

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

August 10, 2012

The Special Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Friday, August 10, 2012 at 1:00 P.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Mike Straziuso, Won Chang (by way of phone), Rae Tso, Sy Wellikson, Denny Welch, Carol Moore, Kathryn Freshley, Dick Palmer, Lucy Shimon

Directors Absent: Isabel Muennichow

Staff Present: Jerry Storage and Kim Taylor

Others Present: Kelly Richardson, Esq.

CALL TO ORDER

President Mike Straziuso chaired the meeting and stated that it was a special meeting held pursuant to notice duly given and that a quorum was present. The meeting was called to order at 1:00 P.M.

APPOINTMENTS TO BOARD VACANCY

Director Wellikson moved to invoke Bylaw 6.4.6.2 Vacancies Filled by Board of Directors option (a), elect an individual with the expertise needed, and appoint the new director at the next Board meeting. Director Welch seconded the motion. By a vote of 5-4-0 (Directors Freshley, Moore, Shimon, Palmer opposed) the motion carried.

President Straziuso opened the floor for the candidates to speak regarding their qualifications and reasons for running for the vacancy. Hank Gioia spoke first, followed by Carol Skydell. Ms. Skydell spoke to Hank Gioia's qualifications and declined to run for the vacancy.

Director Wellikson moved to approve the appointment of Hank Gioia in the place and stead of Dr. John Paulus, term ending in 2014. Director Tso seconded the motion. By a vote of 8-0-0 the motion carried unanimously.

President Straziuso announced that Hank Gioia has been appointed to the Board and invited him to sit with the Board.

President Straziuso made a motion to turn the meeting over to Mr. Kelly Richardson, Esq. The motion was seconded by Director Tso. By a vote of 6-3-1 (Directors Palmer, Freshley, Shimon opposed, Director Moore abstained) the motion carried.

Mr. Richardson announced the next part of the meeting was necessitated by a letter from Attorney Howard Neufeld on behalf of Member Paul Loughrey, claiming that six Directors had

received finances, gifts and or services from PCM in support of their candidacy for the Board, and that two Directors had taken trips to Germany, paid by PCM. Mr. Richardson announced he had repeatedly in writing asked Mr. Neufeld or his client to provide any evidence of this wrongdoing, so it could be addressed, and asked anyone in attendance to speak if they had any evidence to bring to the meeting of this. No one came forward. Neither Mr. Loughrey nor Mr. Neufeld were in attendance.

Director Freshley made a motion to form a committee of three or four Directors to hire an investigator to investigate the issue of possible improper campaign contributions from PCM or any affiliates of PCM as well as possible contributions to a current director or directors from contractors and agents in this community; and provide funds of \$6500 as financial support for the investigation by an expert in that field. The motion was seconded by Director Moore.

Director Straziuso moved to table the motion. The motion failed due to a lack of a second.

After discussion, the motion failed by a vote of 4-6-0 (Directors Moore, Palmer, Freshley, Shimon voted in favor) the original motion failed.

Mr. Richardson turned the meeting back over to President Straziuso.

ADJOURNMENT

With no further business before the Board of Directors, the special meeting was adjourned at 2:00 P.M.

Mike Straziuso, President

RESOLUTION 03-12-106

Third Laguna Hills Mutual re Investigation

WHEREAS:

On about August 2, 2012 the Mutual received a letter dated July 31, 2012 from Attorney Howard Neufeld, saying "it has been alleged, based upon information and belief" that the Mutual's management company, PCM, had underwritten some part of the campaign cost of certain directors, and had paid for current Directors Welch and Muennichow to travel to Germany. Mr. Neufeld said he represented Mutual Member Paul Loughrey;

The Board scheduled a special meeting in Open Session on Friday August 10, to receive evidence of any wrongdoing. The meeting was announced to the membership in advance. On August 3, 2012, Mutual legal counsel Richardson wrote to Mr. Neufeld, advising him of the meeting and asking him to provide any evidence regarding the allegations. Richardson received no response to this letter;

On Monday August 6, 2012, notification was given to members of a Special Board meeting, open session, to be held on August 10;

On August 7, 2012, Mr. Loughrey sent by electronic mail to the Third Board a sheet entitled "Mission Accomplished" in which he said he did not intend to attend the August 8 (sic) Board meeting;

Third legal counsel Kelly Richardson sent a letter to Mr. Neufeld on August 8, 2012, again reminding of the meeting of August 10 and also of the fact that the purpose of the meeting was to receive any evidence Mr. Loughrey had to present. Mr. Richardson asked Mr. Neufeld if he represented anybody in addition to Mr. Loughrey, or if the meeting should be cancelled. Mr. Neufeld never replied to the letter;

On August 9, Third Legal counsel sent a third letter to Mr. Neufeld, asking if the "Mission Accomplished" communique' meant that nobody would be appearing;

On August 10, 2012, about 90 minutes prior to the Board meeting commencing, Mr. Neufeld sent a letter to Mr. Richardson stating that Mr. Loughrey was his only client and that Mr. Loughrey would not be appearing at the meeting. His letter expressed the understanding that Mr. Loughrey had already informed Director Carol Moore that he would not be attending. No other information, either reason for Loughrey's failure to attend, or any information documenting the allegations, was provided;

On August 10, 2012, at approximately 1 p.m., the Board meeting was called to order in open session to address two items. First, the appointment of a Director to fill a vacancy and second, to receive any evidence which may be provided. Ms. Moore did not announce Mr. Loughrey's intention not to attend;

At approximately 1:15 p.m., the appointment of the Director to fill the vacancy was completed. Chair Straziuso asked for a motion to temporarily have legal counsel Richardson Chair the meeting. The motion was passed. Mr. Richardson announced that this part of the meeting was intended to receive any evidence in support of Mr. Loughrey's allegations that PCM financed all or part of any campaign for Director, or that PCM paid for two Directors to travel to Germany. Mr. Richardson announced further that he had learned from his office that Mr.

Neufeld had in a facsimile-transmitted letter indicated that Mr. Loughrey would not be attending the meeting;

Mr. Richardson asked for anyone in the audience to step forward if they wished to provide any evidence, documentation or information regarding the allegations. Nobody stepped forward to the podium. No Director provided any information to support the allegations;

General Manager Jerry Storage was asked if he wished to comment upon the allegations, and he angrily denied them. Director Denise Welch was asked to comment upon the allegations, and she said she had paid for the trip herself, and offered to provide her receipts and personal financial documentation to Mr. Richardson for review. She said the trip was planned, paid for and taken before they ran for the Board. Director Muennichow was not present to respond to the allegation. Directors Wellikson and Straziuso angrily denied the allegation that they had received assistance from PCM; and

As of the date of this Resolution, the Board has not received a single piece of evidence, credible or otherwise, that supports Mr. Loughrey's claims.

THEREFORE IT IS RESOLVED THAT:

1. The Board, having received no evidence, credible or otherwise, of anything to support the Loughrey allegations, after repeated requests for same, and having an open Board meeting requesting such evidence, and having the emphatic denials from the people affected by those allegations, has conducted an investigation satisfactorily responding to the accusations.
2. The information available to Third Laguna Hills Mutual does not merit any further action at this time. There is no evidence before the Mutual of the wrongdoing alleged by Mr. Loughrey. The allegations appear to be false, libelous and malicious.
3. The Board demands a written retraction and apology from Mr. Loughrey of his accusations. Third Laguna Hills Mutual legal counsel is requested to relay this demand to Mr. Loughrey's counsel.
4. The Board regrets the failed motion of Kathryn Freshley to appoint a private investigator as an unnecessary and unwarranted insult to the Directors who were the target of these unsubstantiated and hurtful allegations.

SO RESOLVED this 21st day of August, 2012.

The Third Laguna Hills Mutual Board of Directors.

Attested, Mike Straziuso, President