

SUMMARY OF PROPOSED CHANGES TO THE BYLAWS OF RANCHO SANTA FE ASSOCIATION

The purpose of this summary is to highlight and explain the substantive changes being proposed to the Bylaws of the Rancho Santa Fe Association. The following are key sections of the current Bylaws, beginning with a rationale or explanation for the proposed changes (in blue), followed by the original wording (in black) and concluding with the proposed new text (in green). Changes are not included in this summary for sections that have revisions merely in format, grammar or punctuation. A complete copy of the current Bylaws, Amended and Restated Bylaws, and Redlined Bylaws (showing all changes) are provided to all RSF Association Members who are eligible to vote.

Rationale for Proposed Changes to Article II, Sections 1 and 2

Article II, Section 1(a) has been redrafted to incorporate the definition of “Member” as used in the Amended and Restated Articles of Incorporation and eliminating nearly three pages of redundant terms and definitions. This should provide for consistency among the various governing documents for our community.

Article II, Section 1(b) is a redrafted version of the former Section 1(d) which provided that immediate family members may enjoy all the rights and privileges of membership except the right to vote and receive property in the case of dissolution of the Association. The new language provides a specific definition for “immediate family” of members.

The former Article II, Sections 1(e) and (f) now become Sections 1(c) and (d).

The former Article II, Section 2 has been eliminated in that membership voting qualifications are covered by the Articles of Incorporation and voter registration will be eliminated. Any guidelines for assuring that only members cast votes shall become part of the Association’s Regulatory Code.

Current Text Article II, Sections 1 and 2

(to be deleted and replaced)

ARTICLE II MEMBERSHIP AND VOTING

Section 1. Definition of Member.

- a. For purposes of these Bylaws, the following definitions shall apply:

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1. "Building site" has the same meaning as defined in Article VI of the Articles of Incorporation.
 2. "Interest" refers to a legal or equitable interest, as distinguished from a leasehold or security interest.
 3. "Sole Owner" means a person who owns alone an interest in a building site in which there are not other interests, as shown on the records of the Association.
 4. "Co-owner" means a person who owns an interest in a building site (i) with another or others, whether as community property, or joint tenants, or tenants in common, or (ii) in which there are one or more other interests owned by another or others, or (iii) both, as shown on the records of the Association.
 5. "Individual" means a human being, and does not include a partnership, corporation, unincorporated association, trust, estate, governmental entity, or the like.
 6. "Person" means an individual, partnership, corporation, unincorporated association, trust, estate, governmental entity, or the like.
 7. "Immediate family" means a member's spouse, and children under twenty-three (23) years of age.
- b. A member shall be an individual who either:
1. is sole owner of a building site; or
 2. is (i) a co-owner of a building site who owns at least 34 percent beneficial interest in that building site (provided, however, that if there are more than two co-owners of a building site, none of whom own at least a 34 percent beneficial interest in that building site, only one such individual, to be selected by such co-owners holding in the aggregate not less than a 34 percent beneficial interest in such building site, shall be a member); or (ii) a beneficiary under a marital trust meeting the requirements of California Civil Code Section 5110.150 (or successor statute) to which a building site originally community property of such beneficiary was contributed; or
 3. is designated (upon a form prescribed by the Association) by the owner of a building site as the member for such building site as follows; (i) by the holders of not less than 34 percent of the beneficial interest in any trust in accordance with the provisions of such trust, unless otherwise provided in Section 1 (b) (2) (ii) of Article II, or (ii) by the holders of not less than 34 percent of the beneficial interest in any corporation, unless otherwise provided in Section 1 (b) (3) (iii) of Article II, or (iii) by the holders of not less than 34 percent of the beneficial interest in any association managing a common interest development described in Article VI (a) (4) of the Articles of

Incorporation of the Association, as amended, or (iv) by the holders of not less than 34 percent of the beneficial interest in any partnership pursuant to the terms of the partnership agreement of such partnership, or (v) by the administrator, executor or executrix, as the case may be, of any decedent's estate or, (vi) by the lawful act of the governing body or executive authority of any governmental entity, or (viii) by the governing body of any other person not an individual, provided that the individual thus designated on behalf of such trust, corporation, association or partnership owns a beneficial interest in such trust, corporation, association or partnership.

4. As used in this Section 1(b), the term "beneficial interest" means (i) with respect to co-owners, the right to control the sale of the building site, (ii) with respect to a trust, a current right to receive distributions from income earned upon the corpus of the trust or, if no income is to be distributed currently under the trust, a right to receive at some future time the income and corpus of the trust, (iii) with respect to a partnership, the right of the partners to receive distributions other than liquidating distributions provided, however, that with respect to a limited partnership, the rights of the limited partners to receive such distributions shall not be considered a "beneficial interest."
 5. In the event two or more individuals assert competing claims to be members of the Association designated on behalf of any person, no such individual shall be deemed to be a member unless and until (i) such individuals prove to the satisfaction of the Board of Directors, in its sole and exclusive judgment, that the competing claims to membership have been resolved and the appropriate individual or individuals is or are in fact designated, or (ii) a judgment of a court of competent jurisdiction is entered determining the appropriate individual or individuals who was or were in fact designated as a member or (iii) the Board of Directors makes a determination, in its sole and exclusive judgment, which of such individuals was or were designated as a member provided, however, that the Board of Directors shall not be required to make such a determination.
- c. No individual shall be entitled to more than one membership in the Association, regardless of the number of building sites in which such individual may own an interest. No person may designate more than one member regardless of the number of building sites in which that person may own an interest; provided, however, that an association managing a common interest development described in Article VI(a) (4) of the Articles of Incorporation of the Association, as amended, shall be entitled to designate two individuals as members. The beneficial ownership of any individual in any entity of the kind described in Subparagraph (3) of Paragraph (b) above may not be counted in favor of the designation of more than one member.

- d. The immediate family of a member in good standing (as defined in Section 3 (a) of Article II) shall be entitled to all of the rights and privileges of membership, except for the right to receive Association property on dissolution of the Association and the right to vote on any matter submitted to a vote of the members of the Association.
- e. The Board of Directors may, from time to time, grant to other persons, upon such terms as may be determined, the privilege of using and enjoying Association facilities or services.
- f. In case of dispute with respect to whether an individual is a member of the Association, the decision of the Board of Directors shall be final.

Section 2. Members Entitled to Vote; Registration.

- a. Each member in good standing (as defined in Section 3(a) of this Article II) and registered to vote (pursuant to Section 3(c) of this Article II) shall be entitled to exercise one (1) vote and no member shall be entitled to more than one (1) vote, regardless of the number of building sites in which such member may own an interest.
- b. As used in Article II, "vote" includes a vote at a meeting, the casting of a written ballot distributed to all members without a meeting, or any other similar written actions by members authorized by these Bylaws.
- c. Each member of the Association shall register as such upon a form prescribed by the Secretary of the Association and shall provide such evidence of ownership of a building site, and of designation as the member for a building site where appropriate, as the Secretary may require. Upon receipt of an acceptable registration form, the Secretary shall register the person upon the records of the Association as a member entitled to vote.
- d. No member shall be entitled to vote unless the member has registered, as provided in Section 2 (c) of this Article II, at least sixty (60) days before voting, unless the Board of Directors shall have fixed another record date as provided in Section 5 (c) of Article III of these Bylaws.
- e. Any proper registration of a member entitled to vote shall remain effective until such member no longer owns the requisite interest in a building site or is no longer the designated member for a building site, as the case may be.
- f. As used in these Bylaws, the term "voting member" shall mean an individual entitled to vote in accordance with this Article II.

Proposed Text Article II, Section 1

ARTICLE II MEMBERSHIP

Section 1. Definition of Member

- a. As used in these Bylaws, the term "Member" has the same meaning as defined in Article VI of the Articles of Incorporation of the Association and the Members shall have the same voting rights as set forth in such Article VI.
- b. Any resident (other than as a lessee, employee or houseguest) at a Building Site owned of record by a Member in good standing (as provided in Section 2 of this Article), and any child or step-child of such resident under the age of twenty-three (23), shall be entitled to all of the privileges of membership, except for the right to receive Association property on dissolution of the Association and the right to vote on any matter submitted to a vote of the Members of the Association. As used in these Bylaws, the term "Building Site" has the same meaning as defined in Article VI of the Articles of Incorporation of the Association.
- c. The Board of Directors of the Association (the "Board of Directors") may, from time to time, grant to other persons, upon such terms as may be determined, the privilege of using and enjoying Association facilities or services.
- d. In case of dispute with respect to whether a person (including an individual, entity or trust) is a Member of the Association, the decision of the Board of Directors shall be final.

Rationale for Proposed Changes To Article III Regarding Meetings of the Members

There are four material changes to this section:

In Section 2 regarding Special Meetings the number of members signatures needed to call for a Special Meeting is changed from 100 voting members to 5% of members entitled to cast votes. If the proposed Amended and Restated Bylaws are adopted, there will be approximately 1750 members entitled to cast votes and the threshold number of signatures required would be approximately 90. This change is being made to conform to the Davis-Stirling Act.

Also, Section 2, as currently written, requires a special meeting in person at which the only action that can be taken is a vote for or against a subsequent mailing of ballots on the same subject, a cumbersome and not followed requirement. The revised section eliminates the two step process.

Additionally, in Section 3 the number of members required for a quorum is changed from 75 voting members to 20% of members entitled to cast votes at a duly called meeting (approximately 350 members), or if voting is without a meeting, by written ballot, the receipt of ballots from not less than 1/3 of the members entitled to cast votes (approximately 585 members).—The purpose of increasing these threshold numbers is to generally ensure greater member participation in membership decisions.

Finally, in Section 5 (b) the number of days that the Board may set for the return of written ballots is changed from “not earlier than 30 days” from the date of mailing to “not less than 30 days not more than 45 days” after mailing to the members. This imposes on the Board a limit of forty-five (45) days for solicitation.

Current Text Article III, Sections 2, 3 and 5(b)

(to be deleted and replaced)

ARTICLE III MEETINGS OF MEMBERS

Section 2. Special Meetings.

Special meetings of the members may be called at any time by the Board, or the President, and shall be called by the Board upon written request of not less than one hundred (100) voting members. Upon receipt of written notification of the foregoing call for a special meeting, the Secretary shall cause written notice to be personally delivered or mailed by first class mail, postage prepaid, to each member who, on the record date for notices of the meeting, is entitled to vote thereat. If mailed, the notice shall bear the address of the member as it appears on the books of the Association. The notice of the special meeting shall specify the place, date and time of the meeting and shall state the general nature of the business to be transacted; no other business may be transacted at said meeting. The notice shall be given within twenty (20) days of receipt of the request, and the meeting shall be held at a date and time fixed by the Board not less than thirty-five (35) nor more than ninety (90) days after receipt of such request. Notwithstanding the foregoing, with respect to a special meeting, the only action which the members can take at the meeting, other than to approve minutes or to adjourn, is to authorize the distribution to voting members of written ballots for voting without a meeting on the proposal(s) described in the notice of the meeting. The record date for members entitled to vote by such written ballot without a meeting shall be the same record date as fixed for the special meeting. Such written ballot shall be distributed no less than twenty (20) days, but no more than forty-five (45) days, following the date of the special meeting.

Section 3. Quorum.

The presence in person of seventy-five (75) voting members at a duly called meeting shall constitute a quorum.

Section 5. **Voting.**

- b. Written ballots shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal. Any solicitation accompanying such ballots shall indicate the number of responses needed to meet the quorum requirement, and with respect to ballots other than for election of Directors, the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted. Whenever written ballots are distributed to all voting members without a meeting, there shall be provided a reasonable time within which to return the ballots to the Association but not earlier than thirty (30) days following the distribution of the ballots. Whenever written ballots are distributed to voting members present at an annual or special meeting, the time within which to return the ballots shall be fixed by the inspector of elections or, if no inspector of elections is present, the chairperson of the meeting.

Proposed Text Article III, Section 2, 3 and 5(b)

Section 2. Special Meetings.

Special meetings of the Members for any lawful purpose may be called at any time by the Board of Directors, or the President of the Association, and shall be called by the Board upon written request of not less than five (5) percent of the Members. At its option, the Board may cause the vote on the issue raised by the request for such special meeting to be taken by means of a mail-in ballot as opposed to a meeting as provided in Section 5(b) of this Article. Upon receipt of written notification of the foregoing call for a special meeting, the Secretary of the Association shall cause written notice of the meeting (or vote by mail-in ballot) to be personally delivered or mailed by first class mail, postage prepaid, to each Member who, on the record date for notices of the meeting, is entitled to vote thereat. If mailed, the notice shall bear the address of the Member as it appears on the books of the Association. The notice of a special meeting shall specify the place, date and time of the meeting and shall state the general nature of the business to be transacted; no other business may be transacted at said meeting. The notice of such meeting (or vote by mail-in ballot) shall be given not more than twenty (20) days after receipt of the request, and the meeting (or deadline for the return of mail-in ballots) shall be at a date and time fixed by the Board not less than thirty-five (35) nor more than ninety (90) days after receipt of such request.

Section 3. Quorum.

The presence in person of not less than twenty percent (20%) the Members entitled to cast votes at a duly called meeting, or, if voting is without a meeting and by written ballot as provided by Section 5 of this Article, the receipt of ballots from not less than one-third (1/3) of the Members entitled to cast votes by the time the ballots are

required to be returned as provided by Section 5 of this Article, shall constitute a quorum.

Section 5. Voting.

- b. Written ballots shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal. Any solicitation accompanying such ballots shall indicate the number of responses needed to meet the quorum requirement, and with respect to ballots other than for election of Directors, the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted. Whenever written ballots are distributed to Members, there shall be provided a reasonable time within which to return the ballots to the Association but not less than thirty (30) days nor more than forty-five (45) days after the ballots are first distributed.

Rationale for Proposed Changes to Article IV

Article IV pertains to the directors of the Association. Changes in Section 3 adds a requirement of 25% direct or indirect ownership interest in a building site and requires that the prospective director is at least 18 years of age. Additionally, the new language requires that directors continue to be residents for the duration of their tenure on the Association Board. Most of the remaining language in Section 3(a) is the same or similar to the former Section 3(c).

Article IV, Section 4(d) and (e) requiring a nominating committee to nominate candidates to the Board has been eliminated. The proposed Bylaws allow any qualified individual in good standing to file the appropriate forms and run for the Board.

Amended Bylaws Article IV, Section 4(f) would require directors be elected by a mail-in ballot at which a quorum of ballots is returned. Current Bylaws do not have a quorum requirement for election of directors.

Section 5(b) changes the monthly meeting for the Board from twice to once per month and would allow the Board more flexibility as to what time and date that monthly meeting would be scheduled. Subsection (c), which pertains to special meeting, of the Board, increases the amount of notice given to directors for a special meeting from 24 hours to 48 hours.

Section 5(g) integrates the language from the Davis-Stirling Act regarding notice to members of Board meetings and executive sessions to 4 days and 2 days, respectively. Section 6(e) also incorporates language from the Davis-Stirling Act.

Former Sections 6(f) and (h) are deleted and replaced with language from the Davis-Stirling Act which pertains to the Association's responsibility to distribute a budget report and other financial reports and policy statements annually. These new sections spell out with specificity what is required of the Association in this regard.

**Current Text Article IV, Sections 3(a) and 3(c);
Sections 4(d), 4(e), 4(f) and 4(g); Sections 5(b), 5(c) and 5(g);
and Section 6(e), 6(f) and 6(h)**

(to be deleted and replaced)

Article IV DIRECTORS

Section 3. General Qualifications.

- a. Each Director shall have been a resident member of the Association for at least three (3) years, whether or not contiguous, prior to the individual's nomination and shall be a member in good standing at the time of his or her nomination. Directors shall be eligible for reelection without limitation on the number of terms they may serve.

- c. As used in these Bylaws, a "resident member" is a member who actually resides on a building site for a period of not less than nine (9) months in any calendar year, but without regard to temporary absence due to vacation or to conditions at the residence making it unsuitable for occupancy including, without limitation, remodeling or remediation of environmental or health hazards. For the purpose of this section, the Association may rely upon the designation of a member with respect to the place of such member's residence.

Section 4. Election of Directors.

- d. Not later than the first meeting of the Board of Directors held in each January, the Board of Directors shall create an ad hoc committee, hereafter referred to as the Nominating Committee. Said Nominating Committee shall have five (5) members who shall be Association members. The manner in which these five (5) positions are to be filled is as follows:
 - 1. The sitting President and Vice President of the Association Board shall fill two (2) positions on the Nominating Committee.
 - 2. The remaining three (3) positions shall be drawn by lot from a list of past Association Board members who are resident members of the Association in good standing, who are not current members of the Association Board and have completed a full three year term within the last ten (10) years, and who have not served on the committee charged with nominating Directors within a period of one (1) year. Nine (9) names shall be drawn as provided above. The first three (3) names drawn in numerical order accepting shall become members of

the Nominating Committee. Alternates, as required, shall be selected by the order of the drawing.

3. Nominating Committee members shall serve until the completion of the annual meeting immediately succeeding their appointments. Not less than sixty (60) days prior to such meeting, the Nominating Committee shall nominate and report to the Board not less than two (2) more individuals than the number being elected as candidates for the Board of Directors. All candidates so nominated must be qualified.
 - e. The report of the Nominating Committee, containing the names of the candidates shall, on receipt from the committee, be immediately posted on the Association bulletin board by the Secretary of the Association.
 - f. Additional nominations may be made in writing on a form provided by the Association by any member in good standing, including a nomination made by the candidate of himself or herself, accompanied by a statement of economic interest as required by Section 3 of this Article, delivered to an officer of the Association not later than sixty (60) days prior to the annual meeting, which written nomination and statement of economic interest the officer shall promptly deliver to the Nominating Committee. Such nominations shall be immediately posted on the Association bulletin board by the Secretary. A candidate may withdraw by giving written notice to the Secretary of the Association at least twenty (20) days prior to the annual meeting or the date the first written ballot is mailed or distributed.
 - h. The Directors shall be elected by secret ballot from those nominated as herein provided. The number to be elected shall be dependent upon the number of Directors whose terms are expiring and the number of vacancies, if any, then existing. Printed ballots containing the names of all candidates arranged alphabetically, shall be prepared by the Secretary. Each voting member shall be entitled to vote for the number of Directors to be elected, but cumulative voting shall not be permitted. Consistent with the number of positions to be filled, the candidates receiving the highest number of votes shall be certified by the inspectors to the Secretary; provided, however, those candidates receiving the highest number of votes shall serve the full terms and the others elected shall fill the remaining terms thereof. The Secretary shall post on the Association bulletin board the names of the Directors elected, the number of votes received by each, and the term each is to serve. Directors so elected shall take office on July 1st and shall serve for the term hereinabove specified. After a recount and in case of a tie which prevents the election of the appropriate number of Directors, the tie shall be determined by lot between the tying candidates.

Section 5. Meetings of Board of Directors.

- b. The Board of Directors shall meet regularly on the 1st and 3rd Thursday of each month, at 9:00 a.m. Notice of such meeting shall be posted pursuant to the California Davis-Stirling Common Interest Development Act, as amended.
- c. Special meetings of the Board of Directors shall be called by the President, or by a majority of the Board, by directing the Secretary to issue a call for such meeting. Thereupon, the Secretary shall notify each Board member either personally, by telephone, or by mail at least twenty-four (24) hours prior to the time of such meeting. Such notice shall specify the purpose of the meeting, and at such special meeting, only the business so noticed may be transacted. If the Secretary fails to give such notice, any Board member may do so.
- g. All meetings of the Board of Directors shall be open to Association members; provided, however, the presiding officer may, at a duly held meeting of the Board, declare a closed meeting of the Board known as Executive Session, to consider only such matters as may be permitted pursuant to the California Davis-Stirling Common Interest Development Act, as amended, to be considered in Executive Session. The Association Manager shall attend all Executive Sessions, unless excused therefrom, and keep and enter in a confidential minute book a record of topics discussed and decisions made at the meetings.

Section 6. Limitations on Board of Directors' Powers.

- e. Regulations may be adopted, amended or repealed after a hearing thereon conducted by the Board of Directors at which Association members shall have the right to speak, by affirmative vote of at least five (5) members of the Board of Directors. The Board of Directors shall cause written notice to be personally delivered or mailed by first class mail to each voting member of the proposed regulation (or amendment or repeal thereof) and the hearing thereon not less than fifteen (15) days prior to the hearing date. Any such regulation (or amendment or repeal thereof) shall have full force and effect immediately upon being so adopted.
- f. The Board of Directors shall cause a budget for each fiscal year to be regularly prepared and distributed to all members not less than sixty (60) days prior to the beginning of each fiscal year of the Association, regardless of the number of members or the amount of assets of the Association. The budget shall contain the following information: (i) the estimated revenue and expenses of the Association on an accrual basis; (ii) the amount of the total cash reserves of the Association currently set aside; (iii) an itemized estimate of the remaining life of, and the method of finding to defer repair, replacement or additions to major components of the areas and facilities for which the Association is responsible; and (iv) a general statement setting forth the procedures used by the Board of Directors in calculating and

establishing reserves to defray the cost of repair, replacement or addition to major components of the areas and facilities for which the Association is responsible.

- g. The Board of Directors shall cause to be distributed to all members, within sixty (60) days prior to the beginning of each fiscal year, a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of annual assessments, including the recording and foreclosing of delinquent assessment liens.

**Proposed Text Article IV, Sections 3(a);
Sections 4(d), 4(e) and 4(f); Sections 5(b), 5(c) and 5(g);
and Sections 6(e), 6(f) and 6(h)**

Article IV DIRECTORS

Section 3. General Qualifications.

- a. Each prospective Director and each Director shall have a twenty-five percent (25%) ownership interest (directly or indirectly through an entity or trust) in a Building Site and shall be at least eighteen (18) years old. Each prospective Director shall have been a resident at a Building Site for at least three (3) years, whether or not continuously, immediately prior to the nomination of such prospective Director. Each Director shall remain a resident at a Building Site during tenure and the Member owning of record the Building Site at which the prospective Director resides shall be in good standing immediately prior to such nomination or during such tenure, as the case may be. For the purpose of this Section, a "resident at a Building Site" is an individual who actually resides (other than as a lessee) at a Building Site or Sites for a period of not less than nine (9) months in any calendar year, but without regard to temporary absence due to vacation or to conditions at the residence making it unsuitable for occupancy, including, without limitation, remodeling or remediation of environmental or health hazards. For the purpose of this Section, the Association may rely upon the designation of an individual with respect to the place of such individual's residence. Directors shall be eligible for reelection without limitation on the number of terms they may serve.

Section 4. Election of Directors.

- d. Nominations of individuals qualified to be Directors as provided in Section 3(a) of this Article shall be made in writing on a form provided by the Association by any Member in good standing, including a nomination made by the candidate of himself or herself, accompanied by a statement of economic interest as required by Section 3 (b) of this Article, filed at the principal office of the Association not later than sixty (60) days prior to the annual meeting, which written nomination and statement of economic interest

shall promptly be delivered to the Manager of the Association. Such nominations shall be immediately posted on the Association bulletin board by the Secretary of the Association. A candidate may withdraw by giving written notice to the Secretary of the Association not less than twenty (20) days prior to the annual meeting or the date the first written ballot is mailed or distributed.

- e. The notice of the annual meeting of Members shall include the names of candidates who have been nominated at the time the notice is given and brief biographies of such candidates in a format approved by the Board of Directors.
- f. The Directors shall be elected by secret ballot from those nominated as herein provided. The number to be elected shall be dependent upon the number of Directors whose terms are expiring and the number of vacancies, if any, then existing. Printed ballots containing the names of all candidates arranged alphabetically shall be prepared by the Secretary of the Association. Each Member entitled to cast votes shall be entitled to vote for the number of Directors to be elected, but cumulative voting shall not be permitted. The candidates receiving the highest number of votes by means of a mail-in ballot at which a quorum casts a ballot shall be elected. In the event of a tie for the last remaining vacancy the tie shall be determined by a coin toss between the tying candidates. Within 15 days of the election, the Secretary of the Association shall post on the Association bulletin board the names of the Directors elected, the number of votes received by each, and the term each is to serve. Directors so elected shall take office on July 1st and shall serve for the term hereinabove specified.

Section 5. Meetings of Board of Directors.

- b. The Board of Directors shall meet at least once each month on the first Thursday of each month, at 9:00 a.m. or at such other date and time as may otherwise be determined by the Board.
- c. Special meetings of the Board of Directors shall be called by the President of the Association, or by a majority of the Board, by directing the Secretary of the Association to issue a call for such meeting. Thereupon, the Secretary shall notify each Board member either personally or by telephone at least forty-eight (48) hours, or by mail at least four (4) days, prior to the time of such meeting. Such notice shall specify the purpose of the meeting, and at such special meeting, only the business so noticed may be transacted. If the Secretary fails to give such notice, any Board member may do so.
- g. All meetings of the Board of Directors, except emergency meetings, shall be noticed and (except for executive sessions) open to Association Members. Notice of meetings shall be posted, as provided in Sections 4045 and 4920 of the Davis-Stirling Act, or successor statute, not less than four (4) days prior to the

date of the meeting for open sessions or two (2) days prior to the date of the meeting for executive sessions. Such notice shall contain an agenda. The only subjects that may be taken up in executive session are those permitted by Section 4935 of the Davis-Stirling Act, or successor statute. The Manager shall attend all executive sessions, unless excused therefrom, and keep and enter in a confidential minute book a record of topics discussed and decisions made at the meetings.

Section 6. Limitations on Board of Directors' Powers.

- e. Regulations may be adopted, amended or repealed after a hearing thereon conducted by the Board of Directors at which Members shall have the right to speak, by affirmative vote of at least five (5) members of the Board of Directors. The Board of Directors shall cause written notice, containing the text of the proposed change, a description of the purpose and effect of the proposed rule change and a hearing date, to be mailed by first class mail, postage prepaid, to each Member not less than thirty (30) days prior to the hearing date. As soon as possible after taking any action described herein, but not more than fifteen (15) days thereafter, the Board shall deliver general notice of the action taken in the manner provided in Section 4045 of the Davis-Stirling Act, or successor statute.
- f. The Association shall distribute an annual budget report thirty (30) to ninety (90) days before the end of its fiscal year. The annual budget report shall include all of the following information: (1) a pro forma operating budget, (2) a summary of the Association's reserves, prepared pursuant to Section 5565 of the Davis-Stirling Act, or successor statute, (3) a summary of the reserve funding plan adopted by the Board of Directors (which summary shall include notice to the Members that the full reserve study plan is available upon request), (4) a statement as to whether the Board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of thirty (30) years or less, including a justification for the deferral or decision not to undertake the repairs or replacement, (5) a statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefore (including the estimated amount, commencement date, and duration of the assessment), (6) a statement as to the mechanism or mechanism by which the Board will fund reserves, (7) a general statement addressing the procedures used for the calculation and establishment of those reserves, (8) a statement as to whether the Association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment and when the loan is scheduled to be retired, (9) a summary of the Association's property, general liability, earthquake, flood and fidelity insurance policies, including the name of the insurer, the type of insurance, the policy limit and the amount of the deductible if any, all as more fully set forth in Section 5300 of the Davis-Stirling Act, or successor statute.
- h. Not less than thirty (30) nor more than ninety (90) days before the end of the Association's fiscal year, the Board of Directors shall distribute an annual policy

statement that includes all of the following information: (1) the name and address of the person designated to receive official communications to the Association pursuant to Section 4035 of the Davis-Stirling Act, or successor statute, (2) a statement explaining that a Member may submit a request to have notices sent to two different specified addresses pursuant to Section 4040(b) of the Davis-Stirling Act, or successor statute, (3) the location, if any, designated for posting of a general notice pursuant to Section 4045(a)(3) of the Davis-Stirling Act, or successor statute, (4) notice of a Member's option to receive general notices by individual delivery pursuant to Section 4045(b) of the Davis-Stirling Act, or successor statute, (5) notice of a Member's right to receive copies of meeting minutes pursuant to Section 4950(b) of the Davis-Stirling Act, or successor statute, (6) the statement of assessment collection policies required by Section 5730 of the Davis-Stirling Act, or successor statute, (7) a statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments, (8) a statement describing the Association's discipline policy, including any schedule of penalties for violations of the governing documents, (9) a summary of dispute resolution procedures pursuant to Sections 5920 and 5965 of the Davis-Stirling Act, or successor statute, (10) a summary of requirements for Association approval of a physical change to property, (11) the mailing address for overnight payment of assessments pursuant to Section 5655 of the Davis-Stirling Act, or successor statute and (12) any other information required by law or other provisions of the governing documents or that the Board determines to be appropriate for inclusion. The Association may either provide the full report or a summary of the report which complies with Section 5320(a) of the Davis-Stirling Act, or successor statute.

Rationale for Proposed Changes to Article VI

Article VI concerns committees. Section 1 now specifies that a committee shall have no more than 3 directors as members and that all members of the committee are required to be residents and at least 18 years of age. Additionally, the Board shall define each committee's responsibilities and procedures to be followed by such committee as to, among other matters, any requirement to conduct open meetings or prepare minutes. Section 1 now provides committees shall have no authority, but are limited to providing the Board with advice and counsel. The present Section 2, that gives certain committees all of the authority of the Board, with enumerated exceptions, is being deleted.

The Audit/Finance Committee is added in a new Section 2 as a standing committee. The is an extremely important committee that will conduct its meetings in open session except for executive session items.

Current Text Article IV, Sections 1,2 and 3
(to be deleted and replaced)

ARTICLE VI ASSOCIATION COMMITTEES

Section 1. Committees of Members.

The Board of Directors may establish committees of members in good standing to provide the Board with advice and counsel toward meeting Association objectives regarding open space, recreation, parks, finance and such other matters as the Board shall from time to time deem appropriate. The Board shall, at the time of the establishment of each such committee, define the committee's responsibilities and the Board shall monitor the performance of each such committee. All committees shall be under the direct supervision and subject to control of the Board of Directors.

Section 2. Committees of the Board.

The Board of Directors, by resolution adopted by a majority of the directors then in office, may create one or more committees, each consisting of three directors and no one who is not a director, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by majority vote of the authorized number of directors. The Board may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee shall have all the authority of the Board, the extent provided in the board resolution, except that no committee may do the following:

- (a) Take any final action on any matter which, under the California Nonprofit Mutual Benefit Corporation Law, requires approval of the members or of a majority of all members;
- (b) Fill vacancies on the Board or in any committee of the Board;
- (c) Establish compensation for Directors serving on the Board or any committee of the Board.
- (d) Amend or repeal Bylaws or adopt new Bylaws;
- (e) Amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;
- (f) Create any other committees of the Board or appoint the members of committees of the Board;
- (g) Expend corporate funds to support a nominee for director if more people have been nominated for director than can be elected; or
- (h) With respect to any assets held in charitable trust, approve any contract or transaction between the Association and one or more of its directors or between the Association and an entity in which one or more of its directors have a material financial interest, subject to the approval provisions of Corporations Code §5233(d)(3).

Section 3. Meetings and Actions of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 5 of Article IV of these Bylaws, concerning meetings of Directors, with such changes in the context of said section as are necessary to substitute the committee and its members for the Board and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

Proposed Text Article VI, Sections 1,2, and 3

ARTICLE VI. ASSOCIATION COMMITTEES

Section 1. Committees.

The Board of Directors may establish committees of two (2) or more individuals (which may include no more than three (3) Directors) who are residents at a Building Site (other than as a lessee, employee or houseguest) and are at least (18) eighteen years old to serve at the pleasure of the Board to provide the Board with advice and counsel regarding such matters as the Board shall from time to time deem appropriate. The Board shall, at the time of the establishment of each such committee, define the committee's responsibilities and the procedures to be followed by such committee as to, among other matters, any requirement to conducting open meetings or prepare minutes, and the Board shall monitor the performance of each such committee. The Board may appoint one or more individuals as alternate members of any such committee, who may replace any absent member at any meeting. All committees shall be under the direct supervision and subject to control of the Board of Directors. No committee shall have any authority of the Board.

Section 2. Audit/Finance Committee.

The Board of Directors shall establish an Audit/Finance Committee consisting of seven (7) members, one of whom shall be the Treasurer of the Association, and one of whom shall be the Treasurer of the Rancho Santa Fe Golf Club. The remaining five (5) members shall be appointed by the Board. The Board shall establish a charter for the Audit/Finance Committee to provide the Board with advice and counsel regarding such matters as identified in the charter and as otherwise delegated to the Audit/Finance Committee by the Board.

Meetings and actions of the Audit/Finance Committee shall be governed by, and held and taken in accordance with, the provisions of Section 5 of Article IV of these Bylaws, concerning meetings of the Board of Directors, with such changes in the context of said section as are necessary to substitute the Committee and its members for the Board and its members, except that the time for regular meetings of the Committee may be determined either by the Board or the Committee. Special meetings of the Committee may also be called by any of the Board, the Committee or the Committee chair.. Minutes shall be kept of each meeting of the Committee and shall be filed with the corporate records.

Section 3. **Compensation Committee.**

The Board of Directors shall establish a Compensation Committee consisting of three (3) Directors, one of whom shall be the Treasurer of the Association, and shall establish a charter for the Compensation Committee to provide for the review of the compensation and performance of the non-Director officers and senior staff of the Association as identified in such charter and such other matters as the charter may provide and as otherwise delegated to the Compensation Committee by the Board.

Rationale for Proposed Changes to Article VII, Section 4(a) and 4(d); and Section 5

Article VII relates to the management of the Manager of the Association. Changes in Section 4 regarding the Manager's power to hire and fire employees, in addition to the existing prohibition to hiring of residents, would also prohibit hiring the family members of a resident without approval of the Board.

Section 4(d) is new and incorporates language from the Davis-Stirling Act requiring the Manager to prepare and distribute an annual Policy Statement.

Section 5 concerns the Manager's control of personnel and provides that only the Manager shall direct the Association staff. Directors must notify the Manager of requests made of staff. This is to allow the Manager to control the work flow in the Association office and provide an orderly chain of command for the staff and Manager.

Current Text Article VII, Sections 4(a) and Section 5
(to be deleted and replaced)

ARTICLE VII ASSOCIATION MANAGER

Section 4. Powers and Duties of Manager.

The Manager shall be the chief administrator of the Association. The Manager may head one or more departments and shall be responsible to the Board of Directors for the proper administration of all affairs of the Association. To that end, the Manager shall have power and shall be required to:

- a. Appoint and, when necessary for the good of the Association, suspend or remove any employees of the Association except as otherwise provided by the Rancho Santa Fe Protective Covenant, Articles of Incorporation, employment contracts, or law; however, the Manager may authorize the head of a department to appoint, suspend, or remove subordinates in such department. No member of the Association may be a full-time, paid employee of the Association.

Section 5. Control of Personnel.

Except for the purpose of inquiry, the Board of Directors and its members shall deal with the Association personnel solely through the Manager, and neither the Board nor any member thereof shall give orders to any subordinates of the Manager, either publicly or privately, neither the Board nor any of its members shall request or direct the Manager to appoint or remove any person.

Proposed Text Article VII,
Sections 4(a) and (d) and Section 5

ARTICLE VII MANAGER

Section 4 Powers and Duties of Manager.

The Manager shall be the chief administrator of the Association. The Manager may head one or more departments and shall be responsible to the Board of Directors for the proper administration of all affairs of the Association. To that end, the Manager shall have power and shall be required to:

- a. Appoint and, when necessary for the good of the Association, suspend or remove any employees of the Association except as otherwise provided by the Rancho Santa Fe Protective Covenant, the Articles of Incorporation of the Association, these Bylaws, employment contracts or law; provided, however, the Manager may authorize the head of a department to appoint, suspend, or remove subordinates in such department, except as otherwise provided as aforesaid. No

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resident at a Building Site and no family member of such resident may be a full or part-time employee of the Association unless otherwise approved by the Board of Directors.

- d. Prepare and distribute an annual Policy Statement as required by Section 6(h) of Article IV of these Bylaws.

Section 5 Control of Personnel.

Except for the purpose of inquiry, or the obtaining of documents permitted or required to be provided under Section 5 of Article IX of these Bylaws, Members shall deal with the Association personnel solely through the Manager and shall not give orders to any subordinates of the Manager, either publicly or privately. Directors may request information and direct staff, with notification to the Manager, when necessary to discharge their fiduciary responsibility under law. Neither a Director nor Member shall request or direct the Manager to appoint or remove any employee of the Association.

Rationale for Proposed Changes to Article IX, Section 5

Article IX, Section 5 would be deleted and replace with language that references the current Regulatory Code as it pertains to Members access to documents and records. Resolution 2015 - 109 provides an orderly process and timelines for member requests and inspections. The language in this regulation is taken from the Davis-Stirling Act and provides members with more timely access to a much broader list of documents and records.

Current Text Article IX, Section 5
(to be deleted and replaced)

ARTICLE IX INSTRUMENTS, DEPOSITS AND FUNDS

Section 5. Books.

The accounting books and records, and the minutes of proceedings of the members, the Board of Directors and committees, shall be open to inspection upon written demand of any Association member in good standing at any reasonable time during usual business hours, for a purpose reasonably related to such member's interests as a member. Any Association member may obtain from the Association copies of said minutes, books, records or documents upon payment of reasonable reproduction costs. Upon written request of any Association member, the Board may permit inspection of other Association records provided, however, that unless the Board permits otherwise no member shall inspect the records of an election for Directors or other vote outside the presence of the inspectors of elections for such election or vote.

Proposed Text Article IX, Section 5

ARTICLE IX INSTRUMENTS, DEPOSITS AND FUNDS

Section 5. Documents and Records

Members shall be entitled to inspect or obtain Association documents and records as provided by law and as provided by Resolution 2015-109 approved September 15, 2015, as from time to time amended, or any successor resolution. The full text of Resolution 2015-109 is available on line or through the Association Office.