

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

October 20, 2011

The Board of Directors of Laguna Woods Mutual Fifty, a California non-profit mutual benefit corporation, met at 2:00 P.M. on Thursday, October 20, 2011 at 24055 Paseo del Lago West, Laguna Woods, California.

Directors Present: Ryna Rothberg, Chair; Herb Harris; Marilyn Ruekberg; Keith Wallace; and Erwin Levy

Directors Absent: None

Others Present: Judie Zoerhof, Jerry Storage, Patty Kurzet

1. Call to Order

President Rothberg chaired the meeting and stated that it was a regular meeting of the Corporation and that a quorum was present. The meeting was called to order at 2:00 P.M.

2. Pledge of Allegiance to the Flag

Director Harris led the membership in the Pledge of Allegiance to the Flag.

3. Approval of the Minutes

The Board reviewed and approved without objection the minutes of the Special Meeting of September 8, 2011 and the Regular Meeting of September 15, 2011.

4. President's Comments

President Rothberg introduced Ms. Cathy Flores, the Towers' Listing Agent, who provided an update on the Towers' Resale Market Report.

President Rothberg announced that the newly renovated bathrooms are complete and thanked Staff for a job well done.

5. Members' Comments

- Virginia DiRocco (1262) recommended that the Board install railing in the Tunnel and install a canopy out in front of the Towers to protect residents from the rain.
- Anne Gilbert (1403) commented on the Lortscher Hall sound system.
- Mary Wayman (860) commented on increased assessments.

6. Consent Calendar

No items fell under the Consent Calendar.

7. Old Business

a. Approval of Collection and Lien Enforcement Policy

The Board considered a proposed resolution approving the revised Collection and Lien Enforcement Policy, which was postponed from the previous month to satisfy the 30-day notification requirements. Director Harris moved to approve the resolution. Director Levy seconded the motion.

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

RESOLUTION M50-11-62

WHEREAS, Section 1365 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, October 20, 2011, 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, 2012; and

RESOLVED FURTHER, that Resolution M50-10-68, adopted September 16, 2010 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.

b. Approve Revised Motorized Wheelchair Policy

A summary of a proposed resolution approving the revised motorized wheelchair policy was given, which was postponed from the previous month to satisfy the 30-day notification requirements. Director Harris moved to approve the resolution. Director Levy seconded the motion.

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

RESOLUTION M50-11-63

POLICY FOR MOTORIZED VEHICLE USE IN THE TOWERS

Residents who require the use of motorized vehicles in the Common Area must abide by the following policy. Documentation of a doctor's prescription and Certification of Insurance must be presented to the Administration Office for approval.

WHEREAS, the Board of Directors of Laguna Woods Mutual No. Fifty (“The Towers”) has the responsibility to uphold the Americans With Disabilities Act of 1990 as well as applicable state laws to accommodate the needs of disabled individuals who require the use of motorized vehicles to assist with mobility; and

WHEREAS, the Board of Directors has been concerned with the potential for accidents within the Towers due to the use of motorized vehicles within the interior common area; and

WHEREAS, the Towers was not built for motorized, wheeled scooters;

NOW THEREFORE BE IT RESOLVED, that on October 20, 2011, the Board of Directors of this corporation hereby states its policy on behalf of the corporation to allow Motorized Vehicles within the Towers only when prescribed by a doctor to assist such resident because he or she is disabled within the meaning of the Disabilities Laws; and

RESOLVED FURTHER, said residents must provide to the Towers managing agent in addition to the doctor’s prescription a Certificate of Insurance which provides homeowners’ insurance coverage for the Resident’s use of the Motorized Vehicle within the Towers with minimum coverage of \$250,000 per occurrence; and

RESOLVED FURTHER, that all motorized vehicles operating in the Common Area of Laguna Woods Village shall be operated at level 1 or the lowest speed in crowds and not faster than pedestrians in the same area while in transit; and

RESOLVED FURTHER, that Resolution M50-00-21, adopted May 18, 2000 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.

c. Approve Revised Dress Code Policy

A summary of a proposed resolution approving the revised dress code policy was given, which was postponed from the previous month to satisfy the 30-day notification requirements. Director Harris moved to approve the resolution. Director Levy seconded the motion.

Members Lorna Ingram (1161) commented on enforcing the policy and Betty Bent (1251) commented on the proposed policy.

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

RESOLUTION M50-11-64

DINING ROOM DRESS CODE POLICY

WHEREAS, Mutual Fifty has maintained a dress code for each dining room since the inception of the Towers; and

WHEREAS, good grooming (clothing, hair, face and hands) is expected at all times in the dining rooms and common areas; the following dress codes for the Towers dining rooms apply to both residents and their guests (for whom residents are responsible); and

NOW THEREFORE BE IT RESOLVED, October 20, 2011, that the Board of Directors of this Corporation on behalf of the Corporation hereby states the Mutual Fifty Dress Code Policy as follows;

In order to maintain the high standards of the Towers at Laguna Woods Village, the Board of Directors requests residents to read and adhere to the following Dress Code Policy:

Collarless tee shirts, tee shirts with printed offensive language, or tee shirts with logos are not allowed at any time; foot wear such as flip-flops, or thong sandals are not allowed in either dining room;

CRYSTAL DINING ROOM

Men are required to wear business suits, dress slacks, sport coats, dressy professional attire, which includes a suit coat or sports coat, collared shirts or turtleneck shirts with jackets as appropriate for gentlemen;

Ladies are required to wear dressy pant suits, dresses, or other dressy separates;

No caps or visors are to be worn in the Crystal dining room at any time;

CALIFORNIA DINING ROOM

Men are required to wear dressy casual slacks and collared shirts or sweaters, men are not allowed to wear shorts or shirts without collars;

Women are required to wear dressy casual or resort wear separates, denim or jeans are allowed in the California Room only; shorts are not allowed at any time.

RESOLVED FURTHER, that in an instance where a possible violation of the Dress Code is observed, two members of the Board must agree that there is a violation; at that time the information regarding the violation will be communicated to the Administration Office Staff who will advise the resident by a polite, positive letter acknowledging the possibility of the alleged specific offense; and

RESOLVED FURTHER, that no sleep attire, bathrobes, bed clothing, or spa attire is allowed in the common area at any time; and

RESOLVED FURTHER, that Resolution M50-10-58 dated August 19, 2010 is hereby canceled and superseded; 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.

d. Approve Revised Pet Policy

A summary of a proposed resolution approving the revised pet policy was given, which was postponed from the previous month to satisfy the 30-day notification requirements. Director Harris moved to approve the resolution. Director Levy seconded the motion.

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

RESOLUTION M50-11-65

WHEREAS, Mutual Fifty has an existing Pet Policy with regard to pets permitted in the Towers; and

WHEREAS, the Board has recently considered requests from individuals who wish to be allowed two small pets;

NOW THEREFORE BE IT RESOLVED, October 20, 2011, that the Board of Directors of this Corporation hereby approves the following Pet Policy:

Policy Statement

A pet must be licensed, with current inoculation records, and spayed or neutered. A copy of the license and a veterinarian's certificate verifying the aforementioned must be presented when applying for a permit.

All dogs, cats or other household pets authorized to be kept within a dwelling unit are required to have a permit issued by the Mutual.

The pet owner is required to appoint a pet guardian who will be responsible for the care of the pet in case of an emergency or when the owner is not

available. If the guardian is not available within 24 hours of the emergency, or owner's absence, the animal shelter will be notified.

An identity collar must be on the animal at all times, identifying the owner, unit, and pet's name.

The pet owner must submit a current Certificate of Insurance with their application, which provides homeowner's insurance coverage for any damage done by the pet to persons or Mutual property with a minimum coverage of \$250,000 per occurrence.

Rules for two dogs or two cats – The Pet Policy shall apply to those requesting to purchase or move-in with two pets.

Rules and Regulations

The ability of a resident to keep a pet is, as set forth above, subject to the following rules and regulations which are founded on health and safety considerations of all Mutual residents, visitors and guests.

1. No pet shall be permitted within the common area outside and/or inside the buildings unless restrained by a leash, **not to exceed six (6) feet**, and in the charge of a person competent to restrain and control the pet. Owners with two pets shall use the elevator to the tunnel exit exclusively and avoid the common area lounges. This request is made so that the control of multiple dogs on a leash does not cause a trip hazard.
2. Pets are only permitted in interior common areas when leaving their residence to the elevator and from the elevator to the nearest exit and must be on a leash at all times.
3. No pet shall be permitted to urinate or defecate within the common area except within the grass areas north of Tower I and west of Tower II. Fecal waste shall be removed forthwith and placed in a sealed double plastic bag by the owner or person in charge of the pet before placing in the trash chute.
4. Pet owners shall not allow their pets to obstruct or interfere with the right of other residents, guests or visitors, or annoy them by unreasonable noises at any time.
5. Small dogs may be carried while in the elevators to avoid leash tangles or accidents with the automatic doors.
6. Pets must be kept free of fleas at all times.

7. The Mutual's staff is not responsible for the cleanup or disposal of pet refuse.
8. During housekeeping services, the pet must be restrained or out of the manor.
9. Pet litter is never to be disposed of in toilets. Pet owners will receive a service charge if toilets become clogged because of the above.
10. There will be a \$25 cleanup charge to the owner of the pet who soils the common area.
11. Visitors with pets must comply with all rules pertaining to pets in Common Area.
12. Pet owners must comply with all pet related requirements of Laguna Woods Mutual Fifty and the City of Laguna Woods.

Disciplinary Procedures:

All pet related complaints will be investigated. After due notice of hearing, and opportunity for the resident to present his or her case, the matter will be considered by the Mutual's Board of Directors. The Board may take all disciplinary action authorized by the Mutual's bylaws including, but not limited to, 1) a fine; 2) payment of the corporation's attorney fees incurred in enforcing the pet regulations; 3) removal of the pet; or 4) termination of the occupancy of the resident in Mutual Fifty.

All Guide Dogs and personal assistance animals are exempt.

RESOLVED FURTHER, that Resolution M50-08-54 dated October 16, 2008 is hereby superseded and canceled; and

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

8. New Business

a. Approve Flu Shots at Towers

A summary of a proposed resolution granting permission for Maxim Health Care to provide flu shots and pneumonia shots to the residents was given. Director Ruekberg moved to approve the resolution. Director Harris seconded the motion.

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

RESOLUTION M50-11-66

WHEREAS, Mutual Fifty has provided venue for health care providers to offer flu shots to the residents of Mutual Fifty; and

WHEREAS, legal counsel has opined that there may be a risk to the Mutual with regard to providing venue for this service; and

WHEREAS, Maxim Health Care has provided flu shots for Mutual Fifty for the last six years and has expressed the desire to do so again;

NOW THEREFORE BE IT RESOLVED, October 20, 2011, that the Board of Directors of this Corporation hereby grants permission for Maxim Health Care to provide flu shots and pneumonia shots to the residents; and

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

9. Discussion Items

Ms. Zoerhof announced that the ballots for the upcoming Director Election will be mailed out within the week. Ballots will be opened and counted at the Annual Meeting of the Members on December 1, 2011 at 2:00 P.M. She encouraged all residents to cast their votes so that a quorum can be achieved.

Member Olive Guggenmos (455) commented on the voting process.

Ms. Zoerhof announced that the second floor bathroom restoration project is now complete and thanked Staff for a job well done.

10. Financial and Budget Report – Herb Harris

Director Harris gave the financial and budget reports.

11. Standing Committee Reports:

- **Resident Entertainment Committee:** JoAnn Cramer reported on behalf of the Resident Entertainment Committee.
- **Business Planning Committee:** Director Harris announced that the Business Plan has been mailed to the membership and explained how the assessments are distributed.
- **Orientation Committee:** Director Ruekberg reported on behalf of the Orientation Committee.
- **Architectural Control Committee:** No report was given.

12. GRF Committees:

- **Community Activities Committee:** No report was given.

- **Broadband Services Committee:** Director Wallace reported on behalf of the Broadband Services Committee.
- **Government and Public Relations Committee:** No report was given.
- **Bus Services Committee:** Director Harris reported on behalf of the Bus Services Committee.
- **Finance:** Director Harris reported on behalf of the Finance Committee.
- **Security Committee:** No report was given.
- **Land Use Committee:** Director Harris stated that the Specific Plan has been submitted to the City of Laguna Woods.

13. Golden Rain Foundation

Mr. Jerry Storage, General Manager, reported on the October 4, 2011 Golden Rain Foundation Board Meeting.

14. Resale and Leasing Reports

Mr. Storage reported on the resale and leasing activity at the Towers.

15. Administrator's Report

Ms. Zoerhof presented the new guest meal ticket and stated that beginning November 1, 2011 these new tickets will be used.

16. Directors' Forum

None.

Recess

The meeting recessed at 3:02 P.M. and reconvened into Executive Session at 3:08 P.M.

Summary of Previous Closed Session Meetings per Civil Code Section §1363.05

During its Regular Executive Session meeting of September 15, 2011, the Board reviewed and approved the minutes from the August 18, 2011 Regular Executive Session; considered establishing a foreclosure sale date; and accepted two deeds.

During its Special Executive Session meeting of October 11, 2011, the Board discussed contractual issues.

There being no further business to come before the Board, the meeting was adjourned at 3:58 P.M.

Keith Wallace, Secretary

YEAR 2012 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 1365(e).

The collection of delinquent assessments 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. Special assessments must be received in a timely fashion in order to finance the needs for which said special assessments are imposed.

Accordingly, in order to reduce the amount and duration of delinquencies and to encourage the prompt and full payment of all assessments, the Mutual has been 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, 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 YOU AND EVERY OTHER MEMBER OF THE MUTUAL FOR EACH OF YOU TO MAKE YOUR 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 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 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 shall be 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 thirty (30) days after the special assessment is duly 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 is sent to the Member.

PLEASE NOTE THAT TO BE CONSIDERED TIMELY, THE PAYMENT MUST BE RECEIVED BY THE MUTUAL WITHIN THIS FIFTEEN (15) DAY 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 duly imposed late charges, interest, 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 Twenty Dollars (\$20.00) and will be imposed on any assessment payment that is more than fifteen (15) days in arrears. Further, both state law and the Mutual's governing documents provide for interest on the delinquent assessment and the late charge, and accordingly interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate not to exceed twelve percent (12%) or the maximum interest rate allowed by law, whichever is less. Such interest may be imposed and collected per the foregoing sentence regardless of whether the Member's delinquent account is referred to the Mutual's legal counsel for further handling.

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 fifteen (15) days after the date of the Reminder Notice, a Demand Letter (also known as a Pre-Lien Letter under California Civil Code section 1367.1(a)) will be sent to the Member by Certified Mail. The Mutual, through its managing agent, will 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) termination of the delinquent Member's Membership in the Mutual as a result of any foreclosure, (3) legal actions, discussed further below, or (4) other appropriate 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, and/or the Administrative Collection Fee, as may have been imposed or incurred in a particular instance. Failure to pay the assessments or failure to pay interest, a late fee, and/or the Administrative Collection Fee 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.**

Small Claims Court

A civil action in small claims court may be filed (and/or a lien recorded, as to which the Mutual is prohibited from foreclosing while the amount of the delinquent assessments,

exclusive of any late charges, fees, attorney's fees, interest, and Costs of Collection is less than One Thousand Eight Hundred Dollars (\$1,800), or the delinquent assessments are not yet more than twelve (12) months delinquent), 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.

Foreclosure/ADR

Additionally, or alternatively, if the amount of delinquent assessments (again, 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

Another condition is that 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.

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.

Non-Judicial Foreclosure/Right of Redemption

A 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 foreclosure sale ends ninety (90) days after the sale, per California Civil Code Section 1367.4.

If a foreclosure action is prosecuted to judgment and the judgment is 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 provisions of the Davis-Stirling Common Interest Development Act, applicable regulations, and the Covenants, Conditions and Restrictions (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's Manor.

Moreover, pursuant to the Davis-Stirling Common Interest Development Act, monetary penalties that have been imposed by the Mutual as a means of reimbursing the Mutual for costs incurred by the Mutual in the repair of damage to common areas and/or community facilities for which a Member or a Member's guests or tenants were responsible may also be enforced as a lien against the Member's Manor.

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 can be recorded in the chain of title to the manor of a 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 5 commencing with Section 1363.810 of Chapter 4) or ADR as set forth in Article 2 (commencing with Section 1369.510 of Chapter 7), both in 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 or any type of ADR, 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:

- (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 (this Policy Statement is intended to satisfy that disclosure requirement);
- (b) A statement that the notified Member has the right to inspect the Mutual's records pursuant to Section 8333 of the Corporations Code;
- (c) A 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";
- (d) 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;
- (e) 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;
- (f) A statement that the notified Member has a right to meet with the Board to discuss a payment plan (further discussed below);

- (g) 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; and
- (h) A statement that the Member has the right to request ADR with a neutral third party 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, or 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 1363.810-1363.850;
- (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 1369.510-1369.590 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 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.

Also, Civil Code Section 1369.590 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 1369.520 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."

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 Manor and sell the Member's Manor at a private sale or by a judicial sale. If this occurs, the Member may lose his or her Manor.

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 principal 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 on account of principal 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 1366(e).

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 filed 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, and costs of recordation and release of the lien, 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. This means that 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 other obligation or some claim of another 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.

**BOARD OF DIRECTORS
LAGUNA WOODS MUTUAL NO. FIFTY**