

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

November 18, 2008

The Regular Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Tuesday, November 18, 2008 at 9:30 A.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Carol Moore, Cynthia Conners (12:01 P.M.), Dominic Burrasca, John Paulus, Isabel Muennichow, Larry Souza (9:35 A.M.), Stanley Feldstein, Don Lippert, Kathryn Freshley, Carol Skydell

Directors Absent: None

Others Present: Milt Johns, Patty Kurzet, Cris Trapp (9:30 A.M. – 11:09 A.M.), Bob Mulvihill of HKC (9:30 A.M. – 11:11 A.M.), and Janet Price (11:28 A.M. – 11:54 A.M.)

Executive Session: Milt Johns, Patty Kurzet, Cris Trapp

CALL TO ORDER

Director Carol Moore, President of the Corporation, chaired the meeting and stated that it was a regular meeting held pursuant to notice duly given and that a quorum was present. The meeting was called to order at 9:30 A.M.

A moment of silence was held to honor the US Troops serving our country and those placed in harm's way.

PLEDGE OF ALLEGIANCE

Director Skydell led the Membership in the Pledge of Allegiance to the Flag.

ACKNOWLEDGEMENT OF PRESS

Cheryl Walker from the Laguna Woods Globe and by way of remote cameras, the Laguna Woods Village Channel 6 Camera Crew were acknowledged.

APPROVAL OF AGENDA

Without objection, the Agenda was approved as amended by revising the wording under 11 (b) to read: *5469-A Denial of request for tree removal, but approve off-schedule crown reduction at Mutual's expense*; returning Landscape agenda items 2322-B and 2380-A back to the Landscape Committee, and postponing 23(c) *Recommendation by Ad Hoc Attorney Search Committee to retain independent legal counsel to represent Third Mutual to the December Meeting*

President Moore introduced Scott Dunham, Risk Manager, who reported on the fire at Building 3249, and indicated that some of the tenants did not have insurance, and that the interior of those manors are not covered by the Mutual's insurance.

Mr. Dunham answered questions from the audience and indicated that those displaced tenants would still be responsible for their monthly assessments.

President Moore thanked those staff members who took heroic efforts to assist residents to safety and encouraged residents to obtain homeowner's insurance.

DISCIPLINARY HEARING

Alleged violation of Third's CC&Rs, Article III, Section 6 for Elliot Nesvig of 2392-3H Via Mariposa West for nuisance.

President Moore announced that although disciplinary hearings are heard in Executive Session, Mr. Nesvig requested holding this hearing in open session.

The Board discussed holding the disciplinary hearing at a special open board meeting so the Board can conduct regular board business today. The Board agreed to move forward with the hearing.

Mr. Howard Nuefeld, Elliot Nesvig's attorney, addressed the Board on the purpose of the meet and confer requested by the Board with Mr. Nesvig. Ms. Trapp stated that the purpose was to endeavor to resolve the matter with Mr. Nesvig, but Mr. Nesvig declined the meeting and requested instead a hearing in open session.

Ms. Trapp provided a chronology of the events leading up the hearing, but was interrupted by Mr. Nesvig.

Mr. Nesvig addressed the Board on the issues and provided his own summary of events.

Security Patrol Officer, John Cornell, testified that he was denied access to Mr. Nesvig's manor by Mr. Nesvig.

Mr. Nuefeld asked Mr. Cornell questions on the water leak.

Director Lippert commented on the inspection that he performed on Mr. Nesvig's manor and stated that there was no apparent water on the baseboard or linoleum, and indicated that PCM's reports were incorrect.

Mr. Rick Loayza, PCM's Moisture Intrusion Coordinator, testified to the issues.

Mr. Loayza spoke to the conditions that he found at the building, and also provided examples of water heater leakages where residents were unaware of water leaks.

The Board and Mr. Nuefeld asked questions of Mr. Loayza on the possible drip pattern that the water heater may have caused on the manor below Mr. Nesvig's.

PCM Plumbers Mr. Angel Leon and Mr. Damaso Lara testified to the events that they witnessed.

Security Specialist, Fred Shubbert answered questions from the Board.

PCM Plumber, Angel Leon, testified that he witnessed the water fall from the beam from the third floor on to the walkway of the first floor where the slip and fall occurred.

Mr. Nesvig responded to the plumbers' testimonies and responded to Directors' questions.

Mr. Nuefeld summarized his opinion of the allegations.

Mr. Johns advised that the crux of the member disciplinary issue under examination by the Board is whether or not Mr. Nesvig interfered with the Mutual's right to enter his manor under the conditions provided by the C,C and R's that allow the Mutual to enter when it suspects that there is an immediate threat to persons or property.

Mr. Nesvig provided his own chronology of events and indicated that he did nothing wrong.

Staff left the meeting at 11:09 A.M.

The hearing was closed and Mr. Nesvig and his attorney, as well as Bob Mulvihill left the meeting at approximately 11:11 A.M.

CHAIR'S REPORT—Carol Moore

President Moore commented on living in a Common Interest Development and encouraged residents to prevent damage to Mutual property by not flushing improper items down toilets, and she also encouraged the members to not litter.

APPROVAL OF THE MINUTES

The Board reviewed the Minutes of the Regular Meeting of October 21, 2008 and approved them without objection.

President Moore announced the proper procedure for Members speaking during Member Comments.

THIRD MUTUAL MEMBER COMMENTS

- Lucie Falk (3377-A) applauded the Board to allow the Nesvig Disciplinary Hearing in open session
- Pat Feeney (2399-1E) commented on receiving the pro forma budget.
- Ernestine Hewitt (2289-B) commented on the slip and fall as a result of the Nesvig water leakage
- Mary Robertson (5184) inquired into the Ad Hoc Attorney search Committee, why they meetings are not open and why reports of the meeting are not available.
- Jerry Sheinblum (3488-C) announced the next CCA Town Hall Meeting and
- Sheri Horne (2354-3C) announced the next Garden Villa Association Meeting

RESPONSES TO MEMBER COMMENTS

- Director Feldstein indicated that the Attorney Ad Hoc Committee does not meet formally and thus has no record of the meetings, but has obtained quotes from law firms
- Director Muennichow encouraged the residents to watch Channel 6 to be informed on upcoming events
- Director Souza commented on holding disciplinary hearings in open session

GENERAL MANAGER'S REPORT

Mr. Johns commented on the recent burglaries in the Community and indicated that they continue to be investigated; and he commented on the Board's policy on the distribution of literature.

Director Lippert recommended conducting background checks on individuals or groups who want to enter the Community to distribute literature.

Ms. Janet Price entered the meeting at 11:28 A.M.

Mr. Johns also commented on a means by which directors can access corporate documents, by way of a document library and using mutual owned computers and GRF hardware and software.

Without objection, the Board directed staff to provide it a copy of the Document Library report.

CONSENT CALENDAR

Without objection, the Consent Calendar was approved as amended and the following actions were taken:

Maintenance & Construction Committee Recommendations:

| | |
|---------|--|
| 2200-D | Approval of request to construct powder room addition in bedroom, with contingencies |
| 2371-D | Approval of request to retain alteration paint colors at manor entry, with contingencies |
| 2384-1D | Approval of request to retain non-standard storage cabinet in parking garage, with contingencies |
| 3046-B | Denial of request to retain white painted window frame in living room |
| 3425-N | Denial of request to retain outdoor carpet installed at manor entry |
| 5039 | Approval of request to perform bedroom extension into garage |
| 5557-A | Approval of request to extend patio slab and install enclosure at rear of manor |
| 5024 | Approval of request for epoxy coating at manor at Mutual Member's expense |
| 5285 | Approval of request for epoxy coating at manor at Mutual Member's expense |

Landscape Committee Recommendations

| | |
|---------|--|
| 2287-D | Approval of appeal request at the Mutual Member's expense |
| 2353-1C | Denial of appeal request for two (2) tree removals |
| 3248-P | Denial of appeal request for two (2) tree removals |
| 3175-C | Approval of request for one (1) of two (2) tree removals, at the Mutual Member's expense |
| 3287-A | Denial of request for plant replacements |
| 3336-3D | Approval of request for off-schedule tree trimming at the Mutual Member's expense |
| 3363-2A | Denial of request for re-landscaping |
| 5287 | Approval of request for plant replacements on slope at the Mutual Member's expense |
| 5469-A | Denial of request for tree removal, but approval of off-schedule crown reduction at Mutual's expense |

Finance Committee Recommendations

RESOLUTION 03-08-122

WHEREAS, Member ID 931-590-06 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, November 18, 2008 that the Board of Directors hereby approves the recording of a Lien for Member ID 931-590-06; 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 03-08-123

WHEREAS, Member ID 931-710-73 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, November 18, 2008 that the Board of Directors hereby approves the recording of a Lien for Member ID 931-710-73; 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 03-08-124

WHEREAS, Member ID 932-310-45 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, November 18, 2008 that the Board of Directors hereby approves the recording of a Lien for Member ID 932-310-45; 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 03-08-125

WHEREAS, Member ID 933-620-67 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, November 18, 2008 that the Board of Directors hereby approves the recording of a Lien for Member ID 933-620-67; 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 approved the formation of a Joint Ad Hoc GRF Bylaw Committee for the purpose of reviewing changes to the creation of the GRF Nominating Committee and appointed Directors Muennichow and Feldstein.

Director Feldstein left the meeting at 11:40 A.M.

TREASURER'S REPORT

Director John Paulus reported on the Treasurer's Report and Resale & Lease Activities.

The Secretary of the Corporation, Director Kathryn Freshley, read a proposed resolution approving the Collection and Lien Enforcement Policy and Procedures for Assessment Delinquencies. Director Isabel Muennichow moved to approve the resolution. Director Freshley seconded the motion.

By a vote of 7-0-0 (Director Feldstein was absent from the meeting) the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-08-126

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, November 18, 2008, 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, 2009; and

RESOLVED FURTHER, that Resolution 03-07-100, adopted November 20, 2007 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.

Director Feldstein returned to the meeting at 11:47 A.M.

Ms. Price left the meeting at 11:54 A.M.

COMMITTEE REPORTS

Director Lippert reported from the Maintenance and Construction Committee.

The Secretary of the Corporation read a proposed resolution authorizing the Mutual to clean gutter alterations. Director Skydell moved to approve the resolution. Director Lippert seconded the motion and discussion ensued.

Director Cynthia Connors entered the meeting at 12:01 P.M.

Mutual Members Mary Robertson (5184) commented on cleaning gutters on all buildings; and Pat Feeney (2399-1E) commented on installing gutters.

By a vote of 7-2-0 (Directors Burrasca and Souza opposed), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-08-127

WHEREAS, due to accessibility issues, there is potential for alteration gutters not being effectively cleaned by individual members thereby possibly overflowing during rain events and causing damage to Mutual property, the Maintenance and Construction Committee recommends that the Mutual cleans alteration gutters on three-story buildings;

NOW THEREFORE BE IT RESOLVED, November 18, 2008, that the Board of Directors of this Corporation hereby approves that the Mutual cleans alteration gutters installed on three-story buildings when the Mutual cleans original gutters on three-story buildings in 2008 and in future years; and

WHEREAS, the cleaning of such alteration gutters in 2008 shall be funded through an unbudgeted expenditure from the General Maintenance Operating Budget and funding for this service in future years shall be included in the General Maintenance 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 purpose of this resolution.

Director John Paulus reported on the Garden Villa Recreation Room Ad-Hoc Committee.

Director Don Lippert reported from the Standards Sub Committee.

Director Don Lippert reported from the Plumbing Ad Hoc Committee.

Director Cynthia Connors reported that the Board Operating Rules Ad Hoc Committee has not met yet.

Director Stanley Feldstein reported from the Landscape Committee.

Director Carol Skydell reported from the Long Range Planning Committee.

Director John Paulus reported from Resident Problem Resolution Services.

Director Dominic Burrasca reported from the Traffic Committee.

OLD BUSINESS

No Old Business came before the Board.

Mutual Member Allen Cohen (2391-2A) addressed Director Lippert on the Epoxy program.

NEW BUSINESS

The Secretary of the Corporation read a proposed resolution approving the formalization of entry into a manor in the event of an emergency. Director Lippert moved to approve the resolution. Director Freshley seconded the motion and discussion ensued.

Director Conners moved to amend the motion to include the words "which includes the Orange County Sheriff" at the end of the second paragraph. Director Lippert seconded the motion and discussion ensued.

Mutual Member Bud Nesvig (2392-3H) addressed the Board on the resolution.

By a vote of 5-3-1 (Directors Paulus, Feldstein, Skydell opposed, and Director Lippert abstained), the amendment carried.

By a vote of 9-0-0, the motion carried, as amended, and the Board of Directors adopted the following resolution:

RESOLUTION 03-08-128

WHEREAS, Article IV, Section 6, of the Corporation's CC&Rs, states that:

the Mutual, or any person authorized by the Board may enter any Unit, whether or not the Owner or any Resident thereof is present, in the event of any emergency or reasonably perceived emergency involving illness or potential danger to life or property.

NOW THEREFORE BE IT RESOLVED, November 18, 2008, that the Board of Directors, hereby exercises its right to enter into manors, whether occupied or unoccupied, in the event that persons or property are threatened, and will employ the means necessary to gain access, including relying on public assistance, **which includes the Orange County Sheriff**; 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 Secretary of the Corporation read a proposed resolution appointing Director Souza to the GRF Security and Community Access Committee. Director Feldstein moved to approve the resolution. Director Paulus seconded the motion.

By a vote of 9-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-08-129

WHEREAS, by way of Resolution 03-08-109, the Board of Directors of this Corporation appointed board members to the committees of the Golden Rain Foundation; and

WHEREAS, Director Isabel Muennichow, an appointee to the GRF Security and Community Access Committee, is unable to serve;

NOW THEREFORE BE IT RESOLVED, November 18, 2008, the Board of Directors of this Corporation hereby appoints Director Larry Souza in the place and stead of Director Isabel Muennichow as a member of the GRF Security and Community Access Committee; and

RESOLVED FURTHER, that Resolution 03-08-109 adopted October 21, 2008 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.

A discussion was held relative to the gifts given to retired directors at the end of their terms. Director Skydell recommended that, in lieu of a gift, each outgoing director should receive a plaque in appreciation of their service.

GRF COMMITTEE REPORTS HIGHLIGHTS

No GRF reports were made.

PUBLIC FORUM

No comments from non-Third members were made.

Director Comments

- Director Freshley commented on the Mutual's reserve funding
- President Moore encouraged the resident to be careful of fire hazards
- Director Souza commented on saving the Mutual money

The Board recessed for lunch at 1:08 P.M. and reconvened into Executive Session at 1:42 P.M.

The Traffic Committee of the Board met in Executive Session on October 22, 2008 to discuss member disciplinary issues.

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

Kathryn Freshley, Secretary

**YEAR 2009 COLLECTION AND LIEN ENFORCEMENT POLICY AND
PROCEDURES FOR ASSESSMENT DELINQUENCIES**

The following is a statement of the specific procedures, policies and practices employed by Third Laguna Hills Mutual (the "Mutual") in enforcing lien rights or other legal remedies for default in payment of its assessments against its members (the "Policy Statement"). 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 owners who make timely payment of their assessments to bear a disproportionate share of the community's financial obligations.

WE SINCERELY TRUST THAT ALL MEMBERS, IN THE SPIRIT OF COOPERATION, WILL MAKE TIMELY PAYMENTS AND AVOID THE IMPOSITION OF LATE CHARGES AND POSSIBLE RESULTANT 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 ASSOCIATION RECORDS A LIEN ON YOUR PROPERTY DURING THE COLLECTION OF PAST-DUE ASSESSMENTS, ALL OWNERS HAVE A PERSONAL AND ONGOING OBLIGATION TO PAY ASSESSMENTS AND CHARGES.

Delinquency reports are made monthly by the Mutual's managing agent to the Board of the Mutual, identifying the member, amount and the length of time the assessments have been in arrears. Additionally, to ensure the prompt payment of monthly assessments the Mutual employs the following collection and lien enforcement procedures:

1. Regular assessments are due and payable to the Mutual, in advance, in equal monthly installments, on the first day of each month. Special assessments shall be due and payable on the due date specified by the Board of Directors in the notice imposing the 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. 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. 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 shall include, without limitation, an administrative collection fee, currently in the amount of Two Hundred Dollars (\$200) (the "Administrative Collection Fee"), which is charged by the Mutual 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, or may be directly collected by the Mutual. 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 will 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.

2. 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 will be sent to the member by Certified Mail. Additionally, the Mutual will 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.
3. 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) legal actions, discussed further below, (2) termination of the delinquent member's membership in the Mutual as a result of any foreclosure, or (3) other appropriate means.

4. The failure to pay each assessment payment on a timely basis imposes financial pressure and burdens on the Mutual's budget. The monthly assessments are the Mutual's principal and only regular source of revenue to meet current operating and reserve expenses incurred on behalf of the members of the Mutual. Special assessments must be received in a timely fashion in order to finance the special projects for which said assessments are imposed. Accordingly, in order to reduce the amount and duration of delinquencies and to encourage the prompt and full payment of the assessments, the Mutual has been vested with certain enforcement rights and remedies which are in addition to those which exist generally for creditors. For example, 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 requiring collective action by the Mutual, or to use facilities or receive services provided by the Mutual, or both, until the delinquency is paid in full. Failure to pay the assessments 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 this Mutual.

The Mutual may also take various legal actions to enforce the collection of delinquencies. These actions may be taken separately or concurrently.

First, a civil action in small claims court may be filed (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.

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.

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.

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 member shall be maintained by identifying the matter in the minutes only by the Parcel Number, and not by the name of the owner or owners. 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. The owner's legal representative to whom such notice must be sent shall be the person whose name is shown as the owner of a separate interest in the Mutual's records, unless another person has been previously designated by the owner as his or her legal representative in writing and mailed to the Mutual, in a manner that indicates that the Mutual has received it. 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.

A non-judicial foreclosure by an association 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. A notice of sale in connection with the Mutual's foreclosure of a separate interest shall include a statement that the property is being sold subject to this right of redemption.

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, reasonable charges imposed to defray the cost of preparing and mailing demand letters and recording costs (such as the Administrative Collection Fee), 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 Owner. 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 owner, and if so requested by the owner, 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 Code of Civil Procedure.

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. 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 summary of assessment collection procedures 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.

Owner’s Right to Request a Meeting with the Board, or Dispute Resolution or ADR. On receipt of the certified PreLien 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 §§1363.810-1363.850;
- (b) The noticed owner may exercise his or her right to participate in alternative dispute resolution with a neutral third party under Civil Code §§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 can designate a committee of one or more members 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 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 the ownership of his or her Manor.

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.

Members have a right to identify in writing to the Mutual a secondary address for purposes of collection notices delivered pursuant to this collection and lien enforcement policy, and upon receipt of a written request from a member identifying a secondary address, the Mutual must send additional notices to this secondary address.

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