

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

March 6, 2013

The Special Session Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Wednesday, March 6, 2013 at 1:30 P.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Mike Straziuso, Rae Tso, Won Chang, Isabel Muennichow, Hank Gioia, Kathryn Freshley, Denny Welch, Marc Bayer, Sy Wellikson, Jim Juhan (1:54 P.M.), Judith Troutman (via telephone 2:12 P.M.)

Directors Absent: None

Staff Present: Jerry Storage, Patty Kurzet, Cris Robinson

Others Present: Kelly Richardson, Esq.

CALL TO ORDER

Director Mike Straziuso, President of the Corporation, called the meeting to order at 1:30 P.M. and acknowledged TV 6.

Director Wellikson provided a statement of the purpose of the special meeting.

Without objection, the agenda was approved as amended by moving *Discuss and Consider Response to Counsel Request to Continue Entertaining Board Members* to the bottom of the agenda.

Director Freshley led the discussion on establishing a Code of Ethics to define and resolve alleged unethical behavior of Board Members.

Director Freshley moved to approve her proposed resolution. Director Wellikson seconded the motion and discussion ensued.

Mr. Richardson addressed the Board on the events that led up to the need to hold the meeting pertaining to his invitation extended to Board members to attend a Clippers Game.

Director Juhan entered the meeting at 1:54 P.M.

Director Bayer moved to refer the issue to a committee to be created by the President. Director Chang seconded the motion. By a vote of 3-6-0 (Directors Freshley, Tso, Gioia, Welch, Wellikson, Muennichow opposed), the motion failed.

Director Troutman entered the meeting at 2:12 P.M.

Director Muennichow moved to amend Section VI by removing the word “appropriately”. Director Tso seconded the motion and discussion ensued.

Director Wellikson moved the previous question. Director Gioia seconded the motion and the motion carried by a 2/3 vote.

The amendment carried unanimously.

Director Muennichow moved to amend Section VIII by removing the words “the Board shall investigate the violation”. Director Welch seconded the motion and discussion ensued. The amendment carried by a vote of 9-1-0 (Director Freshley opposed).

Director Welch moved to amend Section I by removing words “and enhancing”. Director Wellikson seconded the motion and discussion ensued. By a vote of 6-4-0 (Directors Muennichow, Freshley, Tso, and Troutman opposed), the amendment carried.

Director Wellikson moved to amend Section I by substituting the words “the corporation” with “within Third Laguna Hills Mutual”. Director Welch seconded the motion and discussion ensued.

Director Wellikson moved the previous question. Director Gioia seconded the motion and the motion carried by a 2/3 vote.

The amendment carried unanimously.

Director Bayer moved to add paragraphs VIII and IX of the current code of ethics resolution and place before paragraph VIII in the proposed resolution. Director Welch seconded the motion and the motion carried unanimously.

Director Wellikson moved to amend Section VI by adding the words “during and after board service”. Director Welch seconded the motion and discussion ensued.

Director Wellikson moved the previous question. Director Gioia seconded the motion and the motion carried by a 2/3 vote.

The amendment carried by a vote of 9-1-0 with Director Muennichow opposing.

Director Wellikson moved to amend Section VIII by deleting (e) and (f) and replacing with “(e) impose fines.” Director Bayer seconded the motion and discussion ensued.

Director Wellikson moved the previous question. Director Gioia seconded the motion and the motion failed due to the lack of a 2/3 vote.

Discussion continued.

Director Freshley called for the division of the motion. Director Gioia seconded the motion and the motion carried unanimously.

By a vote of 8-1-1 (Director Troutman opposed, and Director Freshley abstained), Section VIII (e) was deleted.

By a vote of 7-3-0 (Directors Troutman, Freshley, and Muennichow opposed), Section VIII (f) was deleted.

By a vote of 6-4-0 (Directors Gioia, Freshley, Bayer and Tso opposed), the words "impose fines" was added.

Director Bayer moved to amend Section II by removing the words "that are or may appear to be in conflict of interest". Director Welch seconded the motion and discussion ensued. By a vote of 7-3-0 (Directors Tso, Freshley, and Muennichow opposed), the amendment carried.

Director Bayer moved to amend the resolution title by deleting the word "ethical". Director Welch seconded the motion and discussion ensued.

Director Muennichow made a friendly amendment to the motion to replace the words "ethical" or "ethics" with the word "conduct" throughout the resolution. Without objection, the Board agreed.

Director Wellikson moved the previous question. Director Muennichow seconded the motion and the motion carried by a 2/3 vote.

The amendment carried unanimously.

Members were given the opportunity to address the Board.

Director Wellikson moved the previous question on the main motion as amended. Director Gioia seconded the motion and the motion failed due to the lack of a 2/3 vote.

The Board recessed at 4:03 P.M. and reconvened at 4:10 P.M.

Director Bayer moved to amend Section II (c) by adding the words "in excess of \$25 annually". Director Welch seconded the motion and discussion ensued. By a vote of 3-7-0 (Directors Chang, Bayer, and Welch voted in favor), the amendment failed.

By a vote of 9-0-1 (Directors Wellikson, Tso, Freshley, Gioia, Muennichow, Troutman, Welch, Bayer, Juhan voted in favor, and Director Chang abstained), the main motion carried and the Board adopted the following resolution as amended:

RESOLUTION 03-13-18

CONDUCT GUIDELINES FOR DIRECTORS

RESOLVED, March 6, 2013, that the Board of Directors hereby adopts the Director Conduct Guidelines as follows:

- I. The Board will use its best efforts to make decisions consistent with protecting the property and property values within Third Laguna Hills Mutual.
- II. Directors shall not participate in self-dealing activities such as:
 - a) Solicit or receive any compensation from the association for serving on the board or any committee.
 - b) Make promises to vendors unless with prior approval from the board.
 - c) Solicit or receive, any gift, gratuity, favor, entertainment, loan, or any other item of value for themselves or their relatives from a person or company who is seeking or doing business with the association.
 - d) Seek preferential treatment for themselves, friends or relatives.
 - e) Use association property, services, equipment or business for the gain or benefit of themselves, except as is provided for all members of the association.
- III. Directors and committee members may not knowingly misrepresent facts.
- IV. Directors and committee members must immediately disclose the existence of any conflict of interest, whether their own or others. Directors and committee members must withdraw from participation in decisions in which they have a material interest.
- V. Directors may not negotiate with any contractor, subcontractor, or supplier on behalf of the Corporation.
- VI. Directors during and after board service, shall maintain the confidentiality of those matters relating to attorney/client privilege, and matters discussed in Executive Session; a Director will communicate these matters only with other fiduciaries of the Board.
- VII. Directors shall maintain the distinct roles between Owner and Agent; a Director shall not interfere with, nor direct the work performed by the Agent's or contractor's personnel. Communications regarding contractors and/or staff shall be directed to the Managing Agent's responsible representative.
- VIII. The dialog used by Directors in the course of the Corporation's business shall be professional; differences of opinion shall be expressed in a civil and business-like manner.
- IX. Directors will conduct their affairs consistent with public policy and will not engage in any behavior that is unlawful including harassment, discrimination of any protected classes, gross negligence, and wanton and willful misconduct.

- X. Directors and committee members who violate the association's Director Conduct policy are deemed to be acting outside the course and scope of their authority. Any Director in violation of this policy may be subject to immediate disciplinary action, including, but not limited to:
- a) censure,
 - b) removal from committees,
 - c) removal as an officer of the board,
 - d) request for resignation from the board, and
 - e) impose fines.

Prior to taking any of the actions described above, the Board shall review the evidence of violation, endeavor to meet with the director/committee member believed to be in violation, and confer with the association's legal counsel. The Board shall endeavor to meet with the director/committee member in executive session prior to imposing disciplinary action against that person; and

RESOLVED FURTHER, that Resolution 03-05-16, adopted July 19, 2005 is hereby superseded and cancelled; and

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

The Board referred the following remaining agenda items to the March Regular Meeting:

- Discuss and Consider Election of Board Officers
- Discussion of Directors Public Statements

ADJOURNMENT

With no further business before the Board of Directors, the special meeting was adjourned at 4:41 P.M.

Isabel Muennichow, Secretary