permit Shareholders to verify the accuracy of their individual information on the Candidate Registration List at least thirty (30) days before the ballots are mailed. The Shareholder shall report any errors to the Inspector of Elections who shall make the correction within two business days. The Company may, at its discretion, report any known errors to the Inspector of Elections. The Candidate Registration List shall be retained as "Company election materials" as required by law.

3.4 Notice of Known Candidates. The names of all persons on the Candidate Registration List shall be set forth on the ballot.

3.5 Candidacy Statements. Any candidate who wishes to submit a candidacy statement may only do so using the Company's authorized form. The content of any candidate statement shall be limited to a statement of the candidate's qualifications to serve as a director.

3.6 Directors May Not be Delinquent. Any Shareholder serving on the Board shall be current in the payment of regular and special assessments. A director shall not be considered "delinquent" in the payment of assessments if the delinquency relates to the payment of fines, fines renamed as assessments, collection charges, late charges, or costs levied by a third party and/or if the director: (a) has paid the regular or special assessment under protest; (b) has entered into a payment plan for repayment of the delinquent assessments and is not delinquent in payments due under the plan; or (c) has requested and has not been provided an opportunity to engage in internal dispute resolution.

ARTICLE 4 USE OF COMPANY MEDIA AND CAMPAIGNING

4.1 Access to Company Media – Candidates for the Board. The Board may, but is not required to, make Company media (e.g., newsletter, notice board, website, or other notices provided to the Shareholders) available to qualified candidates running for election to the Board for purposes that are reasonably related to the election in which that candidate is running. If the Board allows any candidate access to Company media, then all qualified candidates shall be allowed equal access to the same media.

4.2 Access to Company Media – Other Matters. If the Board utilizes Company media to advocate a point of view on any matter (other than election of directors) that requires Shareholder approval or allows any Shareholder access to Company media for that purpose, then all Shareholders advocating a different point of view shall be allowed equal access to the same media. The Board shall not be required to allow access to more than one Shareholder advocating the same point of view.

4.3 Equal Access. "Equal access" shall mean publication of written statements not to exceed a predetermined length as determined by the Board. The Board shall not edit or redact any statement but shall not be required to publish any statement that exceeds the predetermined length restrictions. Modifications to formatting may be made so as to allow for space and/or media restrictions. If any formatting modifications should become necessary, they shall be applied equally to all submissions and at no time shall any formatting be applied that may signify a preference or partiality.

4.4 Responsibility for Content. All statements published in Company media pursuant to the "equal access" rules must identify the author or proponent. No anonymous statements will be permitted. The author and/or proponent of any statement or point of view shall be solely responsible and liable for the content of their statements. The Company shall not be responsible or liable for the content of any statement published pursuant to the "equal access" rules.

4.5 Campaigning. No Company funds shall be expended for the purposes of campaigning in connection with any vote or election other than those funds specifically required to distribute required correspondence, notices, or forms that may contain the names of candidates or necessary information on the issues being voted upon, or as is otherwise deemed by the Board to be necessary or appropriate for the fair and reasonable conduct of a vote or election, or to the extent necessary to comply with duties of the Company imposed by law. Specifically excluded is the expenditure of Company funds for the purposes of expressly advocating approval, election, or defeat of any candidate.

ARTICLE 5 USE OF COMMON AREA MEETING SPACE

5.1 Access to Common Area Meeting Space – Campaigning by Candidates for the Board. The Board shall ensure that during a campaign all qualified candidates for election to the Board are given access to common area meeting space (if any) upon request, at no cost, for purposes reasonably related to their campaigns.

5.2 Access to Common Area Meeting Space – Other Matters. Whenever the Board places a matter before the Shareholders which requires Shareholder approval, the Board shall ensure that Shareholders advocating a point of view on the matter are given access to common area meeting space (if any) upon request, at no cost, for purposes reasonably related to advocating their point of view, whether or not they agree with the point of view advocated by the Board on the matter at issue.

5.3 All Access. Any use of the common area facilities for the purposes described above shall be regulated by any existing rules and regulations for such use. The Board, in its sole discretion, may reasonably limit a candidate's or Shareholder's access to common area facilities in order to facilitate equal access for other candidates and Shareholders, and so as not to unreasonably interfere with other Shareholders' rights to use such facilities.

ARTICLE 6 INSPECTOR OF ELECTIONS

6.1 Appointment of Inspector of Elections. Whenever there is a shareholder vote or election, the Board shall appoint one (1) or three (3) Inspectors of Elections, hereinafter individually or collectively referred to as the "Inspector of Elections," whose powers and duties shall be as set forth in Civil Code section 5100 *et seq.* The Board shall have the power to remove an Inspector of Elections who ceases to meet the required qualifications, is unable or unwilling to perform their duties, or for other good reason, and to appoint a new Inspector of Elections in their place.

6.2 Qualification of Inspector of Elections. The Inspector of Elections may be any persons the Board reasonably believes to be independent with respect to the matter or matters being voted on and may include Shareholders of the Company, but may not be (i) a member of the Board or a candidate for election to the Board or be related to a current member of the Board or a candidate for election to the Board or (ii) the Company's manager, accountant, legal counsel, or any other person, business entity, or subdivision of a business entity that is employed by or under contract with the Company to provide compensable services to it at and/or after commencement of the election process other than serving as Inspector of Elections.

6.3 Payment to Inspector of Elections. The Board may authorize payment of Company funds to any third party appointed to serve as Inspector of Elections; however, no payment may be authorized for any Shareholder appointed to serve as the Inspector of Elections.

6.4 Duties of the Inspector of Elections. The Inspector of Elections shall be responsible to perform their duties as follows:

6.4.1 Perform those tasks enumerated in Civil Code section 5110(c); and

6.4.2 Perform all duties impartially, in good faith, to the best of the Inspector of Election's ability, as expeditiously as is practical, and in a manner that protects the interest of all Shareholders of the Company; and

6.4.3 Make any necessary corrections to the Candidate Registration List or the Voter List within two business days of being informed of an error by a Shareholder or by the Company; and

6.4.4 Deliver (or cause to be delivered) the following documents to the Shareholders at least thirty (30) days before an election: (a) the ballot(s) by first-class mail and (b) a copy of these Election Rules by (i) individual delivery or (ii) by posting the internet website address where these Election Rules may be accessed on the ballot together with the phrase in at least 12-point font, "The rules governing this election may be found here: [*insert internet website address*]"; and

6.4.5 Retain the company election materials as provided herein.

6.5 Indemnification of Inspector of Elections; Liability Insurance. The Company may, at the Board's sole discretion, indemnify the Inspector of Elections to the fullest extent provided by law. The Company shall have the power to purchase and maintain insurance to protect it and/or the Inspector of Elections against any liability asserted against the Company and/or against the Inspector of Elections arising out of the Inspector of Elections' acts and/or omissions relating to any Company vote or election.

ARTICLE 7 AMENDMENTS

The Board may amend these Election Rules from time to time except that these Election Rules may not be amended less than ninety (90) days prior to an election unless that amendment is merely to conform to non-discretionary changes in the law.

I, Felicia Reardon, am the Secretary of the SIERRA MOON MUTUAL WATER COMPANY, and certify that these Election Rules were duly adopted by the Board of Directors of the Company and came into effect on the 25th day of June, 2020.

Felicia Reardon

Secretary

June 25, 2020
Date

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