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September 9, 2016

Dear Member,

Recently you should have received a copy of the proposed Amended and Restated Articles of Incorporation and Bylaws along with a ballot. If you have not yet voted, please do so immediately by mailing your ballot to the Association or depositing it in the box located in the Association office. The Governance Committee and Board of Directors asks that you vote YES to approve both documents.

These recommended changes are the result of 1-1/2 years of effort and more than 2000 hours of volunteer work by highly-qualified Rancho Santa Fe property owners whose only objective has been to help our community run better while meeting necessary minimum legal and regulatory requirements. Our efforts have been public and open. We have presented our thoughts at two Town Hall Meetings and a Board Meeting. We have also posted our thinking on the Association website, mailed draft documents out to members for comments, and held individual meetings with interested members. Above all, we have made dozens of changes based on the input we have received, and we thank those of you who have worked with us on this endeavor.

We firmly believe that we have now brought our Bylaws into conformity with the Davis-Stirling Act, which regulates planned communities, and the CA Corporations Code. In addition, with these changes, we are providing members of the community with equal voting rights that did not exist before and eliminating registration requirements that served no real purpose. You probably know that now, while all property owners pay assessments, some have two votes, others one vote and some no votes at all. Under the proposed Articles, each property owner will have two votes, except those that own more than one property who continue to be limited to two votes. Condominium owners will continue to be limited to four votes for each development.

Also, you should know that, since 1927, the Bylaws have been legally amended 34 times. (Recently, we learned that the 35th amendment, affecting Article VI, was never approved by the membership and, therefore, never legally adopted.) With so many amendments to review, it was a monumental task to eliminate inconsistencies that have crept in through the years and to insure conformity with various legal requirements. It required a lot of dedication by highly trained and skilled property owners and professionals.

In some instances, the Governance Committee added language for clarity, changed provisions to correspond to the Articles, removed sections that were not needed and changed or added provisions following member input. The changes made to the Articles and Bylaws are highlighted in red and

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green type in the enclosure in your
packet. They are accompanied by two Summaries of Proposed Changes that explain the
modifications.

Not surprisingly, some homeowners favor our changes and others do not. The Board and Governance Committee are aware of two emails urging members to vote no, and we are sure there are more out there. Our response to the concerns raised in these two emails may be found at www.rsfaassociation.org. You may also request that the documents be emailed directly to you by calling 858-756-1174 or via email to RSFA@rsfaassociation.org; or you may stop by the Association Office to pick up a hard copy of our response.

We encourage active discourse and debate on the proposed changes, but we ask members to ensure they have the factually correct information before they cast their vote. Please read through the changes and comments in their entirety. Also, if you have a question, please do not hesitate to contact any of the members of the Governance Committee, the Board or myself. We will be glad to help you in any way we can.

I want to thank all members and staff who have contributed to this project and I ask for your "Yes" vote so we can all move on to more interesting and productive activities.

Sincerely,

Fred W Wasserman
President, Rancho Santa Fe Association

COMMENTS FROM AND TO MEMBER #1

In response to the email from member#1 to a number of members – responses in blue are from Fred Wasserman, Board President, and Allen Finkelson, Chair of the Governance Committee. (Member#1 is responsible for the other colors.)

INTRODUCTION

A summary of the proposed changes to the Articles and Bylaws has been provided to all Members eligible to vote. The most important change is that “Member” is no longer defined by reference to individuals, but by reference to the “owner of record of a Building Site (whether title is held individuals, by two or more individuals in joint tenancy or otherwise or by an entity or trust) ...” In effect, there is only one Member per Building Site, but each Member would have two votes (except in certain instances). This is consistent with the Davis-Stirling Act’s definition of member which is the owner of a separately owned lot. This change, away from individuals being members, was also critical to assure that all beneficial owners of Building Sites were treated equally (i.e. two votes) regardless of how title was held. With the change in definition of Member to include partnerships, corporations, trusts, etc., the concept of “resident” became critical because only real people can be Directors, Committee Members, Golf and Tennis Club members, etc.,

BYLAWS

Change #1

Changes to ARTICLE VI - ASSOCIATION COMMITTEES

Deleted from current Bylaws

Section 1. Committees of Members.

The Board of Directors may establish committees of members in good standing

Added to New Bylaws

The Board of Directors may establish committees of two (2) or more individuals (which may include no more than three (3) Directors) who are residents at a Building Site.

SUMMARY

The proposed change eliminates the requirement that individuals serving on a standing committee be members in good standing. Under the new Bylaws individuals serving on a standing [committee] need only be residents with some minor restrictions.

RESPONSE

Your comment is correct, but the restrictions are not minor: 1) lessees, employees or house guests are not considered eligible for appointment; and 2) residents under age 18 are not considered eligible for appointment. What resident will there be who meets the qualifications and who is not a family member of the Member owning the Building Site?

The Board approves all appointments and can determine whether an individual is qualified, and if the Member owning the Building Site at which the individual resides is not in good standing, that fact would surely undermine his or her qualifications.

Change #2

Changes to ARTICLE IV – DIRECTORS General Qualifications

Green highlight is new language

Red highlight is deleted language

Each prospective Director and each Director shall have a twenty-five percent (25%) ownership interest (directly or indirectly through an entity or trust) in a Building Site and shall be at least eighteen (18) years old. Each prospective Director shall have been a resident ~~member of the Association~~ at a Building Site for at least three (3) years, whether or not ~~contiguous~~, continuously, immediately prior to the ~~individual's~~ nomination ~~and shall be a member in~~ of such prospective Director. Each Director shall remain a resident at a Building Site during tenure and the Member owning of record the Building Site at which the prospective Director resides shall be in good standing.

SUMMARY

The requirement for an individual to be a “Member” to run for the Board has been eliminated. The potential director does need to have a 25% ownership interest in a property to run for the Board but can just be a resident. Once elected to the Board the individual needs to be a resident with the limitation that the member that owns the property the board member lives in has to be a member in good standing.

RESPONSE

Your comment is correct that an individual need not be a “Member” to run for the Board, but that is because the definition of Member has been broadened to include non-individuals. However, the new provisions are more protective than the existing language. A candidate must be an owner of a 25% interest in a Building Site – there is no ownership requirement at present – and, like now, the candidate must have been a resident for at least three years. In addition, the current Bylaws do not provide for qualifications to continue to serve once elected. As you point out, the proposed language does (some directors in the past would not have met the residency requirement).

Change #3

Changes to ARTICLE II - Membership

Any resident (other than as a lessee, employee or houseguest) at a Building Site owned of record by a Member in good standing (as provided in Section 2 of this Article), and any child or step-child of such resident under the age of twenty-three (23), shall be entitled to all of the privileges of membership, except for the right to receive Association property on dissolution of the Association and the right to vote on any matter submitted to a vote of the Members of the Association.

SUMMARY

“All of the privileges of membership” is no longer restricted to property owners.

RESPONSE

It is important to separate being a Member and a resident. Again Members may not be individuals, but residents are. And to qualify for “privileges of membership” an individual must be “a resident at Building Site owned of record by a Member in good standing...” Again, what resident will there be who meets the qualifications and who is not a family member of the Member owning the Building Site?

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF RANCHO SANTA FE ASSOCIATION

Changes to ARTICLE VI

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

Change #1

Existing language

(4)(b)(i) an association managing a common interest development (other than a planned development, as described in subparagraph (4) of paragraph (a) of this Article VI above) shall be deemed to be the sole person holding title to owner

Added to existing language

(4)(c)(iii) an association (other than a planned development) described in paragraph (b)(i) of this Article VI shall have the right to cast a total of four (4) votes on all matters to be determined by a vote of the Members.

SUMMARY

The change will grant each separate condominium development within the Covenant a total of 4 votes to be cast by an "association." This indicates that a single condo association will get 4 votes when the most a member can get is 2 votes, even if they own multiple properties.

RESPONSE

The condominium developments do not necessarily get added votes. The current Articles/Bylaws provide for two Building Sites per development and two unit owners in each development are designated as eligible to be Members regardless of the number of owners in each development. According to the records of the Association, if the unit is jointly owned (husband and wife) each were entitled to vote. Therefore, four votes are possible now.

Change #2

Existing language with "one indivisible" added

(4)(b) The owner of record of a Building Site (whether title is held individually, by two or more individuals in joint tenancy or otherwise or by an entity or trust) shall be qualified to be and shall become, *one indivisible* Member;

Proposed language

(4)(c) Each Member shall have the right to cast two votes on all matters to be determined by a vote at any meeting of the members of this corporation,

SUMMARY

The implication of this change is that one member on a property would get both votes. Currently a property owned by a husband and wife each spouse would get a vote. Under the proposed change only one spouse would get to vote but that spouse would get two votes.

RESPONSE

A minor point, but change #2 is entirely new and is found in Article VI (b) of the proposed Articles. It is true that the Amended and Restated Articles of Incorporation provide for one Member per Building Site, but each Member would have two votes, except for multiple property

owners and the limitations imposed on condominium owners. It is expected that since two votes are available that each ballot will be voted independently as is currently possible. The Governance Committee believes that all Building Site owners should be treated equally regardless as to how title to the property is held. Currently, a husband and wife holding title through a corporation or partnership has one vote, but the neighbor who owns property as husband and wife, as joint tenants, has two votes, yet both pay the same calculated assessment.

Change #3

Red highlight is deleted language. Section (d) as follows is being deleted.

(d)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,

SUMMARY

The restriction limiting Golf Club membership to one per property is being eliminated.

When combined with Article II of the new Bylaw change which provides “All of the privileges of membership” is no longer restricted to property owners. There is a potential for a significant number of new members to the Club but also the option that you no longer have to own property to join just, live in the community.

RESPONSE

The use of Association’s recreation facilities is determined by the Bylaws and/or the Operating Agreement of the facility such as the Golf Club or Tennis Club. Only with the approval of the Board can either the Golf Club or Tennis Club change their requirements for membership. Neither Club nor the Board intends to change the basic requirements for use of the facilities.

Change #4

Green highlight is new language

(c)(i) the Association shall not have the right to cast any votes on any matters as a result of being the owner of record of any Building Site;

SUMMARY

The change states that the Association cannot cast a vote on any matter. This could make it virtually impossible for any property owner that lives next to an Association property to receive the required 2/3 votes by area of surrounding property owners for a Covenant Modification.

RESPONSE

Your interpretation of the provision assumes that the Association will vote yes. The proposed change was made at the request of a number of Members who felt that the Association should not cast votes on any matter by virtue of its Building Site ownership. Since the Association is unable to cast a vote, the correct interpretation should be the vote would not be counted for or against and therefore not in the total 2/3 vote requirement. The surrounding property owners other than the Association should make the decision. The Association should always be neutral.

COMMENTS FROM AND TO MEMBER #2

In response to the e-mail from Member #2 addressed to the PIC group – responses in red are from Fred Wasserman, Board President, and Allen Finkelson, Chair of the Governance Committee.

PIC has looked at and reviewed the Bylaw changes and have the following items for members to consider:

1. Current: The section on Special Meetings allows members to cause a vote of all members relating to actions of the Board that cause conflict.

Change: The new requirement changes the minimum number of to attend the meeting to be 340 instead of the current 75 members.

Response: You are correct that the quorum requirement has been changed to 20% of the members and action requires the majority vote of those voting at a meeting or by ballot at which a quorum is present. The Board believes that no action by members should be taken by a majority vote of 75 members as currently provided. The Governance Committee discussed various quorum requirements before settling on 20%, including the one-third requirement mandated by the CA Corporation Code absent a specific bylaw provision, but decided 20% was reasonable.

2. Current: All committee meetings shall be duly noticed and minutes are taken and filed with the corporate records.

Change: This item has been deleted and the new rule would have the Board decide if meetings have to be noticed, whether members could attend, and whether minutes of the meeting are to be taken or preserved.

Response: The Bylaws you refer to as “current” were never approved, as was pointed out by the Past Presidents Council. As such, the only provision regarding committees is that contained in the 2006 Bylaw amendments, which has no requirement as to notice, member attendance or minutes.

The Davis-Stirling Act requirements of open meetings, etc., apply to boards but do not extend to committees. If the proposed Bylaws are adopted, each committee will have a Board-approved charter, which is new. The committee charters will then determine whether notice is to be given, a meeting is to be open or minutes are to be taken. For instance, the Finance Committee Charter requires open meetings, etc. (except executive sessions) while the Governance Committee Charter leaves those matters to the discretion of the chair.

3. Current: Our members have detailed rights to inspect and copy a wide range of Association documents.

Change: These rights are deleted and replaced with “members shall be entitled to inspect or obtain Association records or documents as provided by law.” You may need to bring an attorney!

Response: The Davis-Stirling Act and CA Corporations Code are explicit and encompassing as to the records and documents available to members. The “current” provisions you refer to are not in the Bylaws, but in resolution #2015-109, and at present that resolution remains in effect. However, that resolution does not meet the requirements of applicable law. In the near term, the Board will adopt policies and procedures to cover information requests and post those on the website.

4. Current: Article II of the Articles of Incorporation states “provided pecuniary profits shall never be the object or purpose of the corporation”.

Change: This has been deleted so that this Board and future Boards can pursue profit making deals. With the nature of constant change in the Board, is this what we want? Years ago when the Board approved the food operations at the Club, did they expect it to have the losses it has had?

Response: Your comment is not correct. The language deleted was replaced with the following: “The Corporation is a non-profit mutual benefit corporation” Furthermore, the Corporation is a 501(c)4 tax-exempt organization under the IRS Code. The Association cannot operate for-profit businesses.

5. The voting situation will be interesting. There will be votes lost by some current members and votes added for condo associations. There will be no Registration requirement. The Board will have the final decision if problems arise.

Response: Your comment is not correct. No votes will be lost, only added. As set forth in the Summary of Proposed Changes to the Articles of Incorporation, the Articles are redrafted to provide that each “Building Site” shall be entitled to one membership in the Association and two votes (with certain exceptions). The Governance Committee believes that all Building Site owners should be treated equally. Currently, a husband and wife holding title through a corporation or partnership has one vote, but the neighbor who owns property as husband and wife, as joint tenants, has two votes, yet both pay the same calculated assessment.

The condo associations do not necessarily get added votes. The current Articles/Bylaws provide for two Building Sites per condo association and two condo unit owners are designated as eligible to be members regardless of the number of condo owners in each association. According to the records of the Association, if the unit is jointly owned (husband and wife) each are entitled to vote. Therefore, four votes are possible.

There is no registration requirement in the proposed Bylaws; however, the Board will adopt election rules under which each Building Site will be identified and owner(s) determined for voting purposes.

It is the intent of the Board that where an owner of a Building Site currently has two votes that no change in the voting procedures should be needed.

September 15, 2016

Dear Member,

When we started reviewing the Association Bylaws nearly two years ago, all of us on the Governance Committee recognized that a great deal of mistrust existed between the Association Board and a number of RSF homeowners and homeowner groups. Because of that we decided to focus our changes primarily on making the voting process fairer and ensuring all of our processes and governing documents were consistent. We felt that by narrowing the scope of the changes, we would limit the resistance and controversy.

Boy, were we wrong.

Two weeks ago we mailed out the final Amended and Restated Articles of Incorporation and Bylaws for your review and approval. Since then, a somewhat coordinated campaign of misstated facts and negative messages has been underway in our community with the goal of getting as many of you as possible to vote against our recommended changes. It is perfectly within the right of any homeowner of our community to voice their opinion and do what they can to convince others to share that opinion. That is what this whole process is about.

But, this is a complicated subject and we feel that many of the "facts" you are hearing are misleading or not really "facts" at all. As examples:

1. Some Members are being told that, in the case where two spouses each have a vote now, one will lose their vote. **This is not true.** In fact, one of the main things we are trying to change with these revisions is that, in many households now, because the title is held in a partnership, corporation or other entity, only one individual can vote. This will not be the case going forward.
2. Some Members are being told that our revisions will increase the number of condominium units eligible to vote, which is currently two. **This is not true.** The limitation of two voting units per condominium association remains unchanged. In keeping with our desire to make voting eligibility fairer, we are doing exactly what we are doing with non-condo properties, namely we are giving two votes to each of the eligible units.
3. Some Members are being told that if they are a Golf Club member and move out of their Covenant property and rent their house to someone else, they will lose their membership in the Golf Club. **This is not true.** This is not the intention nor has it ever been the intention of the Governance Committee or Board. Membership in the Golf and Tennis Clubs currently does not depend on residency just ownership of property and, although the proposed Bylaws state that "residents" are entitled to all the privileges of membership (other than voting), the proposed Articles are clear that rights to membership in the Golf and Tennis Clubs are determined by the governing bodies of those Clubs, subject to the approval of the Association Board. It has always been our intention, openly stated, that the Bylaws and Plans of Operations of the Golf and Tennis Clubs be amended so that both current and future membership eligibility ***remain the same as today***. To reaffirm the position of the Board, the Board will pass a Resolution at the Oct. 6 meeting to this effect.
4. Some Members are being told that if you are Member and rent your house and move outside the Covenant, you will lose your voting rights. **This is not true.** Voting is determined by ownership not residency.
5. Some Members are being told that our revisions will make it much harder for Members to call

a Special Meeting. **This is not true.** It is true that the requirements to call a Special Meeting have changed. Under our revisions, signatures from 5% of Members will be necessary instead of the 100 signatures required currently. We changed this requirement to be more in line with the CA Corporations Code. But, with an estimated membership of approximately 1,900 now, the actual minimum number of signatures required by our revisions is less than what is now required. Under the current Bylaws the only action that can be taken at a Special Meeting is an in-person vote on whether to send out a written ballot, a cumbersome and lengthy process. It is true that the quorum requirement for attendance at such Special Meeting is currently 75 Members and a vote of only 38 would be required to send out ballots to all eligible voters, but it would be a majority of ballots ultimately received that would determine the outcome. Under the proposed Bylaws, the Board may cause the vote at a requested Special meeting be taken by mail-in ballot or at an in-person meeting. Under the proposed Bylaws, if the Board calls a requested Special meeting in-person, 20% of the Members must attend for a quorum to be present. If the Board decides to conduct the requested Special Meeting by a mail-in ballot, 1/3 of the Members must vote for a quorum to be achieved. The Board believes that these higher hurdles of participation is appropriate for any action by the membership. It is *doubtful* that a Board would ever elect to have an in-person meeting rather than a mail-in ballot for both reasons of fairness and logistics.

Having gone through the myriad of reviews and meetings that the Governance Committee has conducted over nearly two years we have a special appreciation for the difficulty you might have in understanding these complex governance issues. We recognize that most of you are hearing lots of concerns expressed, appropriate or inappropriate, and may lack the background or time to sort out whether they are true.

As has been the case throughout this process, all of us on the Governance Committee are available to answer any of your questions, no matter how simple or complex. But, in the final analysis, we recognize that, for most of you, your vote will come down to an issue of trust.

We want to assure you that, throughout this arduous process, there was no intent by our Committee to take away any rights, voting or otherwise, from RSF homeowners. In fact, our intent was just the opposite. We want more eligible people to be able to vote and we want any actions our elected officials take to be consistent with the Davis-Stirling Act, the CA Corporations Code, and any other appropriate laws or regulations, recognizing that hasn't always been the case in the past.

Thank you for reading through this letter, and I hope it helps you make a decision to **VOTE YES**, if you have not already done so.

Sincerely,

Fred W. Wasserman
RSF Association President
and Member of the Governance Committee