

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

**March 19, 2013**

The Regular Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Tuesday, March 19, 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 (via telephone), Hank Gioia, Sy Wellikson

Directors Absent: None

Staff Present: Cris Robinson, Patty Kurzet  
Executive Session: 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 Chang 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 agreed to change the wording in 13(d) from "Northline Lift Station Improvement Project" to "Recycled Water Project".

Director Welch moved to remove agenda items 13 (i – l) - *Discuss and Consider Continuing to Hold Agenda Meetings, Discuss and Consider Removal of Officers and Possible Election of Officers, Discussion of Directors' Public Statements, and Discuss and Consider Rescinding Board Meeting Rules (Resolution 03-13-04)*. Director Muennichow seconded the motion.

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

By a vote of 8-2-0 (Directors Tso and Freshley opposed), the original motion carried.

Director Freshley moved to remove agenda item 13(m) *Entertain Motion to Establish Director Code of Conduct Ad Hoc Committee and Appoint Members* from the agenda. Director Tso seconded the motion and discussion ensued.

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

By a vote of 7-3-0 (Directors Welch, Freshley, Tso, Muennichow, Gioia, Troutman, and Juhan voted in favor), the original motion carried.

Director Welch moved to approve the agenda as amended. Director Wellikson seconded the motion and the motion carried by a vote of 9-1-0 (Director Freshley opposed).

#### **CHAIR'S REMARKS—Mike Straziuso**

President Straziuso spoke to successful and informative seminars held with staff, the realty community, and the Presidents and First Vice Presidents. President Straziuso also announced that Director Bayer has resigned from the Board effective March 28, 2012, and the Board will hold a special meeting to fill the vacancy on March 28<sup>th</sup>. Anyone interested in serving on the Board should pick up an application from the GM's office and return the completed application along with a candidate statement of no more than 300 words to the Corporate Secretary, Patty Kurzet, no later than 5:00 p.m. on Friday, March 22<sup>nd</sup>. Each candidate will be given five minutes to make a statement to the Board before the Board elects the replacement.

#### **APPROVAL OF THE MINUTES**

Without objection the Board approved the minutes of the February 19, 2013 Regular Meeting as submitted.

#### **CONSENT CALENDAR**

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

##### Maintenance & Construction Committee Recommendations:

- |         |   |
|---------|---|
| 2390-3A | Approval of request for interior remodel, with contingencies  |
| 3130-A  | Approval of request to install an entry patio and wood trellis, with contingencies  |
| 3283-A  | Approve the request to construct a bedroom and bathroom addition, entry trellis, rear room addition and patio extension, with contingencies |
| 3302-P  | Denial of <b>appeal</b> request to install solar panels   |
| 3367-1E | Approval of request for rear patio extension, with contingencies  |
| 3371-1G | Denial of request for rear patio enclosure  |
| 3433-B  | Approve request to paint the entry door a reddish brown color, with contingencies   |
| 3461-A  | Approval of request for courtyard alterations and fountain/waterfall, with contingencies  |
| 3471-B  | Approval of request to retain the non-standard window alterations in the Living Room and Bedroom One, with contingencies                    |
| 3494-A  | Approval of request to retain the patio extension, with contingencies   |
| 5049    | Approval of request for a rear patio extension with trellis, gravel walkway, white vinyl fence and arbor, with contingencies                |

5232 Approval of request for the entry modification, room addition and bedroom window, with contingencies

- (b) Landscape Committee Recommendations  
None
- (c) Finance Committee Recommendation

**RESOLUTION 03-13-19**

**WHEREAS**, Member ID 931-361-16 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**, March 19, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-361-16; 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.

**RESOLUTION 03-13-20**

**WHEREAS**, Member ID 931-460-36 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

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

**NOW THEREFORE BE IT RESOLVED**, March 19, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-460-36; and

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

**RESOLUTION 03-13-21**

**WHEREAS**, Member ID 931-580-69 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**, March 19, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-580-69; 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 03-13-22**

**WHEREAS**, Member ID 932-790-44 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**, March 19, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-790-44; 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 03-13-23**

**WHEREAS**, Member ID 932-791-16 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**, March 19, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-791-16; 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.

**RESOLUTION 03-13-24**

**WHEREAS**, Member ID 933-190-43 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**, March 19, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 933-190-43; 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 03-13-25**

**WHEREAS**, Member ID 933-620-34 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**, March 19, 2013, that the Board of Directors hereby approves the recording of a Lien for Member ID 933-620-34; 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 03-13-26**

**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**, March 19, 2013, that the Board of Directors hereby approves the filing of separate Small Claims Court cases for Member ID 931-460-36 and Member ID 932-810-59; 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.

(d) Other Items

### **RESOLUTION 03-13-27**

#### **REVITALIZATION COMMITTEE CHARTER**

**WHEREAS**, a Revitalization Committee has been established as a standing committee pursuant to Article VII, Section 1 of the bylaws of this Corporation;

**NOW THEREFORE BE IT RESOLVED**, March 19, 2013, that the Board of Directors of this Corporation hereby assigns the duties and responsibilities of this Committee as follows:

1. Identify and evaluate the objectives necessary to modernize Third Laguna Hills Mutual property and maintain the quality and integrity of Third Mutual housing and its landscaped environment.
2. Recommend to the Board plans or strategies to address these objectives that includes:
  - a. prioritization
  - b. cost
  - c. timing
3. Work with the housing Mutuals, the Golden Rain Foundation and the managing agent on projects that are relevant to the entire community.
4. Perform such tasks as may be assigned or referred to this committee by the Third Laguna Hills Mutual Board of Directors.

**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**

The Membership was updated on the ongoing GRF projects within the Community and on Third Mutual projects.

Ms. Wendy Bucknum reported on various legislative issues.

Without objection, the Board directed Staff to prepare letters to the appropriate governmental entities and representatives regarding the Mutual's Board of Director's support of Assembly Bill 1360 which would allow for an association to utilize electronic voting if members opt-in, and in response to an anticipated call to action from CAI regarding FEMA recognition of Community Associations in a disaster event.

### **MEMBER COMMENTS**

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

### **UNFINISHED BUSINESS**

Director Muennichow led a discussion on reconsidering hosting "Coffees" for the membership.

Director Freshley moved that the concept of hosting coffees no longer be considered. Director Wellikson seconded the motion. By a vote of 8-2-0 (Directors Muennichow and Welch opposed), the motion carried.

The Board considered the following proposed resolution adopting the revised Open House Policy which was postponed from the previous month to conform to the 30-day notification requirement:

### **RESOLUTION 03-13-xx**

#### **THIRD LAGUNA HILLS MUTUAL OPEN HOUSE POLICY**

**WHEREAS**, the GRF Board has passed a Resolution allowing Open House directional signage to be posted on GRF property with the intention of improving the marketability of cooperatives and condominiums in Laguna Woods Village; and

**WHEREAS**, providing directional signage to a particular cul-de-sac to a scheduled Open House will help guide traffic to the cooperative or condominium for sale or rent; and

**NOW THEREFORE BE IT RESOLVED**, April 16, 2013, that open houses in Third Mutual are hereby authorized to be held every Saturday and Sunday, between the hours of 11:00 A.M. and 4:00 P.M.; and

**RESOLVED FURTHER**, that broker previews are hereby authorized to be held every Thursday, between the hours of 9:30 A.M. and 1:30 P.M.; and

**RESOLVED FURTHER**, that a maximum of three signs with a maximum size of 24" x 24" may be displayed, in accordance with Section 713 of the California Civil Code; and signs shall be placed only at the entrance to, and within the cul-de-sacs in which the manor is located; and

**RESOLVED FURTHER**, directional signs shall be placed at street intersections to direct traffic to a specific cul-de-sac. There shall be one sign per direction with a maximum of four signs per intersection; and

**RESOLVED FURTHER**, directional signs shall be with 24" x 9" corrugated plastic with vinyl lettering and adhere to the GRF approved colors, font and logo; and

**RESOLVED FURTHER**, realtors shall be responsible for providing the signs and shall adhere to the specifications in accordance with this resolution; and

**RESOLVED FURTHER**, non-conformance to this policy shall result in removal of sign from premises; and

**RESOLVED FURTHER**, that signs may be posted on the day of the open house no earlier than 10:00 A.M., and must be removed no later than 5:00 P.M. on the same day; and

**RESOLVED FURTHER**, that non-residents wishing to visit the open house must be either accompanied by a licensed real estate agent who has been approved for Laguna Woods Village entry, or granted Gate access by the Seller/Resident of the property; and

**RESOLVED FURTHER**, that members selling their properties "For Sale By Owner" shall be required to comply with the same guidelines as Realtors; and

**RESOLVED FURTHER**, that Resolution 03-11-214, adopted December 20, 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 purpose of this resolution.

Without objection, the Board postponed the resolution to April to satisfy the 30-day notification requirement.

#### **NEW BUSINESS**

Director Muennichow read a proposed resolution approving Martin and Chapman to perform the 2013 Director Election. Director Wellikson moved to approve the resolution. Director Welch seconded the motion and discussion ensued.

By a vote of 10-0-0, the motion carried and the Board of Directors adopted the following resolution:

**RESOLUTION 03-13-28**

**Approve Inspector of Election Services**

**RESOLVED**, March 19, 2013, that due to Martin and Chapman's agreement to conform to the criteria established in the specifications as an Inspector of Election, carrying the proper insurance, and its familiarity with the Community, the Board of Directors of this Corporation hereby approves to single-source the contract to Martin and Chapman to perform the Inspectors of Election services for the 2013 Director Election; 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 Muennichow read a proposed resolution approving the record dates for the 2013 Director Election. Director Wellikson moved to approve the resolution. Director Freshley seconded the motion.

By a vote of 10-0-0, the motion carried and the Board of Directors adopted the following resolution:

**RESOLUTION 03-13-29**

**WHEREAS**, Corporations Code §7611 provides that the Board may fix a date as the record date for the purpose of determining the members entitled to cast written ballots, and that such record date shall not be more than 60 days before the day on which the first written ballot is mailed or solicited; and

**WHEREAS**, Corporations Code §7611 provides that the Board may fix a date as the record date for the purpose of determining the members entitled to receive a notice of any meeting of members, and that such record date shall not be more than 90 nor less than 10 days before the date of the meeting; and

**WHEREAS**, Section 5.8.1 of the Third Laguna Hills Mutual Bylaws states that no membership shall be eligible to vote who is shown on the books of account of Third Corporation, on the record date for voting as set forth in 5.10 to be more than thirty (30) days delinquent in payment of any sums due to this Corporation; and

**WHEREAS**, by way of Resolution 03-11-53, the Board shall, at an open meeting of the Board of Directors held in advance of the annual meeting of members, fix such dates;

**NOW THEREFORE BE IT RESOLVED**, March 19, 2013, that based on the advice of Corporate Counsel, the Board of Directors of this Corporation hereby sets the record date determining those members entitled to cast a written

ballot to be July 1, 2013 (no more than 60 days before the day the ballots are mailed); and

**RESOLVED FURTHER**, that based on the advice of Corporate Counsel, the Board of Directors of this Corporation hereby sets the record date determining those members entitled to receive a notice of the annual meeting to be July 5, 2013 (90 days before the annual meeting); and

**RESOLVED FURTHER**, that no Member shall be entitled to receive a ballot or notice who is shown on the books of account of Third Mutual, on said record date, to be more than thirty (30) days delinquent in payment of any sums due to this Corporation; 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.

Due to the lack of documentation, the Board agreed to postpone the agenda item: *Discuss and Consider GRF Cable TV Services Agreement With Third Mutual* to the April meeting.

Mr. Huval reported that ETWD requested permission to place 8 ft. x 4 ft. signage informing the Community of its Recycled Water Expansion Project on Third property, to be paid for and installed by the ETWD.

Directors Freshley and Tso left the meeting at 10:51 A.M.

Director Wellikson moved to accept the signage, including an indemnification agreement and that the signs be placed in such a manner as not to disrupt traffic. Director Welch seconded the motion and discussion ensued. The motion carried unanimously.

Director Welch moved to establish an Ad Hoc Committee for GRF Bylaws and Trust Analysis and appoint Directors Muennichow and Juhan. Director Chang seconded the motion and the motion carried unanimously.

Director Tso returned to the meeting at 10:54 A.M.

Director Welch moved to appoint Directors Troutman and Gioia to the GRF Recreation Master Plan Ad Hoc Committee (formerly Clubhouse 2 Renovation Ad Hoc Committee). The motion was seconded and carried unanimously.

Without objection, the Board ratified the appointments of Directors Tso, Gioia, and Juhan to attend a Special Traffic Committee Meeting.

Director Freshley returned to meeting at 10:57 A.M.

Director Welch moved to appoint Directors Tso, Wellikson and Welch to the Quarterly Traffic Committee. Director Wellikson seconded the motion and the motion carried with Directors Freshley and Juhan abstaining.

### **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 Welch moved to direct Mr. Richardson to prepare a new rule regarding water heater damages. Director Bayer seconded the motion and the motion carried unanimously.

Director Muennichow read the following resolution approving revisions to Mutual Alteration Standard Section 14 *Fireplace Installations*:

### **RESOLUTION 03-13**

**WHEREAS**, the Board of Directors of this Corporation adopted Resolution M3-96-28 on May 21, 1996, which approved the Third Laguna Hills Mutual Alteration Standards; and

**WHEREAS**, the Maintenance & Construction Committee of this Corporation recognizes the need to further amend a portion of the Standards with regard to Section 14 *Fireplace Installations*;

**NOW THEREFORE BE IT RESOLVED**, May 21, 2013, that Mutual Alteration Standard Section 14 *Fireplace Installations* is hereby amended as attached to the official minutes of this meeting; and

**RESOLVED FURTHER**, that Resolution M3-96-28, adopted May 21, 1996 is hereby amended; 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 postponed the resolution to conform to the 30-day notification requirement.

The Board considered a proposed resolution adopting a Heat Source Replacement Policy that was postponed from the previous month to satisfy the 30-day notification requirement.

Members were given the opportunity to speak to the proposed policy.

By a vote of 10-0-0, the Board approved the policy and the following resolution was adopted:

**RESOLUTION 03-13-30**

**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**, March 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 Muennichow read a proposed resolution authorizing a supplemental appropriation of \$6,560 to apply two-toned paint and install a chair rail at nine Garden Villa mailrooms. Director Muennichow moved to approve the resolution. Director Welch seconded the motion and discussion ensued.

Director Tso amended the motion to change the funding source from the "Unappropriated Expenditures Fund" to the "existing operating budget in General Maintenance for Garden Villa Mailroom Renovations". Director Freshley seconded the motion and discussion ensued.

Director Freshley moved to refer the resolution back to the M&C and Finance Committees. Director Tso seconded the motion and discussion ensued. By a vote of 4-6-0 the motion failed.

By a vote of 7-2-1 (Directors Chang and Bayer opposed, and Director Muennichow abstained), the amendment carried.

By a vote of 10-0-0, the motion carried and the Board of Directors adopted the following resolution as amended:

**RESOLUTION 03-13-31**

**WHEREAS**, the Maintenance and Construction Committee confirmed a new design concept for the Garden Villa mailrooms, which included installing chair rails and applying two colors of paint on the finished drywall; and

**WHEREAS**, the addition of two-toned paint application and installation of a chair rail was not included in the original scope of work and therefore was not included in the 2013 Business Plan;

**NOW THEREFORE BE IT RESOLVED**, March 19, 2013, that the Board of Directors of this Corporation hereby authorizes expenditures of \$6,560 to be funded from the existing operating budget in General Maintenance for Garden Villa Mailroom Renovations to apply two-toned paint and install a chair rail at nine Garden Villa mailrooms approved for renovation in 2011, 2012, and 2013; and

**RESOLVED FURTHER**, future business plans will include funding for such work on future mailroom renovations; 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 Muennichow reported on the new law that requires residents to install carbon monoxide alarms in their manors, effective January 1, 2013.

Director Welch reported from the Standards 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 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**

Director Welch reported on the GRF Maintenance and Construction Committee.

**DIRECTORS' COMMENTS**

Directors made their final comments.

**ADDITIONAL MEMBER COMMENTS**

Members were given the opportunity to make additional comments.

The Board recessed at 12:34 P.M. and reconvened into Executive Session at 1:30 P.M.

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

During its February 19, 2013 Regular Executive Session Board meeting, the Board approved the January 7, 2013 Special Executive Session minutes, the January 11, 2013 Special Executive Session minutes, and the January 15, 2013 Regular Executive Session minutes.

The Board heard three disciplinary hearings and imposed fines totaling \$500 for violations of the Mutual's rules and regulations; discussed the legal matter of Drino v. Third Mutual lawsuits; and discussed other member disciplinary, contractual and legal matters.

During its March 6, 2013 Special Executive Session meeting the Board discussed member discipline.

During its March 13, 2013 Special Executive Session meeting the Board discussed potential litigation.

With no further business before the Board of Directors, the meeting was adjourned at 4:20 P.M.

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Isabel Muennichow, Secretary

**Third Laguna Hills Mutual**  
**Heat Source Replacement Policy**

I. Definitions

A. Original Heat Source

As related to this policy, an Original Heat Source is defined as a radiant heat system within the original manor ceiling, specifically excluding operational controls such as thermostat fixtures.

B. Replacement Heat Source

As related to this policy, a Replacement Heat Source is defined as an approved heat source installed by the Mutual in place of either the original radiant ceiling heat or a Mutual-installed replacement heat source.

C. Alteration Heat Source

Any replacement heat source installed by a Member (or any predecessor of the Member) is defined as an alteration for which the Member is solely responsible in accordance with the Mutual's alteration policies.

II. Replacement Responsibility Upon Failure of Heat Source System

A. Failure Due to Age or Damage for Which the Mutual is Responsible

1. The Mutual shall specify and provide a Replacement Heat Source for Original Heat Sources and Mutual-installed replacement heat sources at the expense of the Mutual, in accordance with Section III below.
2. Upon installation of a new heat source, the Member will be responsible for the future maintenance, repair and replacement of the alternate heat source.
3. A Member may choose to install a replacement heat source, rather than have the Mutual install a replacement heat source, and seek reimbursement from the Mutual for the associated costs of installation up to the amount equivalent to the standard cost that would have been incurred by the Mutual to install a Replacement Heat Source in accordance with Section III below, subject to the following conditions:
  - a The Mutual must have previously inspected and qualified the heat source for replacement. See Section IV, below, for inspection and qualification requirements.

- b The Member must obtain all applicable Mutual and regulatory agency approvals and permits, and provide copies of final approval to the Mutual.
- c In accordance with Mutual alteration policies, the new heat source will be deemed to be an Alteration Heat Source for which the Member shall be solely responsible, including the performance and costs of maintenance, repair and replacement thereof.
- d For the purpose of reimbursement, the standard cost will be determined by the Mutual's then-current contracted rate for installation of the identified Replacement Heat Source Unit. In the absence of a contracted rate, the reimbursement maximum will be equivalent to the most recent cost incurred by the Mutual for installation of a similar unit.

B. Failure Due to Cause Other Than the Mutual

- 1. The Mutual shall specify and provide a Replacement Heat Source for Original Heat Sources or Mutual-installed replacement heat sources at the expense of the Member.
- 2. The Member may install an Alteration Heat Source as a replacement heat source, rather than have the Mutual install a Replacement Heat Source, subject to the following conditions. See Section IV, below, for inspection and qualification requirements.
  - a Prior to installing an Alteration Heat Source, the Member must obtain all applicable Mutual and regulatory agency approvals and permits, and provide copies of final approval to the Mutual.
  - b In accordance with Mutual alteration policies, the new heat source will be deemed to be an Alteration Heat Source for which the Member shall be solely responsible, including the performance and costs of maintenance, repair and replacement thereof.

III. Standard Heat Source Replacement Units

- A. Replacement Heat Sources (and Alteration Heat Sources) must comply with all applicable current laws, ordinances, codes and regulations as confirmed by the City of Laguna Woods.
  - 1. Due to size and heating requirements, the standard Replacement Heat Sources for a bedroom shall be a wall heater.
  - 2. Due to size and heating requirements, the standard Replacement Heat Sources for a living/dining area shall be a heat pump.

#### IV. Determination Of Heat Source Failure

##### A. Qualification for Replacement

1. Upon notification that a heat source is not functioning and/or cannot be repaired, the Mutual's agent shall inspect the heat source to determine a course of action. In the event a Member fails to cooperate to permit such an inspection, the Mutual shall not be responsible to replace an Original Heat Source or a Mutual-installed replacement heat source, even if the heat source qualifies for replacement under Section II A or B above, unless and until the inspection occurs.

##### B. Determination of Responsibility for Replacement

1. The Mutual shall be responsible for determining the responsibility for replacement of a failed heat source, which determination shall be made in the Mutual's good faith discretion.

##### C. Determination of Standard Heat Source Replacement Unit

1. The Mutual shall be responsible for determining one or more appropriate standard Replacement Heat Sources that comply with Section III of this policy.
2. The Mutual will evaluate and determine on a case by case basis at the time of replacement the best suited Replacement Heat Source for the room requiring heat source replacement.