

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

**September 18, 2012**

The Regular Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Tuesday, September 18, 2012 at 9:30 A.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Mike Straziuso, Won Chang, Isabel Muennichow, Rae Tso, Carol Moore, Hank Gioia (9:58 A.M. - 10:27 A.M.; 10:53 A.M – 11:05 A.M.), Kathryn Freshley, Dick Palmer, Denny Welch, Lucy Shimon

Directors Absent: Sy Wellikson

Staff Present: Jerry Storage, Patty Kurzet  
Executive Session: Jerry Storage, Patty Kurzet, Cris Robinson, 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 Moore led the Membership in the Pledge of Allegiance to the Flag.

**ACKNOWLEDGEMENT OF MEDIA**

A representative of the Globe was not 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 amended by removing agenda item 9 *Presentation from Kurt Rahn re Landscape Procedures.*

**CHAIR'S REMARKS—Mike Straziuso**

President Straziuso announced that director election ballots are due October 1, 2012 and will be counted on October 3, 2012, and encouraged residents to cast their votes. President Straziuso commented on Dr. Paulus' contributions to the Community and thanked Carol Moore for her services on the Board.

The Globe representative entered the meeting at 9:37 A.M.

**APPROVAL OF THE MINUTES**

Director Freshley asked that the August 21, 2012 minutes reflect that the motion taken by the Board to attach a resolution to the August 10, 2012 meeting was inappropriately made, and requested that the resolution be withdrawn and resubmitted.

Mr. Richardson stated that such correction to the minutes is inappropriate at this time because that was the action that was taken at the meeting.

Director Moore asked that the minutes reflect that the resolution was submitted the morning of August 21, 2012 without the proper 4 day notice to the Community.

Mr. Richardson stated that such correction is not the function of the minutes.

No action was taken.

The Board approved the August 21, 2012 Regular Meeting minutes as amended.

### **CONSENT CALENDAR**

Without objection, the Board approved the Consent Calendar as amended by removing 3185-C *Deny request to retain clear plastic panels on the patio covers* from the Consent Calendar and placing it under the M&C report for further discussion, and took the following actions:

#### Maintenance & Construction Committee Recommendations:

- |         |  |
|---------|--|
| 3013-C  | Approve request to convert the master bedroom window to a sliding glass door and to install a concrete stoop and walkway, with contingencies |
| 3044-P  | Approve request to retain the patio extension, with contingencies  |
| 3202-B  | Approve request to install a garden wall with wrought iron fence and gate, with contingencies  |
| 3357-B  | Approve request for a rear patio extension wall, wrought iron fence and gate, with contingencies   |
| 3369-C  | Approve request for a rear patio extension, with contingencies   |
| 3501-1A | Approve request for a rear patio extension, with contingencies   |
| 5004    | Approve request to relocate bathroom windows, with contingencies   |
| 5500-1H | Approve request to install sliding glass door with concrete stoop in enclosure, with contingencies   |

#### (b) Landscape Committee Recommendations

- |         |   |
|---------|---|
| 3128-B  | Denial of request for tree removal          |
| 3335-3G | Denial of request for tree removal          |
| 5412    | Denial of request for two (2) tree removals |

#### Finance Committee Recommendation

### **RESOLUTION 03-12-116**

**WHEREAS**, Member ID 932-950-16 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**, September 18, 2012, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-950-16; 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.

Director Hank Gioia joined the meeting by way of telephone conference at 9:58 A.M.

### **UNFINISHED BUSINESS**

The Secretary of the Corporation, Director Muennichow, read the following proposed resolution approving the Rules for Board Meetings policy which have satisfied the 30-day notification requirement:

#### **RESOLUTION 03-12-**

**WHEREAS**, each Owner Member of Laguna Woods Village has an ongoing interest and right under California law to participate in the governance of their community; and

**WHEREAS**, the Board of Directors of the Third Laguna Hills Mutual has an equal interest and duty under law to ensure that the management of the community's affairs is carried out professionally and in adherence with the provisions of the Davis-Stirling Act; and

**WHEREAS**, the Board of Directors wishes to promote order and regulate meeting time in an even and consistent fashion; and

**NOW THEREFORE BE IT RESOLVED**, September 18, 2012, that the Board of Directors of this Corporation hereby approves the attached Rules for Board Meetings; 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 Welch moved to approve the resolution. Director Tso seconded the motion and discussion ensued.

Director Freshley moved to table for further board discussion at a separate Board meeting. Director Moore seconded the motion. By a vote of 7-3-0 (Directors Tso, Welch, and Chang opposed), the motion was tabled.

Director Muennichow read the following proposed resolution adopting a water heater policy that determines responsibility connected to the life of the water heater product warranty:

**RESOLUTION 03-12-**

**WHEREAS**, water heaters are owned and maintained by the Unit Owner whether installed by the Mutual as a chargeable service or installed by the Unit Owner or the unit owner's contractor; and

**WHEREAS**, the Mutual does not have a documented policy for determining the responsibility for damage to Mutual controlled property, and all other related costs, resulting from water heater failures; and

**WHEREAS**, establishing such a policy would help minimize Mutual responsibility for damages related to water heater failures;

**NOW THEREFORE BE IT RESOLVED**, October 16, 2012, that the Board of Directors hereby resolves that all costs for damage to Mutual controlled property, and other related costs, resulting from water heater failures occurring more than two years *after expiration of the manufacturer's Warranty Period* are the responsibility of the Unit Owner; and

**RESOLVED FURTHER**, that the warranty period for a water heater appliance, either installed by the Mutual or by the Unit Owner, begins on the date of permit issuance, or the date of installation as indicated by verifiable documentation; and

**RESOLVED FURTHER**, that in cases where the appliance is an Owner-Installed Water Heater, the current Unit Owner will be required to provide the warranty information and a copy of the City of Laguna Woods permit to demonstrate that the water heater is less than two years outside of the Warranty Period; and

**RESOLVED FURTHER**, that the inability of the Unit Owner to provide the required documentation will result in the Unit Owner being held responsible for all costs related to the water heater failure that are incurred by the Mutual; 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 Gioia left the meeting at 10:27 A.M.

By a vote of 8-2-0, the motion was tabled for further review.

### **NEW BUSINESS**

Mr. Richardson stated that because there is less than 30 days between board meetings, the proposed Chargeable Services Policy has already been announced and posted on TV 6 to satisfy the 30-day notification requirement, and the formal approval will be on October 16, 2012.

Director Welch moved to ratify the draft of the proposed Chargeable Services Policy. Director Chang seconded the motion and discussion ensued.

Mr. Richardson provided a summary of the proposed policy.

Member Marty Rhodes (5369-2A) addressed the Board on the proposed policy.

Without objection, the motion to ratify the policy was withdrawn.

Director Hank Gioia re-joined the meeting by way of telephone conference at 10:53 A.M.

Director Freshley moved to rescind the motion to allow the President to appoint 2 rotating Board Members, who sign a confidentiality agreement, to attend GRF Executive Session meetings per the GRF Bylaws. Director Shimon seconded the motion and discussion ensued.

Mr. Richardson advised that the Board not approve the motion.

By a vote of 5-5-0 (Directors Moore, Freshley, Palmer, Shimon, Tso, voted in favor; Directors Muennichow, Chang, Welch, Gioia opposed, and President Straziuso opposed to make a tie), the motion failed.

Director Gioia left the meeting at 11:05 A.M.

### **COMMITTEE REPORTS**

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

Director Muennichow read a proposed resolution approving the 2013 Business Plan. Director Muennichow moved to approve the resolution. Director Welch seconded the motion and Discussion ensued.

Members Shari Horne (2354-3C) and Bud Nesvig (2392-3H) commented on the proposed budget.

By a vote of 5-4-0 (Directors Freshley, Moore, Shimon, Palmer opposed; Directors Muennichow, Chang, Welch, Tso voted in favor; President Straziuso voted in favor to break the tie), the motion carried and the Board of Directors adopted the following resolution:

**RESOLUTION 03-12-117**

**THIRD LAGUNA HILLS MUTUAL  
2013 BUSINESS PLAN RESOLUTION**

**RESOLVED**, September 18, 2012, that the Business Plan of this Corporation for the year 2013 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 net sum of \$27,769,874 is required by the Corporation to meet the Third Laguna Hills Mutual operating expenses and reserve contributions for the year 2013. In addition, the sum of \$15,260,596 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 2013. Therefore, a total of \$43,030,470 is required to be collected from and paid by members of the Corporation as monthly assessments; and

**RESOLVED FURTHER**, that the Board of Directors of this Corporation hereby approves expenditures from reserves in the sum of \$9,209,194 of which \$6,990,314 is planned from the Replacement Fund, \$420,240 from the Elevator Replacement Fund, \$121,079 from the Laundry Replacement Fund, \$1,606,992 from the Disaster Fund, and \$70,569 from the Garden Villa Recreation Room Fund; 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 2013 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 2013; 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 read a proposed resolution approving the 2013 Replacement Reserves Plan. Director Muennichow moved to approve the resolution. Director Welch seconded the motion.

By a vote of 8-0-0, the motion carried and the Board of Directors adopted the following resolution:

**RESOLUTION 03-12-118**

**THIRD LAGUNA HILLS MUTUAL  
2013 REPLACEMENT RESERVES RESOLUTION**

**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 Corporation's obligations for repair and/or replacement of major components during the next 30 years; and

**WHEREAS**, Civil Code § 1365.2.5 requires specific reserve funding disclosure statements for common interest developments;

**NOW THEREFORE BE IT RESOLVED**, September 18, 2012, that the Board has developed and hereby adopts the Replacement Reserves 30-Year Funding Plans (attached) with the objective of maintaining replacement reserve balances at or above established thresholds totaling \$5,080,000, 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 purposes of this resolution.

Director Muennichow read a proposed resolution approving the Collection and Lien Enforcement Policy and Procedures for Assessment Delinquencies. Director Muennichow moved to approve the resolution. Director Chang seconded the motion and discussion ensued.

By a vote of 8-0-0, the motion carried and the Board of Directors adopted the following resolution:

**RESOLUTION 03-12-119**

**Collection and Lien Enforcement Policy**

**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**, September 18, 2012, 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, 2013; and

**RESOLVED FURTHER**, that Resolution 03-11-198, adopted November 15, 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 Isabel Muennichow reported from the Landscape Committee.

Director Denny Welch reported from the Maintenance and Construction Committee.

Director Muennichow read a proposed resolution authorizing a supplemental appropriation of \$7,100 to increase the service level to include bi-annual cleaning of all LH21 laundry room dryer vents. Director Muennichow moved to approve the resolution. Director Welch seconded the motion and discussion ensued.

Members Marc Bayer (2402-1C) and Marty Rhodes (5369-2A) commented on the motion.

By a vote of 6-2-0 (Directors Palmer and Freshley opposed), the motion carried and the Board of Directors adopted the following resolution:

**RESOLUTION 03-12-120**

**WHEREAS**, there are 84 laundry rooms in the LH21 buildings; and

**WHEREAS**, according to fire prevention experts, dryer vents should be inspected and cleaned every 2-3 years, and the LH21 dryer vents are currently serviced when a request for service is reported;

**NOW THEREFORE BE IT RESOLVED**, September 18, 2012, that the Board of Directors hereby authorizes a supplemental appropriation in the amount of \$7,100 to be funded from the Unappropriated Expenditures Fund to increase the service level to include bi-annual cleaning of all LH21 laundry room dryer vents in 2012, and include such funds to routinely perform maintenance every 2 years in the operating budget; 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 read a proposed resolution authorizing a supplemental appropriation of \$115,000 to repair the stairway support steel in 25 Garden Villa Buildings. Director Muennichow moved to approve the resolution. Director Tso seconded the motion and discussion ensued.

Director Palmer moved to refer the matter back to the M&C Committee. Director Freshley seconded the motion and discussion ensued. By a vote of 3-4-1 (Directors Palmer, Freshley, and Shimon voted in favor, and Director Moore abstained), the motion failed.

By a vote of 7-0-1 (Director Palmer abstained), the original motion carried and the Board of Directors adopted the following resolution:

**RESOLUTION 03-12-121**

**WHEREAS**, there are 25 Garden Villa buildings with exterior stairways made of concrete stair treads on steel supports that are attached to each building's first floor level that are in need of repair due to deterioration from water intrusion;

**NOW THEREFORE BE IT RESOLVED**, September 18, 2012, that the Board of Directors hereby authorizes a supplemental appropriation of \$115,000, to be funded from the Replacement Fund to repair the stairway support steel in 25 Garden Villa Buildings; 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 considered the variance request of 3185-C to retain clear plastic panels on the patio covers. Director Shimon moved to approve the request. Director Palmer seconded the motion and discussion ensued.

By a vote of 1-6-1 (Director Shimon voted in favor; Director Moore abstained), the motion failed). By failure of the motion to approve, the request was denied.

The Board considered appointing another Director to attend the Meet and Confer Sessions. Without objection, the Board agreed to allow the Chair to assign someone.

Director Palmer reported from the Water Conservation Sub-Committee.

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

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

Director Welch 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.

**GRF Committee Reports**

No reports were given.

**DIRECTORS' COMMENTS**

Directors made some final comments.

The Board recessed at 12:20 P.M. and reconvened into Executive Session at 1:14 P.M.

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

During its August 21, 2012 Regular Executive Session Board Meeting, the Board approved the July 17, 2012 Regular Executive Session minutes, the August 1, 2012 Special Joint Executive Session minutes, and the August 1, 2012 Special Emergency Executive Session minutes. The Board approved recording a Notice of Default for Member ID 931-360-05; approved four write-offs; heard one disciplinary hearing and imposed fines totaling \$400 for violations of the Mutual's rules and regulations; discussed the legal matters 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 September 13, 2012 Special Executive Session Board Meeting, the Board discussed a contractual and potential litigation issue.

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

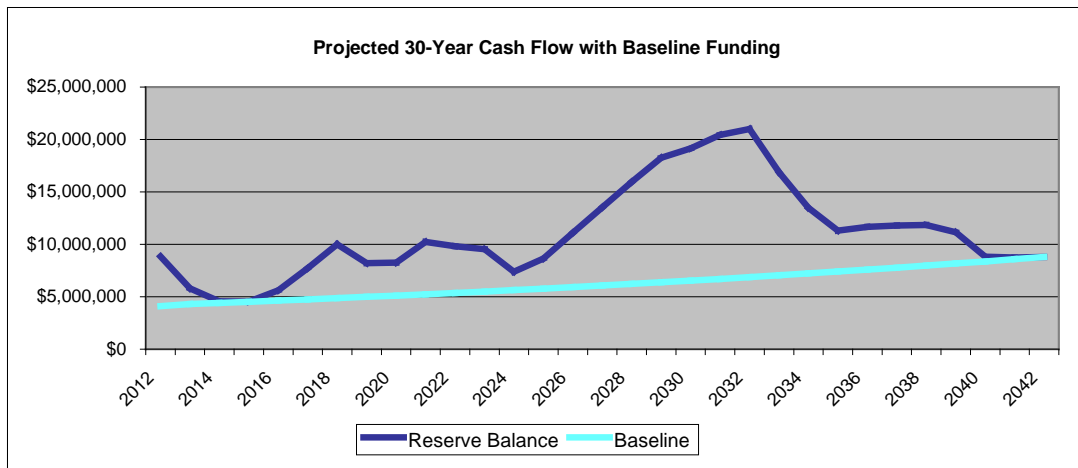
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Isabel Muennichow, Secretary

**THIRD LAGUNA HILLS MUTUAL  
 2013 RESERVES PLAN  
 Replacement Reserve 30-Year Funding Plan**

**Baseline (Threshold): \$ 4,300,000**  
 Indexed for projected inflation

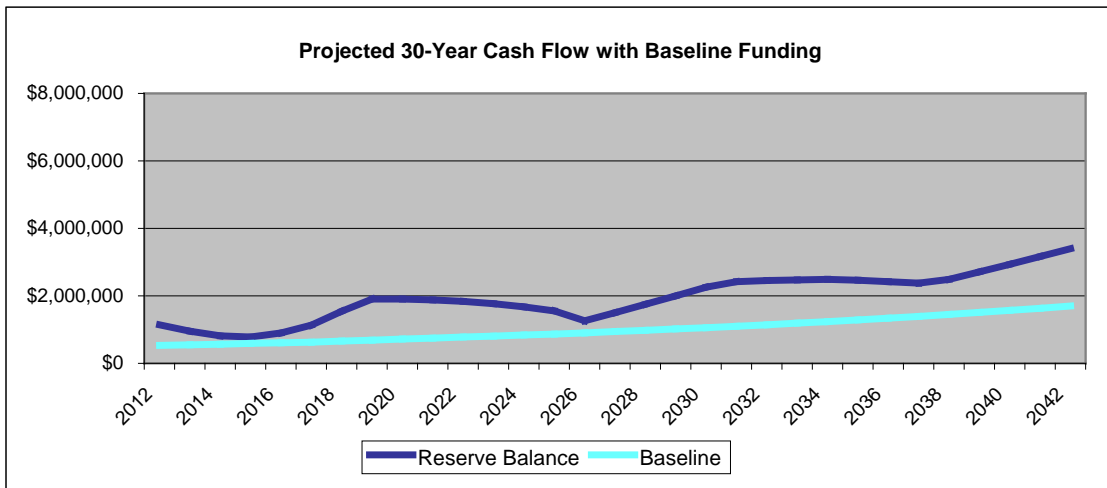
Year	Assessment		Interest Earnings	Other Additions	Planned Expenditures	Reserve Balance
	Per Manor Per Month	Total Contribution				
2012	\$ 50.00	\$ 3,661,200	\$ 205,607		\$ 5,969,938	\$ 8,842,029
2013	\$ 52.00	\$ 3,807,648	\$ 126,887		\$ 6,990,314	\$ 5,786,250
2014	\$ 56.00	\$ 4,100,544	\$ 89,763		\$ 5,414,368	\$ 4,562,189
2015	\$ 60.00	\$ 4,393,440	\$ 79,026		\$ 4,486,245	\$ 4,548,410
2016	\$ 63.00	\$ 4,613,112	\$ 88,133		\$ 3,637,552	\$ 5,612,103
2017	\$ 63.00	\$ 4,613,112	\$ 115,539		\$ 2,632,854	\$ 7,707,900
2018	\$ 63.00	\$ 4,613,112	\$ 153,704		\$ 2,462,704	\$ 10,012,012
2019	\$ 65.00	\$ 4,759,560	\$ 158,118		\$ 6,712,939	\$ 8,216,752
2020	\$ 67.00	\$ 4,906,008	\$ 142,862		\$ 5,012,406	\$ 8,253,215
2021	\$ 67.00	\$ 4,906,008	\$ 160,424		\$ 3,078,224	\$ 10,241,424
2022	\$ 67.00	\$ 4,906,008	\$ 173,966		\$ 5,507,013	\$ 9,814,385
2023	\$ 67.00	\$ 4,906,008	\$ 167,922		\$ 5,343,693	\$ 9,544,621
2024	\$ 67.00	\$ 4,906,008	\$ 146,802		\$ 7,217,934	\$ 7,379,497
2025	\$ 67.00	\$ 4,906,008	\$ 139,011		\$ 3,778,066	\$ 8,646,451
2026	\$ 67.00	\$ 4,906,008	\$ 171,300		\$ 2,621,808	\$ 11,101,950
2027	\$ 67.00	\$ 4,906,008	\$ 213,698		\$ 2,687,304	\$ 13,534,352
2028	\$ 67.00	\$ 4,906,008	\$ 255,677		\$ 2,754,437	\$ 15,941,601
2029	\$ 67.00	\$ 4,906,008	\$ 296,731		\$ 2,877,078	\$ 18,267,262
2030	\$ 67.00	\$ 4,906,008	\$ 324,514		\$ 4,353,208	\$ 19,144,576
2031	\$ 67.00	\$ 4,906,008	\$ 343,383		\$ 3,951,351	\$ 20,442,616
2032	\$ 67.00	\$ 4,906,008	\$ 359,553		\$ 4,699,495	\$ 21,008,681
2033	\$ 67.00	\$ 4,906,008	\$ 328,665		\$ 9,361,618	\$ 16,881,737
2034	\$ 65.00	\$ 4,759,560	\$ 263,516		\$ 8,406,946	\$ 13,497,866
2035	\$ 65.00	\$ 4,759,560	\$ 215,152		\$ 7,166,445	\$ 11,306,134
2036	\$ 65.00	\$ 4,759,560	\$ 199,372		\$ 4,586,492	\$ 11,678,574
2037	\$ 65.00	\$ 4,759,560	\$ 203,585		\$ 4,849,796	\$ 11,791,923
2038	\$ 65.00	\$ 4,759,560	\$ 204,976		\$ 4,917,605	\$ 11,838,854
2039	\$ 65.00	\$ 4,759,560	\$ 199,424		\$ 5,645,922	\$ 11,151,917
2040	\$ 65.00	\$ 4,759,560	\$ 173,216		\$ 7,267,243	\$ 8,817,450
2041	\$ 65.00	\$ 4,759,560	\$ 152,410		\$ 4,976,188	\$ 8,753,232
2042	\$ 65.00	\$ 4,759,560	\$ 152,298		\$ 4,860,580	\$ 8,804,510



**THIRD LAGUNA HILLS MUTUAL  
 2013 RESERVES PLAN  
 Elevator Reserve 30-Year Funding Plan**

**Baseline (Threshold):**                   **\$     550,000**  
 Indexed for projected inflation

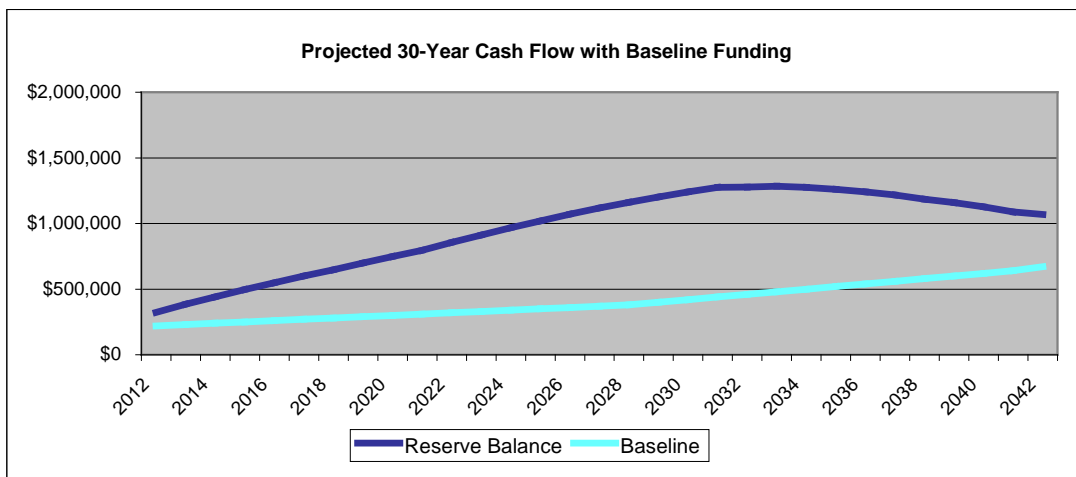
Year	Assessment		Interest Earnings	Planned Expenditures	Reserve Balance
	Per Manor Per Month	Total Contribution			
2012	\$ 3.00	\$ 219,672	\$ 24,239	\$ 300,000	\$ 1,138,317
2013	\$ 3.00	\$ 219,672	\$ 18,166	\$ 420,240	\$ 955,915
2014	\$ 5.00	\$ 366,120	\$ 15,342	\$ 524,583	\$ 812,794
2015	\$ 7.00	\$ 512,568	\$ 13,797	\$ 561,362	\$ 777,798
2016	\$ 9.00	\$ 659,016	\$ 14,555	\$ 551,140	\$ 900,229
2017	\$ 11.00	\$ 805,464	\$ 17,641	\$ 589,780	\$ 1,133,554
2018	\$ 11.00	\$ 805,464	\$ 23,258	\$ 414,545	\$ 1,547,731
2019	\$ 11.00	\$ 805,464	\$ 29,969	\$ 475,917	\$ 1,907,247
2020	\$ 11.00	\$ 805,464	\$ 33,066	\$ 840,971	\$ 1,904,805
2021	\$ 11.00	\$ 805,464	\$ 32,834	\$ 862,629	\$ 1,880,474
2022	\$ 11.00	\$ 805,464	\$ 32,219	\$ 884,195	\$ 1,833,962
2023	\$ 11.00	\$ 805,464	\$ 31,212	\$ 906,300	\$ 1,764,338
2024	\$ 11.00	\$ 805,464	\$ 29,795	\$ 928,957	\$ 1,670,640
2025	\$ 11.00	\$ 805,464	\$ 27,952	\$ 952,181	\$ 1,551,875
2026	\$ 9.00	\$ 659,016	\$ 24,384	\$ 975,986	\$ 1,259,289
2027	\$ 3.00	\$ 219,672	\$ 23,960	\$ -	\$ 1,502,921
2028	\$ 3.00	\$ 219,672	\$ 28,223	\$ -	\$ 1,750,816
2029	\$ 3.00	\$ 219,672	\$ 32,561	\$ -	\$ 2,003,049
2030	\$ 3.00	\$ 219,672	\$ 36,975	\$ -	\$ 2,259,696
2031	\$ 3.00	\$ 219,672	\$ 40,632	\$ 95,404	\$ 2,424,595
2032	\$ 3.00	\$ 219,672	\$ 42,299	\$ 234,695	\$ 2,451,872
2033	\$ 3.00	\$ 219,672	\$ 42,725	\$ 240,562	\$ 2,473,707
2034	\$ 3.00	\$ 219,672	\$ 43,054	\$ 246,576	\$ 2,489,857
2035	\$ 3.00	\$ 219,672	\$ 42,941	\$ 291,786	\$ 2,460,684
2036	\$ 3.00	\$ 219,672	\$ 42,367	\$ 299,080	\$ 2,423,643
2037	\$ 3.00	\$ 219,672	\$ 41,654	\$ 306,557	\$ 2,378,411
2038	\$ 3.00	\$ 219,672	\$ 42,245	\$ 148,445	\$ 2,491,883
2039	\$ 3.00	\$ 219,672	\$ 45,153	\$ 43,099	\$ 2,713,609
2040	\$ 3.00	\$ 219,672	\$ 49,024	\$ 44,176	\$ 2,938,129
2041	\$ 3.00	\$ 219,672	\$ 52,943	\$ 45,281	\$ 3,165,464
2042	\$ 3.00	\$ 219,672	\$ 56,912	\$ 46,413	\$ 3,395,635



**THIRD LAGUNA HILLS MUTUAL  
 2013 RESERVES PLAN  
 Laundry Reserve 30-Year Funding Plan**

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

Year	Assessment		Interest Earnings	Planned Expenditures	Reserve Balance
	Per Manor Per Month	Total Contribution			
2012	\$ 4.75	\$ 235,786	\$ 6,066	\$ 178,668	\$ 323,493
2013	\$ 4.25	\$ 176,154	\$ 6,143	\$ 121,079	\$ 384,711
2014	\$ 4.25	\$ 176,154	\$ 7,170	\$ 126,190	\$ 441,845
2015	\$ 4.25	\$ 176,154	\$ 8,142	\$ 129,344	\$ 496,797
2016	\$ 4.25	\$ 176,154	\$ 9,075	\$ 132,578	\$ 549,448
2017	\$ 4.25	\$ 176,154	\$ 9,968	\$ 135,892	\$ 599,678
2018	\$ 4.25	\$ 176,154	\$ 10,817	\$ 139,290	\$ 647,359
2019	\$ 4.25	\$ 176,154	\$ 11,684	\$ 135,559	\$ 699,637
2020	\$ 4.25	\$ 176,154	\$ 12,565	\$ 139,430	\$ 748,926
2021	\$ 4.25	\$ 176,154	\$ 13,397	\$ 142,916	\$ 795,562
2022	\$ 4.25	\$ 176,154	\$ 14,319	\$ 130,803	\$ 855,232
2023	\$ 4.25	\$ 176,154	\$ 15,335	\$ 134,073	\$ 912,649
2024	\$ 4.25	\$ 176,154	\$ 16,310	\$ 137,424	\$ 967,688
2025	\$ 4.25	\$ 176,154	\$ 17,243	\$ 140,860	\$ 1,020,225
2026	\$ 4.25	\$ 176,154	\$ 18,132	\$ 144,381	\$ 1,070,130
2027	\$ 4.25	\$ 176,154	\$ 18,974	\$ 147,991	\$ 1,117,267
2028	\$ 4.25	\$ 176,154	\$ 19,766	\$ 151,691	\$ 1,161,496
2029	\$ 4.25	\$ 176,154	\$ 20,507	\$ 155,483	\$ 1,202,674
2030	\$ 4.25	\$ 176,154	\$ 21,194	\$ 159,370	\$ 1,240,652
2031	\$ 4.25	\$ 176,154	\$ 21,823	\$ 163,354	\$ 1,275,274
2032	\$ 4.25	\$ 176,154	\$ 22,137	\$ 196,813	\$ 1,276,752
2033	\$ 4.25	\$ 176,154	\$ 22,206	\$ 191,774	\$ 1,283,338
2034	\$ 4.25	\$ 176,154	\$ 22,190	\$ 206,777	\$ 1,274,906
2035	\$ 4.25	\$ 176,154	\$ 21,998	\$ 211,946	\$ 1,261,112
2036	\$ 4.25	\$ 176,154	\$ 21,710	\$ 217,245	\$ 1,241,731
2037	\$ 4.25	\$ 176,154	\$ 21,323	\$ 222,676	\$ 1,216,532
2038	\$ 4.25	\$ 176,154	\$ 20,834	\$ 228,243	\$ 1,185,278
2039	\$ 4.25	\$ 176,154	\$ 20,340	\$ 222,130	\$ 1,159,642
2040	\$ 4.25	\$ 176,154	\$ 19,836	\$ 228,472	\$ 1,127,160
2041	\$ 4.25	\$ 176,154	\$ 19,218	\$ 234,184	\$ 1,088,348
2042	\$ 4.25	\$ 176,154	\$ 18,712	\$ 214,335	\$ 1,068,879



# *Third Laguna Hills Mutual*

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## **YEAR 2013 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 Third Laguna Hills Mutual, 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: Third Laguna Hills Mutual, 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**

**THIRD LAGUNA HILLS MUTUAL**