

BOARD OF DIRECTORS

Ann Boon, President
Heather Slosar, Vice President
Kim Eggleston, Treasurer
Philip Wilkinson, Director
Jerry Yahr, Director
Mike Licosati, Director
Fred Wasserman, Director

Bill Overton, PCAM
Association Manager/Secretary



Rancho Santa Fe Association
Post Office Box A • Rancho Santa Fe, CA 92067-0359
(858) 756-1174 • FAX (858) 756-9814
rsfassociation.org

COVENANT DESIGN REVIEW COMMITTEE

Candace Humber, President
Sharon McDonald, Vice President
Hilary Broyles, Secretary
Bill Cardon
Hilary Loretta

Robert J. Green
Building Commissioner

October 16, 2015

Dear Covenant Resident,

The RSF Association Board of Directors formed the Governing Documents Committee to study the Association's Articles of Incorporation, Bylaws and Protective Covenant. After many hours of review and discussion, the Committee found that certain provisions of the governing documents fail to comply with current law, are overly complex, or are unfair or inequitable. The Committee is offering potential amendments **for comment** to assure fairness and equity in voting and to comply with the 2014 Davis-Stirling Act. The primary revisions are summarized below.

Articles of Incorporation (Article VI):

- Property owner(s) of record shall have one membership with two votes.
- Owners of multiple properties will continue to be limited to two votes, regardless of number of properties owned.
- All condominium owners will be enabled to vote.

Bylaws (Article II):

- Changes made to comply with 2014 Davis-Stirling Act and to simplify member voting.

In this packet we have included for your review:

- The current RSF Association Articles of Incorporation (Article VI) and proposed changes
- The current RSF Association Bylaws and proposed changes
- Reasoning and rationale for the proposed amendments

The 45-day comment period runs through Nov. 30 to give residents ample opportunity for review, involvement and input. You have several ways to comment on the proposed amendments:

- **Town Hall Meeting:** The Committee will present the revisions, and those attending will have an opportunity to pose questions or offer comments to the Committee members. The meeting will be Thursday, Oct. 22, at 6:30 pm at the RSF Garden Club, 17025 Avenida de Acacias, RSF.
- **Written Comments:** Please mail or deliver your written comments to Staff at RSF Association, P.O. Box A, 17022 Avenida de Acacias, Rancho Santa Fe, CA 92067.
- **Faxed Comments:** Please fax comments to (858) 756-9814 Attention: Governing Documents.
- **Email Comments:** Please e-mail comments to Staff at GovDocs@RSFAssociation.org.
- **Online Comments:** It is anticipated that an online comment form will be available on the Association's new website at www.rsfassociation.org in early November. In the meantime, please mail, fax or e-mail comments.

At the conclusion of the 45-day comment period, member input will be reviewed by the Committee. The Committee's recommendations for amendments to the Articles and Bylaws will be posted on the Association's website and then presented to the Board of Directors on Dec. 3. Once the Board approves the amendments, voting members of the Association will be asked to approve the amendments.

The effective date of the amendments would be July 1, 2016, and would NOT affect pending membership votes.

Again, we encourage your input during the comment period.

Sincerely,

Fred Wasserman
Governing Documents Committee Chair
RSF Association Board Member

Proposed Changes to Article VI of the Rancho Santa Fe Association Articles of Incorporation

(Redlined Copy)

Black text is original language from the current Articles of Incorporation.

Red ~~strikethrough text~~ is language that would be eliminated.

Red underlined text is new proposed language.

VI.

The voting power and property rights and interests of the members of the Association (the "Members") shall be ~~equal and shall be determined and fixed~~ as follows:

~~For the purpose of determining the voting power and the property rights and interests of each member of the corporation, a building site shall be taken to be (exclusive of streets, open recreation areas, and lands excepted, reserved, segregated or retained in accordance with the restrictions, conditions and covenants affecting the same, shown on any map of record):~~

(a) The owner of record, or the owners of record collectively if more than one, of a Separate Interest, shall be one Member, and shall be entitled to a total of two votes on all matters to be determined by a vote of the Members; provided, however, that Members who are owners of record of more than one Separate Interest shall only be entitled to two votes, regardless of how many separate interests are owned by those Members." As used herein, "Separate Interest" is a separately owned building site or separately owned condominium unit or stock cooperative unit, or separately owned unit in a multi-family dwelling structure, within the lands subject to the jurisdiction of the Rancho Santa Fe Association.

~~For the purpose of this Article VI, a building site shall be taken to be (exclusive of streets, open recreation areas and lands excepted, reserved, segregated or retained in accordance with the restrictions, conditions and covenants affecting the same, shown on any map of record with the County Recorder of said County): (1) — Any lot or parcel of said abovementioned property provided that (except as to the five property owners who are the incorporators hereof) each said lot or parcel of said property shall first have been made subject to the jurisdiction of this corporation and of Rancho Santa Fe Art Jury by a declaration of restrictions, conditions, covenants, reservations, liens and charges approved by this corporation and duly filed of record with the County Recorder of said County; or~~

~~(2) — Any re-subdivision of any plots or parcels of said property which re-subdivision is approved by this corporation and is approved by the restrictions applicable thereto and thereby allowed to be used as a building site; or~~

~~(3) — Any subdivision or re-subdivision of any land which hereafter becomes subject to the jurisdiction of this corporation by virtue of the restrictions, conditions, covenants, and/or agreements relating thereto and by acceptance of said jurisdiction by the Board of Directors of this corporation; or~~

~~(4) Any common interest development, as defined in California Civil Code section 1351, or successor statute, affecting the real property described in subparagraphs (1) through (3), inclusive, of this paragraph (a) (but excluding a planned development as defined in California Civil Code section 1351(k) (2) and as to which California Civil Code section 1351(k) (1) is not applicable) provided, however, that any such common interest development shall be deemed to be two building sites.~~

~~(b) Persons holding title to any building site as above defined shall be qualified to be and shall become, ipso facto, members of this corporation; provided, however, that an association managing a common interest development described in subparagraph (4) of paragraph (a) of this Article VI shall be deemed to be the sole person holding title to any and all building sites within any part of such common interest development and no other person or persons shall be deemed to be a member of this corporation without regard to whether such person or persons hold title to or an interest in any separate interest as defined in California Civil Code section 1351(1), or successor statute, or building site within such common interest development; and provided further, that when title to or an interest in a building site is vested in or is in the name of two or more persons in joint tenancy or otherwise, the several owners or contract holders or purchasers of said building site shall collectively be entitled to only one vote unless provided otherwise in the By-Laws of this corporation. Whenever a person becomes disqualified through transfer or disposal of all his building sites, such person shall, ipso facto, cease to be a member of this corporation.~~

~~(c) Each member of this corporation shall have the right to cast one vote at any meeting of the members of this corporation, regardless of the number of building sites to which, as shown by the records of the corporation, such member holds the title; provided, however, that no person holding title as security for the payment of money or performance of other obligations shall have the right to vote by reason thereof.~~

~~(b) Each Member of this Corporation shall have an equal interest in all the property owned by this Corporation provided, however, that (i) in the event title to any one building site is held by more than one member, no more than one such member shall be entitled to hold membership in the Rancho Santa Fe Golf Club, (ii) in the event a member holds title to more than one building site, such member shall not, by reason thereof, be entitled to more than one membership in the Rancho Santa Fe Golf Club, (iii) during the continuance and life of this Corporation and renewals thereof, no Member of this Corporation shall have the right of distribution of any real or personal property held by or in the possession or control of this Corporation. Those persons who are Members of this Corporation at the time of its dissolution may, upon said dissolution, be and become entitled to such property as may be owned by this Corporation and as may be subject to distribution among its Members in proportion to their interests and property rights as above determined and according to the law then in force.~~

~~(c) The right of each Member to the use and enjoyment of the recreational facilities from time to time owned or controlled by the Corporation, including without limitation the Golf Club and Tennis Club, shall be determined by the rules which are, from time to time, proposed by the governing bodies of such facilities and approved by the Board of Directors of the Corporation.~~

~~(ed) Nothing contained this amendment to in paragraph (d) of this Article VI shall divest any member of membership in the Rancho Santa Fe Golf Club acquired on or before July 1, 1992 2016.~~

**Proposed Article VI of the
Rancho Santa Fe Association Articles of Incorporation**

(Clean Copy)

EFFECTIVE DATE JULY 1, 2016

The voting power and property rights and interests of the members of the Association (the "Members") shall be as follows:¹

(a) The owner of record, or the owners of record collectively if more than one, of a Separate Interest, shall be one Member and shall be entitled to a total of two votes on all matters to be determined by a vote of the Members; provided, however, that Members who are owners of record of more than one Separate Interest shall only be entitled to two votes, regardless of how many Separate Interests are owned by those Members. As used herein, "Separate Interest" is a separately owned building site or separately owned condominium unit or stock cooperative unit, or separately owned unit in a multi-family dwelling structure, within the lands subject to the jurisdiction of the Rancho Santa Fe Association.

(b) Each Member shall have an equal interest in all the property owned by this Corporation. During the continuance and life of this Corporation and renewals thereof, no Member shall have the right of distribution of any real or personal property held by or in the possession or control of this Corporation. Those persons who are Members at the time of its dissolution may, upon said dissolution, be and become entitled to such property as may be owned by this Corporation and as may be subject to distribution among its Members in proportion to their interests and property rights as above determined and according to the law then in force.

(c) The right of each Member to the use and enjoyment of the recreational facilities from time to time owned or controlled by the Corporation, including without limitation the Golf Club and Tennis Club, shall be determined by the rules which are, from time to time, proposed by the governing bodies of such facilities and approved by the Board of Directors of the Corporation.

(d) Nothing contained in this amendment to Article VI shall divest any member of membership in the Rancho Santa Fe Golf Club acquired on or before July 1, 2016.

**Proposed Changes to the Governing Documents of the
Rancho Santa Fe Association
Reasoning and Rationale for Equality and Fairness**

Changes to Article VI of the Articles of Incorporation

The voting power and property rights and interests of the members of the Association (the "Members") shall be as follows:

(a) The owner of record, or the owners of record collectively if more than one, of a Separate Interest, shall be one Member, and shall be entitled to a total of two votes on all matters to be determined by a vote of the Members; provided, however, that Members who are owners of record of more than one Separate Interest shall only be entitled to two votes, regardless of how many separate interests are owned by those Members.

This new language provides that every property or "Separate Interest" will be entitled to a single membership in the Association and two votes. In 1992, the Association amended the Articles of Incorporation and Bylaws. Those amendments essentially provided that owners (of at least a 34% interest) of property held in joint tenancy, as community property, or in a marital trust would each have a vote (two votes). Consequently, our current Bylaws discriminate against the single, divorced or widowed homeowners and properties owned by a trust, corporation, partnership, or limited liability entities by permitting only one vote. This voting scheme seems patently unfair. Given that assessments are calculated the same and to be consistent with the California Corporations Code, the single and entity property owner should have equal voting rights (two votes). No Member that currently has a vote will lose their vote.

Please Note – The provision limiting one voting membership (two votes) to owners of multiple properties has not changed.

As used herein, "Separate Interest" is a separately owned building site or separately owned condominium unit or stock cooperative unit, or separately owned unit in a multi-family dwelling structure, within the lands subject to the jurisdiction of the Rancho Santa Fe Association.

The definition of a "Separate Interest" comports with the language used in the 2014 Davis-Stirling Act, which governs California homeowner associations like ours. Additionally, the new text incorporates language to include condominiums, stock cooperative, and townhouses, most of whose households have been excluded from voting in our Association. This more inclusive definition provides fairness, consistency and equity that are presently denied to many assessment-paying residents of our community.

(b) Each Member shall have an equal interest in all the property owned by this Corporation. During the continuance and life of this Corporation and renewals thereof, no Member shall have the right of distribution of any real or personal property held by or in the possession or control of this Corporation. Those persons who are Members at the time of its dissolution may, upon said dissolution, be and become entitled to such property as may be owned by this Corporation and as may be subject to distribution among its Members in proportion to their interests and property rights as above determined and according to the law then in force.

This paragraph remains essentially the same except the language regarding Golf Club Membership was moved into its own subparagraph (c).

(c) The right of each Member to the use and enjoyment of the recreational facilities from time to time owned or controlled by the Corporation, including without limitation the Golf Club and Tennis Club, shall be determined by the rules which are, from time to time, proposed by the governing bodies of such facilities and approved by the Board of Directors of the Corporation.

With regard to membership in the Golf and Tennis Clubs, the new language affirms the current practice of the community regarding such memberships, while addressing the possibilities of additional recreational facilities either owned or operated by the Association in the future. The prior language only addressed the Golf Club, failed to mention the Tennis Club, and was silent regarding future additional recreational assets.

(d) Nothing contained in this amendment to Article VI shall divest any member of membership in the Rancho Santa Fe Golf Club acquired on or before July 1, 2016.

RANCHO SANTA FE ASSOCIATION BYLAWS

ARTICLE I PRINCIPAL OFFICE

The principal office of the Association for the transaction of its business is located at Rancho Santa Fe, in the County of San Diego, State of California.

ARTICLE II MEMBERSHIP AND VOTING

Section 1. The owner of record, or the owners of record collectively if more than one, of a Separate Interest, shall be one Member, and shall be entitled to a total of two votes on all matters to be determined by a vote of the Members; provided, however, that Members who are owners of record of more than one Separate Interest shall only be entitled to two votes, regardless of how many separate interests are owned by those Members. As used herein, "Separate Interest" is a separately owned building site or separate-owned condominium unit or stock cooperative unit, or separately owned unit in a multi-family dwelling structure, within the lands subject to the jurisdiction of the Rancho Santa Fe Association.

The following section has been deleted because the new Section 1 does not require definitions and provisions.

The other Bylaw changes are required under California Corporation Code or the 2014 Davis-Stirling Act.

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

~~Section 3.~~Section 2. **Member in Good Standing and Suspension.**

- a. A member who is current in payment of dues, assessments or other charges from the Association, and is not suspended pursuant to this Section 3, shall be a member in good standing.
- b. Any member who has been determined by the Board of Directors of the Association to be in violation of these Bylaws, the Rancho Santa Fe Protective Covenant, the Articles of Incorporation or any regulations adopted by the Board of Directors may have any and all rights of membership in the Association, including voting, golf and tennis privileges (if applicable), committee membership and the like, suspended by the Board of Directors in the manner provided from time to time in the Rancho Santa Fe Regulatory Code.
 - 1. The Association shall provide the member at least ~~fifteen (15)~~ten (10) days prior notice of a hearing to determine such violation and to consider appropriate discipline therefor. Such discipline may include suspension of voting rights and/or the reasons therefor, right to make use of recreational facilities, and/or, fines according to a schedule published by the Board of Directors. Such notice shall be given by first class mail sent to the last address of the member shown on the Association's records.
 - 2. The member shall be provided an opportunity to be heard, orally or in writing, at the hearing which shall be conducted by the Board of Directors, or a committee or hearing officer authorized by the Board to determine such violation and decide whether or not the suspension shall take place. If the hearing body decides that suspension is warranted, the notice of the ruling of the Board on the matter shall be provided to the Member no later than fifteen (15) days after the hearing, and the effective date of ~~the any~~ suspension shall be at least five (5) business days after the hearing.
- c. Whenever any member shall be suspended, the fact of suspension shall be recorded in the appropriate books of record of the Association and may for a period of thirty (30) days, be posted on the Association bulletin board by the Secretary of the Association.

~~Section 4.~~Section 3. **Membership Assessment.**

- a. Members shall be subject to assessments as provided in the Rancho Santa Fe Protective Covenant.

- b. Members shall also be subject to dues and other charges for the exercise of privileges and use of Association facilities and services.
- c. Dues, assessments or other Association charges which are in arrears shall be collected in a manner which the Board of Directors may prescribe from time to time.

ARTICLE III MEETINGS OF MEMBERS

Section 1. Annual Meetings.

The members shall meet annually on the second Thursday in May each year at such time and place in Rancho Santa Fe as may be fixed by the Board of Directors. Not less than ten (10) days nor more than twenty (20) days before the date of an annual meeting, the Board 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 notice 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 shall specify the place, date and time of the meeting, and shall state those matters which the Board of Directors, at the time the notice is given, intends to present for action by the member; but any proper matter may be presented at the meeting. The notice shall include the names of all candidates who have been nominated for the Board of Directors (by whatever process) at the time the notice is sent, as well as their brief biographies prepared pursuant to Section 4 of Article IV. If less than one-third of all members who are entitled to vote at the annual meeting are present thereat, only those matters, notice of the general nature of which was given, may be voted upon at such meeting.

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-persons entitled to cast votes~~. 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)~~thirty (30) 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~~persons entitled to cast votes at a duly called meeting shall constitute a quorum.

Section 4. **Adjournment.**

- a. In the absence of a quorum, any duly held meeting of members may be adjourned from time to time by a vote of a majority of the voting members present, but no other business shall be transacted.
- b. When a duly held meeting of members is adjourned for forty-five (45) days or more, notice of the adjourned meeting shall be given as in the case of the original meeting. When a meeting is adjourned for less than forty-five (45) days, it is not necessary to give notice of the time and place of the adjourned meeting or the business to be transacted thereat other than by announcement thereof at the meeting at which the adjournment is taken.

Section 5. **Voting.**

- a. Members may vote in one of two ways: either (i) in person by written ballot at an annual meeting or special meeting (subject in the case of a special meeting to Section 2 of this Article III) or (ii) without a meeting by written ballot distributed to all voting members not later than thirty (30) days prior to the date that the ballots are to be returned to be counted. Both types of voting shall be conducted in a manner designed to protect the identity of the member casting the vote. With respect to written ballots distributed to all voting members without a meeting, the Board of Directors shall fix a date and time by which ballots are to be returned to be counted. There shall be no voting by proxy. Notwithstanding any of the foregoing, written balloting shall not be required at an annual or special meeting of members for the approval of minutes or to adjourn.
- 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.~~

- c. Members entitled to notice and entitled to vote at an annual meeting, at a special meeting or by written ballot, on any issue or election relative to said meeting or written ballot, are those members of record as shown on the books of the Association as of the close of business sixty (60) days prior to said meeting date or the date the first written ballot is mailed or solicited. The Board of Directors may fix another time as the record date for the determination of the members entitled to notice and entitled to vote, but any record date so fixed shall not be more than sixty (60) nor less than ten (10) days before the date of the meeting or the date the first written ballot is mailed or solicited.
- d. In advance of any meeting of members at which an action may be taken and at each annual election of Directors, the Board shall appoint inspectors of election to act at the meeting and any adjournment thereof. If any person so appointed fails to appear or refuses to act, the chairman of the meeting of members shall at the meeting appoint a person or persons to replace those who so fail or refuse. The number of inspectors shall be one (1) or three (3) and shall satisfy the qualifications required by the Davis-Stirling Common Interest Development Act.

The inspectors of election shall determine, with respect only to the election or meeting for which the inspector was appointed and with reference solely to the records of the Association, the number of memberships outstanding and the voting power of each, the number represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of ballots, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote (provided, however, that all challenges and questions shall be raised at the meeting in order for the same to be heard and determined by the inspectors, and such hearing shall take place only at the meeting), count and tabulate all votes or consents, determine when at a meeting the polls shall close, determine the results and do such acts as may be proper to conduct the election or vote with fairness to all members.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. The decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all inspectors. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

Section 6. Conduct of Meetings.

- a. Meetings of members shall be presided over by the President of the Association or, in the absence of the President, by the Vice President or, in the absence of both, by a Chairman chosen from the Board by a majority of the voting members present. The Secretary of the Association shall act as secretary of all meetings of members; provided that, in the Secretary's absence, the presiding officer may appoint another person to act as secretary of the meeting.
- b. Meetings of members shall be governed by Robert's Rules of Order, as such Rules may be revised from time to time, insofar as such Rules are not

inconsistent or in conflict with these Bylaws, with the Articles of Incorporation of the Association, with the Rancho Santa Fe Protective Covenant or with law.

ARTICLE IV DIRECTORS

Section 1. Number of Directors.

The Association shall have seven (7) Directors and collectively they shall be known as the Board of Directors.

Section 2. Powers of Board of Directors.

The Board of Directors shall, subject to limitations set forth in the Articles of Incorporation, the Rancho Santa Fe Protective Covenant, and these Bylaws, exercise the powers of the Association, control its property, and conduct its affairs with, but not limited to, the following specific powers:

- a. To call special meetings of the members, or authorize the distribution of written ballots without a meeting for any action which may otherwise be taken at any regular or special meeting of the members, whenever deemed necessary;
- b. To elect from its own number a President and a Vice President;
- c. To appoint/elect and remove a Manager, Building Commissioner, Secretary, Assistant Secretary, Chief Financial Officer and Treasurer.
- d. To make regulations, resolutions and rulings as authorized by the laws of the State, the Rancho Santa Fe Protective Covenant, the Articles of Incorporation, and these Bylaws.

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.
- b. Not later than concurrently with the acceptance of (i) a nomination for election to the Board of Directors or (ii) an appointment to fill a vacancy on the Board of Directors, each prospective Director shall have filed at the principal office of the Association a statement of economic interest on substantially the same form as may, from time to time, be required by the California Fair Political Practices Commission or a successor regulatory body. The appropriate officer of the Association shall promptly forward such form to the Nominating Committee. The Nominating Committee shall promptly review such form and, if it is complete, certify the same as complete. Unless and until the Nominating Committee certifies the statement of economic interest form as complete, the nomination shall not be effective.

- 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.**

- a. Except for Directors appointed to fill vacancies, Directors shall be elected by written ballot distributed to every member entitled to vote for the election of Directors. Written ballots for election of Directors in conjunction with an annual meeting or a special meeting shall be mailed to each member entitled to vote for the election of Directors not later than ~~the business day immediately following~~ thirty (30) days prior to such annual meeting or special meeting.
- b. The terms of the Directors shall be staggered in order that no more than three (3) Directors shall be elected to full terms in any one year.
- c. The term of office for all Directors shall be for a period of three (3) years, or until their successors are elected and have taken office.
- 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.
- g. The notice of the annual meeting of members shall include the names of candidates who have been nominated (by whatever process) at the time the notice is given and brief biographies of such candidates in a format designated by the Nominating Committee.
- 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.
- i. A vacancy in the Board of Directors shall exist upon the death, resignation (including, without limitation, pursuant to subsection (j) of this Section 4) or removal of a Director.
- j. If any member of the Board of Directors shall fail to maintain current, on at least an annual basis, the Statement of Economic Interest provided by

- paragraph (b) of Section 3 of Article IV of these Bylaws, and in accordance with such rules as may be adopted by the Board of Directors, such member shall have been deemed to have resigned from the Board.
- k. Vacancies in the Board of Directors, whether created by the removal of a Director by the members or otherwise, shall be filled by appointment by a majority of the remaining Directors, although less than a quorum, at a regular meeting of the Board of Directors held not less than thirty (30) days following the occurrence of such vacancy. Directors appointed by the Board of Directors to fill a vacancy shall serve until the first to occur of (i) the expiration of the term of the Director with respect to whom the vacancy occurred, or (ii) such shorter period as determined by the Board of Directors at the time of the appointment to fill the vacancy.
 - l. The Association shall not be required to maintain ballots and voting records for more than two (2) years unless the Board of Directors shall direct said ballots and records to be stored for a longer period. Accordingly, the Secretary and/or Association- Manager may destroy, burn or otherwise dispose of said ballots and records without further authority or direction from the Board.
 - m. For purposes of this subsection (m), the term "campaign" shall mean the solicitation of votes to be cast upon an action to be taken at an annual or special meeting, or without a meeting by written ballot distributed to all voting members. During a campaign, if any candidate or member advocating a point of view shall be provided access to Association media for purposes that are reasonably related to that campaign, equal access shall be provided to any other candidate or member so advocating a point of view, whether or not endorsed by the Board. The Association shall not edit or redact any content from such communications, but may include a statement specifying that the candidate or member, and not the Association, is responsible for the content. With respect to content delivered by mail by the Association, the obligations of the Association pursuant to this subsection (m) may be satisfied by providing access to the Association's mailing list of members pursuant to regulations adopted for such purpose.

Section 5. **Meetings of Board of Directors.**

- a. Meetings of the Board of Directors shall be held at the principal office of the Association, unless otherwise provided by the Board.
- 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, or by telephone at least forty-eight (48) hours, or by mail at least ~~twenty-four (24) hours~~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.

- d. The presence in person of at least four (4) members of the Board of Directors shall constitute a quorum for the transaction of business.
- e. At the request of any member of the Board of Directors, the Secretary shall record the vote of each Director upon any motion.
- f. Meetings of the Board of Directors shall be presided over by the President of the Association, or in the President's absence, by the Vice President, or in the absence of both, by a Chairman chosen by a majority of the Directors present. The Secretary of The Association shall act as Secretary of the Board; provided, however, that in the absence of the Secretary, the presiding officer shall appoint an individual to act as Secretary of the meeting.
- 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, however, the presiding officer may in Civil Code Sections 4045 and 4920, at a duly held least four (4) days prior to the date of the meeting of the Board, declare a closed for open sessions, and two (2) days prior to the date of the meeting of the Board known as Executive Session, to consider for executive sessions. Such notice shall contain an agenda. The only such matters as may be subjects which may be taken up in executive session are those permitted pursuant to the California Davis-Stirling Common Interest Development Act, as amended, to be considered in Executive Session by Civil Code 4935 or any successor statute. 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.
- h. Members of the Board of Directors shall conduct themselves in accordance with a Conflict of Interest and Ethics Code which the Board shall adopt. Such Code shall provide at least the following: In the event any proposed action of the Board of Directors could conflict with an economic interest of a member or members of the Board of Directors reportable pursuant to Paragraph (b) of Section 3 of Article IV of these Bylaws, the question as to whether or not a conflict of interest arises will be determined by vote of the disinterested members of the Board of Directors. In the event that determination is made that a conflict of interest exists, the interested member of the Board shall be excused from that portion of the meeting. The Code shall provide that any such determination by disinterested members of the Board, or any failure of the Board to make such determination, shall be subject to appeal to and final and binding determination by an ad hoc committee, referred to as the Conflict of Interest Committee, which shall be comprised of the last three presidents of the Association who are not currently serving on the Board, are members in good standing and are willing to serve.
- i. A majority of the Directors present, whether or not a quorum is present, may adjourn any Directors' meeting to meet again at another time or place. In the event a meeting of the Board of Directors is adjourned for more that twenty-four (24) hours, notice of any adjournment to another

time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

- j. Members of the Board may participate in a meeting through use of a conference telephone or other similar communications equipment so long as all members' participation in such meeting can hear one another. Participation in a meeting pursuant to this provision constitutes presence in person at such meeting.

Section 6. Limitations on Board of Directors' Powers.

- a. Resolutions providing for the acquisition of real property by the Association or for the sale, mortgage or other disposition of any real property of the Association (except for granting, accepting, relocating or extinguishing franchises, rights-of-way, and easements for public utility or for other public or quasi-public purposes upon, over and/or under any real property owned by the Association or by any other party) shall not become effective until thirty (30) days after written notice shall have been given by mail to all members of the Association. If during such thirty (30) day period there shall be presented to the Secretary a petition signed by one hundred (100) voting members of the Association protesting against such acquisition, sale, mortgage or other disposition of property, such resolution shall not become effective unless approved by a majority of a quorum of voting members at a members' meeting called and held within thirty (30) days after the filing of such petition or by written ballot distributed to all members as prescribed in these Bylaws. During the periods referred to above, the Board and/or Association shall not consummate the transaction and shall notify affected third parties of the provisions contained herein.
- b. Any approval given by the Board of Directors for any sub-division, realignment, variance, commercial or multiple residential structure, keeping of animals, or modification of Local Protective Restrictions of the Rancho Santa Fe Protective Covenant shall not be valid unless and until the Board shall first (i) have received the written advice of the Rancho Santa Fe Art Jury thereon, and (ii) have had a hearing thereon at which Association members shall have the right to speak. Notwithstanding the existence of a quorum, any such approval shall require an affirmative vote of at least four (4) members of the Board of Directors; provided, however, that in the event the said Art Jury advises disapproval in writing thereof, any such approval shall require an affirmative vote of at least five (5) members of the Board of Directors. Notwithstanding the foregoing, the Board of Directors may, by resolution or regulations, delegate to the Art Jury authority to approve temporary construction signs and the keeping of animals, provided the Board of Directors retains jurisdiction to hear appeals therefrom which appeals shall be determined by the vote of a simple majority of the Directors then in office at a duly called and held meeting of the Board of Directors.

- c. Any other provisions of these Bylaws to the contrary notwithstanding, the Association shall not approve or enter into any covenant or other written instrument for the purposes of making any lands or property subject to the provisions of Rancho Santa Fe Protective Covenant or the jurisdiction of the Association, except in compliance with the provisions of this subsection (c). For the purpose of this subsection, any such action taken by the Board may be referred to as an "annexation."
1. No annexation shall be valid unless and until the Board of Directors shall first conduct a hearing thereon at which Association members shall have the right to speak. Notwithstanding the existence of a quorum at a meeting of the Board of Directors, approval by the Board of any annexation shall require the affirmative vote of at least a majority of all members of the Board.
 2. With respect to any lands or property within any of Blocks 1 through 48, inclusive, including lots 3 and 4 of Block 38, commonly known as Block M, and Blocks A through H, inclusive, as described in Map 1742, filed in the Office of the County Recorder of San Diego County, California on December 28, 1922, or within any part of Map 2089 filed in the Office of said County Recorder on April 17, 1928, or within any part of Map 2129 file in the Office of said County Recorder on November 22, 1928, no such approval by the Board of Directors shall become effective until thirty (30) days written notice of such approval has been given by mail to all members of the Association. If during such thirty (30) day period there shall be presented to the Secretary of the Association a petition signed by one hundred (100) of the voting members of the Association protesting the approval, then such approval shall not become effective unless thereafter approved by the vote of a majority of the members of the Association present and voting at a members' meeting (at which a quorum is present) called and held as prescribed in the Bylaws for special meetings, or by written ballot as provided in the California Corporation Code.
 3. With respect to any other real property, with the exception of that described in the foregoing paragraph (2), no such approval given by the Board of Directors for any annexation shall become effective unless and until approved by a majority of the members of the Association present and voting at a members' meeting (at which a quorum is present) called and held as prescribed in the Bylaws

for special meetings, or by written ballot as prescribed in the California Corporation Code. Notice of any such special meeting shall first have been given by mail to all members of the Association not less than thirty-five (35) days prior thereto.

- d. Notwithstanding the provisions of Section 6 (b) of this Article IV, any approval given by the Board of Directors for any modification of Local Protective Restrictions of the Rancho Santa Fe Protective Covenant shall not become effective until thirty (30) days after giving notice to the Association members of the proposed modification, as contained in the minutes of the meeting at which such approval was given, by any one of the following methods: (i) notice mailed to each member by first class mail, postage prepaid; (ii) notice published in one or more newspapers that the Board of Directors determines have general circulation in Rancho Santa Fe; or (iii) notice posted on the Association bulletin board. If during such thirty (30) day period there shall be presented to the Secretary a petition signed by one hundred (100) voting members of the Association protesting against such approval, such approval shall not become effective unless approved by a majority of a quorum of voting members at a members' meeting called and held within thirty (30) days after the filing of such petition. During the periods referred to above, the Board and/or Association shall not consummate the transaction and shall notify affected third parties of the provisions contained herein.
- 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, containing the text of the proposed change and a description of the purpose and effect of the proposed rule change, 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~~ thirty (30) days prior to the hearing date. As soon as possible after taking the 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 Civil Code Section 4045 or any successor statute.
- ~~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.~~

- f. The Association shall distribute an annual budget report 30 to 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 Civil Code Section 5565 or any successor statute, (3) a summary of the reserve funding plan adopted by the board (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 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 Civil Code Section 5300.
- g. The Board of Directors shall cause to be prepared and distributed to all members, within one hundred twenty (120) days after the close of each fiscal year, an annual report, which shall include: (i) a balance sheet as of the end of each fiscal year; (ii) an operating (income) statement for the fiscal year; (iii) a statement of changes in financial position for the fiscal year; (iv) any information required to be reported under Section 8322 of The California Corporations Code; and (v) for any fiscal year in which the gross income to the Association (including all regular and special assessments levied upon all members during the fiscal year) exceeds \$75,000, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. If the annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared from the books and records of the Association without

independent audit or review. For any fiscal year in which the annual report is not prepared by a licensee of the California State Board of Accountancy, the statements prepared in connection with the annual report shall be prepared in conformity with generally accepted accounting principles, or some other basis of accounting which reasonable sets forth the assets and liabilities and the income and expenses of the Association, and discloses the accounting basis used in the preparation. Upon written request of a member, the Board of Directors shall promptly cause the most recent annual report to be sent to the requesting member.

~~h. 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.~~

h. Within 30 to 90 days before the end of its fiscal year, the board 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 Civil Code Section 4035, (2) a statement explaining that a member may submit a request to have notices sent to two different specified addresses, pursuant to Civil Code Section 4040(b), (3) the location, if any, designated for posting of a general notice pursuant to Civil Code Section 4045(a)(3), (4) notice of a member's option to receive general notices by individual delivery pursuant to Civil Code Section 4045(b), (5) notice of a member's right to receive copies of meeting minutes, pursuant to Civil Code Section 4950(b), (6) the statement of assessment collection policies required by Civil Code Section 5730, (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 Civil Code Sections 5920 and 5965, (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 Civil Code Section 5655, (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 Civil Code Section 5320(a).

i. Absent prior authorization by a majority of the voting members pursuant to written

ballot, the Board of Directors shall not initiate or pursue any activity nor authorize or incur any expense in connection with any proposition or proposal which in any way deals with or concerns (i) the potential incorporation as a city of all (or any portion of) the properties subject to

the Rancho Santa Fe Protective Covenant or to the jurisdiction of the Association, either independently or in common with other communities, or (ii) the potential annexation into a city of all (or any portion of) the properties subject to the Rancho Santa Fe Protective Covenant or to the jurisdiction of the Association, either independently or in common with other communities.

Section 7. **Self-Dealing Contracts.**

As used in this section, a "self-dealing contract" is any contract or transaction (i) between the Association and one or more of its Directors, or between the Association and any corporation, firm or association in which one or more of its Directors has a material financial interest, or (ii) between the Association and a corporation, firm or association of which one or more of its Directors are Directors of the Association. Pursuant to Section 7233 of the California Nonprofit Corporation Law, no self-dealing contract shall be void or voidable because such Director(s) or corporation, firm or association are parties or because such Director(s) are present at the meeting of the Board which authorizes, approves or ratifies the self-dealing contract, if:

- a. All material facts are fully disclosed to or otherwise known by the members and the self-dealing contract is approved by the members in good faith (without including the vote of any membership owned by such interested Director(s)); or
- b. All material facts are fully disclosed to or otherwise known by the Board and the Board authorizes, approves or ratifies the self-dealing contract in good faith by a vote sufficient (without counting the vote of the interested Director(s), and, in the case of a self-dealing contract described above, the Board resolves and finds that the contract is just and reasonable at the time it is authorized, approved or ratified; or
- c. The person asserting the validity of the self-dealing contract sustains the burden of proving that the contract was just and reasonable as to the Association at the time it was authorized, approved or ratified.

Section 8. **Standard of Conduct.**

A Director shall perform the duties of a Director, including duties as a member of any committee of the Board upon which the Director may serve, in good faith, in a manner such Director believes to be in the best interest of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

1. One or more officers or employees of the Association who the Director believes to be reliable and competent in the matters presented;

2. Counsel, independent accountants or other persons as to matters which the Director believes to be within such person's professional or expert competence; or
3. A committee of the Board upon which the Director does not serve, as to matters within its designated authority, which committee the Director believes to merit confidence, so long as, in any such case the Director acts in good faith, after reasonable inquiry when the need therefore is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

Section 9. **Removal of Directors.**

Directors of the Association may be removed from office as follows:

- a. The Board of Directors may declare vacant the office of a Director who, during such Director's term of office, (i) has been declared of unsound mind by a final order of court, (ii) has been convicted of a felony, (iii) had his or her membership rights suspended pursuant to the provisions of Section 3(b) of Article II of these Bylaws or (iv) shall have an unexcused absence from four (4) consecutive meetings of the Board of Directors; provided, however, a Director shall be excused from attending a meeting of the Board of Directors if (1) an oral or written request for such excuse is received, prior to such meeting, by the President or Secretary and (2) the Board of Directors, by a majority vote taken at such meeting, excuses said Director.
- b. Any Director or all of the Directors may be removed if the removal is approved by the affirmative vote of a majority of the voting members voting by written ballot, whether without a meeting or following a special meeting of members duly called and held for the purpose of distributing written ballots on the question of removal, where the total number of votes cast by ballot equals or exceeds the quorum required to be present at a special meeting.
[Distribution of ballots for removal shall comply with Civil Code Sections 5100 et seq.](#)
- c. A reduction in the number of authorized Directors shall not remove any Director prior to the expiration of such Director's term of office.

ARTICLE V DUTIES OF OFFICERS

Section 1. **Officers.**

The officers of the Association shall be President, Vice President, Secretary, Treasurer, Assistant Secretary, Chief Financial Officer, Manager and Building Commissioner. No individual may hold more than one (1) office, except the same individual may hold one or more of the offices of Secretary, Manager, Chief Financial Officer, and Building Commissioner. All officers are chosen by and serve at the pleasure of the Board of Directors.

Section 2. **Election of Officers.**

As soon as possible after the election, following each annual meeting of members, the Board of Directors shall hold a special meeting for the purpose of organization, election of officers and the transaction of other business.

Section 3. President.

The President shall preside over all meetings, shall sign all instruments in writing which have been approved by the Board of Directors, shall be recognized as the official head of the Association, and shall have such powers as generally pertain to the office of the President, together with such other powers as may be conferred upon that office by the Board. The President shall consult with the President of the Art Jury prior to appointing anyone to serve as a member of the Art Jury.

Section 4. Vice President.

The Vice President shall assume the duties of the President whenever the latter is absent or is unable or refuses to act. If both, the President and Vice President are unable to act, the Board shall appoint a Director to serve as a President Pro Tem.

Section 5. Secretary.

The Secretary shall keep a record of the proceedings of the Board of Directors and of the members, and shall perform such other duties as may be prescribed by the Board. The Secretary shall keep a record containing the list of the members of the Association, with the name and address of each member. The Manager shall at all times serve as the Secretary.

Section 6. Treasurer.

The Treasurer shall be responsible for serving as Chair of the Audit/Finance Committee, and for providing advice concerning the financial affairs of the Association. The Treasurer shall be selected each year from among the sitting Board of Directors.

Section 7. Chief Financial Officer.

The Chief Financial Officer shall be responsible for safeguarding and accounting for the receipts and disposition of assets of the Association.

Section 8. Assistant Officers.

The Board of Directors may at any time appoint one or more Assistant Secretaries, Assistant Treasurers and such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors may from time to time determine.

Section 9. Association Manager.

The Manager shall be the chief administrative officer and Secretary of the Association. The powers, duties and manner of appointment of the Manager are specified in detail in Article VII.

Section 10. Building Commissioner.

- a. There is created the office of Building Commissioner, with such powers as are authorized by the Articles of Incorporation, and such duties as are prescribed in the Rancho Santa Fe Protective Covenant. The Building Commissioner shall be appointed by the Board of Directors upon the recommendation of the Association Manager.
- b. The Building Commissioner shall perform such other duties and have such other responsibilities as may be prescribed by the Board of Directors and the Association Manager, and shall be responsible to the Association Manager in performance of the Building Commissioner's duties.

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 of 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.

Section 4. Compensation Committee.

The Board of Directors shall establish a Compensation Committee consisting of three directors, one of whom shall be the Treasurer, and shall establish a charter for the Compensation Committee to provide for the review of the compensation and performance of the 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.

ARTICLE VII ASSOCIATION MANAGER

Section 1. Creation of Office.

The position of Association Manager (herein referred to as "Manager") is hereby created.

Section 2. Appointment of Manager.

The Manager shall be appointed by affirmative vote of at least five (5) members of the Board of Directors. The Manager shall be chosen by the Board solely on the basis of executive and administrative qualification with special reference to actual experience in or knowledge of accepted practice in respect to the duties of the office as hereinafter set forth. The terms of the Manager's employment may be set forth in a written employment contract. No member of the Association shall receive such appointment.

Section 3. Removal of Manager.

The Board of Directors may remove the Manager at any time by affirmative vote of at least four (4) members of the Board of Directors.

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.
- b. Prepare the budget annually and submit it to the Board of Directors together with a message describing its important features, and be responsible for its administration after adoption.
- c. Cause to be prepared and submit to the Board of Directors and Treasurer within sixty (60) days of the fiscal year end a complete written report on the finances and administrative activities of the Association for the preceding year.
- d. Keep the Board of Directors advised of the current financial condition and future needs of the Association, and make such recommendations as the Manager may deem desirable.
- e. Recommend to the Board of Directors job descriptions and a standard schedule of pay for each position in the Association, including minimum, intermediate and maximum rates.
- f. Recommend to the Board of Directors adoption of such measures as the Manager may deem necessary or expedient for the health, safety, or welfare of the community or for the improvement of administrative services.
- g. Consolidate or combine positions, departments, or units under the Manager's jurisdiction, with the approval of the Board of Directors.
- h. Attend all meetings of the Board of Directors unless excused there from, and take part in the discussion of all matters coming before the Board. The Manager shall be entitled to notice of all special meetings of the Board.
- i. Supervise the purchase of all materials, supplies and equipment for which funds are provided in the budget, let contracts necessary for operation or maintenance of Association services for amounts up to such maximum as may be determined by resolution of the Board of Directors, receive sealed bids for purchases or contracts in excess of such maximum and present them to the Board for approval, and advise the Board on the advantages or disadvantages of contract and bid proposals. No purchase shall be made, contract let or obligation incurred for any item or service which

exceeds the current budget appropriation without a supplemental appropriation by the Board. No contract for construction shall be let, nor shall any construction be otherwise undertaken, except by authority of the Board.

- j. See that the provisions of the Rancho Santa Fe Protective Covenant, Articles of Incorporation, these Bylaws, and all rules, regulations and resolutions of the Board of Directors are duly enforced.
- k. Investigate the operations of the Association or any Association department. Investigate all complaints in relation to matters concerning the administration of the Association, and see that all franchises, permits and privileges granted by the Association are faithfully observed.
- l. Devote full time to the discharge of the Manger's duties.

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.

Section 6. **Emergencies.**

In case of accident, disaster, or other circumstances creating a public emergency, the Manager may award contracts and make purchases for the purpose of meeting said emergency, but the Manager shall file promptly with the Board of Directors a certificate showing such emergency and the necessity for such action, together with an itemized account of all expenditures.

Section 7. **Compensation.**

The Manager shall receive such compensation as the Board of Directors shall fix from time to time by agreement or resolution.

Section 8. **Vacancy.**

Any vacancy in the office of Manager shall be filled by the Board of Directors as soon as possible after the effective date of such vacancy.

ARTICLE VIII INDEMNIFICATION

The Association shall have and agrees to exercise the power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person is or was a Director, officer, employee, or member of the Art Jury of the Association, and may exercise the power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person is or was an agent of the Association, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in

connection with such a proceeding to the full extent allowed by Section 7237 of the Nonprofit Corporation Law.

ARTICLE IX INSTRUMENTS, DEPOSITS AND FUNDS

Section 1. Contracts.

The Board of Directors may authorize any officer or agent of the Association, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of, and on behalf of, the Association, and such authority may be general or confined to specific instances. Unless so authorized, no officer, agent or employee shall have any power or authority, except as in these Bylaws provided, to bind the Association by any contract or engagement, or to pledge its credit or to render it liable pecuniarily for any purpose or in any amount.

Section 2. Signatures.

All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association, shall be signed by the Treasurer and counter-signed by the President, unless otherwise directed by resolution of the Board of Directors as provided in Section 1 hereto.

Section 3. Deposits.

All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select.

Section 4. Gifts.

The Board of Directors may accept on behalf of the Association any contribution, gift, bequest or devise for the general purposes or for any specific purpose, of the Association.

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.

ARTICLE X NOTICES

Section 1. Mailing.

All notices required under these Bylaws to be given to members must be given in writing by depositing the same in the U.S. Mail, postage prepaid, properly addressed to the person to whom it is to be given at such person's last known address as shown on the records of the Association.

Section 2. Time of Notices.

Unless specified otherwise in these Bylaws, notices of hearings shall be given in the time and manner prescribed by the Board of Directors.

ARTICLE XI BYLAWS AND AMENDMENTS TO BYLAWS

Section 1. By Members.

Any of these Bylaws may be amended or repealed, and any Bylaw may be adopted, amended or repealed, by the written consent of voting members entitled to exercise a majority of the voting power of the Association, or by the vote of majority of a quorum at a meeting of Association members duly called for the purpose thereof according to these Bylaws. The Board of Directors shall have no power to amend or repeal any bylaw or amendment adopted by the members of the Association, or to adopt any bylaw repealed by the members of the Association.

Section 2. By Board of Directors.

Subject to the right of Association members to adopt, amend, or repeal bylaws, any of these Bylaws may be amended or repealed, and any bylaw may be adopted, amended or repealed by the Board of Directors, unless such action would:

- a. Materially and adversely affect the rights of members as to voting, dissolution, redemption, or transfer;
- b. Increase or decrease the number of members authorized in total for any class;
- c. Effect an exchange, reclassification or cancellation of all or part of the membership; or
- d. Authorize a new class of membership;

Provided, however, that such adoption, amendment or repeal shall be void and of no effect unless it follows a hearing thereon conducted by the Board of Directors at which Association members shall have the right to speak, after written notice of the proposed action and the hearing thereon is given to the members of the Association at least fifteen (15) days before such hearing; provided, however, that whenever a bylaw requires for Board action the affirmative vote of a large proportion of the Board than is otherwise required, the bylaw requiring such greater vote shall not be altered, amended or repealed by the Board except by such greater affirmative vote.

Section 3. Effective Date of Amendments.

Any action taken in accordance with these Bylaws to adopt, amend or repeal any bylaw shall become effective immediately upon being so taken unless a later date is provided for as part of such action.

Section 4. **Savings Clause.**

Any provision of these Bylaws which conflicts with the Rancho Santa Fe Protective Covenant, the Articles of Incorporation, or law shall be void and have no force or effect. The remaining Bylaws shall remain in full force and effect.

Section 5. **Place Where Bylaws and Articles Kept.**

The original or copy of these Bylaws, as amended, or otherwise altered to date, certified by the Secretary of the Association, and the Articles of Incorporation, shall be recorded and kept in a book which shall be kept in the Office of the Association, and such book shall be open to inspection by any Association member at all reasonable times during office hours.

Section 6. **Effective Date of Original Bylaws.**

These Bylaws shall become effective immediately upon their adoption.

ARTICLE XII CORPORATE SEAL

The Seal of the Association shall consist of a circle having the words, "Rancho Santa Fe Association, California, Incorporated July 14, 1927".

Originally adopted:	August	1927
Amended:	June	1950
	June	1956
	April	1959
	April	1969
	May	1969
	June	1969
	November	1972
	February	1973
	May	1975
	October	1975
	February	1976
	March	1976
	April	1976
	March	1977
	April	1977
	February	1978
	March	1979
	November	1980
	May	1982
	September	1983
	January	1984
	June	1988
	May	1989
	November	1990

January	1991
June	1992
December	1992
September	1993
November	1993
December	1994
January	1995
December	2006
November	2008
February	2011
May	2014 (article VI)