

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

January 15, 2013

The Regular Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Tuesday, January 15, 2013 at 9:30 A.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Mike Straziuso, Won Chang, Isabel Muennichow, Rae Tso, Kathryn Freshley, Denny Welch, Marc Bayer, Jim Juhan, Judith Troutman, Hank Gioia, Sy Wellikson

Directors Absent: None

Staff Present: Jerry Storage, Patty Kurzet
Executive Session: Jerry Storage, Patty Kurzet, Cris Robinson, Luis Rosas

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 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.

CHAIR'S REMARKS—Mike Straziuso

President Straziuso thanked the Board Members, the General Manager, and his staff for all their support and hard work; commented on a telephone call he received regarding landscapers; and commented on HUD revoking reverse mortgages due to new HUD guidelines.

APPROVAL OF THE MINUTES

Without objection or amendments, the Board approved the December 18, 2012 Regular Meeting minutes.

CONSENT CALENDAR

Without objection, the Board approved the Consent Calendar as amended by removing *3084-D Denial of request to repaint the wrought iron gate and wall inserts at Mutual's expense* from

the Maintenance and Construction Committee Consent Calendar for discussion under the Maintenance and Construction Committee report; and the Board took the following actions:

Maintenance & Construction Committee Recommendations:

- | | |
|--------|---|
| 3283-A | Approval of request to construct room addition, with contingencies |
| 5232 | Approval of request to perform extensive remodel, with contingencies |
| 5479-B | Approval of request to approve the rear patio extension and retention of the black entry door color |

Landscape Committee Recommendations

None

Finance Committee Recommendation

RESOLUTION 03-13-01

WHEREAS, Member ID 931-360-22 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, January 15, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-360-22; 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 03-13-02

WHEREAS, Member ID 935-100-27 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, January 15, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 935-100-27; 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 03-13-03

WHEREAS, The Finance Committee recommends filing separate Small Claims Court cases of \$2,500 (or less) in an attempt to collect delinquent assessments by way of a judgment or stipulation against members/owners in Third Laguna Hills Mutual; and

NOW THEREFORE BE IT RESOLVED, January 15, 2013, that the Board of Directors hereby approves the filing of a separate Small Claims Court case for Member ID 931-530-97; 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.

MEMBER COMMENTS

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

UNFINISHED BUSINESS

The Secretary of the Corporation, Director Isabel Muennichow, read a proposed resolution adopting rules for Board meetings which was postponed to satisfy the 30-day notification requirement. Director Welch moved to approve the resolution. Director Tso seconded the motion and discussion ensued.

No comments were made from the membership.

Director Wellikson called the question. Director Welch seconded the motion and the motion failed due to the lack of a 2/3 vote.

By a vote of 8-1-1 (Director Freshley opposed and Director Tso abstained), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-13-04

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, January 15, 2013, 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.

NEW BUSINESS

Director Muennichow moved to reinstate the "Coffee Meetings" for Third Mutual. Director Welch seconded the motion and discussion ensued.

Mr. Richardson advised that the Board can adopt a policy for such meetings that follows the Open Meeting Act and limits board member attendance to no more than 5.

Director Wellikson moved to refer the motion to the maker and seconder of the motion (Directors Muennichow and Welch) to propound rules and format for such "meeting" and bring the matter back to the Board for consideration. Director Bayer seconded the motion. The motion carried by a vote of 7-2-1 (Directors Troutman and Bayer opposed, and Director Welch abstained).

Director Muennichow moved to renew the Board's CAI Membership at a cost of \$705. Director Welch seconded the motion and discussion ensued. The motion carried by a vote of 9-1-0 (Director Freshley opposed).

The Board discussed its Owner-Occupied/Lease Policy (Resolution 03-05-18). No action was taken.

COMMITTEE REPORTS

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

Director Won Chang reported from the Landscape Committee.

Director Welch reported from the Maintenance and Construction Committee.

Director Muennichow read the following proposed resolution adopting a Heat Source Replacement Policy:

RESOLUTION 03-13

WHEREAS, there is no documented policy currently in place that outlines the procedure for replacement of a heat source within a manor when the original heat source system fails;

NOW THEREFORE BE IT RESOLVED, February 19, 2013, that the Board of Directors of this Corporation hereby adopts a Heat Source Replacement Policy, as attached to the official minutes of this meeting, that defines the conditions under which the Mutual will undertake a heat source replacement, the standard type of heat source to be installed, and the maintenance responsibility for the replacement of such; and

RESOLVED FURTHER, that a reserve component for heat source replacement shall be established beginning with the 2014 Reserve Expenditures Plan; 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 Bayer seconded the motion and discussion ensued.

Without objection, the Board agreed to change the header in II B to: "Failure Due to Cause Other Than the Mutual".

Without objection, the Board agreed to disseminate the proposed policy to the membership for 30-days for final approval in February.

The Board discussed the need for residents to install carbon monoxide alarms in their manors, effective January 1, 2013.

Director Welch reported from the Standards Sub-Committee.

The Board discussed the request of 3084-D to repaint the wrought iron gate and wall inserts at the Mutual's expense.

Director Welch moved to deny the request of 3084-D to repaint the wrought iron gate and wall inserts, but allow the member to repaint the wrought iron gate and wall inserts with the color Brushwood A - 1798 at member expense. Director Muennichow seconded the motion and the motion carried unanimously.

Director Welch reported that the Garden Villa Recreation Sub-Committee did not meet.

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

Director Welch reported from Resident Problem Resolution Services.

Director Freshley reported that the Traffic Committee did not meet.

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

Director Chang reported from the TLHM Revitalization Committee.

GRF Committee Reports

Directors gave brief reports from the committees on which they serve.

DIRECTORS' COMMENTS

Directors made some final comments.

ADDITIONAL MEMBER COMMENTS

Members from the audience were given the opportunity to make additional comments.

The Board recessed at 11:46 A.M. and reconvened into Executive Session at 1:00 P.M.

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

During its December 18, 2012 Regular Executive Session Board Meeting, the Board approved the November 20, 2012 Regular Executive Session minutes. The Board approved three write-offs for delinquent assessments, and established two non-judicial foreclosure sale dates. The Board heard two disciplinary hearings and imposed fines totaling \$850 for violations of the Mutual's rules and regulations; discussed the legal matters of Lee Childress v. Third Mutual and Drino v. Third Mutual lawsuits; and discussed other member disciplinary, contractual and legal matters.

With no further business before the Board of Directors, the meeting was adjourned at 5:35 P.M.

Isabel Muennichow, Secretary

THIRD LAGUNA HILLS MUTUAL RULES FOR BOARD MEETINGS

I. INTRODUCTION

Successful, efficient and orderly Board meetings benefit everyone in the community. Manor owners (“Members”) have the right to observe the open board meetings and are encouraged to attend, but meetings which are disorderly or too long can be discouraging.

These Rules are adopted to inform both Director and non-Director as to what is expected of all attending Board meetings, and how meetings are conducted. The goal is orderly and efficient meetings, protection of Owners’ right to observe productive deliberations, and enhancement of the governance and the experience of membership in the Third Laguna Hills Mutual (“Third”).

II. BOARD MEETINGS

A. Regular Board Meetings

Notice of the date, time and location of regular Board meetings will be provided by posting in the Clubhouse kiosks and the community center bulletin board and on the web site a minimum of four days before the meeting is to take place. Board meetings are open to all Association Members to attend and observe. Non-Members may attend only at the discretion of the Board of Directors.

Normally, regular Board meetings are held in the morning on the third Tuesday of each month. However, four days posted advance notice is always given of all open Board meetings except in case of emergency. Regular Board meetings are normally held in the Board Room on the ground floor of the community center and begin at 9:30 a.m..

B. Special Meeting or Altering Location, Date or Time

If a special Board meeting is called or if the location, date or time of a Board meeting is to be changed, all Members will be notified at least four days prior to the meeting by posting in the Clubhouse kiosks and on the web site. In an emergency, the President or any two Directors may call for a Board meeting on shorter notice.

C. Attendance

Members may attend Board meetings, but Executive Session meetings are closed.

D. Agendas

1. Preparation. Agendas are prepared by the President **1**, in cooperation with management staff. At least one week prior to a Board meeting, the President will inquire if any Director requests inclusion of an agenda item. The Chair may also call a Board meeting for the purpose of setting the regular Board meeting agenda.

1 Any action to be taken by the President may be taken by the First Vice President or the next officer in order as stated in the By-laws if the President is unable to attend or participate.

2. Request for inclusion. A Director may request an item be included in an agenda, by submitting the action requested and an explanation of the reason for the request. A Director requesting an agenda item is responsible to present that item to the Board with supporting information if the item is included in the agenda.

3. Rejected agenda items. The Chair with the assistance of Management Staff shall include a requested item in the agenda unless the item:

- Has no suggested action ;
- Is redundant with an item already on the agenda or was addressed in a Board meeting in the previous three months;
- Must be discussed in Executive Session;
- Would make the agenda unduly lengthy (and so will be on the next agenda);
- Is sent first to a committee for recommendation; or
- Is, based on the advice of legal counsel, proposing action barred by law.

4. Board request for agenda item. Notwithstanding the foregoing, if an agenda item is requested in writing or by electronic mail by at least six Directors, the Chair shall include it in the Agenda for the open meeting or the Executive Session meeting, depending upon the item.

5. Member Request for Agenda Item.

- a) A Member may request the President in advance that a topic be added to the agenda, but the President with the assistance of Staff will determine whether a requested topic will be included in the agenda.
- b) A topic will also be added to the agenda if at least one week prior to the scheduled Board meeting, the General Manager or Staff receives a petition signed by at least twenty five different Members entitled to vote.
- c) The requested agenda topic must still meet the standards of Rule II(D)(3) above.
- d) A Member who has requested an agenda item which is placed on the agenda ("Requesting Member"), may speak to the item during Open Forum, or at the election of the Chair, may present the topic to the Board immediately before the Board begins its deliberation of the item (assuming there is a Motion from the Board after the Requesting Member speaks). The Requesting Member may speak on the matter for up to five minutes. Only one person may be considered the "Requesting Member" for the purpose of addressing the Board. The Board may by motion give the Requesting Member more time to speak.

6. Publication, agenda packets. Agendas will be published at least four days prior to any non-emergency Board meeting. The Board will receive a board packet (also referred to as "agenda package"), prepared by management staff, at least four days prior to the meeting, and may be transmitted electronically upon request. To make the meeting more efficient, Directors should read the board packet prior to arriving at the meeting.

7. No discussion of matters not disclosed on agenda. The Board may not discuss subjects which are not on the agenda unless the matter is determined by a majority of the Board to involve an emergency, or unless the matter arose prior to the meeting but after the agenda was published and at least eight Directors concur that the matter requires immediate action.

Sample agenda. The following is a typical Agenda:

- Call to Order, Roll Call & Confirmation of Quorum.
- Pledge of Allegiance
- Welcome
- Announcements (including announcements required by these Rules)
- Open Forum (see Rule "F" below)
- Reading and Approval of Minutes From Previous Meeting
- Consent calendar
- General Manager Report
- Reports (if applicable)
 1. President
 2. Secretary/Correspondence
 3. Treasurer/Financial
 4. Special/Committee Reports (further discussion below)
- Unfinished business
- New Business
- Second Open Forum (if any)
- Adjournment

E. Committees: Reports, Meetings

1. If the Bylaws provide for standing committees or if the Board from time to time establishes committees, committee reports may be submitted to the Board prior to the meeting for review. If the committee recommends any Board action, the report should also indicate the reasons it is recommended. If possible, the committee Chair or a member of the committee should present the report.

2. A committee consisting solely of six or more Directors, or including at least six Directors in its roster, shall conduct its meetings in the same manner as a Board meeting, with agendas, minutes, Open Forum, and in compliance with all other requirements applicable to Board meetings.

3. A committee consisting of both Directors and non-Directors but which has less than six Directors may, but is not required to, conduct its meetings in the same manner as a Board meeting, but shall prepare and submit a report to the Board prior to the agenda publication, including any recommended action.

4. Any committee reports will be included in the board packets if they are timely submitted. Committee reports which do not contain a request for action will be noted in the minutes as "received."

5. A committee request for action shall be placed by the Chair or staff on the agenda, so long as it complies with Rule D(3).

6. Directors, upon presentation of a committee report, may ask questions about the report, but may not deliberate about the report unless that subject was timely placed on the agenda for deliberation and possible action in that meeting.

F. Open Forum

The Open Meeting Act, Civil Code §1363.05, provides that Board meetings are open to Members. A "meeting" under the law is "a congregation of a majority of the members of the board at the same time and place to hear, discuss, or deliberate upon any item of business that is within the authority of the board." The Board thus may not exclude Members from attending, absent discipline imposed as provided herein. The only exception is for Executive Session as discussed further below.

1. **Time for Open Forum.** Open Forum will normally occur at the beginning of the Board meeting. The agenda may also provide for a second Open Forum time at the end of the agenda. The Board may by motion re-open Open Forum on a specific agenda item, or reschedule Open Forum within the agenda.

2. **Member's Right to Speak.** Open Forum is a valuable and legally required portion of every open Board meeting. Open Forum is the opportunity for the Member to inform the Board of matters which may not be known.

- a) During Open Forum, a Member may speak to the Board on any topic not on the agenda. The purpose of Open Forum is to inform the Board of viewpoints or information of which the Board may not be aware regarding Third. Therefore, although a Member may use their time to speak upon any topic of interest to the Member, Members are advised that the Board may not be as attentive to comments on matters outside the Board's jurisdiction.
- b) At the time designated on the agenda for Open Forum, the Chair shall ask the Members present to raise their hand if they wish to speak in Open Forum. In order to give all Members an opportunity to speak at meetings, and to control meeting length, each member may speak for a maximum of three minutes. In the event more than ten Members indicate a desire to speak, the time limit per speaker shall be shortened to two minutes per speaker.
- c) Open Forum is the time for Members to speak and provide additional opinions and viewpoints to the Board, and is not a time for the Board to speak. Directors will listen and not respond or otherwise interrupt a speaker at Open Forum, so long as the speaker is within these Rules and time limits. A response, if any, by a Director or staff to an Open Forum remark or question shall be after the close of Open Forum. The Chair may appoint a Director or Staff-person as timekeeper.
- d) So long as the Open Forum comments comply with these Rules, neither staff, the Chair, nor other Director shall interrupt the speaker.
- e) The statements made by Members in Open Forum are not the position of

the Association, and Third takes no responsibility as to the content of Open Forum comments. At the beginning of Open Forum, the Chair shall remind all attending as to these Rules regarding Open Forum.

3. Open Forum During Agenda Item Discussions.

- a) During the Board deliberations of a matter, and when the Chair at the Chair's sole discretion determines there has been sufficient discussion to inform the attendees in the audience of the issue, the Chair will inquire if any Members in the audience wish to speak to the motion at hand.
- b) If the Chair sees any hands raised indicating a desire to speak, Open Forum will be reopened on the issue, and the Members indicating a desire to speak to the topic may speak for up to three (3) minutes on the specific agenda item.
- c) Off-topic commentary will not be permitted, but so long as the speaker complies with the Rules, neither the Chair nor any Director will interject or otherwise interrupt during the speaker's remarks.
- d) The Chair in its sole discretion may reduce the time per speaker to two (2) minutes on an issue, if the Chair deems it necessary to insure that all who wish to speak have the opportunity to do so.
- e) A member (or co-Owner of a Member) shall only speak once on a given agenda item.
- f) Once the Chair determines that all have spoken who wished to speak, or that no one has indicated a desire to speak, the Chair shall announce Open Forum is again closed, and the Board shall resume and conclude its deliberations on the item.

4. Re-opening of Open Forum. If an issue on the Agenda is deemed by the Board to require further Membership input, the Board may by majority vote re-open Open Forum, to allow Members to speak to the pending subject. If Open Forum is reopened, Members may speak for up to two minutes each. Upon completion of such Membership input, in compliance with Open Forum Rules, the Board will then close Open Forum and resume deliberating the subject.

5. Member Observation of Deliberations. Except for Open Forum, Members may not speak to the Board, and shall quietly observe Board deliberations except for those in Executive Session. Members do not vote or make motions at Board meetings, as only Directors vote at Board meetings. Applause, boos, or other audible response to Board deliberations or decisions is out of order.

6. Addressing the Board During Open Forum. When speaking, the Member will identify Member's name and Manor, and will stand at the speaker's podium if physically able to stand, and will address the Board, not the audience.

G. Meeting Conduct

Directors, Members and anyone else permitted to attend the meeting will conduct themselves in a reasonable manner. The following conduct is strictly prohibited:

- Profane or obscene language;
- Slurs involving race, religion, ethnicity, gender, sexual orientation, gender identity, or age;
- Shouting or yelling;
- Physical threats, including non-verbal communications such as gestures or using body language in such a way as to intimidate;
- Pounding on table or throwing items; and
- All other unreasonable and disruptive behavior which does not allow Members to peacefully observe the proceedings, or which otherwise impedes the ability of the Board to peacefully conduct its deliberations and the Members to peacefully observe those deliberations.

Directors will also refrain from making comments which:

- Divulge information from closed sessions;
- Divulge attorney client privileged confidential advice; or
- Maliciously malign any person, business or entity.

To create a positive atmosphere, all persons present will be seated (unless some handicap exists by which they cannot be seated) and will remain seated at all times when others are speaking, except when standing in line to speak for their turn in Open Forum. Neither Directors nor anyone addressing the Board will be allowed to speak while standing or hovering over someone else. All in attendance must behave in a professional and orderly manner. Directors shall refrain from interrupting each other or from making audible "sidebar" remarks while a fellow Director is speaking. Directors shall keep their microphones off except when they are addressing the Board.

H. Violation of Rules

Anyone (Member or Director) attending a Board Meeting violating the Rules may be:

- 1) First warned by the Chair,
- 2) Then warned by majority vote of the Board, and
- 3) Then by majority vote of the Board asked to leave the meeting.
- 4) In the event a person refuses to leave after the Board votes to eject the

individual, the meeting shall be recessed until such time as security and/or law enforcement can be summoned to assist or until the person voluntarily leaves.

The Board may schedule a disciplinary hearing to determine whether a Member will as a result of violation of these Rules be suspended from attending one or more future Board meetings as well as any other appropriate disciplinary measures.

A non-Member who is permitted to attend but disrupts a Board meeting may be ejected upon majority Board vote without warning.

I. Parliamentary Procedure

Meetings will generally follow "Robert's Rules of Order." In brief, there should be no discussion on an item unless and until motion is made and there is a second to the motion. A motion is a proposal that the Board takes a stand or takes action on some issue. Only Directors can make motions.

The Resolution or motion recommended by a Committee report shall be considered as a motion and need not have a second for discussion to commence, so long as the recommendation has been stated on the agenda at least four days in advance of the meeting, absent emergency.

The Chair, normally the President, may call for a motion or, if temporarily passing the gavel, may make a motion. If there is no second to a motion, the issue is dropped. If a motion receives a second, then the Chair will ask for debate and discussion. Fair play, courtesy and cooperative behavior is preferred over strict compliance with Robert's Rules.

J. Recording of meetings; Minutes

The proceedings of Board meetings shall not be electronically recorded, except by "Channel 6". Any other recording devices (audio, video or photographic) at Board or committee meetings are forbidden. The proceedings of such meetings shall be recorded in the minutes of the meeting. Minutes of Board meetings are prepared by the Secretary or, if the Board directs, by a Recording Secretary who need not be a Director. Minutes shall record actions taken, but shall not record commentary or statements by Directors, or comments during Open Forum.

K. Board Deliberations

1. Directors will deliberate topics only when on an agenda, except for emergency matters, and when a motion has been made and seconded by a Director, except for Committee recommendations, which do not require a motion or second. Unless a Director is only asking a question, Directors will indicate at the beginning of their remarks if they speak for or against the pending motion.

2. Generally, the motion initiating discussion should be made by the Director requesting the item to be placed on the agenda.

3. Directors shall:

- Cooperate to keep their remarks on the topic of a motion,
- Speak to each other,
- Not address the live audience or the television audience, and
- Avoid repetition of points already made, or repeating their own previous remarks on a motion.

4. If a Director violates the standards set forth in these Rules, the Chair may remind the Director of the standard being violated, and will then request the Director to bring their comments into compliance. In the event a Director continues to violate these Rules, the Board may proceed pursuant to subpart II(H) herein.

5. Motions may be amended in at least two ways:

- A motion, after receiving a second, may be amended by a motion, which motion must also receive a second and a majority vote.
- A motion may also be amended by a "friendly amendment" in which the author of the original motion consents to a proposed amendment to the motion. If the second also consents, the motion is amended and deliberations continue on the motion as amended.

L. Board Comments During Meetings

- The comments of Directors, staff, or Mutual consultants during Board or

Committee Meetings are not comments of the Mutual, and solely the opinions of the speaker.

- The position of the Mutual is only that expressed in Motions or Resolutions which are adopted by the Board of Directors.
- The Chair of any Board or Committee Open Meeting shall make an announcement at the beginning of the Board or Committee meeting which recites the first two sentences of this section verbatim.

M. Chair

1. The Chair shall be the President of Third, if present at the meeting, unless the Chair passes the gavel temporarily to the First Vice President. If the First Vice President is unavailable, then the Second Vice President may serve as Chair. If neither the President, First or Second Vice President are in attendance, a majority of the Board may elect a temporary Chair.

2. The Chair may participate in discussion and vote on any motion, unless the Chair recuses itself.

3. If the Chair wishes to make a motion, the Chair shall pass the gavel to the First Vice President or next Officer in succession until deliberation of the motion is concluded by a vote on the motion.

4. The Chair shall be entrusted with the orderly progress of the Board's deliberations. In the event the Chair perceives that deliberations have ceased to move the discussion forward (either because unanimity already exists; debate has become repetitive or otherwise unduly lengthy; positions on a motion have become clear; or because the Board is not ready to decide on the matter), the Chair shall call for a motion to close debate, or a motion to table the matter.

5. The relationship between the Board and Chair should be one of mutual respect. The Board should give respect and deference to the Chair's leadership in moving deliberations forward, while the Chair should give respect and not request a conclusion to deliberations of a matter if the Board majority wishes to continue deliberation of a topic.

6. Any Director also may move the previous question, which is not debatable, and requires a two thirds vote to conclude deliberations so that the matter being deliberated may be voted upon.

III. EXECUTIVE SESSION

A. Purpose of Executive Session

Executive Session meetings allow the Board of Directors to address issues of sensitive nature, which may involve attorney client privilege or other privacy rights. It is important that all information discussed and disclosed at these sessions remain private.

The Board may meet in Executive Session only on the following subjects:

1. Litigation or threatened litigation.
2. Contract negotiations.
3. Member discipline (i.e.: imposition of fines or other penalties).
4. Member's proposal of a payment plan for delinquent assessments.
5. Voting on the decision to foreclose upon an assessment lien.

6. Personnel issues.

Subsequent Board minutes will contain a general note of the actions taken.

B. Confidentiality Agreement

To protect Third and its Members, each Director shall annually sign a confidentiality agreement before attending and participating in Executive Session meetings. A Director who refuses to do so will not be permitted to attend Executive Session meetings, and legal counsel will not copy that Director on confidential communications, nor participate in legal advice discussions with that Director present.

The Confidentiality Agreement shall state substantially as follows:

"I, _____ (Name), after having been duly elected or appointed as a Director of Third Laguna Hills Mutual, do hereby agree that all information which is disclosed by or to me, orally or in writing, and all discussions held at an Executive Session Meeting of the Board and all attorney advice shall be kept confidential and shall remain confidential, even after I am no longer a Director. I understand that this means that anything I say, hear or see at an Executive Session Meeting may not be discussed with anyone outside of Executive Session.

I further understand that if I do not sign this Confidentiality Agreement or do not honor this Agreement, I will not be permitted to participate in or attend Executive Session Meetings or to receive confidential attorney-client communications. I further understand that I will be held responsible for any damages which result to the Mutual or its individual Members if I violate this agreement."

C. Procedure for Setting

The notice for a meeting which is solely an Executive Session meeting must be posted two days in advance, unless it is an emergency Executive Session meeting. The notice should state that the only item of business to come before the Board will be held in Executive Session and that no issues will be discussed in open session.

Rules adopted on January 15, 2013 by the Board of Directors.