

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
LAGUNA WOODS MUTUAL NO. FIFTY
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION**

September 17, 2015

The Board of Directors of Laguna Woods Mutual No. Fifty, a California non-profit mutual benefit corporation, met at 2:00 P.M. on Thursday, September 17, 2015 at 24055 Paseo del Lago West, Laguna Woods, California.

Directors Present: Ryna Rothberg-Chair, Chace Kendro, John Dalis, Henry Nahoum, Sy Wellikson

Directors Absent: None

Others Present: Open Session: Jerry Storage, Katy Howe, Wendy Panizza, Maureen McDonald (JCI)
Executive Session: Jerry Storage, Katy Howe, Betty Parker, Bill Brockschmidt Roseman & Associates, APC

CALL TO ORDER

President Ryna Rothberg called the meeting to order at 2:00 P.M. A quorum was present.

PLEDGE OF ALLEGIANCE TO THE FLAG

Director Henry Nahoum led the membership in the Pledge of Allegiance to the Flag.

APPROVAL OF AGENDA

Without objection, the agenda was approved as amended by adding as 14g "Approve Revisions to the Lien and Collection Enforcement Policy – Resolution."

APPROVAL OF MINUTES

Without objection, the Board approved the following minutes as amended:

- July 20, 2015 – 2016 Business Planning Meeting - Version 2

Director Wellikson moved and Director Kendro seconded that the Version 2 minutes include the percentage figure missing as a printer error.

- August 12, 2015 – 2016 Business Planning Meeting - Version 3
- August 20, 2015 – Regular Open Meeting

PRESIDENT'S COMMENTS

President Rothberg commented on various items concerning the Mutual.

GOLDEN RAIN FOUNDATION REPORT

Mr. Jerry Storage gave the September 1, 2015 Golden Rain Foundation Board Meeting Report and answered questions from the Board and Members.

RESALE AND LEASING REPORTS

Mr. Jerry Storage reported on the resales and leasing activity at The Towers.

ADMINISTRATOR'S REPORT

Ms. Katy Howe reported on lighting, the generator/fire pump project, roofing replacements, elevator refurbishments, and no longer scheduling card game set ups in lounges 1 and 2 and provided an overview of the Guckenheimer and the Maintenance reports.

REVIEW PRELIMINARY FINANCIAL STATEMENTS

Director Kendro reviewed the Preliminary Financial Statements through July 31, 2015 and answered questions from the Board and Members.

MEMBERS' COMMENTS

Mutual Fifty Members commented on various items concerning the Mutual.

RESPONSE TO MEMBERS' COMMENTS

The Directors briefly responded to Members' comments.

CONSENT CALENDAR

- Approved the October Board Meeting Date Change to be held on October 21, 2015 to begin at 1:30 PM.

OLD BUSINESS

Appoint Members to the Orientation Video Ad Hoc Committee

Without objection, the Board appointed Rene Merer and Ryna Rothberg to the Orientation Video Ad Hoc Committee.

Birthday Dinner Menu Options

During the August 20, 2015 Board meeting the Board finalized its cost saving changes to the Tower's monthly birthday dinner. Complaints have been received about the food choices.

Director Nahoum moved to change the monthly birthday dinner food choices to prawns or filet. Director Kendro seconded the motion.

By a vote of 4-0-0 the motion carried.

NEW BUSINESS (Items for Discussion and Consideration)

Discuss and Consider the 2016 Business Plan Resolution

The Secretary of the Corporation, Director Wellikson, read the following proposed resolution approving the 2016 Business Plan. Director Wellikson moved to approve the resolution. Director Kendro seconded the motion. Discussion ensued.

By a vote of 4-0-0 the motion carried and the Board adopted the following resolution as written:

RESOLUTION M50-15-39

**LAGUNA WOODS MUTUAL NO. FIFTY
2016 BUSINESS PLAN RESOLUTION**

RESOLVED, September 17, 2015, that the Business Plan of this Corporation for the year 2016 is hereby adopted and approved; and

RESOLVED FURTHER, that pursuant to said Business Plan, the Board of Directors of this Corporation hereby estimates that the sum of \$7,326,967 is required by the Corporation to meet the Laguna Woods Mutual No. Fifty operating expenses and reserve requirements for the year 2016 from which will be deducted \$1,236,726 expected from various sources of revenue. In addition, the sum of \$725,161 is required by the Corporation to meet the Golden Rain Foundation and the Golden Rain Foundation Trust operating expenses and reserve contributions for the year 2016. The Board of Directors hereby estimates that the net sum of \$6,815,402 is required to be collected from and paid by members of the Corporation as basic monthly assessments; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby approves expenditures from reserves in the sum of \$370,411 from the Replacement Funds; and

RESOLVED FURTHER, that all sums paid into the replacement reserves shall be used for capital expenditures only and shall be credited on the books of account of the Corporation to Paid-In Surplus as a capital contribution; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby determines and establishes monthly assessments of the Corporation as shown on each member's breakdown of monthly assessments for the year 2016 and as filed in the records of the Corporation; said assessments to be due and payable by the members of this Corporation on the first day of each month for the year 2016; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby determines and establishes monthly assessments required to be paid by members of the Corporation effective January 1, 2016 as follows:

Unit Model	Monthly Assessment
A	\$1,966.78

B	\$1,989.58
C	\$2,161.48
D	\$2,133.59
F	\$2,302.01
G	\$2,106.23
H	\$2,263.40

RESOLVED FURTHER, that the second occupant charge will be \$646.19, of which \$541.25 is for food service and \$104.94 is for maintenance; and

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

Discuss and Consider the 2016 Replacement Reserves Resolution

The Secretary of the Corporation, Director Wellikson, read the following proposed resolution approving the 2016 Reserves Plan. Director Wellikson moved to approve the resolution. Director Kendro seconded the motion. Discussion ensued.

Members commented on the resolution.

By a vote of 4-0-0 the motion carried and the Board adopted the following resolution as written:

RESOLUTION M50-15-40

**LAGUNA WOODS MUTUAL NO. FIFTY
2016 REPLACEMENT RESERVES RESOLUTION**

WHEREAS, Civil Code § 5570 requires specific reserve funding disclosure statements for homeowner associations; and

WHEREAS, planned assessments or other contributions to replacement reserves must be projected to ensure balances will be sufficient at the end of each year to meet the association's obligations for repair and/or replacement of major components during the next 30 years;

NOW THEREFORE BE IT RESOLVED, September 17, 2015, that the Board has developed and hereby adopts the Replacement Reserves 30-Year Funding Plan (attached) with the objective of maintaining replacement reserve balances at or above a threshold of \$1,230,000 (indexed for projected inflation), while meeting its obligations to repair and/or replace major components; and

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

Discuss and Consider Proposal from Johnson Controls, Inc.

The Secretary of the Corporation, Director Wellikson, read the following proposed resolution authorizing a supplemental appropriation not to exceed \$5,000, from the Contingency Fund, for Johnson Controls (JCI) to perform a study to identify potential energy savings within Mutual No. Fifty. Director Wellikson moved to approve the resolution. Director Dalis seconded the motion. Discussion ensued.

Members commented on the resolution.

By a vote of 4-0-0 the motion carried and the Board adopted the following resolution as written:

RESOLUTION M50-15-41

Approve Johnson Controls (JCI) Performing Study to Identify Potential Energy Savings

WHEREAS, Mutual No. Fifty works diligently to identify savings throughout the Mutual for its residents;

NOW THEREFORE BE IT RESOLVED, September 17, 2015, the Board of Directors of this Corporation hereby authorizes a supplemental appropriation not to exceed \$5,000, from the Contingency Fund, for Johnson Controls (JCI) to perform a study to identify potential energy savings within Mutual No. Fifty; and

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

Discuss and Consider Supplemental Appropriation for Drain Line Replacements

The Secretary of the Corporation, Director Wellikson, read the following proposed resolution authorizing a supplemental appropriation of \$20,000, funded from the Replacement Fund, to perform the necessary drain line replacements as specified in the attached report. Director Wellikson moved to approve the resolution. Director Nahoum seconded the motion. Discussion ensued.

Members commented on the resolution.

By a vote of 4-0-0 the motion carried and the Board adopted the following resolution as written:

RESOLUTION M50-15-42

Drain Line Replacements

WHEREAS, the Towers have experienced a high number of plumbing leaks this year in the air conditioning lines in Tower II that have required major pipe work; and

WHEREAS, each year the Board authorizes a \$50,000 capital appropriation for plumbing/mechanical/electrical replacements and the plumbing work that has been performed to date has utilized most of the funding; and

WHEREAS, the Maintenance staff has found several drain lines that are cracking due to age; additionally inspectors have found necessary replacements of piping for the fire sprinkler system;

NOW THEREFORE BE IT RESOLVED, September 17, 2015, the Board of Directors of this Corporation hereby authorizes a supplemental appropriation of \$20,000, funded from the Replacement Fund, to perform the necessary drain line replacements as specified in the attached report; and

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

Discuss and Consider Contractor List – Criteria for Adding/Removing a Contractor

The Secretary of the Corporation, Director Wellikson, read the following proposed resolution approving the Contractor List – Criteria for Adding/Removing a Contractor. Director Wellikson moved to approve the resolution. Director Kendro seconded the motion. Discussion ensued.

Members commented on the resolution.

By a vote of 4-0-0 the motion carried and the Board adopted the following resolution as written:

**CRITERIA FOR ADDING/REMOVING CONTRACTORS FROM
THE CONTRACTOR LIST**

**RESOLUTION 50-15-43
ADOPTED SEPTEMBER 2015**

WHEREAS, a Contractor List has been compiled to assist Laguna Woods Village residents in choosing a contractor; and

WHEREAS, the Board determined to approve criteria for adding and removing contractors to match that of the other Laguna Woods Village housing corporations; and

NOW THEREFORE BE IT RESOLVED, September 17, 2015, the Board of Directors of this Corporation hereby approves the following criteria that allow a contractor to be placed on the list:

1. A contractor must be in clear and active status with the California State Contractors License Board (CSLB). A copy of license must be filed with the Manor Alterations Department; and
2. A contractor must hold a minimum of \$100,000 general liability insurance, and worker's compensation as required by the CSLB. A current copy of the general liability insurance must be supplied and on file with the Manor Alterations Department; and
3. A contractor must have letters of recommendations from a minimum of three (3) different Laguna Woods Village residents.

RESOLVED FURTHER, that any one of the following items will cause removal from the list:

1. Expired contractor's license
2. Expired general liability, or worker's compensation insurance as required by the CSLB
3. Failure to obtain a Mutual Consent for Manor Alterations and City of Laguna Woods permit, if required, prior to commencement of work
4. Failure to comply with the requirements of the Mutual Consent for Manor Alterations

RESOLVED FURTHER, that once a contractor has been removed from the list, the contractor cannot be placed back on the list; and

RESOLVED FURTHER, that upon receipt of three (3) written complaints from residents against any one contractor in a 2-year period, the matter will be referred to the Board for consideration; and

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

Discuss Furnishings for Crystal Dining Room and Bridge Room

The Board discussed furnishings for the Crystal Dining Room and the Bridge Room.

Without objection, the Board instructed staff to consult an Interior Designer for help with the selection and design to replace various pieces of furniture in the Crystal Dining Room, the California Dining Room, and the Bridge Room.

Discuss and Consider the Lien and Collection Enforcement Policy

The Secretary of the Corporation, Director Wellikson, read the following proposed resolution approving revisions to the Lien and Collection Enforcement Policy. Director Wellikson moved to approve the resolution. Director Kendro seconded the motion. Discussion ensued.

By a vote of 4-0-0 the motion carried and the Board adopted the following resolution as written:

RESOLUTION M50-15-44

Lien and Collection Enforcement Policy

WHEREAS, Section 5310 of the California Civil Code requires that homeowner associations have a specific policy relating to collection of delinquent assessment accounts and enforcement of liens placed upon such delinquent properties; and

NOW THEREFORE BE IT RESOLVED, September 17, 2015, that the Board of Directors of this Corporation hereby approves the attached Collection and Lien Enforcement Policy and Procedures for Assessment Delinquencies, effective January 1, 2016; and

RESOLVED FURTHER, that Resolution M50-14-57, adopted October 16, 2014 is hereby superseded and cancelled; and

RESOLVED FURTHER that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

MUTUAL FIFTY COMMITTEE REPORTS

Finance Committee

Director Kendro reported on behalf of the Finance Committee.

Marketing Committee

No report was given on behalf of the Marketing Committee.

Orientation Committee

No meeting was held and no report was given.

Activities Committee

Ms. Katy Howe reported on behalf of the Activities Committee.

GRF COMMITTEE REPORTS

Community Activities Committee

Director Dalis reported on behalf of the GRF Community Activities Committee.

Energy Committee

No report was given on behalf of the GRF Energy Committee.

Finance Committee

Director Kendro reported on behalf of the GRF Finance Committee.

Landscape Committee

Director Wellikson reported on behalf of the GRF Landscape Committee.

Media & Communications Committee

Director Nahoum reported on behalf of the GRF Media & Communications Committee.

Mobility and Vehicles Committee

Director Dalis reported on behalf of the GRF Mobility and Vehicles Committee.

Clubhouse 2 Renovation Ad Hoc Committee

President Rothberg reported on behalf of the GRF Clubhouse 2 Renovation Ad Hoc Committee.

Security and Community Access Committee

No report was given from the Security and Community Access Committee.

Laguna Woods Village Traffic Hearings

Director Dalis reported from the Laguna Woods Village Traffic Hearings.

RECESS

The meeting recessed at 3:40 P.M. and reconvened into Executive Session at 3:45 P.M.

Summary of Previous Closed Session Meetings per Civil Code Section §4935

During its Regular Executive Session meeting of August 20, 2015, the Board approved the minutes of July 16, 2015 Regular Executive Session as written; approved one (1) Delinquent Assessment Write-Off; discussed the Guckenheimer Quarterly Business Review for Second Quarter 2015; discussed the Mutual Owned/Occupied Unit Report; reviewed the Delinquency Report; discussed contractual matters; and discussed litigation matters.

During the August 17, 2015 Special Closed Session Board meeting the Board discussed and considered contractual matters.

During the August 19, 2015 Special Closed Session Board meeting the Board discussed and considered contractual matters.

During the August 27, 2015 Special Closed Session All Boards meeting the Board discussed and considered contractual matters.

During the September 11, 2015 Special Closed Session All Boards meeting the Board discussed and considered contractual matters.

There being no further business to come before the Board, the meeting was adjourned at 6:00 P.M.

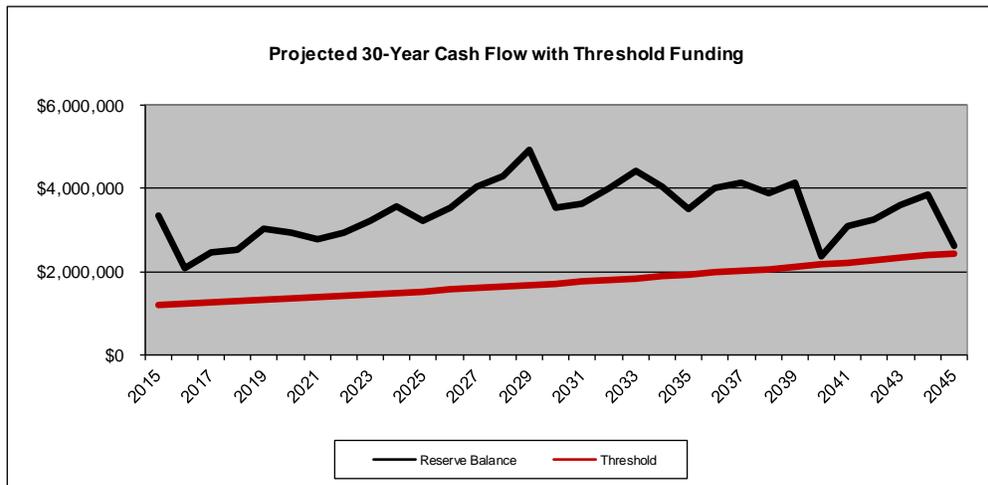
Sy Wellikson, Secretary

**LAGUNA WOODS MUTUAL NO. FIFTY
 2016 RESERVES PLAN
 Replacement Reserves 30 Year Funding Plan**

Baseline (Threshold): \$ 1,230,000
 Indexed for projected inflation

Year	Assessment		Interest Earnings	Planned Expenditures*	Reserve Balance
	Per Unit Per Month	Total Contribution			
2015	\$ 214.00	\$ 798,648	\$ 65,140	\$ 1,390,441	\$ 3,346,422
2016	\$ 214.00	\$ 798,648	\$ 48,904	\$ 2,120,411	\$ 2,073,563
2017	\$ 214.00	\$ 798,648	\$ 34,209	\$ 437,227	\$ 2,469,193
2018	\$ 214.00	\$ 798,648	\$ 37,668	\$ 772,556	\$ 2,532,953
2019	\$ 214.00	\$ 798,648	\$ 41,972	\$ 332,778	\$ 3,040,795
2020	\$ 214.00	\$ 798,648	\$ 45,084	\$ 938,414	\$ 2,946,113
2021	\$ 154.00	\$ 574,728	\$ 42,968	\$ 804,015	\$ 2,759,794
2022	\$ 159.00	\$ 593,388	\$ 42,821	\$ 469,293	\$ 2,926,710
2023	\$ 164.00	\$ 612,048	\$ 46,143	\$ 383,989	\$ 3,200,912
2024	\$ 169.00	\$ 630,708	\$ 50,916	\$ 321,982	\$ 3,560,554
2025	\$ 174.00	\$ 649,368	\$ 51,085	\$ 1,037,740	\$ 3,223,267
2026	\$ 179.00	\$ 668,028	\$ 50,798	\$ 419,573	\$ 3,522,520
2027	\$ 184.00	\$ 686,688	\$ 56,962	\$ 224,347	\$ 4,041,823
2028	\$ 189.00	\$ 705,348	\$ 62,833	\$ 507,908	\$ 4,302,096
2029	\$ 194.00	\$ 724,008	\$ 69,332	\$ 190,579	\$ 4,904,857
2030	\$ 199.00	\$ 742,668	\$ 63,499	\$ 2,183,433	\$ 3,527,591
2031	\$ 199.00	\$ 742,668	\$ 53,842	\$ 701,690	\$ 3,622,411
2032	\$ 199.00	\$ 742,668	\$ 57,452	\$ 415,614	\$ 4,006,917
2033	\$ 199.00	\$ 742,668	\$ 63,530	\$ 383,472	\$ 4,429,643
2034	\$ 199.00	\$ 742,668	\$ 63,629	\$ 1,215,989	\$ 4,019,951
2035	\$ 199.00	\$ 742,668	\$ 56,559	\$ 1,328,385	\$ 3,490,793
2036	\$ 199.00	\$ 742,668	\$ 56,521	\$ 275,088	\$ 4,014,894
2037	\$ 199.00	\$ 742,668	\$ 61,277	\$ 696,368	\$ 4,122,471
2038	\$ 199.00	\$ 742,668	\$ 60,309	\$ 1,039,164	\$ 3,886,284
2039	\$ 199.00	\$ 742,668	\$ 60,297	\$ 568,405	\$ 4,120,844
2040	\$ 199.00	\$ 742,668	\$ 48,797	\$ 2,553,176	\$ 2,359,133
2041	\$ 199.00	\$ 742,668	\$ 40,936	\$ 65,711	\$ 3,077,026
2042	\$ 199.00	\$ 742,668	\$ 47,585	\$ 625,280	\$ 3,241,999
2043	\$ 199.00	\$ 742,668	\$ 51,423	\$ 449,383	\$ 3,586,707
2044	\$ 199.00	\$ 742,668	\$ 56,062	\$ 527,358	\$ 3,858,079
2045	\$ 199.00	\$ 742,668	\$ 48,739	\$ 2,035,198	\$ 2,614,288

*Planned Expenditures include Reserves Expenditures Plan and carryover items from prior years.



MEMORANDUM

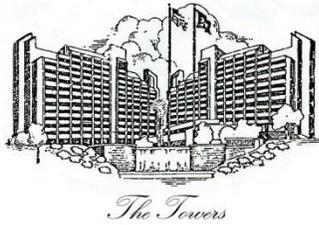
TO: Mutual Fifty Board of Directors
FROM: Katy Howe, Towers Administrator
SUBJECT: Supplemental Appropriation for Drain Line Replacements
DATE: September 17, 2015

As the Board has seen in its Maintenance reports, The Towers have experienced a high number of plumbing leaks this year in the air conditioning lines in Tower II that have required major pipe work by a licensed plumber. Each year, the Board authorizes a \$50,000 plumbing/mechanical/electrical capital appropriation for replacements. The plumbing work that has been performed to date has utilized most of this funding.

Now, Maintenance Staff has found several drain lines that are cracking, due to age. These are estimated to cost approximately \$4,850 each to repair. Additionally, inspectors have found some necessary replacements of piping for the fire sprinkler system, which is estimated to cost approximately \$3,850 to repair. See images on the following pages.

Replacement of fire sprinkler floor control valve and section of 2-1/2" water supply piping. System will have to be shut down and drained.	\$3,850.00
Replace failed cast iron sewer piping and fittings on wet stack located above ceiling of manor 206.	\$4,850.00
Replace failed cast iron sewer drain pipe and fittings on wet stack located above ceiling of bridge room.	\$4,850.00
Replace sections of sewer drain piping and fittings located in room S-4.	\$4,850.00

The total of these repairs are estimated to cost approximately \$18,400. Staff recommends the Board approve a supplemental appropriation to fund three sewer drain line repairs and one fire sprinkler repair.



Laguna Woods, California 92637

2016 COLLECTION AND LIEN ENFORCEMENT POLICY AND PROCEDURES FOR ASSESSMENT DELINQUENCIES

PURPOSE STATEMENT

The following is a statement of the specific procedures, policies and practices (“Policy Statement”) employed by Laguna Woods Mutual No. Fifty, a California nonprofit mutual benefit corporation (the “Mutual”) in enforcing lien rights or other legal remedies for default in payment of its assessments against its owners (“Members”). This Policy Statement is provided pursuant to the requirements of California Civil Code section 5310(a)(7).

The collection of delinquent assessments (sometimes referred to as Carrying Charges) is of vital concern to all Members of the Mutual. Such efforts ensure that all Members pay their fair share of the costs of services and facilities provided and maintained by the Mutual. Members’ failure to pay assessments when due creates a cash- flow problem for the Mutual and causes those Members who make timely payment of their assessments to bear a disproportionate share of the community’s financial obligations.

Accordingly, in order to reduce the amount and duration of delinquencies and to encourage the prompt and full payment of all assessments, the Mutual is vested with certain enforcement rights and remedies which are in addition to those which exist generally for creditors. These rights and remedies are described in this Policy Statement.

WE SINCERELY TRUST THAT ALL MEMBERS, IN THE SPIRIT OF COOPERATION AND RECOGNIZING THEIR LEGAL OBLIGATIONS, WILL MAKE TIMELY PAYMENTS AND AVOID THE IMPOSITION OF LATE CHARGES AND INTEREST, POSSIBLE RESULTANT LEGAL ACTION, AND THE LEGAL OBLIGATION TO REIMBURSE THE MUTUAL FOR THE COSTS OF SUCH LEGAL ACTION. IT IS IN THE BEST INTEREST OF A L L MEMBERS OF THE MUTUAL TO MAKE MONTHLY PAYMENTS ON TIME.

REGARDLESS OF WHETHER THE MUTUAL RECORDS A LIEN ON YOUR PROPERTY DURING THE COLLECTION OF PAST-DUE ASSESSMENTS, ALL MEMBERS HAVE A PERSONAL AND ONGOING OBLIGATION TO PAY ASSESSMENTS AND RELATED CHARGES.

BASIC POLICIES AND PROCEDURES

Delinquency reports are made monthly by the Mutual's managing agent to the Board of the Mutual, identifying the delinquent Member, amount and the length of time the assessments have been in arrears. The policies and practices outlined in this Policy Statement shall remain in effect until such time as they may be changed, modified, or amended by a duly adopted resolution of the Mutual's Board of Directors, or unless the applicable statutory scheme changes, in which event, this Policy Statement shall be construed so as to be consistent with any newly adopted statutes or court decisions. In accordance with the Mutual's governing documents (including, without limitation, the Articles of Incorporation, the Bylaws, the recorded CC&R's, and the Rules & Regulations) and the California Civil Code, to ensure the prompt payment of monthly assessments, the Mutual employs the following collection and lien enforcement procedures:

Assessment Due Date

Regular assessments are due and payable to the Mutual, in advance, in equal monthly installments, on the first day of each month. It is each Member's responsibility to pay assessments in full each month regardless of whether a billing statement is received.

Special assessments are due and payable on the due date specified by the Board of Directors in the notice imposing the special assessment or in the ballot presenting the special assessment to the Members for approval. In no event shall a special assessment be due and payable earlier than fifteen (15) days after the special assessment is imposed.

Reminder Notice

If the current monthly assessment is not received by the Mutual on or before the close of business on the sixteenth (16th) day of the month (or if a special assessment is not received by the Mutual on or before the close of business on the fifteenth (15th) day after it is due), a Reminder Notice may be sent to the Member. This reminder notice is sent as a courtesy only, is not mandatory, and Members should not expect to receive such reminders in every instance.

PLEASE NOTE THAT TO BE CONSIDERED TIMELY, THE PAYMENT MUST BE RECEIVED BY THE MUTUAL WITHIN THIS GRACE PERIOD. SIMPLY PLACING THE PAYMENT IN THE MAIL BEFORE THE GRACE PERIOD EXPIRES IS NOT SUFFICIENT.

Administrative Collection Fee

It is the policy of the Mutual not to routinely waive any late charges, interest, attorney's fees, or actually incurred "Costs of Collection." "Costs of Collection" as used in this Policy Statement include, without limitation, an administrative collection fee, currently in the amount of Five Hundred Dollars (\$500) (the "Administrative Collection Fee"), which is charged by the Mutual's managing agent to cover staff's costs to prepare the files for delivery to the

Mutual's legal counsel in order to carry out legal actions authorized hereunder, as well as direct costs incurred in recording and/or mailing documents attendant to this legal process.

This Administrative Collection Fee may be increased by majority vote of the Mutual's Board, and may be collected by the Mutual's legal counsel on its behalf, and remitted to the Mutual's managing agent, or may be directly collected by the Mutual's managing agent.

Late Charge

IT IS THE MEMBER'S RESPONSIBILITY TO ALLOW AMPLE TIME TO DROP OFF OR MAIL ALL PAYMENTS SO THAT THEY ARE RECEIVED BEFORE THE DELINQUENCY DATE. All notices or invoices for assessments will be sent to Members by first-class mail addressed to the Member at his or her address as shown on the books and records of the Mutual. However, it is the Member's responsibility to be aware of the assessment payment due dates and to advise the Mutual of any changes in the Member's mailing address.

A late payment charge for a delinquent assessment will be assessed in the amount of \$20.00 (not to exceed five percent (5%) of the delinquent assessment, as specified in Article VII, Section 4 of the Mutual's Declaration of Covenants, Conditions and Restrictions (CC&Rs) will be charged for each delinquent assessment, i.e., if payment is not received within 15 days of the due date. Such late charge may be imposed and collected regardless of whether the Member's delinquent account is referred to the Mutual's legal counsel for further handling NOTE TO BOARD: Civil Code § 5650(b)(2) states: "...unless the declaration specifies a late charge in a smaller amount, in which case any late charge imposed shall not exceed the amount specified in the declaration." The Mutual's CC&Rs specify the late charge is not to exceed 5%, and is therefore limited to said amount.

Interest

State law and the Mutual's governing documents provide for interest on the delinquent assessment and the late charge. Accordingly, interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate not to exceed ten percent (10%), as specified in Civil Code section 5650(b)(3), and Article VII, Section 5 of the Mutual's CC&Rs. Such interest may be imposed and collected regardless of whether the Member's delinquent account is referred to the Mutual's legal counsel for further handling.

Priority of Assessment Payments

Any payments made by the owner of a separate interest toward a debt shall first be applied to the assessments owed, and, only after the assessments owed are paid in full shall the payments be applied to the fees and costs of collection, attorney's fees, late charges, or interest. Civil Code §5655.

Demand Letter (aka Pre-Lien Letter)

If full payment of the delinquent amount is not received by the close of business on the day which is thirty (30) days after the date the delinquent assessment originally came due, a Demand Letter (also known as a Pre-Lien Letter under California Civil Code sections 5650-5660) will be sent to the Member by Certified Mail. The Mutual, through its managing agent, may also attempt to contact the Member by telephone to remind the Member of the delinquency and determine when payment will be made. However, no assurances can be given that the Mutual will in fact reach the Member by telephone, and the Member is responsible to pay off the delinquency whether or not a telephone reminder is actually received by the Member.

Alternate Means to Collect Delinquent Sums

If full payment of the delinquent amount is not received by the close of business on the thirtieth (30th) day after the date of the Demand Letter, the Mutual may, at its option, and based on the circumstances of the delinquency, including but not limited to, the total delinquent amount owing and the Member's payment history, undertake to collect the delinquency by: (1) suspending a Member's right to use Mutual or GRF facilities; (2) terminate the delinquent Member's Membership in the Mutual as a result of any foreclosure, (3) commence legal actions, discussed further below, or (4) through any other appropriate and lawful means.

The Mutual may, after following appropriate procedures prescribed by law and the Mutual's governing documents, suspend a delinquent Member's right to vote on matters as to which the Member would otherwise be entitled to vote (based on applicable law and/or the Mutual's governing documents), or to use facilities or receive services provided by the Mutual, or both, until the delinquency is paid in full, including interest, a late charge, attorney's fees, and/or the Costs of Collection, as may have been imposed or incurred in a particular instance. Failure to pay the assessments or failure to pay interest, late fees, and/or Costs of Collection may also result in suspension of Membership in and the ability to use the facilities or services provided by the Golden Rain Foundation of Laguna Woods or by this Mutual.

The Mutual may also take various legal actions to enforce the collection of delinquencies.

THESE ACTIONS MAY BE TAKEN SEPARATELY OR CONCURRENTLY.

Asset Investigation

The Mutual may, in its discretion, hire a Private Investigator to research a delinquent Member's available assets. An asset investigation will assist the Board in making an informed decision as to the correct collection action to take against the delinquent Member. Any and all costs of the investigation will be included on the delinquent Member's account as a reasonable cost of collection pursuant to Civil Code Section 5650(a).

Small Claims Court

In addition to recording a lien against the delinquent Member's property, a civil action in small claims court may be filed, with a management company representative or bookkeeper appearing and participating on behalf of the Mutual.

PLEASE NOTE THAT A SMALL CLAIMS COURT ACTION MAY BE PURSUED BASED ON A BOARD RESOLUTION EITHER BEFORE OR AFTER RECORDING A NOTICE OF DELINQUENT ASSESSMENT, AND/OR AFTER A WRITE-OFF.

The amount that may be recovered in small claims court may not exceed the jurisdictional limits of the small claims court, and shall be the sum of the following: (a) the amount owed as of the date of filing of the complaint in the small claims court proceeding; and (b) in the discretion of the court, an additional amount equal to the amount owed for the period from the date the complaint is filed until satisfaction of the judgment, which total amount may include accruing unpaid assessments and any reasonable late charges, fees and Costs of Collection (which costs shall, as stated above, include, without limitation, the Administrative Collection Fee), attorney's fees, and interest, all up to the jurisdictional limits of the small claims court.

Successive small claims court actions may be pursued, consistently with applicable laws, until the entire amount of the delinquency is recovered. If the amount owed to the Mutual by the delinquent Member exceeds the jurisdictional limits of the small claims court, an action may instead be filed in the Superior Court.

Foreclosure/ADR

If the amount of delinquent assessments (not including any late charges, fees, attorney's fees, interest, or Costs of Collection), exceeds One Thousand Eight Hundred Dollars (\$1,800), or any unpaid assessments are more than twelve (12) months delinquent, then, subject to specified conditions, the Mutual may initiate foreclosure proceedings to collect the amounts owed.

These conditions include that, prior to initiating a foreclosure, the Mutual shall offer the Member, and if so requested by the Member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program, or alternative dispute resolution ("ADR").

THE DECISION TO PURSUE DISPUTE RESOLUTION OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE MEMBER, EXCEPT THAT BINDING ARBITRATION SHALL NOT BE AVAILABLE IF THE MUTUAL INTENDS TO INITIATE A JUDICIAL FORECLOSURE.

Board Decision to Initiate Foreclosure

The decision to initiate foreclosure of a lien for delinquent assessments that has been validly recorded shall be made only by the Board, and may not be delegated to an agent of the Mutual. The Board shall approve the decision by a majority vote of the Board in an executive session. The vote must be recorded in the minutes of the next meeting of the Board open to all Members; however, the confidentiality of the delinquent Member shall be maintained by identifying the matter in the minutes only by the Parcel Number, and not by the name of the delinquent Member or Members. A Board vote to approve foreclosure of a lien

shall take place at least thirty (30) days prior to any public sale or judicial foreclosure.

The Board must provide notice by personal service to an owner of a separate interest or their legal representative, if the Board votes to foreclose. For a non-occupying owner, the Board must provide written notice by first-class mail, postage prepaid, at the most current address shown on the books of the Mutual. In the absence of written notification by a non-occupying owner to the Mutual, the address of the owner's separate interest may be treated as the owner's mailing address.

Foreclosure/Right of Redemption

Any non-judicial foreclosure by the Mutual to collect upon a debt for delinquent assessments is subject to a statutory right of redemption. The redemption period within which the separate interest may be redeemed from a non-judicial foreclosure sale ends ninety (90) days after the sale, pursuant to California Civil Code section 5715.

If a judicial foreclosure action is prosecuted to judgment and the judgment is entered in favor of the Mutual, assets of the Member may be seized or a lien may be placed on such assets to satisfy the judgment. Pursuant to the Civil Code, applicable regulations, and the Mutual's CC&R's, the delinquent amount, as well as late payment penalties for the delinquent assessments and/or interest charges and/or charges for Costs of Collection that are incurred by the Mutual or its managing agent acting on behalf of the Mutual in its efforts to collect delinquent assessments (including, but not limited to, attorney's fees, title company and foreclosure service company charges, charges imposed to defray the cost of preparing and mailing demand letters (such as the Administrative Collection Fee), recording costs and costs associated with small claims court actions) may be enforced as a lien against the Member.

Foreclosure on Monetary Penalties

Monetary penalties imposed by the Mutual as a means of reimbursing the Mutual for costs incurred by the Mutual in the repair of damage to common area and/or community facilities caused by a Member or the Member's guest or tenant may become a lien against the Member's separate interest enforceable by the sale of the interest. Civil Code section 5725(a).

However, monetary penalties imposed by the Mutual as a disciplinary measure for failure of a member to comply with the governing documents, except for the late payments, may not be characterized nor treated in the governing documents as an assessment that may become a lien against the Member's separate interest enforceable by the sale of the interest. Civil Code section 5725(b).

Prerequisites to Recording a Lien: Offer of ADR and Thirty (30) Day Pre-Lien Notice to the Delinquent Member

Before a Notice of Delinquent Assessment may be recorded against the property of the delinquent Member, the Mutual must offer the Member, and if so requested by the Member, the Mutual must participate in, dispute resolution pursuant to the Mutual's "meet and confer" program (per the requirements set forth in Article 2 commencing with section 5900 of Chapter

10) or Alternative Dispute Resolution (ADR) as set forth in Article 3 (commencing with Section 5925 of Chapter 10), of the California Civil Code.

Any choice by a Member to pursue any kind of ADR must be made by the Member's delivery of written notice of such choice to the Mutual's managing agent within thirty (30) days of any event which triggers a Member's right to pursue ADR, whether it is before a Notice of Delinquent Assessment can be recorded (i.e., upon receipt of the certified Pre-Lien Notice), or prior to initiating a foreclosure action, or in any other situation for which the Davis-Stirling Common Interest Development Act or the Mutual's governing documents authorize or allow a Member to choose ADR.

THE DECISION TO PURSUE DISPUTE RESOLUTION OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE OWNER. HOWEVER, BINDING ARBITRATION IS NOT AVAILABLE IF THE MUTUAL INTENDS TO INITIATE A JUDICIAL FORECLOSURE.

Pre-Lien Notice

If the Member elects not to proceed with dispute resolution, then the Mutual must send the Member a certified notice providing information regarding the sums claimed as being delinquent ("Pre-Lien Notice"). No lien can be recorded until thirty (30) days after this Pre-Lien Notice has been given.

This certified Pre-Lien Notice from the Mutual must include the following information (per California Civil Code section 5660):

- (a) A general description of the collection and lien enforcement procedures of the Mutual and the method of calculation of the amount that is claimed to be owed, a statement that the owner of the separate interest has the right to inspect the association records pursuant to section 5205, and the following statement in 14-point capital letters (or boldface type): "IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION";
- (b) An itemized statement of the charges owed by the Member, including items on the statement that indicate the amount of any delinquent assessments, the fees and Costs of Collection, reasonable attorney's fees, and late charges, and interest, if any;
- (c) A statement that the Member shall not be liable to pay the charges, interests and Costs of Collection if it is determined that the assessment was paid on time to the Mutual;
- (d) A statement that the notified Member has a right to meet with the Board to discuss a payment plan (further discussed below) as provided in Section 5665;
- (e) A statement that the Member has the right to dispute the assessment debt by

submitting a written request for dispute resolution to the Board pursuant to the Mutual's "meet and confer" program required in Article 2 (commencing with Section 5990) of Chapter 10;

(f) A statement that the Member has the right to request alternative dispute resolution (ADR) with a neutral third party pursuant to Article 3 (commencing with Section 5925 of Chapter 10 before the Mutual may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure.

Member's Right to Request a Meeting with the Board, Dispute Resolution, or ADR.

Upon receipt of the certified Pre-Lien Notice described above, the noticed Member has several possible courses of action that can be taken at this point in the collection process, such as:

(a) The Member has the right to dispute the assessment debt by submitting a written request for dispute resolution to the Mutual pursuant to the Mutual's "meet and confer" program, which is required by Civil Code sections 5900-5920;

(b) The noticed Member may exercise his or her right to participate in alternative dispute resolution with a neutral third party under Civil Code sections 5925-5965 before the Mutual may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure.

(c) The noticed Member has a right to submit a written request to meet with the Board of Directors to discuss a payment plan for the delinquent assessment, as long as the request for a meeting is made within fifteen (15) days following the postmark on the Mutual's Pre-Lien Notice to the Member. That meeting must take place within forty-five (45) days (calculated from the postmark on the Member's request) and must be conducted in executive session. When a Member has made a timely request for a meeting to discuss a payment plan, the Mutual must provide the requesting Member with the Mutual's standards for payment plans, if any standards have been adopted. There is no statutory authorization for the Board to delegate this meeting obligation to a property manager, but the Board may designate a committee of one or more directors to meet with the Member if there is no regularly scheduled Board meeting that will occur within forty-five (45) days of the Member's request.

Payment Plan Requests

Any Member who is unable to timely pay regular or special assessments is entitled to make a written request for a payment plan to the Mutual's Board. A Member may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the Demand Letter (i.e., the Pre-Lien Letter). The Mutual's Board will consider payment plan requests on a case-by-case basis, and is under no obligation to grant payment plan requests. Payment plans may incorporate any assessments and related charges that accrue during the payment plan period. Payment plans may not impede the Mutual's ability to record a lien on the Member's separate interest to

secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Member is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Mutual may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

If any “meet and confer” session or ADR is engaged in by and between the Member and the Mutual (or any neutral third parties, as the case may be), and these efforts do not result in a payment plan, then, assuming the new statutory minimum as to the delinquent amount or duration of the delinquency had been met, a proceeding may be commenced to foreclose the lien against the Member’s property and sell the Member’s property at a public sale or by a judicial sale. If this occurs, the Member may lose his or her property.

Application of Payments

Additionally, in accordance with state law, payments received on delinquent assessments shall be applied to the Member’s account in the following order of priority: first, to the assessments owed; then to accrued interest and late charges; then to attorney’s fees; then to title company and foreclosure service company charges and other Costs of Collection. Payments of assessments shall be applied in reverse order so that the oldest arrearages are retired first. Interest shall continue to accrue on unpaid balances of principal, and other costs and charges imposed in accordance with Civil Code section 5655.

The Mutual is prohibited from recording a lien or initiating a foreclosure action without participating in dispute resolution or ADR procedures if so requested by the Member. If it is determined through dispute resolution or ADR that the Mutual has recorded a lien for delinquent assessments in error, the Mutual is required to promptly reverse all late charges, fees, interest, attorney’s fees, Costs of Collection, costs imposed for the Pre-Lien Notice prescribed in Section 5660, and costs of recordation and release of the lien authorized under subdivision (b) of Section 5720, and pay all costs related to any dispute resolution or ADR that has been pursued.

Secondary Address

Members have a right to identify in writing to the Mutual a secondary address for purposes of collection notices delivered pursuant to this Policy Statement, and upon receipt of a written request from a Member identifying a secondary address, the Mutual must send additional notices to this secondary address.

No Right of Offset

There is no right of offset. A Member may not withhold assessments owed to the Mutual on the alleged grounds that the Member would be entitled to recover money or damages from the Mutual based on some grievance or other obligation.

Returned Checks

The Mutual may charge the Member a twenty-five dollar (\$25.00) fee for the first check

tendered to the Mutual that is returned unpaid by the Member's bank, and thereafter, the Mutual may charge a thirty-five dollar (\$35.00) fee for any subsequent check that is returned based on insufficient funds. If a Member's check cannot be negotiated for any reason, then the Mutual may also seek to recover damages of the greater of (a) one hundred dollars (\$100.00); or (b) three (3) times the amount of the check up to fifteen hundred dollars (\$1,500.00) in accordance with California Civil Code section 1719.

Charges and Fees Subject to Change

All charges and fees set forth in this Policy Statement are subject to change upon thirty (30) days prior written notice.

Overnight Payments

The mailing address for overnight payment of assessments is: Laguna Woods Mutual No. Fifty, Attn: Assessment Payments, 24351 El Toro Road, Laguna Woods, CA 92637.

Rights Reserved by Mutual

Although the matters set forth above summarize the policies and practices ordinarily employed to collect delinquent monthly assessments, the Mutual reserves the right to employ other or additional policies and practices as may be necessary or appropriate when the uniqueness of the circumstances or habitualness of the delinquency so requires.

Statement Required by Civil Code § 5965

Civil Code section 5965 requires the Mutual to include the following statement in this Policy Statement:

“Failure of a Member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of your right to sue the association or another Member of the association regarding enforcement of the governing documents or the applicable law.”

Attachments

The following attachments are included in this packet:

- The Notice of Assessments and Foreclosure required by Civil Code section 5730 is contained in Attachment “A” to this Policy.
- The disclosures required by the State Rosenthal Fair Debt Collection Practices Act and Federal Fair Debt Collection Practices Act are contained in Attachment “B” to this Policy.

**ATTACHMENT "A" NOTICE OF
ASSESSMENTS AND FORECLOSURE**

The following notice is provided pursuant to Civil Code Section 5730:

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a Member or a Member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

ATTACHMENT "B"

The following Disclosure is made pursuant to Civil Code Section 1812.700-1812.703

The State Rosenthal Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act require that, except under unusual circumstances, collectors may not contact you before 8 a.m. or after 9 p.m. They may not harass you by using threats of violence or arrest or by using obscene language. Collectors may not use false or misleading statements or call you at work if they know or have reason to know that you may not receive personal calls at work. For the most part, collectors may not tell another person, other than your attorney or spouse, about your debt. Collectors may contact another person to confirm your location or enforce a judgment. For more information about debt collection activities, you may contact the Federal Trade Commission at 1-877-FTC-HELP or www.ftc.gov.