

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THIRD LAGUNA HILLS MUTUAL
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION

July 17, 2012

The Regular Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Tuesday, July 17, 2012 at 9:30 A.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Mike Straziuso, Won Chang, Isabel Muennichow, Sy Wellikson, Rae Tso, Carol Moore, John Paulus, Kathryn Freshley, Dick Palmer, Denny Welch, Lucy Shimon

Directors Absent: None

Staff Present: Jerry Storage, Patty Kurzet
Executive Session: Jerry Storage, Patty Kurzet, Sandy Meyer

Others Present: Kelly Richardson, Esq.

CALL TO ORDER

Director Mike Straziuso, President of the Corporation, called the meeting to order at 9:30 A.M.

PLEDGE OF ALLEGIANCE

Director Tso led the Membership in the Pledge of Allegiance to the Flag.

ACKNOWLEDGEMENT OF MEDIA

A representative of the Globe was present, and the Channel 6 Camera Crew, by way of remote cameras, was acknowledged as present.

APPROVAL OF AGENDA

Without objection, the Board approved the agenda as written.

Director Palmer moved to remove 14(e) *Entertain Motion to Rescind Resolution 03-11-156*. Director Freshley seconded the motion and discussion ensued. By a vote of 5-5-0 (Directors Moore, Palmer, Freshley, Shimon, and Paulus voted in favor; Directors Wellikson, Muennichow, Welch, Chang, Tso opposed), the motion failed due to a tie vote.

Mr. Hillel Pitlik, Inspector of Election, reported on the integrity of last year's director election and spoke to the balloting process.

A report of the Candidate Information Committee was not given.

CHAIR'S REMARKS—Mike Straziuso

President Straziuso provided an overview of the Corporate Members meeting held on July 13, 2012 when the Corporate Members voted on proposed changes to the GRF Bylaws.

Mr. Kelly Richardson spoke to the Business Judgment Rule that protects Board members in their decision making by relying on expert advice of professionals.

President Straziuso spoke to a recent GRF budget meeting where a motion was made that affected contractual matters with GRF and PCM; and announced that a Robert Rules training session will be held for Board members on Saturday, July 28, 2012.

APPROVAL OF THE MINUTES

Without objection the Board amended and approved the June 19, 2012 Regular Meeting Minutes.

CONSENT CALENDAR

Without objection, the Board approved the Consent Calendar and took the following actions:

Maintenance & Construction Committee Recommendations:

- | | |
|--------|---|
| 3201-A | Approval to construct a pergola on the rear patio, with contingencies |
| 5520-B | Denial of request to reverse water heater repair and warranty service charges |

Landscape Committee Recommendations

None.

Finance Committee Recommendations

RESOLUTION 03-12-90

WHEREAS, Member ID 931-590-67 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

WHEREAS, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-590-67; 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.

RESOLUTION 03-12-91

WHEREAS, Member ID 931-710-80 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

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WHEREAS, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-710-80; 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.

RESOLUTION 03-12-92

WHEREAS, Member ID 931-720-36 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

WHEREAS, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-720-36; 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.

RESOLUTION 03-12-93

WHEREAS, Member ID 935-090-45 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

WHEREAS, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors hereby approves the recording of a Lien for Member ID 935-090-45; 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.

GENERAL MANAGER'S REPORT

Mr. Jerry Storage updated the Membership on the ongoing GRF projects within the Community and on Third Mutual projects.

Third Mutual Members were given the opportunity to speak and the Directors briefly responded.

UNFINISHED BUSINESS

The Board considered the following proposed resolution prohibiting the placement of political signs on Third Mutual common area:

RESOLUTION 03-12

WHEREAS, Civil Code §1353.6 states that a homeowner association cannot prohibit placement of non-commercial signs on exclusive use common area or a separate interest; and

WHEREAS, Third Mutual does not have a policy prohibiting signage on common area;

NOW THEREFORE BE IT RESOLVED, August 21, 2012, that the Board of Directors hereby prohibits the placement of political signage on Third Mutual common area; and

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

Director Muennichow made a motion to postpone the motion to August to satisfy the 30-day notification requirement. Director Welch seconded the motion and the motion carried by a vote of 9-0-1 (Director Palmer abstained).

NEW BUSINESS

The Secretary of the Corporation, Director Muennichow, read a proposed resolution approving the ballot package for the 2012 Director Election. Director Muennichow moved to approve the resolution. Director Welch seconded the motion and discussion ensued.

By a vote of 8-0-2 (Directors Moore and Freshley abstained), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-12-94

RESOLVED, July 17, 2012, that the ballot package for the 2012 Election of

Directors of this Corporation, as prepared by the managing agent, is hereby approved; and

RESOLVED FURTHER, that the Board hereby approves three (3) random ballot rotations to be determined by Martin and Chapman, the approved Election Company; and

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

Director Muennichow moved to establish an Eligibility to Vote Executive Committee to hear disciplinary hearings and to appoint a rotation of three (3) Board Members for meetings of July 23rd, 24th, and 25th; such Committee shall take final action of the Board as to Member voter eligibility. Director Welch seconded the motion and discussion ensued.

Director Moore amended the motion to schedule an evening meeting. Director Shimon seconded the motion and discussion ensued.

Director Moore amended the amendment to schedule an evening meeting at 6:00 P.M. Director Shimon seconded the motion and discussion ensued. By a vote of 9-0-1 (Director Welch abstained), the second amendment carried.

The amended motion as amended carried with a vote of 9-0-1 (Director Welch abstained).

Without objection the Board agreed to schedule the evening meeting on Tuesday July 24, 2012 in lieu of a day meeting.

The original motion as amended carried with a vote of 9-0-1 (Director Welch abstained).

Without objection, the Board appointed the following rotation of Board members to attend the Eligibility to Vote Executive Committee meetings:

July 23, 2012 – Directors Moore, Shimon, Wellikson
July 24, 2012 – Directors Tso, Palmer, Chang (evening 6:00-8:00)
July 25, 2012 – Directors Freshley, Straziuso, Paulus

The Secretary of the Corporation read a proposed resolution approving criteria for the Eligibility to Vote Committee to determine a Member's voter eligibility. Director Tso moved to approve the resolution. Director Shimon seconded the motion and discussion ensued.

By a vote of 7-0-0, the motion carried and the Board of Directors adopted the following resolution.

RESOLUTION 03-12-95

WHEREAS, a number of members of Third Laguna Hills Mutual are delinquent on financial obligations to the Mutual and pursuant to the governing documents may be disqualified from voting;

WHEREAS, in order for the Mutual to discharge its duties in accordance with the Mutual's governing documents, it is necessary to hold hearings prior to suspending a Member's voting privileges; and

WHEREAS, it would be burdensome and costly to hold eligibility hearings for those Members with de minimis amounts due to the corporation; and

WHEREAS, the Board of Directors deems the disqualification of Members for de minimis amounts to be unproductive and unnecessary;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board hereby approves the following criteria for the Eligibility to Vote Committee to determine a Member's voter eligibility:

- whether the Member owed any amount to the Corporation that was 30 days delinquent on the Board- established Record Date; and
- whether the delinquent amount in question was more than \$100 at the Record Date.

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

Director Wellikson read a proposed resolution establishing a legal inquiry protocol. Director Wellikson moved to approve the resolution. Director Welch seconded the motion and discussion ensued.

By a vote of 9-0-1 (Director Moore abstained), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-12-96

WHEREAS, It is desirable to achieve the most effective, economical and coherent use of legal counsel;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors of this Corporation hereby establishes the following legal inquiry protocol:

- The Board President, or his/her designee, shall have the sole authority to consult with legal counsel after notifying the Board of intention to do so, except in case of exigent circumstances;
- The President shall report in a timely manner to the Board the results of such consultations.

RESOLVED FURTHER, that Resolution 03-11-174 adopted October 18, 2011, 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 purposes of this resolution.

Director Muennichow moved to rescind Resolution 03-11-156 (attending GRF Executive Session meetings by invitation only by GRF Board). Director Chang seconded the motion and discussion ensued.

Director Wellikson left the meeting at 11:38 A.M. and did not return.

Mr. Richardson advised on the legality of GRF Bylaw §6.5.9 which is consistent with the Trustee and Beneficiary relationship.

By a vote of 5-4-0 (Directors Muennichow, Chang, Tso, Welch, and Paulus voted in favor), the motion carried.

COMMITTEE REPORTS

Director Rae Tso gave the Treasurer's and the Finance Committee Reports, and commented on the Resale & Lease Activities.

Director Isabel Muennichow reported from the Landscape Committee.

Director Denny Welch reported from the Maintenance and Construction Committee.

Without objection, the Board agreed to waive the reading of a proposed resolution approving the application of water-based acrylic paints appropriate for building surfaces and to maintain ten year paint cycle.

Director Welch moved to approve the resolution. Director Tso seconded the motion and discussion ensued.

Director Muennichow amended the resolution to add the following paragraph: **RESOLVED FURTHER**, that the selected paint shall include a 10-year labor and material warranty for application with a single coat. The motion was seconded and carried by a vote of 7-0-2 (Directors Shimon and Freshley abstained).

Director Moore amended the resolution to include "that all wood used for replacement of dry rotted wood be first primed before installation and painting." Director Shimon seconded the motion and discussion ensued. By a vote of 6-1-2 (Director Muennichow opposed; and Directors Tso and Chang abstained), the amendment carried.

By a vote of 9-0-0, the motion carried as amended and the Board of Directors adopted the following resolution:

RESOLUTION 03-12-97

WHEREAS, the Mutual's 10-year exterior paint program cycle is completing in 2012 and therefore the Mutual engaged the services of a paint consultant, KTA Tator Inc. to evaluate the coatings on the Mutual's structures; and

WHEREAS, KTA Tator reported some deterioration of the coatings on wood surfaces and that additional preparation of wood surfaces would be advisable; and

WHEREAS, KTA Tator reported that overall paint/coating thickness on some areas of the Mutual's buildings may approach their maximum advisable limit within the next two applications of elastomeric-type coatings on those surfaces and recommended that Third Mutual begin using an acrylic coating for the paint program; and

WHEREAS, Staff's analysis indicates maintaining painting of trim and stucco building components on the same schedule offers the most cost effective operational efficiency for the Mutual;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors hereby approves the application of water-based acrylic paints appropriate for building surfaces to which they are applied, and

RESOLVED FURTHER, that the painting cycle for all surfaces will remain on a 10 year cycle, and

RESOLVED FURTHER, that the selected paint shall include a 10-year labor and material warranty for application with a single coat; and that all wood used for replacement of dry rotted wood be first primed before installation and painting; and

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

Director Moore left meeting at 12:27 P.M.

Director Welch moved to approve the removal of corbel cut ends from all beams on a San Clemente-type building when dry rot is found in any of the corbels. Director Tso seconded the motion and the motion carried unanimously.

The Board waived the reading of a proposed resolution authorizing an additional supplemental appropriation to repair the slope below Building 3265. Director Welch moved to approve the resolution. Director Tso seconded the motion.

By a vote of 8-0-0 (Director Moore was absent from the meeting), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-12-98

WHEREAS, by way of Resolution 03-11-87, the Board of Directors appropriated monies to repair the slope below Building 3265 based on the Geotechnical Engineer's recommendations; and

WHEREAS, two competitive bids were received from qualified contractors and the lowest bid is higher than the budgeted amount;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors of this Corporation hereby authorizes an additional supplemental appropriation in the amount of \$114,820 from the Disaster Fund to repair the slope below Building 3265 based on the Geotechnical Engineer's recommendations; and

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

The Board waived the reading of a proposed resolution authorizing a supplemental appropriation to replace dry rot beams at Buildings 3242, 3420, 5515, 5518. Director Welch moved to approve the resolution. Director Chang seconded the motion.

Director Moore returned to the meeting at 12:29 P.M.

By a vote of 9-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-12-99

WHEREAS, four Garden Villa buildings with dry rot damaged wood beams have been identified and those beams are in need of replacement; and

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WHEREAS, a Structural Engineer was contracted to assess the damage, and the Structural Engineer recommended necessary beam replacements at Buildings 3242, 3420, 5515, 5518;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors of this Corporation hereby authorizes a supplemental appropriation in the amount of \$488,235 to be funded from the Replacement Fund to replace dry rot beams at Buildings 3242, 3420, 5515, 5518 and that such buildings shall be added to the 2012 Garden Villa Beam Replacement program; 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.

The Board waived the reading of a proposed resolution authorizing a supplemental appropriation to perform dry rot repairs/replacements in cul de sac CDS 212. Director Welch moved to approve the resolution. Director Tso seconded the motion.

By a vote of 9-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-12-100

WHEREAS, the Mutual's 2011 Business Plan included funding for dry rot inspections of buildings last painted in 2006, which included 98 buildings and 6 laundries in 20 cul de sacs; and

WHEREAS, mid-point inspections were made at the end of 2011 which lead to a finding that a significant amount of repair/replacement work must be done; and

WHEREAS, deriving definitive estimates for all repair/replacement work on each of the 98 buildings and 6 laundries has proven difficult;

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors of this Corporation hereby authorizes a supplemental appropriation in the amount of \$350,000 to be funded from the Replacement Fund to perform dry rot repairs/replacements in one cul de sac, CDS 212; and

RESOLVED FURTHER, that the cost of these repairs will be used to build a more accurate estimation model for the cost of completing repairs/replacements at all 98 buildings and 6 laundries; 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.

Director Palmer reported from the Water Conservation Sub-Committee.

Director Paulus reported from the Garden Villa Recreation Sub-Committee.

President Straziuso reported that the Board Operating Rules Committee did not meet.

Director Paulus reported from the Resident Problem Resolution Services.

Director Palmer reported from the Traffic Committee.

Director Welch reported from the Traffic Rules and Regulations Ad Hoc Committee.

Director Moore reported from the Community Revitalization Committee.

The Secretary of the Corporation read a proposed resolution authorizing an appropriation of \$100,000 to install pavers in various cul-de-sacs. Director Muennichow moved to approve the resolution. Director Moore seconded the motion and discussion ensued.

Director Chang moved to return the matter back to the committee. Director Welch seconded the motion. By a vote of 3-6-0 (Directors Tso, Chang, and Welch vote in favor), the motion failed.

Mr. Storage recommended that the resolution be amended as follows: NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors hereby authorizes an ~~appropriation~~ expenditure in the amount of \$100,000 to be funded from the existing 2012 reserves plan for Mutual Revitalization ~~Reserve Fund~~ to install pavers in the following locations;

Director Moore moved to approve the amendment. Director Shimon seconded the motion and the motion carried unanimously.

By a vote of 6-2-1 (Directors Tso and Welch opposed and Director Chang abstained), the original motion carried and the Board of Directors adopted the following resolution as amended:

RESOLUTION 03-12-101

WHEREAS, The Third Mutual Board supports revitalization of the community;
and

WHEREAS, improvements are needed, the Board of Directors of this Corporation approves the continued installation of pavers and

NOW THEREFORE BE IT RESOLVED, July 17, 2012, that the Board of Directors hereby authorizes an expenditure in the amount of \$100,000 to be funded from the existing 2012 reserves plan for Mutual Revitalization to install

pavers in the following locations: CDS 212 both right and left on circle; CDS 221 just before entrance to Via Mariposa East; CDS 302 just before entrance to Alta Vista; CDS 339 just before entrance to Punta Alta; CDS 317 just before entrance to Via Serena North; CDS 324 just before entrance to Via Carrizo; CDS 362 just before entrance to Paseo del Lago West; Gate 14 CDS 402, Via La Mesa just before west entrance to Avenida Sosiego; Avenida Sosiega West just before entrance to Bahia Blanca West; and

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

GRF Committee Reports

Director Shimon reported from the GRF Mobility and Vehicles Committee meeting.

DIRECTORS' COMMENTS

No additional comments were made.

The Board recessed at 1:02 P.M. and reconvened into Executive Session at 1:46 P.M.

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

During its June 19, 2012 Regular Executive Session Board Meeting, the Board reviewed and approved the minutes of the Regular Executive Session of May 15, 2012. The Board approved recording Notices of Default for Member ID 932-380-13, Member ID 933-050-98, and Member ID 934-500-12; approved three write-offs; approved filing three Small Claims Case of \$2,500 (or less); heard one disciplinary hearing and imposed fines totaling \$200 for violations of the Mutual's rules and regulations; discussed the legal matter of Lee Childress v. Third Mutual lawsuit and the Yoncich v. Third Laguna Hills Mutual Small Claims lawsuit; and discussed other member disciplinary, contractual and legal matters.

During its July 2, 2012 Special Executive Session Board Meeting, the Board spoke on corporate members with legal counsel.

With no further business before the Board of Directors, the meeting was adjourned at 4:03 P.M.

Isabel Muennichow, Secretary