

RECREATION CENTERS OF SUN CITY, INC.

CORPORATE BYLAWS

Amended December 17, 2020

WHEREAS Article VIII, Section 3 of the Restated Articles of Incorporation (“Articles”) provides that the Board of Directors (“Board”) of the Recreation Centers of Sun City, Inc. (“RCSC” or “Corporation”) may adopt Corporate Bylaws (“Bylaws”) not in conflict with the Articles.

NOW, THEREFORE, BE IT RESOLVED the Corporation shall adhere to the following Bylaws.

The following definitions shall apply:

- A. **“Cardholder(s)”** is defined as a Member and/or Privilege Cardholder(s).
- B. **“Cardholder Privileges”** is defined as privileges granted Member or Privilege Cardholder(s).
- C. **“Chartered Club(s)”** or **“Club(s)”** is a group of Cardholders with a common interest formed as a part of the Corporation’s group tax exemption as a subordinate Chartered Club under section 501(c)(4) of the Internal Revenue Code. A Chartered Club qualifies as such as outlined in Board Policy Resolution No. 12 titled Chartered Clubs.
- D. **“Company”** is defined as a Corporation, LLC, Partnership, LLP, or any other entity that represents non-individual ownership other than trusts which holds or owns the current ownership interest in a Property.
- E. **“Corporate Documents”** are the Restated Articles of Incorporation, Corporate Bylaws, Board Policies and/or any rules and regulations of the Corporation.
- F. **“Facilities Agreement”** is an agreement between the Corporation and the Property Owner(s) which obligates each and every Owner to pay assessments and fees imposed by the Corporation when due whether or not Owners occupy the Property or use RCSC Facilities.
- G. **“Member(s)”** or **“Membership”** is defined as Owner(s) who meet the Member qualifications. Once Member qualifications are verified by the Cardholder Services Office, Member status shall be established and a Member Card with Owner’s photo shall be issued by the Corporation. Members in good standing shall be considered as the Membership of the Corporation.
- H. **“Member Card”** is defined as a card with Owner’s photo that is issued by the Corporation once Member qualifications are verified by the Cardholder Services Office.
- I. **“Member(s) in good standing”** is defined as a Member whose assessments, fees and any and all other charges are current for all Properties in which the Owner has an ownership interest and who’s Member Privileges are not suspended.
- J. **“Member Privileges”** are granted Member Cardholders in good standing who may vote, serve on the Board or Committees, speak at Membership and Board meetings, join and participate in Chartered Clubs, receive discounted rates for golf and bowling, attend free RCSC events and entertainment, and use all available RCSC Facilities subject to the Corporate Documents. Owners who cannot meet the Member documentation requirements shall not be issued a Member Card and shall not receive any Member Privileges.
- K. **“Senior Management”** is defined as the General Manager, Director of Finance, Director of Operations, Director of Buildings and Infrastructure, Director of Golf and Grounds, Director of Bowling, and Director of Events & Entertainment.
- L. **“Owner(s)”** or **“the Owner(s)”** is defined as any individual or entity holding or owning a current ownership interest in a Property.

1. If a trust holds or owns the ownership interest in the Property, then the Owner(s) shall be no more than two of the Grantors, or if deceased, no more than two remainder beneficiaries of the trust. Remainder, contingent or non-vested beneficiaries of a trust shall not be considered Owner(s).
 2. If a Company holds or owns the current ownership interest in the Property, then the Owner(s) shall be no more than two individuals selected by the Company from its shareholders, members or partners provided that said individuals have an ownership interest in said Company.
 3. If life estate and remainderman interests hold or own the current ownership interest in the Property, then Owner(s) shall be the life estate interest(s).
- M. **“Privilege Card”** is defined as a card with Cardholder’s photo that is issued by the Corporation once qualifications for such are verified by the Cardholder Services Office.
- N. **“Privilege Cardholder Privileges”** are granted Privilege Cardholder(s) in good standing who may join and participate in Chartered Clubs, receive discounted rates for golf and bowling, attend free RCSC events and entertainment, and use all available RCSC Facilities subject to the Corporate Documents.
- O. **“Privilege Cardholder(s) in good standing”** is defined as a Privilege Cardholder whose privileges are not currently suspended and the assessments, fees and any and all other charges against the Property for which the Privilege Card is issued are current.
- P. **“Property(ies)”** or **“the Property(ies)”** or **“a Property”** is defined as any land, building or structure or portion of any building or structure which is, has been or is intended to be, for use and occupancy as a dwelling unit that is real property in Sun City, Arizona located in the area entitled "Sun City General Plan, Maricopa County, Arizona," as prepared by the Del E. Webb Development Company and dated July 1972, November 1974, August 1975, and September 1978 with subsequent amendments thereto.
- Q. **“RCSC Facilities”** is defined as any and all facilities in Sun City, Arizona owned and/or operated by the Recreation Centers of Sun City, Inc., which includes but is not limited to: Oakmont Recreation Center (10725 W Oakmont Dr), Fairway Recreation Center (10600 W Peoria Ave), Mountain View Recreation Center (9749 N 107th Ave), Lakeview Recreation Center (10626 W Thunderbird Blvd), Sundial Recreation Center (14801 N 103rd Ave), Bell Recreation Center (16820 N 99th Ave), Marinette Recreation Center (9860 W Union Hills Dr), Grand Recreation Center (10415 W Grand Ave), Lakeview Lanes Bowling Center (10502 W Thunderbird Blvd), Bell Lanes Bowling Center (16810 N 99th Ave), Duffeeland Dog Park (14610 N Del Webb Blvd), Sun Bowl Amphitheater and Softball Field (10220 N 107th Ave), North Golf Course, Pro Shop, Snack Shop and Maintenance Yard (12650 N 107th Ave), South Golf Course, Pro Shop and Snack Shop (11000 N 103rd Ave) and Maintenance Yard (10901 N 105th Ave), Quail Run Golf Course and Pro Shop (9774 W Alabama Ave) and Maintenance Yard (9703 N Sun Valley Dr), Lakes East/Lakes West Golf Courses, Pro Shop and Snack Shop (10433 W Talisman Rd) and Maintenance Yard (10406 W Cameo Dr), Riverview Golf Course, Pro Shop and Snack Shop (16401 N Del Webb Blvd) and Maintenance Yard (10500 W Brookside Dr), and Willowcreek/Willowbrook Golf Courses, Pro Shop and Snack Shop (10600 N Boswell Blvd) and Maintenance Yard (10501 W Union Hills Dr).
- R. **“RCSC Organization(s)”** is defined as an organization directly affiliated with RCSC, including but not limited to: Chartered Clubs, golf associations affiliated with RCSC golf courses, Sun City Foundation, Inc., Sun City Property Holdings, Inc., and Viewpoint Lake Management Board.

ARTICLE I – CORPORATE OFFICE, RECORDS AND PRIVACY POLICY

The Recreation Centers of Sun City, Inc., a private non-profit corporation qualified under section 501(c)(4) of the Internal Revenue Code, is regulated by Arizona Revised Statute Title 10 for non-profit corporations. RCSC was created for the sole purpose of supporting recreational facilities and activities within the Sun City, Arizona community.

SECTION 1: CORPORATE OFFICE

The principal Corporate Office for the transaction of business of the Recreation Centers of Sun City, Inc. is located in Sun City, Maricopa County, Arizona at the Lakeview Recreation Center at 10626 W Thunderbird Blvd, Sun City, Arizona 85351.

SECTION 2: CORPORATE RECORDS

- A. The following guidelines shall be followed regarding review of corporate records. The process serves to maintain the integrity of RCSC documents while providing access to Members with a legitimate basis for the examination of such records.
1. A Member wishing to examine corporate records must submit a [Request for Review of Corporate Records Form](#) to the Corporate Office which states the purpose to be served by the review and an itemized statement of the specific documents to be examined.
 2. Must be a Member in good standing for at least six (6) months preceding the request for records.
 3. The request must be made in good faith and for a specific purpose. It shall be at the sole discretion of the Board as to whether the Member has a valid purpose for review of the corporate records requested.
 4. If the request is approved, a date, time and place will be set for the review. If the request is denied, the Member will be notified accordingly.
 5. Review of documents must take place under Board or RCSC employee supervision.
 6. No original records of the Corporation can be removed from the premises during this process. No marks, notations, erasures, or other defacements will be made on any original document(s).
 7. When information is contained in several documents, only one document at a time may be submitted for review. Return of an examined document will authorize release of the next document for inspection.
 8. After completing review of documents, Members may request to have copies of a particular document, which may or may not be granted by the Board. There may be a charge for copies and such other additional charges as permitted by law.

SECTION 3: CORPORATE PRIVACY POLICY

The Recreation Centers of Sun City, Inc. is required to obtain personal information from Owners and Cardholders in order to conduct normal business. It is the Corporation's objective to protect the privacy of that information. Only organizations that perform a recognized beneficial service to the Owners and Cardholders (i.e. Sun City Posse, Sun City Fire Department, Sun City Homeowners Association) may, at the discretion of the Board or Senior Management, receive limited information.

ARTICLE II – MEMBERSHIP, CARDHOLDERS AND GUESTS

SECTION 1: MEMBERS, MEMBERSHIP, MEMBER CARD/CARDHOLDER

Members in good standing shall be considered as the Membership of the Corporation. Once Member qualifications are verified by the Cardholder Services Office, Member status shall be established and a Member Card with Owner's photo shall be issued. Members in good standing may vote, serve on the Board or Committees, speak at Membership and Board meetings, join and participate in Chartered Clubs, receive discounted rates for golf and bowling, attend free RCSC events and entertainment, and use all available RCSC Facilities subject to the Corporate Documents.

Members shall be Owners who meet the following qualifications:

- A. A Member must be an Owner 55 years of age or older who occupies a Property as his/her primary Arizona residence unless his/her other residence is farther than seventy-five (75) miles from Sun City, Arizona in which case the Owner(s) must provide proof that he/she occupies the Property as well.
- B. If a spousal Owner is under 55 years of age, he/she may be a Member, provided:
 1. he/she is not under 19 years of age;
 2. he/she occupies the Property as his/her primary Arizona residence unless his/her other residence is farther than seventy-five (75) miles from Sun City, Arizona in which case the Owner(s) must provide proof that he/she occupies the Property as well; and
 3. that one spousal Owner is 55 years of age or older and occupies the Property at the same time.
 4. Continued Member status by an underage spousal Owner because of the death or long term medical relocation of the Owner meeting the age requirement, shall continue so long as the Owners and occupancy status of the Property does not change.
- C. If there are more than two Property Owners who meet the Member qualifications, such Owners must decide which two Owners will be classified as Members. Up to two Member Cards may be issued for each Property, provided there are two individuals who meet the Member qualifications. Additional Owners who qualify may purchase a Privilege Card.
- D. If the Owner is a trust, no more than two of the Grantors, or if deceased, no more than two remainder beneficiaries of the trust may be deemed to be Members, provided that they individually meet the Member qualifications. Remainder, contingent or non-vested beneficiaries of a trust will not be considered Owner(s) and are not eligible to be Members, unless the Grantors are deceased. Those granted lifetime use of a property are not eligible to be Members.
- E. If the Owner is a Company, the Company may select two of its shareholders or partners to be Members, provided that they individually meet the Member qualifications and further provided that said individuals have an ownership interest in said Company.
- F. If Owner interests are split between separate life estate and remainderman interests, only the life estate holders may be Members. Those holding remainderman interests will not be considered Owners and are not eligible to be Members until the termination of the separate life estate interests. No more than two life estate holders, or if the life estate is terminated, two remaindermen, may be deemed to be Members provided that they individually meet the Member qualifications.

Each individual qualified as a Member shall be issued no more than one Member Card, regardless of whether more than one Property is owned and assessments and fees are paid. A multiple Property Owner is not considered to occupy more than one Property at a time. Each individual qualified as a Member is entitled to only one vote on each matter voted on by the Members.

SECTION 2: MEMBER DOCUMENTATION REQUIREMENTS

The requirements for documentation to prove Member eligibility is as follows:

- A. Ownership: Copy of the Maricopa County recorded deed; and
 1. if a trust, a copy of the trust documents showing Trustees, Co-Trustees or Successor Trustees, the Grantors of the trust and/or contingent, remainder or non-vested beneficiaries in the event the Grantors of the trust are deceased; or
 2. if a Company, copies of documentation verifying its shareholders, partners or ownership interests; or
 3. if Owner interests are split between separate life estate and remainderman interests, documents showing those holding life estate interests in the Property and/or remaindermen interests in the event the life estate interests have been terminated.
 4. If ownership is being acquired by an estate or trust, ownership will not be changed until the estate or trust documents are processed and a new deed has been recorded.
- B. Proof of Identity and Age: Each individual listed on the recorded deed, trust documents, shareholder or partners' documents, or life estate and remainderman documents must provide proof of identity and age with one of the following documents:
 1. valid government issued driver's license or identification card, which includes picture and birth date; or
 2. valid passport, which includes picture and birth date; or
 3. any other documentation that appropriately verifies identity with both photo and birth date.
 4. Each individual seeking a spousal exemption for the 55 year old age requirement to be a Member and receive a Member Card may also be required to provide a marriage license.
- C. Occupancy: Each individual qualified by ownership and age, must also qualify as occupying the Property as their primary Arizona residence, by providing one of the following:
 1. a valid Arizona driver's license having the same address as the Property for which a Member Card is sought; or
 2. a valid Arizona driver's license having an address farther than seventy-five (75) miles from Sun City, Arizona; or
 3. a valid out-of-state or out-of-country driver's license; or
 4. if no valid driver's license is available, any government issued identification with the individual's name and address of the Property for which a Member Card is sought. An additional form of identification with a photo is required when the government issued identification does not contain a photo.
 5. Owners who misrepresent themselves as an occupant of a Property shall be subject to suspension of Member Privileges. This suspension automatically extends to all Owner(s) of said Property, as well as any occupants of any other Properties owned by

such Owner(s) including denial of use of any and all RCSC Facilities, as determined by the Board.

Owners who cannot meet the Member documentation requirements shall not be issued a Member Card and shall not receive Member Privileges. Payment of assessments, fees or other charges does not constitute Membership or require issuance of Member Cards. Valid documentation of proof of ownership, identity, age and occupancy is required. A Member Card shall not be issued or activated if payment of all assessments, fees and any and all other charges against the Property and Owners is not current and the documentation requirements have not been met and verified by the Cardholder Services Office. Owners who falsify documents in order to obtain a Member Card shall be subject to suspension of all Member Privileges, including denial of use of any or all RCSC Facilities, and may no longer be considered a Member in good standing.

SECTION 3: UNQUALIFIED OWNERS

Owners who cannot meet Member qualifications are considered Unqualified Owners.

- A. An Unqualified Owner who does not occupy the Property may be entitled to purchase a Guest Pass through the Cardholder Services Office. The Guest Pass gives the Unqualified Owner the privilege of using RCSC Facilities while temporarily (14 days or less per year) in Sun City, Arizona.
- B. An Unqualified Owner under 55 years of age who occupies the Property may be issued an annual Privilege Card for a fee, as determined by the Board, provided the Owner, who is under 55 years of age:
 1. is not under 19 years of age;
 2. occupies the Property as his/her primary Arizona residence unless his/her other residence is farther than seventy-five (75) miles from Sun City, Arizona in which case the Underage Owner must provide proof that he/she occupies the Property as well; and
 3. provided further that there is verifiable proof of at least one person 55 years of age or older occupying the Property at the same time.

SECTION 4: NON-OWNER PROPERTY RESIDENTS

Non-Owners defined as renters, tenants, lessees, occupants, those granted lifetime use of Property who are not Owners and reside in a Property and meet the following criteria may be entitled to purchase a Privilege Card:

- A. A Non-Owner may be issued a 30-day, 60-day, 90-day or annual Privilege Card for a fee, as determined by the Board, provided:
 1. at least one Owner or Non-Owner who occupies the Property is 55 years of age or older;
 2. the Non-Owner occupies the Property as his/her primary Arizona residence unless his/her other residence is farther than seventy-five (75) miles from Sun City, Arizona in which case the Non-Owner(s) must provide proof that he/she occupies the Property as well;
 3. the Non-Owner is not under 19 years of age, and;
 4. the assessments, fees and any and all other charges against the Property where such Non-Owner resides, are current.

SECTION 5: PRIVILEGE CARD/CARDHOLDER

Unqualified Owners and/or Non-Owners may be entitled to purchase a Privilege Card for a fee, as determined by the Board. Privilege Cardholders in good standing may join and participate in Chartered Clubs, receive discounted rates for golf and bowling, attend free RCSC events and entertainment, and use all available RCSC Facilities subject to the Corporate Documents. A Privilege Card does not entitle Privilege Cardholders the right to vote, to speak at Membership or Board meetings or to serve on the Board or Committees.

- A. The documents required to obtain a Privilege Card by individuals who reside in a Property are as follows:
1. Government issued identification with picture and birth date is required for each individual requesting a Privilege Card. No Privilege Card will be issued if the government issued identification shows an address other than the Property address within seventy-five (75) miles of Sun City, Arizona.
 2. A Non-Owner must present to the Cardholder Services Office a lease or completed [Affidavit for Non-Owner Occupants Form](#) signed by the Property Owner verifying that the Non-Owner is an occupant of the Property. Only those names listed on the lease or [Affidavit for Non-Owner Occupants Form](#) may be eligible for a Privilege Card. Owners who misrepresent someone as an occupant of a Property shall be subject to suspension, as determined by the Board, of all Member and Privilege Cardholder Privileges by all Owners and occupants of all Properties owned by Owner who made the misrepresentation.
 3. If a lease is presented to the Cardholder Services Office, the duration of the lease must be included in the document as the Privilege Card may only be valid from the beginning date of the lease until the expiration date (maximum one year) of the lease.
 4. If a lease should terminate prior to the year term allowed on an annual Privilege Card and a subsequent lease is obtained which has a successive time frame (whether or not Non-Owner is occupying the same Property), the Non-Owner shall be eligible to receive a new expiration date on his/her annual Privilege Card at no additional cost provided all documentation requirements are met and the term does not exceed the maximum of one year from the date of purchase of the Privilege Card.
- B. An Owner whose assessments, fees and any and all other charges against the Property are not current shall render a Privilege Card issued on that Property as suspended until such time the Owner's account is rectified and current. No refund shall be issued for a suspended Privilege Card.
- C. Provided all assessments, fees and any and all other charges against the Property are current on which the Privilege Card was issued and the Privilege Card was not issued for less than one year and has been returned to the Cardholder Services Office a pro-rata refund may be available as follows:
1. UPON THE ACQUISITION OF A PROPERTY provided the Privilege Cardholder has met the related Facilities Agreement obligations on the Property acquired and an application for a refund was filed within three (3) years from the date of acquisition. Documents showing the acquisition of the Property and that Member eligibility requirements have been met must be presented at the time the application for a refund is submitted. Refunds will be prorated from the date of acquisition to the expiration date of the card. If the assessments, fees and any and all other charges have not been

- paid on the Property acquired, the prorated refund amount will be applied towards those unpaid assessments, fees and other charges.
2. UPON UNDERAGE OWNER BECOMING ELIGIBLE FOR MEMBERSHIP provided that the Owner presents documentation within three (3) years from the effective date showing their eligibility at the time the application for refund is submitted. Refunds will be prorated from the date of eligibility to the expiration date of the card. If the assessments, fees and any and all other charges have not been paid on the Property, the prorated refund amount will be applied towards those unpaid assessments, fees and charges.
 3. IN THE EVENT OF DEATH an application for refund must be filed within three (3) years from the date of death. A death certificate must be presented at the time the application for a refund is submitted. Refunds will be prorated from the date of death to the expiration date of the card.

Excluding the aforementioned, no other refunds will be issued for any reason for annual Privilege Cards. Privilege Cards issued for 30-day, 60-day or 90-day are not eligible for refund under any circumstances.

SECTION 6: GUESTS, GUEST PASS, HOST PUNCH CARD AND VISITORS

Guests of Cardholders in good standing may use RCSC Facilities for a daily guest fee, as determined by the Board, and subject to the Corporate Documents.

- A. A guest is defined as a non-resident of Sun City, Arizona friend, family member or unqualified caretaker/caregiver of a Cardholder. In order for a Cardholder to qualify for a caretaker/caregiver without a daily guest fee, the Cardholder must submit annually to the Corporate Office a completed [Physician Verification of Caretaker/Caregiver Requirement by Cardholder Form](#).
- B. Neither spouses nor any Sun City, Arizona resident, whether considered seasonal (*30 days or longer*) or permanent, can be considered guests. Guests who live within seventy-five (75) miles of Sun City, Arizona are limited to fourteen (14) guest visits per year to RCSC Facilities other than RCSC's golf or bowling facilities which have their own respective guest rates and policies.
- C. A Guest Pass or Host Punch Card is required for guest entry to all RCSC Facilities except the Hillside Park at the Lakeview Center, the outdoor, open-air amphitheater at the Sun Bowl, and the dog park called Duffeeland which are all open to Cardholders and their escorted guests at no cost. A Guest Pass or Host Punch Card is required to fish and/or boat in Viewpoint Lake, play miniature golf, and play tennis at the Lakeview Center. Bowling and golf have their own respective guest rates and guest check-in process so neither a Guest Pass or Host Punch Card is required to bowl or golf. Guests obtaining access to RCSC Facilities with a Guest Pass or Host Punch Card may be required to show a government issued, picture ID to validate their identity and residency.
- D. All guests, including immediate family, must initially be signed in by a Cardholder in person or online through the [RCSC Web Portal](#). Cardholders are not required to sign in guests in person with Guest Passes to RCSC Facilities. Guests obtaining access to RCSC Facilities with a Guest Pass may be required to show a government issued, picture ID to validate their identity and residency. Cardholders must assure that guests under age nineteen (19) are accompanied by an adult at all times. Cardholders who misrepresent a person as a qualified guest or whose

guest fails to comply with the Corporate Documents shall be subject to suspension of all privileges and may no longer be considered a Cardholder in good standing.

- E. A daily guest fee is required for each person regardless of age. Daily guest fees are paid with a Host Punch Card which is punched once for each guest. Guest Passes allow guests to visit multiple RCSC Facilities on the same day with no additional guest fees. Guest Passes may be issued no more than seven (7) days in advance and may be valid up to seven (7) consecutive days.
- F. Cardholders may purchase Host Punch Cards at RCSC Facilities check-in stations or at the Cardholder Services Office. Host Punch Cards do not expire until all blocks are punched. No refunds and no duplicate Host Punch Cards will be issued.
- G. Cardholders may purchase Guest Passes online through the [RCSC Web Portal](#). Cardholders may obtain Guest Passes at RCSC Facilities check-in stations or at the Cardholder Services Office by using a Host Punch Card to pay the daily guest fee. Guest Passes expire as per the date(s) for which they were issued. No refunds and no duplicate Guest Passes will be issued.

Those who wish to tour RCSC Facilities, not partake in activities or use RCSC Facilities, may be considered Visitors not Guests. Visitors escorted by RCSC Cardholders must check in with Facility Attendants prior to starting a tour. Visitors not accompanied by a RCSC Cardholder must complete a visitor tour form and show government issued identification prior to starting a tour. Once the tour is completed, Visitors must check-out with Facility Attendants.

SECTION 7: INCIDENT REPORTS

[Incident Report Forms](#) are used to report any and all incidents out of the ordinary operation of RCSC within thirty (30) days of the incident. Anyone can report a person(s) failing to comply with the Corporate Documents by completing an [Incident Report Form](#). An [Incident Report Form](#) can be obtained at RCSC Facilities, on the RCSC website (www.suncityaz.org) or at the Corporate Office. Completed Incident Reports remain confidential subject to the provisions and requirements of federal, state and local laws. The maker of the Incident Report may be asked to provide additional information. [Incident Report Forms](#) are sent or delivered to the Corporate Office, where they are reviewed for Cardholder notifications and processing.

The first and second Incident Reports submitted against a Cardholder within three (3) years will result in the Cardholder being notified of the reported incident via letter from Senior Management. The Cardholder will be asked to complete an [Incident Report Form](#) describing their version of the incident. If after investigation the Cardholder is found to be in violation, the Cardholder will be sent another letter from Senior Management and asked to cease and desist any actions that are contrary to the Corporate Documents.

If a third incident is reported against the Cardholder within three (3) years, the Cardholder is notified of the reported incident by the Board of Directors and will be asked to appear at a hearing

SECTION 8: CARDHOLDER HEARING PROCEDURES AND SUSPENSIONS

Cardholders who fail to comply with the Corporate Documents may be subject to suspension of Cardholder Privileges as determined by a Board Hearing Commission and may no longer be considered a Member or Privilege Cardholder in good standing. A Cardholder or group of Cardholders, whether or not sponsored by a Chartered Club, or any other person(s), must not behave in a manner which jeopardizes the rights or privileges of other Cardholders, their guests or any other person(s). A cease and desist order may be issued by the Board or Senior Management against

Cardholders for such behavior and upon failure of Cardholders to comply, a Board Hearing shall be set.

A Board Hearing Commission, appointed by the President, is made up of no less than three (3) Board of Directors. In the case of imminent danger to any person(s) or property and/or assault charges filed as a result of an alleged act committed on or at RCSC Facilities, Senior Management has the authority to immediately and temporarily suspend their Cardholder Privileges for thirty (30) days. Such temporary suspension shall be reported to the Board and a Board Hearing shall be set. During a period of suspension or expulsion of any privileges or use of RCSC Facilities, Cardholders shall not be entitled to nor receive any reimbursement of any assessments or fees.

- A. Notice of Board Hearing: Notice of a scheduled Board Hearing shall be provided in writing at least fourteen (14) days prior to the hearing. The notice will inform Cardholders why and where the hearing will be conducted and will include the following:
1. reported violation(s);
 2. Board hearing procedure;
 3. date, time and place of hearing; and
 4. notice that all witnesses have the right to attend the hearing. If witnesses are unable to attend, they may provide written comments that will be read at the hearing and submitted to the Board Hearing Commission.

The Cardholder may submit a written request to the Corporate Office to waive the hearing at least twenty-four (24) hours prior to commencement of the hearing. The failure by a Cardholder to appear at the time and place of the hearing shall result in waiver of the Cardholder's right to a hearing. Refusal or failure by the Cardholder to attend the hearing will require the Board Hearing Commission to use the information available to arrive at a decision. In the event the Cardholder is an employee of RCSC, the employee shall be provided leave without pay to attend the Board Hearing.

- B. Board Hearing Procedure:
1. The Board Hearing Commission shall preside and conduct the hearing. An opening statement from the Board Hearing Commission detailing the reported violation(s) by the Cardholder(s), outlining the Board Hearing procedure to be followed and providing information as to when the Cardholder can expect a decision.
 2. The Cardholder will not speak or provide comment until such time they are recognized by the Board Hearing Commission. The Cardholder will be given ample opportunity to respond and present his/her case and make comments which specifically relate to the violation(s) under review.
 3. The responsibility to secure witnesses solely rests with the Cardholder. The Board Hearing Commission does not subpoena witnesses or compel testimony from witnesses.
 4. Witnesses may be presented by both the Board Hearing Commission and the Cardholder. Witnesses will remain outside the hearing room and will be called in one at a time to give testimony.
 5. Information provided by all witnesses, whether in person or in writing, shall be reviewed and heard by the Board Hearing Commission. If a witness is reluctant to make their comments in the presence of the Cardholder, they will be allowed to do so in front of the Board Hearing Commission only. If the incident involves RCSC

personnel, then any federal, state and local laws and regulations applicable to employees shall apply and the Director of Finance or their appointee may attend the hearing.

6. The Cardholder may address the Board Hearing Commission and may call and question their witnesses. The Board Hearing Commission may ask questions and/or address the Cardholder and all witnesses.
 7. Neither the Board Hearing Commission nor the Cardholder is bound by technical rules of evidence and/or court procedure in conducting the hearing.
 8. All discussions and testimony shall be conducted in a polite and respectful manner without harassment or intimidation.
- C. Board Hearing Decision: The Board Hearing Commission will notify the Cardholder in writing of the results of the hearing. Although the Board Hearing Commission has full authority to suspend Cardholders for any length of time, including permanently and on any basis, the following are minimum suspensions for the following offenses:
1. Owners who misrepresent their or other's occupancy of a Property– 6 months
 2. Owners or Cardholders who falsify documents – 12 months
 3. Cardholders who misrepresent the age or residency of a guest – 6 months
 4. Cardholders or their guests who fail to comply with the Corporate Documents – 3 months
- D. Board Hearing Appeal: A Cardholder may appeal the action taken by the Board Hearing Commission by submitting a written appeal request with the basis for the appeal to the Corporate Office within ten (10) business days after the date of the Board Hearing Commission's decision. The Board may deny the appeal request and will notify the Cardholder in writing accordingly. If the appeal request is accepted, the Cardholder may not introduce new witnesses or evidence. The entire Board will review all evidence submitted and watch the recorded hearing conducted by the Board Hearing Commission, if available. The Board of Directors will notify the Cardholder in writing of its final decision.

ARTICLE III – ASSESSMENTS, FEES AND COLLECTIONS

Each and every Property Owner must execute a [Facilities Agreement](#) in the form required by the Corporation. All Owners are obligated to pay assessments, fees and other charges when due whether or not Owners occupy the Property or use RCSC Facilities. Assessments, fees and other charges shall be determined by the Board and shall be payable by Owners pursuant to the Facilities Agreement and Corporate Documents.

SECTION 1: ANNUAL PROPERTY ASSESSMENTS

The Corporation may levy an annual property assessment against each Property and its Owner(s). Each Owner of a Property, by accepting a deed or entering into a Facilities Agreement, is deemed to covenant and agree to pay these annual property assessments. All annual property assessments, together with interest due from the due date of such annual property assessment, late charges, costs (including lien fees and administrative costs) and reasonable attorneys' fees, shall be a charge and continuing lien upon each Property against which the annual property assessment is levied until paid and shall be the obligation of the Owner(s) of such Property at the time the annual property assessment is imposed. Upon a transfer of title to a Property, the grantee(s) shall be jointly and severally liable with the grantor(s) for any assessments, fees and other charges due at the time of conveyance. No first

mortgagee or first deed of trust beneficiary who obtains title to a Property by exercising the remedies provided in its mortgage or deed of trust, as the case may be, shall be liable for unpaid annual property assessments which accrued prior to such acquisition of title. Annual property assessments shall be paid in such a manner and on such dates as the Board may establish. No Owner may exempt himself, herself or itself from liability for annual property assessments, by non-use of RCSC's Facilities, abandonment of his, her or its Property, or by any other means. The obligation to pay annual property assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of annual property assessments or setoff shall be claimed or allowed for any alleged failure by the Corporation, Board or RCSC personnel to take any action or perform such function required of it.

Annual property assessments are assessed on two methods, as follows:

- A. Per Property Basis: Each Property and its Owner(s) is assessed, regardless of the number of Owners, one annual assessment on a Per Property basis as determined by the Board. Any Property which has any change in its legal or beneficial ownership after February 1, 2003 will be assessed on a Per Property basis.
- B. Per Person Basis: Each Property and its Owner(s) is assessed for each and every Owner at the rate of one-half (1/2) of the annual Per Property basis assessment as determined by the Board. Property owned prior to February 1, 2003 will continue being assessed on a Per Person basis as long as:
 1. Owners consistently maintain the Property as their primary Arizona residence unless Owner's current residency requires long term medical relocation and the occupancy status of the Property has not changed;
 2. Owners are in compliance with the Corporate Documents; and
 3. original Owners as of February 1, 2003 remain as majority (50% or more) Owners or income beneficiaries of the Property.

If any purchase, acquisition, transfer, inheritance of a Property occurs after February 1, 2003, or if any Owner or beneficial interest is added to the Deed after February 1, 2003, then the assessment basis shall be changed to a Per Property basis and a new Facilities Agreement shall be executed by all Owners.

All refunds for annual property assessments must be applied for in writing through the Cardholder Services Office. Eligible pro-rata refunds on estate properties are issued only upon the sale of the Property. To receive a refund for annual property assessments, the Member Card should be returned if applicable. Pro-rata refunds for annual property assessments may be available as follows provided all annual property assessments, fees, and any and all other charges against the Property and Owners are paid in full:

- A. UPON THE SALE OF PROPERTY the Owner may be entitled to receive a pro-rata refund, provided the Owner has met the obligations as described in the Facilities Agreement and Corporate Documents including the execution of a Facilities Agreement by the new Owners. To receive a refund an application must be filed with the Cardholder Services Office within three (3) years from the close of escrow. Closing documents showing the sale of the property may be required at the time the application for a refund is submitted. Refunds will be prorated from the date of the sale to the next annual assessment due date.
- B. IN THE EVENT OF DEATH the estate may be entitled to receive a pro-rata refund provided the deceased Owner has met the obligations as described in the Facilities Agreement and Corporate Documents and the estate property has been sold. To receive a refund an application must be filed with the Cardholder Services Office within three (3) years from the date of death.

A death certificate must be presented at the time the application for a refund is submitted. Refunds will be prorated from the date of death to the next annual assessment due date.

Excluding the aforementioned, no other refunds will be issued for any reason for annual property assessments.

SECTION 2: PRESERVATION AND IMPROVEMENT FUND AND ASSESSMENTS

A Preservation and Improvement Fund assessment (hereinafter referred to as “PIF assessment” or “a PIF assessment” or “the PIF assessment”), as determined by the Board, shall be imposed on the purchase, acquisition, transfer, inheritance, gift or any change in ownership of legal or beneficial interest in the title to a Property (i) pursuant to any deed, contract for sale, will or other instrument or document transferring an interest in such property, so long as the original payor of the PIF assessment no longer retains a majority (50% or more) ownership interest in the Property; or (ii) following the death of the last payor of said PIF assessment for the Property resulting in Owners who have not paid said PIF assessment for the Property owning a majority (50% or more) ownership interest; or (iii) following the death of the last original Grantor under a trust which holds title to the Property; or (iv) following the death of the last holder of a life estate.

A. A PIF assessment will be imposed on each Property and its Owner(s) including but not limited to the following:

1. on the date any seller(s) transfers Property to any purchaser(s);
2. in the event Property is transferred to a trust, on the date of the death of the last original Grantor under a trust;
3. in the event Property is transferred from a trust, on the date when Property is transferred to persons other than the original Grantors of the trust, unless the PIF assessment was paid at the time of the death of the original Grantors of the trust and the payor(s) retain a majority (50% or more) ownership interest;
4. in the event Property is transferred to a Company, on the date when the transferor(s) is/are no longer officers and majority (50% or more) owner(s) of record of said Company;
5. in the event Property is transferred from Company to a new Owner, on the date when the transferor(s) is no longer the Owner(s) of record;
6. in the event Property is transferred by inheritance, including but not limited to probate proceedings and beneficiary deeds, on the date of legal transfer; or
7. in the event the remaining Owner(s) was not original payor of the PIF assessment.

B. A deed or other instrument executed by Owner that holds a fee simple estate to the Property, which deed reserves a life estate to such Owner (and which may also reserve a life estate to no more than one other living person) and creates a remainder interest in another party shall not incur a PIF assessment.

C. In no event will more than one refund be processed for any given PIF assessment paid by the Owner(s) of a Property. All refunds for PIF assessments must be applied for through the Cardholder Services Office. A refund of the PIF assessment may be available if:

1. the sale/disposition/transfer of a previous primary Arizona residence in Sun City, Arizona is made within one (1) year of the purchase/ acquisition/ transfer/ inheritance of the other primary Arizona residence in Sun City, Arizona;

2. no Owners who paid the PIF assessment for the previous primary Arizona residence in Sun City, Arizona retain an ownership interest in that property at the time of the sale/disposition/transfer;
 3. if the heir sells Property to another Owner within one year of the inheritance and the related assessments, fees and any and all other charges are paid in full;
 4. if after a death of the last remaining original payor of the PIF assessment, a beneficiary deeded Owner or the remaining deeded Owner sells the Property within one year of the death and the related assessment and fees are paid in full;
 5. the purchaser(s) has been a Member(s) in good standing;
 6. an application for a refund was made no more than three (3) years from the date of the last escrow closed; and
 7. the Member Card(s) from the property sold are returned.
- D. Projects funded from the Preservation and Improvement Fund must:
1. be approved by the Board of Directors;
 2. be a minimum of Three Hundred Thousand Dollars (\$300,000); and
 3. have a depreciable life of at least fifteen (15) years.
- F. Income from Preservation and Improvement Fund investments will be retained in the Preservation and Improvement Fund.
- G. Preservation and Improvement Funds are not to be spent for normal operating or maintenance expenses.
- H. A quarterly report will be submitted to the Board detailing activity of Preservation and Improvement Fund income and expenditures. A detailed list of Preservation and Improvement Fund investments will be provided quarterly to the Board.

SECTION 3: TRANSFER FEE

A Transfer Fee, as determined by the Board, shall be imposed on the purchase, acquisition, transfer, inheritance, gift or any change in ownership of legal or beneficial interest in the title to Property (collectively known as "Ownership Change") (i) pursuant to any deed, contract for sale, will or other instrument or document transferring an interest in such property, so long as the original payor of said Transfer Fee no longer retains a majority (50% or more) ownership interest in the property; or (ii) following the death of the last original Grantor under a trust which holds title to the Property; or (iii) following the death of the last holder of a life estate.

At any time when an Ownership Change has occurred for purposes of imposing the PIF assessment, then a Transfer Fee shall also be incurred and collected at the same time that the PIF assessment is collected.

The Transfer Fee may be refunded if the heir sells Property to another Owner within one year of the inheritance and the related assessments, fees and any and all other charges are paid in full. There are no other refunds of Transfer Fees available.

SECTION 4: ACCESS FEE

A one-time Access Fee per Property, as determined by the Board, shall be paid by the builder, owner or developer desiring to have access to RCSC Facilities for any land, building or structure or portion of any building or structure which is, has been or is intended to be, for use and occupancy as a dwelling unit and is real property in Sun City, Arizona located in the area entitled "Sun City General Plan,

Maricopa County, Arizona," as prepared by the Del E. Webb Development Company and dated July 1972, November 1974, August 1975, and September 1978 with subsequent amendments thereto.

Said builder/owner/developer must execute a Facilities Agreement with the Corporation. Purchasers of individual Properties are also required to execute a [Facilities Agreement](#) and pay a PIF assessment, Transfer Fee, annual property assessment and any other and all assessments, fees and charges as designated by the [Facilities Agreement](#) and [Corporate Documents](#). There are no refunds available for access fees.

SECTION 5: LATE AND LIEN FEES, INTEREST AND COLLECTIONS

Every Owner is responsible for the total of all assessments, fees and any other and all charges against the Property and Owners. All property assessments are due annually on the date escrow closed on the property and shall be considered in arrears following that date. Other assessments, fees and charges may be assessed from time to time, at the discretion of the Board, and shall be due and payable as outlined in the billing of such and shall be considered in arrears after the due date.

Late fees and penalties, as determined by the Board, may be imposed on all assessments, fees and any and all other charges which are in arrears. Legal action to secure payment may be taken including but not limited to additional fees, liens and the enforcement of the same. Any Owner whose assessments, fees or any and all other charges are in arrears is not considered a Member in good standing and their Cardholder Privileges are suspended until Owner's account is current.

Owners are responsible for providing current and accurate billing information to the Cardholder Services Offices; failure of an Owner to receive billing does not relieve the Owner of the obligation and liability to pay assessments or fees, nor does it eliminate the following collection process and fees:

- A. At thirty (30) days in arrears, Owners shall be charged a late fee, as determined by the Board and shall be sent a reminder notice regarding the unpaid balance on their account.
- B. At sixty (60) days in arrears, interest will begin to accrue on the unpaid balance on their account and a reminder notice regarding the unpaid balance on their account shall be sent. Interest equal to the interest rate charged by Maricopa County for delinquent taxes as set forth in Arizona Revised Statutes will be charged by the Corporation on any delinquent fees and/or assessments and interest shall accrue on a monthly basis until the account has been paid in full.
- C. At sixty (60) days in arrears, RCSC shall file a lien upon the Property with the office of the Maricopa County Recorder and a lien recording and release fee, as determined by the Board, shall be charged to the Owners.
- D. All accounts ninety (90) days in arrears may be reported to the Credit Bureau(s) as a delinquent account. If any assessment or fee is not paid within ninety (90) days after it becomes due, said lien may be foreclosed as set forth in the [Facilities Agreement](#). Said lien shall be subordinate to the lien of any mortgage or deed of trust now or hereafter placed on the Property.
- E. The Corporation may pursue all available legal processes or actions available to it in order to collect any unpaid assessments or fees owed the Corporation. Owners shall be required to pay for all costs associated with such legal collection actions or processes.
- F. The Corporation may turn any unpaid accounts over to a third party for collections and Owners shall be required to pay for all costs associated with such collection processes.
- G. At such time that the account is paid in full, RCSC shall file a lien release with the office of the Maricopa County Recorder.

Owners shall not be considered Members in good standing until such time that all Properties in which the Owner has an ownership interest are current with all assessments, fees, and any and all other charges against the Properties and Owners.

If a Property has unpaid assessments or fees and the ownership changes, the new Owner(s) will not be allowed to use RCSC Facilities, obtain a Member Card or vote until such time that the unpaid assessments, fees and any and all other charges against the Property and Owner(s) have been paid in full. If any individual has unpaid assessments or fees relating to a Property that has been previously owned, that individual will not be allowed to use RCSC Facilities or vote until such time that the unpaid assessments, fees and any and all other charges have been paid in full.

ARTICLE IV – MEMBERSHIP MEETINGS

SECTION 1: ANNUAL MEMBERSHIP MEETING

An annual meeting of the Members shall be held each year.

Written notice stating the place, day and hour of the annual meeting of the Members shall be posted in RCSC Facilities and/or published in the RCSC newsletter (*SunViews*) and/or on the RCSC website (www.suncityaz.org), not less than ten (10) days, nor more than sixty (60) days before the date of the meeting.

With respect to amendments to the Bylaws, notice of any proposed amendment shall be posted in RCSC Facilities and/or on the RCSC website (www.suncityaz.org) at least ten (10) days prior to a Membership meeting at which these changes shall be considered.

With respect to amendments to the Articles, notice of any proposed amendment shall be posted in RCSC Facilities and/or published in the RCSC (*SunViews*) newsletter and/or on the RCSC website (www.suncityaz.org) at least thirty (30) days prior to a Membership meeting at which these changes shall be considered. Such notice shall include the proposed changes to the Articles.

SECTION 2: SPECIAL MEMBERSHIP MEETINGS

Special meetings of the Members may be called by the Board of Directors, President of the Corporation or by petition of the Members having at least one-tenth (1/10) of the votes entitled to be cast according to the Corporation's records as of the preceding July 1. The reason for the meeting shall be stated in such call and petition. After receiving the petition and validating the signatures thereon, the President shall set a date for such meeting, which shall be held within sixty (60) days after validation of the signatures is completed.

With respect to a special meeting called by petition of the Members for the purpose of amending the Articles or Bylaws, the Board, after validation of the petition, shall set a special meeting. A written notice shall be posted in RCSC Facilities and/or published in the RCSC newsletter (*SunViews*) and/or on the RCSC website (www.suncityaz.org) not less than ten (10) days, nor more than sixty (60) days before the date of the meeting.

With respect to a special meeting of the Members called by the Board of Directors or the President of the Corporation, a written notice shall be posted in RCSC facilities and/or published in the RCSC newsletter (*SunViews*) and/or on the RCSC website (www.suncityaz.org) not less than ten (10) days, nor more than sixty (60) days before the date of the meeting. Notice shall include information concerning the purpose for the special meeting.

SECTION 3: MEMBERSHIP QUORUM

A quorum for any Membership meeting shall consist of not less than one thousand two hundred fifty (1,250) Members in good standing. If, however, such quorum shall not be present or represented at any meeting of the Members, the Members entitled to vote at such meeting shall have the power to adjourn the meeting without notice other than announcement at the meeting.

Once a quorum has been established for any meeting, appropriate business may be conducted and decided by a majority vote of Members present unless otherwise required by the laws of the State of Arizona or Articles.

SECTION 4: MEMBERSHIP MEETING RULES AND REGULATIONS

Robert's Rules of Order shall govern procedure at all meetings of the Corporation provided they are consistent with the laws of the State of Arizona and the Corporate Documents. A Parliamentarian may be present at the discretion of the President.

Proposals or matters relating to the conduct of the business affairs of the Corporation, if brought before a Membership meeting, shall be referred to the Board for study. Such matters, being solely within the powers delegated to the Board in accordance with the laws of the State of Arizona and Corporate Documents, will be considered only as a recommendation to the Board.

If the disposition of these proposals or matters is determined by the Board not to be in the best interest of the Corporation, the Board shall announce its decision and such proposal or matter shall not be considered further. The Members may, by petition signed by at least ten percent (10%) of the total Membership of the Corporation as of the first day of the preceding July, bring the proposal or matter before the Membership for a majority vote of the Members present at a duly called and noticed Annual or Special Membership meeting.

SECTION 5: VOTING PROCEDURES AT MEMBERSHIP MEETINGS

A. Voting shall be by ballot of Members in good standing present at any meeting of the Members.

The following procedures shall apply for ballot voting:

1. Voting shall proceed under supervision of the Election Committee.
2. At least two (2) members of the Election Committee shall be in attendance at all times during voting and they, along with their assigns, shall issue all official ballots, and witness the casting of the ballots.
3. Ballot boxes shall remain sealed until all votes are cast. Votes shall be tabulated in the presence of at least three (3) members of the Election Committee. Any Member may be present as an observer at the tabulation of the votes. Upon completion of the tabulation of ballots, the results shall be certified by the Election Committee Chair to the Board and posted on the RCSC website (www.suncityaz.org) and/or in RCSC Facilities.

SECTION 6: LIMITATION PERIOD

No Membership election or vote, initiated by petition of the Members, shall be held on an issue which is the same as, or substantially similar to, any issue which has been voted upon by the Membership within the current calendar year or any of the past three (3) calendar years (collectively known as the "Limitation Period"). The Board shall determine, in its sole discretion, whether the issue proposed to be voted upon by the Membership is the same as, or substantially similar to, an issue previously voted upon by the Membership during the Limitation Period. In the event a Membership election or vote is not required to be held due to the provisions of this section, then the Board shall not set, call, notice or post the proposed Membership election or vote or any Membership meeting in connection

therewith, or take any other action normally associated with a Membership election or vote or a Membership meeting. This section shall not apply to the election or removal of any Board of Director.

ARTICLE V - BOARD OF DIRECTORS

SECTION 1: COMPENSATION OF BOARD OF DIRECTORS

The Board shall receive no compensation of any kind for his/her service as a Board of Director.

SECTION 2: CONFLICT OF INTEREST

The Board shall disclose in writing to the Corporation's President or Vice-President any material interest or relationship on their part which is or may be considered a conflict of interest. A conflict of interest is a situation in which someone in a position of trust has competing professional or personal interests. Such competing interests can make it difficult to fulfill his/her duties impartially. A conflict of interest can exist even if no unethical or improper act results from it. A conflict of interest can create an appearance of impropriety that can undermine confidence in that person and the organization and must be avoided.

The Board serves the Corporation in a fiduciary capacity calling for their undivided loyalty to the Corporation. The Board must therefore avoid any direct or indirect participation in activities which could result in personal or family benefit that could be perceived as a conflict of interest. The Board must avoid, as must their family members, the acceptance of gifts or favors, which might be inferred as intended to influence the performance of their duties or in any way be perceived as a conflict of interest. A conflict of interest also includes any situation in which an individual's duty to one leads to the disregard of a duty to another. A Board of Director cannot serve on any board of a Chartered Club or green committee or golf association affiliated with RCSC golf courses.

In the event a Board of Director is unsure about whether or not a situation may be a conflict of interest, full disclosure of the situation is required. All potential, possible or probable conflicts of interest shall be reported in writing to the President or Vice-President of the Board for their review and resolve; such review shall be recorded along with the recommended compliance regarding such. The best way to handle conflicts of interest is to avoid them entirely. Violation of this policy could provide grounds for removal as a Board of Director.

All prospective Board candidate(s) must sign the [Board of Directors Conflict of Interest Form](#) before being accepted as a candidate for the Board.

SECTION 3: INSTALLATION OF DIRECTORS

At the first Board meeting after a Board of Director has been newly-elected or newly-appointed, the President of the Corporation shall formally install the new Board of Director(s) specifying when their term of office commences.

SECTION 4: LENGTH OF TERMS AND VACANCIES

The term of office for an elected Board of Director shall be three (3) years. At the annual election, three (3) Board of Directors shall be elected for three (3) year terms. One, two or three-year elected terms enter into the six (6) year limit set forth in the Articles. In the event more than three (3) vacancies exist as of the deadline for turning in the petitions, those vacancies shall also be filled at the annual election as follows:

- A. A candidate receiving less than one hundred (100) votes shall not be eligible to fill any vacancies.

- B. The candidate receiving the highest number of votes, after the three (3) three-year terms are filled, shall fill the next longest vacant term.
- C. If a candidate is elected to the Board and prior to the beginning date of the term for which he/she has been elected, declines or is unable to assume the office, then the term of the declining candidate shall be filled with the unsuccessful candidate receiving the next highest number of votes, based on the vote totals of the candidates in the last annual Board election.
- D. The Election Committee (also known as the Balloting Committee) will determine the order of placement in the event of a tie vote. The method shall be a simple drawing of the names of the candidates involved in the tie vote.
- E. Vacancies occurring on the Board during the year (January 1 through December 31) may be filled by appointment by the Board. A majority vote of the Board (5) is required for said appointment. An appointment ends on December 31 of the year appointed. An appointed term does not enter in the six (6) year limit set forth in the Articles.

SECTION 5: MEETINGS OF THE BOARD

Meetings of the Board shall be held on the days and times as designated by the Board. The President, Vice-President or his/her appointee shall preside at all meetings. Six (6) Board of Directors shall constitute a quorum. Robert's Rules of Order shall govern procedure at all meetings of the Corporation provided they are consistent with the laws of the State of Arizona and the Corporate Documents. A Parliamentarian may be present at Board meetings at the discretion of the President.

All meetings of the Board, excluding Executive Sessions, shall be open and video recorded with time allotted for Members to make comments.

At least seven (7) days prior to all Board meetings, excluding Executive and Special Sessions, an agenda, subject to amendment, shall be posted in RCSC Facilities and/or on the RCSC website (www.suncityaz.org). Motions made in Board meetings, excluding Executive and Special Sessions, shall be read and passed a minimum of three times before finalized and acted upon unless readings are waived by a two-thirds (2/3) majority of the Board (6). As soon as practicable, a brief summary of the preceding Board meeting shall be posted on the RCSC website (www.suncityaz.org). After approved by the Board, minutes of Board meetings, excluding Executive Sessions, will be available on the RCSC website (www.suncityaz.org) or to Members in good standing at no cost upon request at the Corporate Office.

Board meetings will generally be held on the second Monday and last Thursday of the month at 9am in the Sundial Auditorium, except the months of July and August when no Board meetings are held. Board meetings may occur earlier in the month during November and December due to the holidays. Board meeting schedules will be posted in RCSC Facilities and/or published in the newsletter (*SunViews*) and/or on the RCSC website (www.suncityaz.org).

The RCSC Board of Directors may hold a planning session quarterly or as needed to discuss issues or to garner information from the General Manager. These sessions will be open for attendance by Members who will not be allowed to comment. These sessions will be video recorded and the agenda posted on the RCSC website prior to the meeting.

Special Sessions of the Board may be called by the President or upon the written request of three (3) or more Board of Directors. The purpose of the meeting shall be stated in the call and posted on the RCSC website (www.suncityaz.org). Except in cases of emergency, at least seventy-two (72) hours' notice shall be given.

The Board may meet in an Executive Session (closed meeting) to discuss confidential matters such as; litigation, matters relating to formation of contracts with third parties, Cardholder discipline and personnel matters. All matters discussed in an Executive Session shall remain confidential indefinitely. Executive Sessions may be called separately or during any meeting of the Board or Membership. The Board has the authority to take final action in Executive Sessions and is not required to reveal those decisions. Minutes of Executive Sessions are retained as a part of the confidential records of the Corporation.

SECTION 6: BOARD AUTHORITY/DUTIES, COMMISSIONS AND SENIOR MANAGEMENT

A. Board Authority/Duties:

1. The Board shall have the authority and responsibility to employ the General Manager; to hold and administer assets, and direct, control, manage, and supervise the business and financial affairs of the Corporation without limitation except as set forth in the Corporate Documents.
2. The General Manager shall report to the Board. The President shall provide direction and guidance to the General Manager. A job performance review will be conducted annually by the President, with input from the Board. Any successful candidate for General Manager must be approved by a majority of the Board (5). The General Manager cannot be terminated without a majority approval of the Board (5).
3. The Board shall have authority to establish, change, and/or delete Board Policies and any rules and regulations of the Corporation as deemed necessary and within the authority as outlined in the Corporate Documents.
4. The Board's fiduciary duty requires Board of Directors to act in the best interests and for the benefit of the Corporation. This duty requires Board of Directors to avoid conflicts of interest and acting out of self-interest; and to act as reasonable people in conducting the affairs of the Corporation.
5. Except for Board of Directors who are also Officers and who are required by the Corporate Documents to perform certain operational functions in their official capacities, the Board's duty and responsibility is to establish policy and to ensure the implementation of that policy by Senior Management.
6. It is the role of the Board to establish objectives and approve budgets for the Corporation. The Board can delegate the implementation of Board decisions to the General Manager. The Board can direct and empower the General Manager to take actions on behalf of the Corporation.
7. The Board has no direct supervisory authority over RCSC personnel, excluding the General Manager. The Board shall make any requests for reports, information, repairs, maintenance or any other requests to Senior Management only.
8. Any Board of Director shall have the right to attend, as a guest, all meetings of Committees or RCSC team meetings. Board of Directors attending such meetings may not participate during the meeting unless invited to do so by the Committee Chair, Committee Co-Chair or Senior Management. In no instance shall a guest Board of Director have the right to vote on any issue before the Committee.

B. Commissions:

1. Commissions may be established by the Board and are made up of Board of Directors only. The purpose of a Commission is to carry out specific business of the Corporation, with written guidelines (i.e. Bid Commission, Investment Commission) as assigned to that Commission by the Board. The Board may empower Commissions to take action on behalf of the Corporation to fulfill such duties.

C. Senior Management:

1. Senior Management is responsible for directing, coordinating and overseeing financial management, operations and personnel of the Corporation.
2. Senior Management is responsible for the day-to-day operations of the Corporation and enforcing the Corporate Documents.
3. Senior Management is given authority by the Board to make decisions to meet their responsibilities, to include any and all expenditures, so long as such expenditures are maintained within the guidelines of the approved annual budget.
4. Senior Management has the authority and responsibility to implement policies, procedures, rules and regulations covering day-to-day operations and personnel provided that such are compatible with the Corporate Documents.
5. Senior Management is responsible for maintaining the confidentiality of any and all business of the Corporation where confidentiality is required.

ARTICLE VI – OFFICERS

SECTION 1: OFFICERS OF THE CORPORATION

The Officers of the Corporation shall be President, Vice-President, Secretary and Treasurer.

SECTION 2: ELECTION OF OFFICERS

The Board shall meet in a closed Executive session on the first business day after January 1 for election of Officers. The Board shall select from their own number, by majority ballot vote of the Board (5), the Officers who shall serve for the term of one year to end at the election of Officers in the following year. A Board of Director may be re-elected to consecutive terms as an Officer if he/she receives the majority vote of the Board (5).

SECTION 3: PRESIDENT

The President shall preside at and conduct all meetings of the Corporation by a formal order of business. The President shall have general supervision and direction of the affairs of the Corporation in accordance with the Corporate Documents. The President shall have authority to administer all matters not otherwise expressly delegated, and may call special meetings of the Membership and/or Board.

After approval by the Board, the President may execute bonds, investments, debts, and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof may be expressly delegated by the Board to some other Officer or Agent of the Corporation.

SECTION 4: VICE-PRESIDENT

The Vice-President shall perform such duties as assigned by the President and in the absence or incapacity of the President; shall perform the duties of the President.

SECTION 5: SECRETARY

The Secretary shall adhere to the duties of the Secretary as outlined in Robert's Rules of Order and shall assure that the records of the Corporation are maintained and in order.

SECTION 6: TREASURER

The Treasurer shall ensure that financial records and cash/investment handling procedures are audited after the close of each fiscal year by a Certified Public Accountant, as selected by the Board. The Treasurer shall make certain that annual income tax returns and other required filings have been filed as required. The Treasurer shall require safeguards to protect assets. Any indebtedness issued in the name of the Corporation shall be signed by the Treasurer or other Board Officer after such indebtedness is approved by a majority vote of the Board (5).

SECTION 7: THEFT, DISHONESTY AND LIABILITY INSURANCE

The Officers shall ensure that an Employee Dishonesty Insurance Policy, as determined by the Board, is in place to insure the Corporation against losses relating to theft or mishandling of assets by Employees, Directors or Agents of the Corporation. The Corporation shall provide Board of Directors and Officers liability insurance for all Board of Directors, Officers and their spouses.

SECTION 8: REMOVAL OF BOARD OFFICERS

An Officer who is unwilling or incapable of satisfactorily performing the responsibilities of his/her office, may be removed from his/her office by a ballot vote of a majority of the Board (5). An Officer so removed shall be eligible to continue as a Board of Director. The Articles address removal of any elected or appointed Board of Director from the Board.

A new election of an Officer by the Board of Directors for the vacated position shall be held within fifteen (15) days after removal. In the case of a vacancy in the President's office, the Vice President will perform the duties of the President until a new President is elected.

ARTICLE VII - NOMINATION AND APPOINTMENT PROCEDURES

SECTION 1: PRESENTATION OF CANDIDATES

The Chair of the Election Committee shall present at a Board meeting no later than October 31 of each year a list of candidates for Board positions to be filled at the coming annual election.

SECTION 2: RECRUITMENT OF CANDIDATES

On or before the first Monday in June, Members shall be invited to become candidates. In the event additional candidates are needed, the Election Committee shall begin recruiting to provide the required number.

If a member of the Election Committee desires to become a Board candidate, he/she must resign from the Committee prior to doing so.

SECTION 3: PETITION AND APPLICATION OF CANDIDATES

A Member who is eligible to become a candidate for election to the Board shall provide to the Chair of the Election Committee on the first Friday in October the following:

- A. On the official petition form required at least one-hundred (100) valid signatures of Members in good standing;
- B. An application on the official form required, to include a resume and list of goals; and,
- C. Nominee shall make himself/herself available to RCSC for a photograph.

SECTION 4: CANDIDATE REQUIREMENTS

An eligible candidate for election to the Board shall satisfy all the following requirements and a candidate for appointment to the Board shall satisfy all except Section G. below:

- A. Must be at least fifty-five (55) years of age;
- B. Must be Member in good standing;
- C. Must not reside with or be related by marriage or birth to any other Board of Director, Board candidate, or Senior Management;
- D. Must reside in Sun City, Arizona and be available at least ten (10) months of the year;
- E. Must meet the requirement to hold an Arizona liquor license;
- F. Must be eligible and available to serve a three (3) year term; and
- G. Must attend Board Candidate Orientation(s).

A Board Candidate that withdraws from his/her candidacy for any or no reason may not elect to reestablish candidacy in the same election year.

ARTICLE VIII - ELECTION OF BOARD OF DIRECTORS

SECTION 1: POLLING PLACES, TIMES AND DATES

- A. Election of the Board shall be held on the second Tuesday in December each year.
- B. The Board may schedule earlier voting dates.
- C. The Board shall select the number of polling places, their locations and times of operation for voting within Sun City, Maricopa County, Arizona.
- D. The Board shall select the number of days for online voting through the Web Portal.

SECTION 2: VOTES

The Board candidate or candidates receiving the highest number of votes shall be elected to the vacancy or vacancies for which the election is held.

SECTION 3: RECALL ELECTION

- A. In a recall election, a Board of Director shall be deemed recalled if a majority of the votes cast by Membership ballots are for his/her removal, provided further that the total number of votes received for the recall is not less than one hundred (100).
- B. The person receiving the highest number of votes cast by Membership ballots to replace the recalled Board of Director shall be deemed elected to fill the unexpired term of said Board of Director.
- C. The Board, or its designated representative, may use the services of a neutral entity and adopt their procedures, as desired, to ensure a fair election process.
- D. The Board, or its designated representative, may exercise the flexibility to negotiate technical and routine matters with the neutral entity conducting the election at the Board's request and to make any necessary arrangements or revisions as the need arises.

ARTICLE IX – INITIATIVE, REFERENDUM AND RECALL PETITIONS

Per the Articles, any initiative, referendum, or recall petition must have a total number of signers not less than ten percent (10%) of the voting Members of the Corporation as of the preceding July 1. All

signers must have signed in person and they must provide their Property address, Member Card number and the expiration date thereof. The completed petition will be filed with the Secretary of the Corporation.

A recall petition will set forth the name of the Board of Director whose removal is desired and the reasons for the recall.

A referendum petition must set forth the existing policy or regulation that is being challenged in clear and precise language that will allow the challenge to be determined by a "YES" OR "NO" vote. Any proposition will be subject to the requirements and limitations of the Corporate Documents.

Before an initiative petition is filed, the party or parties intending to circulate and file such a petition, will submit to the Board the proposal in the exact language that the initiative will contain. The Board will have sixty (60) days from the date of submission to accept or reject the proposal. If the proposal is accepted, the petition will be assigned a petition control number by the Secretary of the Corporation.

If issues can be resolved without the petition process, the Board and the Members will achieve savings in terms of cost and time while avoiding disharmony and divisiveness in Sun City, Arizona.

SECTION 1: STEPS TO TAKE BEFORE CIRCULATING A PETITION

- A. Consider alternatives before beginning the petition process:
 1. Bring the issue to the attention of the Board at Board meetings or in other direct communication with the Board.
 2. The Board will consider the issue and provide in writing their consensus regarding such. If the Board approves, action will be taken accordingly. If the Board disapproves, proponents may initiate the petition process.
- B. File request to circulate your petition with the Secretary of the Corporation.
 1. Submit:
 - a. The names, addresses, and telephone numbers of the petition organizers.
 - b. The organization, if any, supporting the petition.
 - c. The text of the proposed petition on the official petition form as required.
 2. Receive from the Secretary of the Corporation:
 - a. Written notice of approval or disapproval of petition as submitted.
 - b. If approved, official petition with control number for use by all Circulators.
 - c. If approved, petition regulations.
 - d. If approved, your petition start and completion dates.
- C. Copy official, numbered petitions.
 1. Copy as many copies of the official, numbered petition, as needed to circulate your petition. No other petition form is acceptable. Number each page. Each page should have:
 - a. The exact wording of the petition as approved by the Board.
 - b. The control number as assigned by the Corporation.
 - c. The Certification on the back of each page.
- D. Select and orient Circulators to the regulations and procedures to follow in circulating petitions.

SECTION 2: ACCEPTABLE PRACTICES DURING THE PETITION'S CIRCULATION

- A. All Circulators:
1. Must be Members in good standing.
 2. May not use intimidation, misleading statements or payments in securing signatures.
 3. Obtain signatures of current Members only. Privilege Cardholders are not eligible to vote or sign a petition.
 4. Must certify, as their legal obligation requires, that he/she witnessed the signatures of each individual signing.
- B. Petitions will not be:
1. Circulated within or at RCSC Facilities.
- C. Signers of the petition, in addition to being current Members, must:
1. Be the actual person, a wife may not sign for husband or vice versa.
 2. Legibly sign in ink. A printed "signature" is not acceptable, unless that is the usual way the person signs.
 3. Indicate date on which they signed; otherwise signature is voided.
 4. Write legibly their Property address, Member Card number and expiration date thereof.
 5. Legibly print their name below their signature.
- D. Signers of the petition may withdraw their signatures at any time during the validation process.

SECTION 3: POST-PETITION CIRCULATION PROCEDURES

When petition circulation is complete:

- A. File completed petitions with the Secretary of the Corporation in book form, including:
1. A cover page specifying the quantity of individual official petition forms filed, the total number of signatures claimed, and the date submitted.
 2. Number each signed official petition submitted.
 3. A cover page to verify each group of petitions submitted and certified by each Circulator.
- B. The Corporation will:
1. Provide a dated receipt for submitted petitions.
 2. Initiate the petition verification process.
- C. The petition verification process will include, but is not limited to, the following:
1. Investigation of Circulators:
 - a. Circulator must be a current Member in good standing.
 - b. Circulator must witness every signature.
 - c. Circulator must sign the affidavit of Circulator on the reverse side of the last official petition form submitted in a group.
 - d. Irregularities, including false or misleading statements by the Circulator, in obtaining, verifying and certifying signatures will result in rejection of all petitions of the Circulator.
 2. Inspection of signatures for:
 - a. Legibility.

- b. Printing instead of signing.
 - c. Absence of dated signature, Property address, and Member Card number.
 - d. Duplication.
- D. Time required for petition verification:
1. Once the completed petition is filed with the Corporation, the Corporation will have thirty (30) days from the filing to determine and announce whether or not the required number of signers has been obtained.
- E. Upon completion of the verification process:
1. If the number of verified signers is insufficient, the petition is declared invalid.
 2. If the number of verified signers is sufficient, the Board will set the date to present the petition to the Members for their vote which will be conducted by the Election Committee within sixty (60) days of the validation announcement.

ARTICLE X – COMMITTEES

The Board shall be empowered to create or eliminate committees as they may deem necessary to properly and effectively carry on the affairs of the Corporation. Members may present specific concerns and issues to the appropriate committee for review and recommendation to the Board. Committees have no decision making authority. Committees are limited to presenting ideas and recommendations to the Board or Senior Management.

SECTION 1: STANDING COMMITTEES

A standing committee is a small group of Members, subordinate to the Board, which is organized to assist the Board in specific areas as follows and does not meet in the months of July and August. Other months without meetings can be determined by each committee individually.

- A. Bowling Committee: The purpose of the Bowling Committee is to assist in the promotion and interest in the game of bowling, encourage fellowship amongst bowlers, gather input from Cardholders and recommend changes to the Board in bowling policies, fees, operations and facilities as a result.
- B. Club Organization Committee (also known as the COC): The purpose of the Club Organization Committee is to support Chartered Clubs as needed, make recommendations for Chartered Club policy changes to the Board, promote and encourage participation in Chartered Clubs.
- C. Election Committee (also known as the Balloting Committee): The purpose of the Election Committee is to recruit a sufficient number of Board candidates, conduct the candidate forums, ensure that elections and recall elections of the Board are conducted pursuant to the Corporate Documents and announce the results.
- D. Finance and Budget Committee: The purpose of the Finance and Budget Committee is to review financial statements to determine the financial performance year-to-date of the operation in comparison to budget and the previous year, advise the Board of any concerns regarding the financial operations and make recommendations to the Board regarding the annual operating and capital budget. In addition, the Finance and Budget Committee will recommend approval for Chartered Club auditors to the Board.
- E. Golf Advisory Committee: The purpose of the Golf Advisory Committee is to assist in the promotion and interest in the game of golf, encourage fellowship amongst golfers, gather input from

Cardholders and recommend changes to the Board in golf policies, fees, operations and facilities as a result. The Golf Advisory Committee shall direct each golf course's Green Committee.

- F. Insurance Committee: The purpose of the Insurance Committee is to review and recommend to the Board insurance requirements and adequate coverage and selection of insurance brokers/agents/carriers which will be reviewed at least annually based upon renewals, service, bid proposals and recommendations for any changes or additions.
- G. Lawn Bowling Advisory Committee: The purpose of the Lawn Bowling Advisory Committee is to assist in the promotion and interest in lawn bowling, encourage fellowship amongst lawn bowlers, gather input from Cardholders and recommend changes to the Board in lawn bowling policies, fees, operations and facilities as a result.
- H. Long Range Planning Committee: The purpose of the Long Range Planning Committee is to provide the Board with reports, recommendations, and suggestions regarding the future needs of Members and a suggested timeframe to implement future facilities and programs to meet those needs.
- I. Communications through Technology Committee: The purpose of the Communication through Technology Committee is to recommend avenues for improving ways to reach out and interact with Cardholders to facilitate communication and exchange of information; and to recommend information of interest and value to be provided to Cardholders and potential Sun City, Arizona residents.
- J. Properties Committee: The purpose of the Properties Committee is to conduct at least three inspections annually of RCSC Facilities; specifically the buildings, equipment, and grounds surrounding the buildings to determine if they are safe, properly cared for and in good condition. The Properties Committee will meet with Senior Management to report the status and make recommendations to the Board and/or Senior Management for preservation and care of the facilities.
- K. Tehnology Committee: The purpose of the Technology Committee is to research, identify and determine the impact of current and future technology requirements needed to support the RCSC Board, Management and Members, while simultaneously enhancing both current and future facilities. Consideration will also be given as to which technologies best support the mission of the of the RCSC Board and Management in terms of providing accurate and accessible data and programs designed to meet the day to day needs of the community. Special attention will be given by the Committee to cutting edge technologies, future trends, and innovations that will place the RCSC Board, Management, and the community in the best competitive position to entice future Members.

SECTION 2: AD HOC COMMITTEES

Ad hoc committees are formed for a specific task or objective and dissolved after the completion of the task or achievement of the objective. An ad hoc committee is a group of Members subordinate to the Board.

SECTION 3: COMMITTEE CHAIR AND CO-CHAIR

All committees shall have a Board of Director as Chair and Co-Chair who shall be approved by the Board in January each year. If a Chair or Co-Chair is unwilling or incapable of satisfactorily performing the responsibilities, they may be removed from his/her position as Chair or Co-Chair by a ballot vote of a majority vote of the Board (5). The Committee Chair and Co-Chair shall conduct committee meetings unless unavailable, then another Board of Director may do so. The Committee

Chair, or Co-Chair in the absence of the Chair, shall be responsible for presenting committee recommendations to the Board.

SECTION 4: MEMBERS OF COMMITTEES

All committees shall attempt to have no less than five (5) members. Members of committees shall be selected from the Membership at large who must meet the following requirements:

- A. Must be a Member in good standing;
- B. Must not reside with or be related to any other member of the committee by marriage or birth unless committee members are selected by election or appointment to another position; i.e., green committee members, association officers, and/or Chartered Club Presidents; and
- C. Must agree to adhere to the Corporate Documents.

SECTION 5: MEMBERS OF COMMITTEES RESPONSIBILITIES

Committee members are expected to attend all committee meetings, review materials in advance of the meetings, participate in meetings, and meet as frequently as necessary to discharge properly the committee's responsibilities.

All Standing Committees will select a Secretary annually who will prepare a summary of the committee meeting and submit it to the Corporate Office within three (3) days after the committee meeting. If the Secretary is not present, the Chair or Co-Chair will appoint a Secretary for the meeting.

SECTION 6: MEMBERS OF COMMITTEES SUSPENDED OR EXPELLED

Committee members may be suspended or expelled by a majority vote of the Board (5) for the following reasons:

- A. Failure to adhere to the Corporate Documents;
- B. For any good and sufficient cause which is contrary to the highest moral or sportsman like principles;
- C. For being unwilling or incapable of satisfactorily performing the responsibilities of a member of a committee; or,
- D. Failure to attend three (3) committee meetings in a row.

ARTICLE XI – INDEMNIFICATION AND RISK MANAGEMENT

Recreation Centers of Sun City, Inc., its successors and assigns, hereby agree to protect, defend, indemnify and hold harmless its Board of Directors and their spouses, Officers, Senior Management and Employees from and against any and all claims, demands, actions, damages, loss, and judgments arising out of or occurring in connection with any act or omission of such, including reasonable attorney fees and court costs. Such indemnification shall exclude any such liability caused by gross negligence or willful misconduct.

Risk management strategies include the transference of risk to another party, avoiding the risk, reducing the negative impact of the risk, and accepting some or all of the cost associated with a particular risk, which can never be fully avoided. The Board shall ensure risk management practices are in place to identify and mitigate potential risk factors and provide solutions to reduce financial loss relative to the Corporation. RCSC manages its risk to the following four primary exposures to loss as follows:

- A. There are two classes of property: tangible (i.e., physical) and intangible (e.g., information, legal privileges, and rights held exclusively by the organization).

1. Tangible property can be classified as real estate – the land and attachments, including buildings, sidewalks, parking lots, pools, and landscaping; and personal property – and all property other than real estate, such as equipment, furniture, fixtures, tools and books and records of the Corporation. All tangible property risks, except books and records, are managed through commercial insurance. Inventories are updated regularly and audited annually. Books and records of the Corporation are maintained in locked, fire-proof cabinets. In addition, insurance coverage is maintained for the loss of records of the Corporation.
2. Intangible property can be classified as data – text information as well as numbers.
 - a. Data integrity: The accuracy (integrity) of the electronic data may be threatened by unauthorized or undesirable modification or destruction. All data is backed up daily and maintained for a period of time sufficient to ensure accuracy of current data.
 - b. Data Confidentiality: The confidentiality of the electronic data may be threatened by unauthorized or undesirable disclosure. All electronic data must be accessed by a unique login and ever changing password.
 - c. Data Availability: The availability of electronic data or information technology systems may be threatened. All data is backed up daily and maintained for a period of time sufficient to ensure data availability and current virus software is maintained.
- B. Liability is the possibility that an entity or person may bring, or threaten to bring, a legal claim against the Corporation. The Corporation complies with federal, state, and local laws, regulatory requirements and administrative procedures and enforces the Corporate Documents. Liability risks are managed through liability insurance and legal counsel who serves as an advisor to the Corporation in legal matters, making referrals to specialists on an as needed basis. Legal counsel advises the Board and/or Senior Management on an as needed basis.
- C. Net income exposure involves revenue decreases and/or expense increases. It is revenue minus expenses during a given time period. The Corporation has an effective collection policy and places a lien on any property that has a balance due older than ninety (90) days. The Corporation maintains a Two Million Five Hundred Thousand Dollar (\$2.5 million) cash reserve.
- D. Personnel losses may result from the death, disability, retirement, resignation, or unemployment of employees. Losses may also result from claims of sexual harassment. The Corporation enforces a written and published personnel policy. The Corporation complies with federal, state, and local laws, regulatory requirements, and administrative procedures. The Corporation has an extensive safety program and maintains workers' compensation insurance. The Corporation maintains unemployment insurance and investigates all unemployment claims and appeals any claims that are not valid. The Corporation's legal counsel advises Senior Management on personnel matters of a legal nature. The Corporation may contract for services that would otherwise be provided by personnel.

Should RCSC experience a loss, the Board and Senior Management shall examine and measure the exposure to the loss in two ways:

- A. Loss Frequency: If the loss could reoccur in the future, steps will be taken to reduce the risk in the future.
- B. Loss Severity: If the financial loss is severe, the loss will be reported to the Board immediately and steps to reduce the risk in the future will be taken.

ARTICLE XII – FINANCIAL MANAGEMENT

SECTION 1: FISCAL YEAR

For all purposes, financial and otherwise, the calendar year January 1 through December 31, shall be synonymous with the term “fiscal year” of the Recreation Centers of Sun City, Inc.

SECTION 2: BUDGET PREPARATION AND APPROVAL

Senior Management shall prepare and present an annual, balanced operating and capital budget. The Finance and Budget Committee will review the proposed budget and make recommendations to the Board accordingly. The Board will adopt an annual budget for the coming year at its December Board meeting.

Each division and department will have an operating budget. An overall budget for the Corporation will consist of all income and expense items, capital expenditures and projected income from the Preservation and Improvement Fund assessments and interest income. The Board shall establish the budget for the Preservation and Improvement Fund expenditures as a part of RCSC’s Long Range Plan.

SECTION 3: FINANCIAL REPORTING

On or before the 25th of each month (excluding year end), financial statements shall be distributed to the Board, Finance and Budget Committee and Senior Management. Financial statements shall compare actual monthly and year-to-date results with the budget and prior year results. Senior Management will review monthly variances from budget and report concerns to the Board.

SECTION 4: FINANCIAL REVIEW

Senior Management shall provide a year-to-date in depth review after March 31 and September 30 of financial operations and capital expenditures to both the Board and Finance and Budget Committee. Neither a year-end nor a June 30 in depth financial review will be provided unless otherwise requested.

SECTION 5: ACCOUNTING STANDARDS

All financial records and accounts of the Corporation shall be maintained in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Financial Accounting Standards Board (FASB).

SECTION 6: INTERNAL FINANCIAL CONTROLS

Senior Management is responsible for establishing specific internal control policies and procedures to include, but not limited to, authorization, segregation of duties, safeguarding, recording and depositing, reconciliation and review. Every RCSC employee is responsible for ensuring that established internal controls are followed and applied.

SECTION 7: REFUNDS

Except as stated specifically in the Corporate Documents there are no other refunds of assessments, fees or other charges by RCSC.

ARTICLE XIII – INVESTMENTS

The Corporation has an unrestricted cash reserve and additional unrestricted operations funds, a restricted Preservation and Improvement Fund and a restricted Capital Reserve Fund which shall be invested as follows:

SECTION 1: GENERAL OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

- A. **Safety**: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. The objective will be to mitigate credit risk and interest rate risk.
1. **Credit Risk**: RCSC will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:
 - a. Limiting investments to the types of securities per the Corporate Documents; and
 - b. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
 2. **Interest Rate Risk**: RCSC will minimize interest rate risk, which is the risk that the market value of securities in the investment portfolio will fall due to changes in market interest rates, by:
 - a. Structuring the investment portfolio so that securities mature or are available to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to the target duration strategy; and
 - b. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the investment portfolio in accordance with the Corporate Documents.
- B. **Liquidity**: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the investment portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the investment portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the investment portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.
- C. **Yield**: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:
1. A security with declining credit may be sold early to minimize loss of principal.
 2. Liquidity needs of the investment portfolio require that the security be sold.

SECTION 2: STANDARDS OF CARE

Authority to manage the investment portfolio is granted to RCSC's Investment Commission made up of approved Board of Directors of the Corporation. The President of the Corporation shall serve as Chair of the Investment Commission each year. The President, in January of each year, shall recommend to the Board three (3) fellow Board of Directors to serve with him/her on said Commission for that calendar year. The Board shall approve the Board of Directors who will serve with the President on the Investment Commission by majority vote of the Board (5).

Responsibility for the operation of the investment portfolio is hereby delegated to the Director of Finance, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with the Corporate Documents. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

- A. Prudence: The standard of prudence to be used by the Investment Commission shall be the "prudent person" standard and the standard of care set forth in Arizona Revised Statutes for directors and officers which shall be applied in the context of managing the overall investment portfolio. The Investment Commission, acting in accordance with Arizona Revised Statutes, written procedures, the Corporate Documents and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of the Corporate Documents.
1. The "prudent person" standard states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."
 2. Arizona Revised Statutes states: "A director's duties, including duties as a member of a committee, shall be discharged: (i) in good faith, (ii) with the care an ordinary prudent person in a like position would exercise under similar circumstances, and (iii) in a manner the director reasonably believes to be in the best interest of the corporation."
- B. Ethics and Conflicts of Interest: Officers and employees involved in the investment portfolio shall refrain from personal business activity that could conflict with the proper execution and management of the investment portfolio, or that could impair their ability to make impartial decisions. Officers and employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of RCSC.

SECTION 3: AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

- A. Authorized Financial Institutions, Depositories, and Broker/Dealers: A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).
1. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:
 - a. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
 - b. Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties);
 - c. Proof of state registration; and

- d. Certification of having read and understood and agreeing to comply with RCSC's Corporate Documents.

SECTION 4: SAFEKEEPING AND CUSTODY

- A. Internal Controls: The Director of Finance shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Investment Commission and with an independent auditor. The controls shall be designed to prevent the loss of funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by Officers and employees of RCSC.

SECTION 5: SUITABLE AND AUTHORIZED INVESTMENTS

- A. Investment Types:
 1. U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available.
 2. U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value.
 3. Certificates of deposit and other evidences of deposit at financial institutions.
 4. Bonds, debentures and notes that are issued by corporations organized and doing business in the United States and that are rated "A" or better by Moody's Investor Service, Standard and Poor's and/or Fitch rating service or their successors. All bonds must have at least two of these ratings.
 5. Commercial paper of prime quality that is rated "A1" and/or better by Standard and Poor's, and/or F1 by Fitch rating service or their successors. All commercial paper must have at least two of these ratings. All commercial paper must be issued by corporations organized and doing business in the United States.
 6. Investment-grade obligations of state, provincial and local governments and public authorities.
 7. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.

SECTION 6: INVESTMENT PARAMETERS

- A. Diversification: It is the policy of RCSC to diversify its investment portfolio. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all RCSC funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the Investment Commission for all funds.
 1. In establishing specific diversification strategies, the following general policies and constraints shall apply:
 - a. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector.
 - b. Maturities selected shall provide for stability of income and reasonable liquidity.
 2. For cash management funds:

- a. Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.
 - b. Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.
3. The following diversification limitations shall be imposed on the portfolio:
- a. Maturity: No more than 50% percent of the portfolio may be invested beyond 12 months, and the weighted average maturity of the portfolio shall never exceed 2.5 years.
 - b. Default risk: No more than 5 percent of the overall portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury.
 - c. Liquidity risk: At least 25 percent of the portfolio shall be invested in overnight instruments or in marketable securities which can be sold to raise cash in one day's notice.
- B. Maximum Maturities: To the extent possible, RCSC shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, RCSC will not directly invest in securities maturing more than five (5) years from the date of purchase. RCSC shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the entire Board of Directors.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as money market funds and appropriate liquidity is maintained to meet ongoing obligations.

SECTION 7: REPORTING

- A. Investment Commission: The Director of Finance and/or assigned shall prepare an investment report at least quarterly that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter. This report will be prepared in a manner which will allow RCSC's Investment Commission to ascertain whether investment activities during the reporting period have conformed to the Corporate Documents.
1. The report will include the following:
 - a. Listing of individual securities held at the end of the reporting period.
 - b. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
 - c. Listing of investment by maturity date.
 - d. Percentage of the total portfolio which each type of investment represents.
- B. RCSC Membership: A summary report shall be updated quarterly and shall be reported as a part of the Treasurer's report in a Board meeting excluding the month of July and August.

ARTICLE XIV – SUN CITY FOUNDATION

The Sun City Foundation (“Foundation”) is a tax exempt corporation under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended. The Foundation’s Articles of Incorporation and Bylaws state that the governing body of the Foundation rests with the Board of Directors of the Recreation Centers of Sun City, Inc. The RCSC Board shall govern the Foundation as follows:

SECTION 1: SUN CITY FOUNDATION BOARD OF DIRECTORS

At the RCSC January organizational meeting, the RCSC Board shall determine the number of RCSC Directors to be appointed to the Sun City Foundation Board of Directors (hereinafter referred to as “Foundation Board”) for the coming year, according to the Sun City Foundation Bylaws. At least a majority of the Foundation Board of Directors at any time must be current or former members of the RCSC Board of Directors. This can be done by appointing members in accordance with the Foundation Bylaws and the following:

- A. Must be a RCSC Member in good standing;
- B. Must not be related to any other member of the Foundation Board by marriage or birth;
- C. Must agree to adhere to the Foundation Articles of Incorporation and Bylaws, RCSC Articles, Bylaws, Board Policies and any and all rules and regulation of the Corporation.

Foundation Board positions not filled at that time may be allowed to exist for filling at a later date.

SECTION 2: RCSC SUPPORT SERVICES PROVIDED TO THE SUN CITY FOUNDATION

The Foundation Board has only a minimum amount of resources to carry out exclusively charitable and health educational purposes, therefore the following support services are approved by the RCSC Board of Directors.

A. Accounting & Other Services:

1. All financial record keeping will be performed and retained by RCSC. Financial reports and accounting will be performed by RCSC personnel and reported monthly to the Foundation Treasurer.
2. Unrestricted contributions will be received at the RCSC Board Office and made payable to the Sun City Foundation. A list of unrestricted donor names and donor amounts will be submitted to the Sun City Foundation Treasurer monthly.
3. Restricted contributions will be received at the RCSC Board Office and made payable to the Sun City Foundation with a written explanation as to the project that is to be funded or partially funded by the contribution. A copy of the check, written explanation of the project and the bid/quote for the project will be provided to the Sun City Foundation President and Treasurer. The Sun City Foundation will issue a check to RCSC immediately for the total amount of the contribution. Upon completion of the project, RCSC will issue to the Sun City Foundation President and Treasurer invoices that substantiate the completion of the project and that provide documentation that all restricted contributions were used for the project designated.
4. Clerical and other services may be performed by the RCSC personnel at no charge, based on availability of RCSC personnel.

5. Disbursements will be made only from Foundation funds upon approved vouchers signed by the Officers of the Foundation, and its Treasurer will report such disbursements to the Foundation Board.
 6. Tax preparation and/or audits will be processed through RCSC sources upon approval of the Presidents of the RCSC and the Foundation. Payment for these services will be made by the Foundation and reimbursed as a contribution from RCSC.
- B. Facilities: Upon approval of the RCSC Board or Senior Management, the use of RCSC Facilities is available to the Foundation at no charge.
- C. Legal: All legal matters will be processed through RCSC sources upon approval of the RCSC President. Payment for these services will be made by the Foundation and reimbursed as a contribution from RCSC.
- D. General: In regard to the use of RCSC resources, the Foundation shall have the same privileges as a Chartered Club.

BE IT FURTHER RESOLVED that a copy of these Corporate Bylaws shall be posted on the RCSC website (www.suncityaz.org) and shall be made available to Members upon request at no cost.

Adopted and signed this 17th day of December, 2020 at a duly called Board meeting by a majority (5) of the Recreation Centers of Sun City, Inc. Board of Directors.

ATTEST:

Dan Schroeder, President

Darla Akins, Secretary