

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

September 15, 2009

The Regular Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Tuesday, September 15, 2009 at 9:30 A.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Carol Moore, John Paulus, Don Lippert, Isabel Muennichow, Stanley Feldstein, Kathryn Freshley, Larry Souza, Mary Robertson, Carol Skydell, Dominic Burrasca

Directors Absent: None

Others Present: Milt Johns, Patty Kurzet

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 Stanley Feldstein led the Membership in the Pledge of Allegiance to the Flag.

ACKNOWLEDGEMENT OF PRESS

Ms. Janet Whitcomb from the Laguna Woods Globe was present, and the Channel 6 Camera Crew, by way of remote cameras, were acknowledged as present.

APPROVAL OF AGENDA

Without objection, the Board approved the agenda as submitted.

CHAIR'S REPORT—Carol Moore

President Moore commented on the challenges the Board faced as a result of a list of demands put on the Board by PCM as discussed in closed session, and the Board's inability to legally meet such requirements, and quoted Corp. Code §7210 and the Mutual's Bylaws which gives the Board the power to delegate the management of the activities of the Corporation to any person(s), or management company, provided that the activities and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction and responsibility of the Board. President Moore stated that based on the Corporations Code and the Bylaws, the Board has the power to delegate certain corporate activities to the managing agent as well as revoke the delegation and exercise its powers directly, which includes its authority to prepare RFPs and RFQs, solicit proposals from banks, law firms and lien collection companies, as well as the authority to decide who can communicate with the association's corporate counsel. If the Board agreed to irrevocably delegate its ultimate authority to manage the association to PCM, the Board

would be improperly abdicating its legal responsibilities and breaching its fiduciary duties under §7210 and the governing documents. President Moore further commented that the Board has attempted to resolve issues with PCM and as a result, hired consultants to define the roles between the Board and the Managing Agent, and that the Board will continue to rely on such consultants to guide them to resolve the issues.

President Moore thanked the Nominating Committee for their efforts to recruit candidates, thanked the Inspectors of Election for their work, and thanked each of the Board Members for their service to the community.

APPROVAL OF THE MINUTES

The Board reviewed the minutes of the Special 2010 Version 3 Business Planning Meeting of August 13, 2009. Director Muennichow moved to approve the minutes as written. Director Skydell seconded the motion and the motion carried without objection.

The Board reviewed and approved the minutes of the Regular Meeting of August 18, 2009. Director Freshley moved to approve the minutes. Director Souza seconded the motion and the motion carried unanimously.

THIRD MUTUAL MEMBER COMMENTS

- Diane Norcross (5526-A) commented on the purported selling of the membership list and commented on Security issues
- Karel Brouwer (3189-C) commented that the election ballot did not have a place to fill in candidate names, procedures for voting, and freedom of speech
- Richard Moos (5345-A) commented on the celebration of the Villages' 45th Anniversary, and the need to resolve issues
- Lixian Lai (2181-Q) commented on her attempts to remove an illegal occupant and President Moore's and Director Feldstein's attitude toward her issue
- Barbara Marsh (3433-B) commented on the Board's attempt to resolve issues with PCM and asked that the Board think about the best interests of the Community
- Jerry Sheinblum (3488-C) announced the topic of the next CCA Meeting, and encouraged the Asian community to get involved in the governance of the Community

RESPONSES TO MEMBER COMMENTS

- President Moore commented on residents' repeated calls to her
- Director Muennichow addressed Ms. Norcross' comment on the purported selling of the membership list; and addressed Mr. Brouwer's comments on voting procedures
- Mr. Johns addressed Ms. Norcross' comments on the purported selling the membership list
- Director Feldstein addressed Mr. Brouwer's comment on voting procedures; addressed Mr. Moos' comments on the Board's ability to solve issues; and addressed Ms. Marsh's comments on the Board's conflict with the Managing Agent
- Director Lippert commented on change in the Community, criticism, and resolving issues
- Director Freshley addressed Mr. Brouwer's comment on voting procedures and freedom of speech, and the Asian community running for the Board

- Director Paulus commented on hearing both sides of the story and encouraged residents to report any violations of the rules
- Director Skydell addressed Ms. Norcross' comment asking the Board to investigate why Ms. Norcross' son, who is an occupant, is receiving mail at her address, and commented on the distribution of flyers, and addressed Mr. Brouwer's voting procedures comments
- Director Robertson commented on the Asian community

GENERAL MANAGER'S REPORT

Mr. Johns commented on President Moore's Chair Comments, announced that staff received a Vision Award on behalf of the Community for its recycling program, and announced that Third Mutual's water consumption decreased by 23%.

CONSENT CALENDAR

Without objection, the Board approved the following Consent Calendar as written:

Maintenance & Construction Committee Recommendations:

- | | |
|--------|--|
| 3145-B | Approval of request to widen a walkway at manor, with contingencies |
| 3254-C | Approval of request to perform a bedroom and bathroom room addition and a rear patio extension, with contingencies |
| 3267-B | Approval of request to construct room extensions on the front elevation, with contingencies |
| 5290 | Approval to perform a window-to-door modification, with contingencies |

Landscape Committee Recommendations

- | | |
|---------|---|
| 2294-C | Approval of request for paved breezeway planter at the Mutual's expense |
| 3111-D | Denial of request for two (2) tree removals or off-schedule trimming |
| 3244-2H | Denial of request for tree removal |
| 3312-C | Approval of request for tree removal at the Mutual Member's expense |
| 5376-C | Approval of request for tree removal at the Mutual Member's expense |
| 5382-A | Denial of request for tree removal |
| 5430 | Approval of request for plant replacements at the Mutual Member's expense |
| 5449 | Denial of request for plant replacements |

Finance Committee Recommendations

RESOLUTION 03-09-101

WHEREAS, Member ID 931-720-55 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

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

NOW THEREFORE BE IT RESOLVED, September 15, 2009, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-720-55; and

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

RESOLUTION 03-09-102

WHEREAS, Member ID 932-791-75 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

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

NOW THEREFORE BE IT RESOLVED, September 15, 2009, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-791-75; and

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

RESOLUTION 03-09-103

WHEREAS, Member ID 933-030-92 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

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

NOW THEREFORE BE IT RESOLVED, September 15, 2009, that the Board of Directors hereby approves the recording of a Lien for Member ID 933-030-92; and

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

FINANCE REPORT

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

The Secretary of the Corporation, Director Isabel Muennichow, read a proposed resolution approving the Collection and Lien Enforcement Policy and Procedures for Assessment Delinquencies. A motion was made and seconded to approve the resolution. Discussion ensued and minimal changes were made to the policy.

Without objection, the Board agreed to the changes to the policy.

Director Feldstein made a motion to change the wording in the last paragraph in the resolution to read as follows: "**RESOLVED FURTHER**, that the officers and agents of this corporation are hereby authorized on behalf of the corporation to carry out the resolution as written." The motion was seconded and carried by a vote of 8-1-0 (Director Robertson opposed).

By a vote of 8-1-0 (Director Robertson opposed), the motion carried and the Board of Directors adopted the following resolution as amended:

RESOLUTION 03-09-104

WHEREAS, Section 1365 of the California Civil Code requires that homeowner associations have a specific policy relating to collection of delinquent assessment accounts and enforcement of liens placed upon such delinquent properties; and

NOW THEREFORE BE IT RESOLVED, September 15, 2009, 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, 2010; and

RESOLVED FURTHER, that Resolution 03-08-126, adopted November 18, 2008 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 resolution as written.

Director Larry Souza reported from the Maintenance and Construction Committee.

The Secretary of the Corporation read a proposed resolution authorizing a supplemental appropriation to purchase and attach 4-inch pedestals MAH22-PD to front loading washing machines. Director Muennichow moved to approve the resolution. Director Souza seconded the motion and discussion ensued.

Mutual Member Harry Curtis (5371-2A) commented on the funding source.

By a vote of 8-1-0 (Director Lippert opposed), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-09-105

WHEREAS, the Mutual has received complaints from residents residing in Buildings 3337 and 3371 that the most recent model of front loading washing machine, the Maytag MAH22-PD, is difficult to load and unload because the door to the machine is four inches lower than the doors of older front loading washing machines; and

WHEREAS, a total of 47 of these recent models have been or are scheduled to be installed throughout the Mutual in 2009; and

WHEREAS, the total cost of purchasing and installing 4-inch pedestals under each of this model of washer in 2009 is estimated to be \$7,200; and

WHEREAS, the 2010 Business Plan includes the cost of 4-inch pedestals for each of this model of washer planned for replacement in 2010;

NOW THEREFORE BE IT RESOLVED, September 15, 2009, that the Board of Directors of this Corporation hereby approves to purchase and attach 4-inch pedestals to the MAH22-PD front loading washing machines at Buildings 3337 and 3371; and

RESOLVED FURTHER, that the Board further approves the purchase and installation of 4-inch pedestals to all other previously installed MAH22-PD front loading washing machines upon request, and on all remaining 2009 replacements of MAH22-PDs; and

RESOLVED FURTHER, that the Board approves a supplemental appropriation in the amount of \$7,200 to be funded from the Laundry Replacement Fund for these pedestals; and

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

The Secretary of the Corporation read a proposed resolution authorizing a supplemental appropriation to replace distressed beams at Building 2403. Director Muennichow moved to approve the resolution. Director Skydell seconded the motion.

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

RESOLUTION 03-09-106

WHEREAS, Building 2403 has two dry-rot damaged glue-laminated beams along the walkway near the end stairway area that need replacement;

NOW THEREFORE BE IT RESOLVED, September 15, 2009, that the Board of Directors of this Corporation hereby authorizes a supplemental appropriation in the amount of \$31,800 to be funded from the Unappropriated Expenditures Fund to replace the two distressed beams at Building 2403; and

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

The Secretary of the Corporation read a proposed resolution authorizing a supplemental appropriation to install a handrail at Building 4001. Director Muennichow moved to approve the resolution. Director Feldstein seconded the motion and discussion ensued.

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

RESOLUTION 03-09-107

WHEREAS, the residents at Building 4001 requested that the Mutual installs a handrail at the middle entry path to the Building to accommodate the special needs of the residents;

NOW THEREFORE BE IT RESOLVED, September 15, 2009, that in order to accommodate the special needs of the residents and to comply with the provisions of the California Fair Employment and Housing Act on granting reasonable modifications for disabled persons, the Board of Directors of this Corporation hereby authorizes a supplemental appropriation in the amount of \$6,500 to be funded from the Unappropriated Expenditures Fund to install a handrail with a curb at the handrail's base at Building 4001's front middle entry walkway; and

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

Director Isabel Muennichow reported from the Board Operating Rules Ad Hoc Committee and commented on the remaining topics to be discussed at the next meeting.

Director John Paulus reported from the Landscape Committee.

The Secretary of the Corporation read a proposed resolution adopting a policy to install pavers, gravel, decomposed granite, and stepping stones as part of the re-landscaping program for soil retention in areas. Director Muennichow moved to approve the resolution. Director Freshley seconded the motion and discussion ensued.

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

RESOLUTION 03-09-108

WHEREAS, the re-landscaping program is leading to the removal of narrow strips of grass between driveways, along some walkways, and between manors; and

WHEREAS, due to the slope of some of these areas, the perimeters require soil retention measures, which is mitigated by way of a standard low height mortarless block wall; and

WHEREAS, the current soil retention measures made necessary by the re-landscaping program are creating concerns about reduced accessibility on driveways, walkways, and between manors, and the Mutual does not have a policy addressing the reduced accessibility as a result of the re-landscaping program.

NOW THEREFORE BE IT RESOLVED, September 15, 2009, that the Board of Directors hereby adopts a policy to allow for the installation of pavers, gravel, decomposed granite, and stepping stones as part of the re-landscaping program for soil retention in areas not to exceed 300 square feet; and

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

The Secretary of the Corporation read the following proposed resolution to approve a bench policy for benches purchased by the Mutual:

RESOLUTION 03-09-

WHEREAS, over the years, a few benches, in a variety of styles, have been purchased by Third or donated to Third by individuals or organizations, and

these benches can affect both the aesthetics of the Community and the landscape maintenance operations; and

WHEREAS, currently Third has no approved policy regarding standard styles, colors or anchoring used for benches;

NOW THEREFORE BE IT RESOLVED, October 20, 2009, that the Board of Directors hereby approves the thermoplastic coated metal mesh bench in dark green as its bench standard style and color for benches, or if not available, then another similar bench which meets all criteria may be substituted; and

~~**RESOLVED FURTHER**, that such benches shall be installed on either a concrete pad (if along sidewalk) or on concrete anchors in the grass (if the location is not along sidewalk); and~~

RESOLVED FURTHER, that the benches will have a seat height of 18 inches with a rolled front edge and equipped with a back and arm rest; and

RESOLVED FURTHER, in the case of donated benches, that the cost of manufacturing and installation of the bench shall be borne by the donor; and

RESOLVED FURTHER, that Resolution 03-08-103, adopted October 21, 2008 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 resolution as written.

Director Muennichow moved to approve the resolution. Director Lippert seconded the motion and discussion ensued.

Director Feldstein amended the motion to delete the fourth paragraph. Director Lippert seconded the motion and the motion carried by a vote of 8-0-1 (Director Robertson abstained).

Director Muennichow made a motion to postpone the resolution to the Old Business portion of the October Meeting to satisfy the required statutory thirty-day notice requirement. Director Souza seconded the motion and the motion carried unanimously.

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

Director Muennichow made a motion to postpone the following resolution to the Old Business portion of the October Meeting to satisfy the required statutory thirty-day notice requirement:

RESOLUTION 03-09-

WHEREAS, Third Mutual holds monthly hearings during which Member disciplinary matters are addressed; and pursuant to Third's Bylaws, the Board has the authority to impose monetary fines upon Members who have been found to violate the rules and regulations; and

WHEREAS, there are Members who do not pay the imposed fines within the required time limit, and the Mutual has limited options to collect such fines; and

WHEREAS, GRF, by way of Resolution 90-06-110, agreed to assist the Mutual in the enforcement of Member disciplinary decisions made by the Mutual Board by suspending Mutual Members' rights to use certain GRF facilities;

NOW THEREFORE BE IT RESOLVED, October 20, 2009, that in order to maintain a manageable number of referrals per month to GRF, the Board of Directors of this Corporation hereby establishes the following thresholds for referral of Member disciplinary matters to the GRF Board:

- Refer no more than two (2) Member disciplinary matters to GRF each month
- Refer only matters where the assessed fine is at least ~~\$500~~ **\$300** and/or has been unpaid for a period of ~~ninety (90) days~~ **of sixty (60) days** or longer
- If there are more than two matters that meet the above two criteria, the Board shall weigh the seriousness of the violation and prioritize them accordingly before referring the matters to the GRF Board;

RESOLVED FURTHER, that Resolution 03-09-28, adopted March 17, 2009 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 resolution as written.

Director Robertson seconded the motion and the motion carried unanimously.

NEW BUSINESS

The Secretary of the Corporation read a proposed resolution approving the 2010 Business Plan. Director Freshley moved to approve the resolution. Director Muennichow seconded the motion and discussion ensued.

By a vote of 6-3-0 (Directors Souza, Lippert and Feldstein opposed), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-09-109

**THIRD LAGUNA HILLS MUTUAL
2010 BUSINESS PLAN**

RESOLVED, September 15, 2009, that the Business Plan of this Corporation for the year 2010 is hereby adopted and approved; and

RESOLVED FURTHER, that pursuant to said business plan, the Board of Directors of this Corporation hereby estimates that the net sum of \$25,654,067 is required by the Corporation to meet the Third Laguna Hills Mutual operating expenses and reserve contributions for the year 2010, from which will be deducted \$512,568 derived from prior years' surplus. In addition, the sum of \$15,832,282 is required by the Corporation to meet the Golden Rain Foundation and the Golden Rain Foundation Trust operating expenses and reserve contributions for the year 2010. Therefore, a total of \$40,973,781 is required to be collected from and paid by members of the Corporation as monthly assessments; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby approves expenditures from reserves in the sum of \$5,049,101 of which \$4,473,309 shall be expended from the Replacement Funds, \$320,000 from the Elevator Replacement Fund, \$185,741 from the Laundry Replacement Fund and \$70,051 from the Garden Villa Recreation Room Fund; and

RESOLVED FURTHER, that all sums paid into the Replacement Reserves shall be used for capital expenditures only and shall be credited on the books of account of the Corporation to Paid-In Surplus as a capital contribution; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby determines and establishes monthly assessments of the Corporation as shown on each member's breakdown of monthly assessments for the year 2010 and as filed in the records of the Corporation, said assessments to be due and payable by the members of this Corporation on the first day of each month for the year 2010; and

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

The Secretary of the Corporation read a proposed resolution approving the 2010 Replacement Reserves Plan. Director Muennichow moved to approve the resolution. Director Freshley seconded the motion and discussion ensued.

By a vote of 8-1-0 (Director Souza opposed), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-09-110

**THIRD LAGUNA HILLS MUTUAL
2010 REPLACEMENT RESERVES PLAN**

WHEREAS, planned assessments or other contributions to replacement reserves must be projected to ensure balances will be sufficient at the end of each year to meet the Corporation's obligations for repair and/or replacement of major components during the next 30 years; and

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

NOW THEREFORE BE IT RESOLVED, September 15, 2009, that the Board has developed and hereby adopts the Replacement Reserves 30-Year Funding Plans (attached) with the objective of maintaining replacement reserve balances at or above a threshold of \$4,734,000 (indexed for projected inflation), while meeting its obligations to repair and/or replace major components; and

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

Director Souza left the meeting at 1:10 P.M.

Director Feldstein made a motion to direct GRF to stop production of the Village Snapshot for Third Mutual due to its one-sided view of the factual issues. Director Skydell seconded the motion and discussion ensued. By a vote of 5-3-0 (Directors Skydell, Lippert, Feldstein, Burrasca and Paulus voted in favor), the motion carried.

GRF COMMITTEE REPORTS HIGHLIGHTS

- No highlights were made

PUBLIC FORUM

- No comments were made.

Director Comments

- Director Lippert commented on the lack of understanding the difference between the Managing Agent's duties and the Board's duties, and thanked President Moore for her Chair's comments this morning
- Director Feldstein dittoed Director Lippert's comments
- Director Robertson indicated that the workings of the Board are not unanimous
- Director Burrasca thanked those who expressed their sentiments with his daughter's death
- Director Paulus commented on the Board's hard work over the year
- Director Freshley thanked Director Moore for her hard work and effort as President during the year
- Director Muennichow thanked everyone who has supported her during her service on the Board
- Director Skydell thanked President Moore for her Chair's comments this morning
- President Moore indicated that it's better to ask questions than to get angry

The Board recessed at 1:19 P.M. and reconvened into Executive Session at 1:51 P.M.

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

During its August 18, 2009 Regular Executive Session, the Board reviewed and approved the Minutes of the Special Executive Session Meeting of July 8, 2009, the Minutes of the Regular Executive Session Meeting of July 21, 2009; and the Minutes of the Special Executive Session Meeting of July 31, 2009; approved the recording of Notices of Default for Member ID 931-591-35, and Member ID 932-201-54; authorized a delinquency write-off; heard two (2) Disciplinary Hearings; discussed contractual matters and other member discipline matters; and reviewed the Litigation Status Report.

During its September 1, 2009 Special Executive Session, the Board discussed contractual and litigation matters.

The Traffic Committee of the Board met in Executive Session on August 26, 2009 to discuss member disciplinary issues.

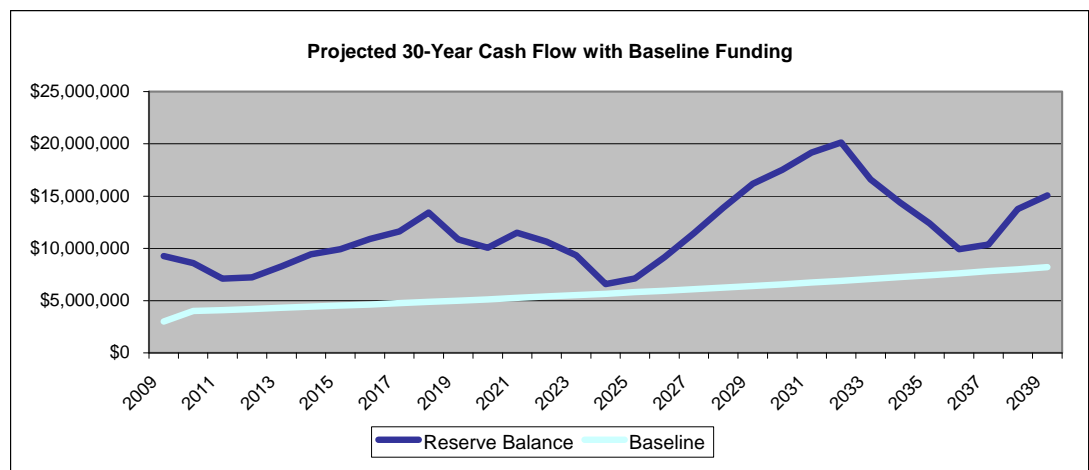
With no further business before the Board of Directors, the meeting was adjourned at 5:26 P.M.

Isabel Muennichow, Secretary

**THIRD LAGUNA HILLS MUTUAL
 2010 PROPOSED RESERVES PLAN
 Replacement Reserve 30-Year Funding Plan**

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

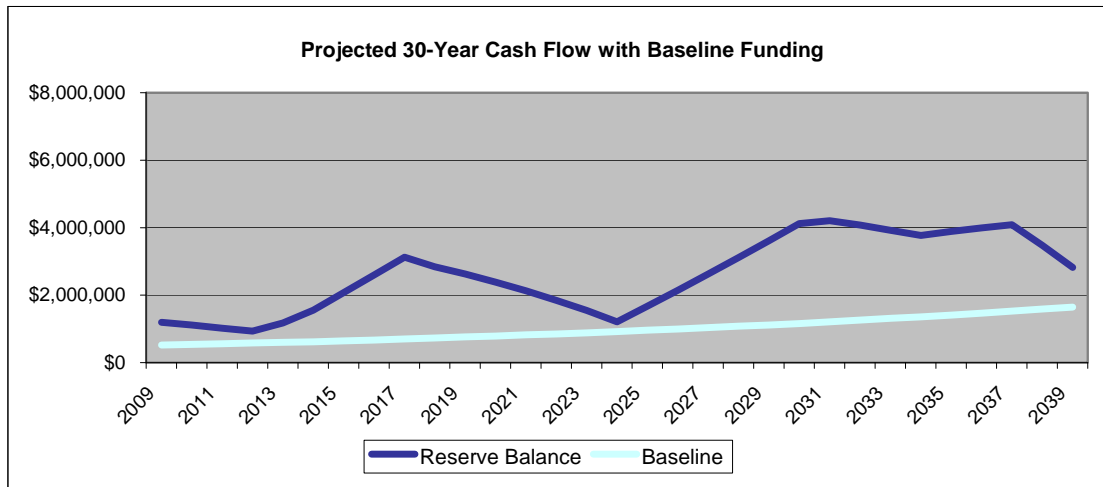
Year	Assessment		Interest Earnings	Other Additions	Planned Expenditures	Reserve Balance
	Per Manor Per Month	Total Contribution				
2009	\$ 50.00	\$ 3,661,200	\$ 143,172	\$ 526,000	\$ 2,339,207	\$ 9,248,397
2010	\$ 50.00	\$ 3,661,200	\$ 154,741		\$ 4,473,309	\$ 8,591,029
2011	\$ 51.00	\$ 3,734,424	\$ 136,104		\$ 5,361,718	\$ 7,099,839
2012	\$ 52.00	\$ 3,807,648	\$ 124,379		\$ 3,792,608	\$ 7,239,259
2013	\$ 53.00	\$ 3,880,872	\$ 134,700		\$ 2,965,115	\$ 8,289,716
2014	\$ 54.00	\$ 3,954,096	\$ 153,840		\$ 2,951,780	\$ 9,445,871
2015	\$ 55.00	\$ 4,027,320	\$ 168,153		\$ 3,701,564	\$ 9,939,780
2016	\$ 56.00	\$ 4,100,544	\$ 180,755		\$ 3,322,432	\$ 10,898,647
2017	\$ 56.00	\$ 4,100,544	\$ 195,410		\$ 3,565,248	\$ 11,629,353
2018	\$ 56.00	\$ 4,100,544	\$ 217,276		\$ 2,527,758	\$ 13,419,415
2019	\$ 56.00	\$ 4,100,544	\$ 210,499		\$ 6,882,294	\$ 10,848,164
2020	\$ 56.00	\$ 4,100,544	\$ 181,374		\$ 5,068,452	\$ 10,061,630
2021	\$ 56.00	\$ 4,100,544	\$ 186,977		\$ 2,854,949	\$ 11,494,202
2022	\$ 56.00	\$ 4,100,544	\$ 191,956		\$ 5,151,146	\$ 10,635,556
2023	\$ 56.00	\$ 4,100,544	\$ 173,227		\$ 5,574,297	\$ 9,335,029
2024	\$ 56.00	\$ 4,100,544	\$ 138,164		\$ 6,980,386	\$ 6,593,352
2025	\$ 56.00	\$ 4,100,544	\$ 119,021		\$ 3,684,880	\$ 7,128,036
2026	\$ 56.00	\$ 4,100,544	\$ 141,266		\$ 2,211,974	\$ 9,157,872
2027	\$ 56.00	\$ 4,100,544	\$ 178,784		\$ 1,983,854	\$ 11,453,347
2028	\$ 56.00	\$ 4,100,544	\$ 219,772		\$ 1,890,489	\$ 13,883,174
2029	\$ 56.00	\$ 4,100,544	\$ 260,803		\$ 2,060,828	\$ 16,183,694
2030	\$ 56.00	\$ 4,100,544	\$ 292,418		\$ 3,048,736	\$ 17,527,920
2031	\$ 56.00	\$ 4,100,544	\$ 318,347		\$ 2,773,826	\$ 19,172,985
2032	\$ 56.00	\$ 4,100,544	\$ 341,007		\$ 3,474,325	\$ 20,140,211
2033	\$ 56.00	\$ 4,100,544	\$ 318,677		\$ 7,960,688	\$ 16,598,744
2034	\$ 56.00	\$ 4,100,544	\$ 268,699		\$ 6,589,606	\$ 14,378,381
2035	\$ 56.00	\$ 4,100,544	\$ 232,230		\$ 6,316,682	\$ 12,394,473
2036	\$ 56.00	\$ 4,100,544	\$ 193,617		\$ 6,761,840	\$ 9,926,794
2037	\$ 56.00	\$ 4,100,544	\$ 176,039		\$ 3,835,415	\$ 10,367,962
2038	\$ 56.00	\$ 4,100,544	\$ 209,247		\$ 922,578	\$ 13,755,175
2039	\$ 56.00	\$ 4,100,544	\$ 250,028		\$ 3,036,280	\$ 15,069,467



**THIRD LAGUNA HILLS MUTUAL
 2010 PROPOSED RESERVES PLAN
 Elevator Reserve 30-Year Funding Plan**

Baseline (Threshold): \$ 520,000
 Indexed for projected inflation

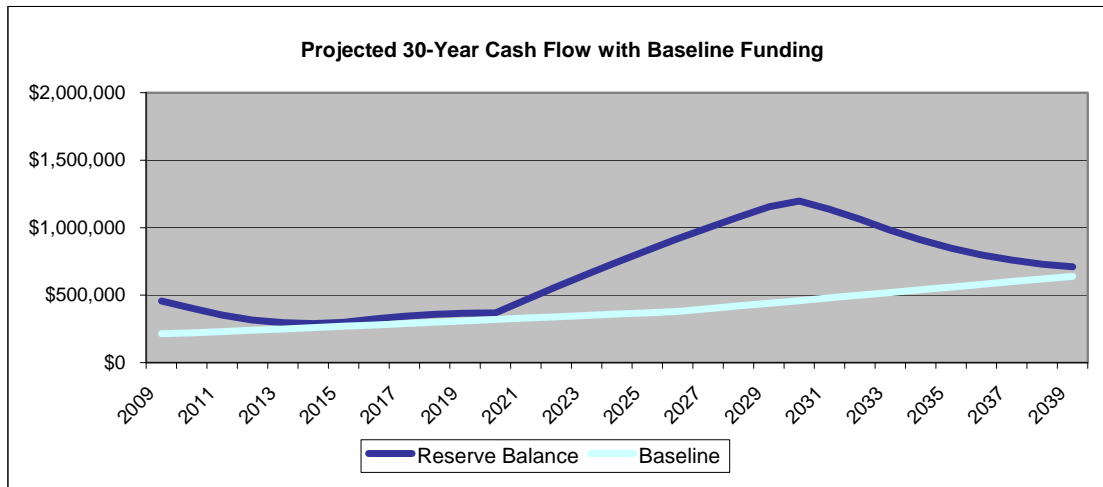
Year	Assessment		Interest Earnings	Planned Expenditures	Reserve Balance
	Per Manor Per Month	Total Contribution			
2009	\$ 3.00	\$ 219,672	\$ 20,943	\$ 261,867	\$ 1,196,588
2010	\$ 3.00	\$ 219,672	\$ 20,062	\$ 320,000	\$ 1,116,322
2011	\$ 5.00	\$ 366,120	\$ 18,533	\$ 480,725	\$ 1,020,250
2012	\$ 7.00	\$ 512,568	\$ 16,956	\$ 615,246	\$ 934,528
2013	\$ 9.00	\$ 659,016	\$ 18,299	\$ 436,787	\$ 1,175,056
2014	\$ 11.00	\$ 805,464	\$ 23,694	\$ 447,707	\$ 1,556,507
2015	\$ 13.00	\$ 951,912	\$ 31,553	\$ 458,899	\$ 2,081,073
2016	\$ 13.00	\$ 951,912	\$ 40,632	\$ 470,372	\$ 2,603,245
2017	\$ 13.00	\$ 951,912	\$ 49,667	\$ 482,131	\$ 3,122,693
2018	\$ 6.00	\$ 439,344	\$ 51,700	\$ 776,123	\$ 2,837,615
2019	\$ 6.00	\$ 439,344	\$ 47,366	\$ 701,361	\$ 2,622,963
2020	\$ 6.00	\$ 439,344	\$ 43,456	\$ 718,895	\$ 2,386,868
2021	\$ 6.00	\$ 439,344	\$ 39,167	\$ 736,868	\$ 2,128,511
2022	\$ 6.00	\$ 439,344	\$ 34,484	\$ 755,290	\$ 1,847,049
2023	\$ 6.00	\$ 439,344	\$ 29,394	\$ 774,172	\$ 1,541,616
2024	\$ 6.00	\$ 439,344	\$ 23,879	\$ 793,526	\$ 1,211,313
2025	\$ 6.00	\$ 439,344	\$ 25,042	\$ -	\$ 1,675,699
2026	\$ 6.00	\$ 439,344	\$ 33,169	\$ -	\$ 2,148,212
2027	\$ 6.00	\$ 439,344	\$ 41,438	\$ -	\$ 2,628,994
2028	\$ 6.00	\$ 439,344	\$ 49,852	\$ -	\$ 3,118,190
2029	\$ 6.00	\$ 439,344	\$ 58,413	\$ -	\$ 3,615,947
2030	\$ 6.00	\$ 439,344	\$ 67,123	\$ -	\$ 4,122,414
2031	\$ 6.00	\$ 439,344	\$ 72,279	\$ 423,759	\$ 4,210,278
2032	\$ 6.00	\$ 439,344	\$ 71,857	\$ 647,655	\$ 4,073,824
2033	\$ 6.00	\$ 439,344	\$ 69,328	\$ 663,847	\$ 3,918,649
2034	\$ 6.00	\$ 439,344	\$ 66,714	\$ 652,227	\$ 3,772,481
2035	\$ 6.00	\$ 439,344	\$ 66,417	\$ 393,778	\$ 3,884,464
2036	\$ 6.00	\$ 439,344	\$ 68,291	\$ 403,622	\$ 3,988,477
2037	\$ 6.00	\$ 439,344	\$ 70,023	\$ 413,713	\$ 4,084,131
2038	\$ 6.00	\$ 439,344	\$ 65,595	\$ 1,111,049	\$ 3,478,021
2039	\$ 6.00	\$ 439,344	\$ 54,654	\$ 1,149,262	\$ 2,822,756



**THIRD LAGUNA HILLS MUTUAL
 2010 PROPOSED RESERVES PLAN
 Laundry Reserve 30-Year Funding Plan**

Baseline (Threshold): \$ 214,000
 Indexed for projected inflation

Year	Assessment		Interest Earnings	Planned Expenditures	Reserve Balance
	Per Manor Per Month	Total Contribution			
2009	\$ 3.00	\$ 124,344	\$ 7,768	\$ 114,248	\$ 456,727
2010	\$ 3.00	\$ 124,344	\$ 7,455	\$ 185,741	\$ 402,785
2011	\$ 3.50	\$ 145,068	\$ 6,546	\$ 202,473	\$ 351,925
2012	\$ 4.00	\$ 165,792	\$ 5,793	\$ 207,535	\$ 315,975
2013	\$ 4.50	\$ 186,516	\$ 5,300	\$ 212,723	\$ 295,068
2014	\$ 5.00	\$ 207,240	\$ 5,069	\$ 218,042	\$ 289,335
2015	\$ 5.50	\$ 227,964	\$ 5,102	\$ 223,493	\$ 298,909
2016	\$ 6.00	\$ 248,688	\$ 5,402	\$ 229,080	\$ 323,919
2017	\$ 6.00	\$ 248,688	\$ 5,790	\$ 234,807	\$ 343,590
2018	\$ 6.00	\$ 248,688	\$ 6,083	\$ 240,677	\$ 357,684
2019	\$ 6.00	\$ 248,688	\$ 6,277	\$ 246,694	\$ 365,955
2020	\$ 6.00	\$ 248,688	\$ 6,368	\$ 252,861	\$ 368,149
2021	\$ 6.00	\$ 248,688	\$ 7,235	\$ 158,152	\$ 465,920
2022	\$ 6.00	\$ 248,688	\$ 8,911	\$ 162,106	\$ 561,413
2023	\$ 6.00	\$ 248,688	\$ 10,547	\$ 166,159	\$ 654,489
2024	\$ 6.00	\$ 248,688	\$ 12,139	\$ 170,313	\$ 745,004
2025	\$ 6.00	\$ 248,688	\$ 13,686	\$ 174,570	\$ 832,807
2026	\$ 6.00	\$ 248,688	\$ 15,184	\$ 178,935	\$ 917,744
2027	\$ 6.00	\$ 248,688	\$ 16,632	\$ 183,408	\$ 999,656
2028	\$ 6.00	\$ 248,688	\$ 18,025	\$ 187,993	\$ 1,078,376
2029	\$ 6.00	\$ 248,688	\$ 19,362	\$ 192,693	\$ 1,153,733
2030	\$ 6.00	\$ 248,688	\$ 20,402	\$ 224,548	\$ 1,198,275
2031	\$ 6.00	\$ 248,688	\$ 20,243	\$ 331,776	\$ 1,135,430
2032	\$ 6.00	\$ 248,688	\$ 19,070	\$ 340,070	\$ 1,063,118
2033	\$ 6.00	\$ 248,688	\$ 17,731	\$ 348,572	\$ 980,965
2034	\$ 6.50	\$ 269,412	\$ 16,398	\$ 357,286	\$ 909,488
2035	\$ 7.00	\$ 290,136	\$ 15,250	\$ 366,219	\$ 848,655
2036	\$ 7.50	\$ 310,860	\$ 14,287	\$ 375,374	\$ 798,428
2037	\$ 8.00	\$ 331,584	\$ 13,507	\$ 384,758	\$ 758,761
2038	\$ 8.50	\$ 352,308	\$ 12,910	\$ 394,377	\$ 729,601
2039	\$ 9.00	\$ 373,032	\$ 12,495	\$ 404,237	\$ 710,892



Third Laguna Hills Mutual

YEAR 2010 COLLECTION AND LIEN ENFORCEMENT POLICY AND PROCEDURES FOR ASSESSMENT DELINQUENCIES

The following is a statement of the specific procedures, policies and practices ("Policy Statement") employed by Third Laguna Hills Mutual, a California nonprofit mutual benefit corporation (the "Mutual") in enforcing lien rights or other legal remedies for default in payment of its assessments against its owners ("members"). This Policy Statement is provided pursuant to the requirements of California Civil Code Section 1365(e).

The collection of delinquent assessments is of vital concern to all members of the Mutual. Such efforts ensure that all members pay their fair share of the costs of services and facilities provided and maintained by the Mutual. Members' failure to pay assessments when due creates a cash-flow problem for the Mutual and causes those members who make timely payment of their assessments to bear a disproportionate share of the community's financial obligations.

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 MUTUAL RECORDS A LIEN ON YOUR PROPERTY DURING THE COLLECTION OF PAST-DUE ASSESSMENTS, ALL MEMBERS HAVE A PERSONAL AND ONGOING OBLIGATION TO PAY ASSESSMENTS AND CHARGES.

Delinquency reports are made monthly by the Mutual's managing agent to the Board of the Mutual, identifying the delinquent member, amount and the length of time the assessments have been in arrears. 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 special assessment or in the ballot presenting the special assessment to the members for approval. In no event shall a special assessment be due and payable earlier than thirty (30) days after the special assessment is duly imposed. 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 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's managing agent to cover staff's costs to prepare the files for delivery to the Mutual's legal counsel in order to carry out legal actions authorized hereunder, as well as direct costs incurred in recording and/or mailing documents attendant to this legal process. This Administrative Collection Fee may be increased by majority vote of the Mutual's Board, and may be collected by the Mutual's legal counsel on its behalf, and remitted to the Mutual's managing agent, or may be directly collected by the Mutual's managing agent. IT IS THE MEMBER'S RESPONSIBILITY TO ALLOW AMPLE TIME TO DROP OFF OR MAIL ALL PAYMENTS SO THAT THEY ARE RECEIVED BEFORE THE DELINQUENCY DATE. All notices or invoices for assessments will be sent to members by first-class mail addressed to the member at his or her address as shown on the books and records of the Mutual. However, it is the member's responsibility to be aware of the assessment payment due dates and to advise the Mutual of any changes in the member's mailing address.

A late payment charge for a delinquent assessment will be assessed in the amount of Twenty Dollars (\$20.00) and will be imposed on any assessment payment that is more than fifteen (15) days in arrears. Further, both state law and the Mutual's governing documents provide for interest on the delinquent assessment and the late charge, and accordingly interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate not to exceed twelve percent (12%) or the maximum interest rate allowed by law, whichever is less. Such interest may be imposed and collected per the foregoing sentence regardless of whether the member's delinquent account is referred to the Mutual's legal counsel for further handling.

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 special assessments are imposed. Accordingly, in order to reduce the amount and duration of delinquencies and to encourage the prompt and full payment of all assessments, the Mutual has been vested with certain enforcement rights and remedies which are in addition to those which exist generally for creditors. 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 as to which the member would otherwise be entitled to vote (based on applicable law and/or the Mutual's governing documents), or to use facilities or receive services provided by the Mutual, or both, until the delinquency is paid in full, including interest, a late charge, and/or the Administrative Collection Fee, as may have been imposed or incurred in a particular instance. Failure to pay the assessments or failure to pay interest, a late fee, and/or the Administrative Collection Fee may also result in suspension of membership in and the ability to use the facilities or services provided by the Golden Rain Foundation of Laguna Woods or by this Mutual.

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

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 delinquent member shall be maintained by identifying the matter in the minutes only by the Parcel Number, and not by the name of the delinquent member or members. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale.

The Board must provide notice by personal service to an owner of a separate interest or their legal representative, if the Board votes to foreclose. For a non-occupying owner, the Board must provide written notice by first-class mail, postage prepaid, at the most current address shown on the books of the Mutual. In the absence of written notification by a non-occupying owner to the Mutual, the address of the owner's separate interest may be treated as the owner's mailing address.

A non-judicial foreclosure by the Mutual to collect upon a debt for delinquent assessments is subject to a statutory right of redemption. The redemption period within which the separate interest may be redeemed from a foreclosure sale ends ninety (90) days after the sale, per California Civil Code Section 1367.4.

If a foreclosure action is prosecuted to judgment and the judgment is in favor of the Mutual, assets of the member may be seized or a lien may be placed on such assets to satisfy the judgment.

Pursuant to the provisions of the Davis-Stirling Common Interest Development Act, applicable regulations, and the Covenants, Conditions and Restrictions (CC&R's), the delinquent amount, as well as late payment penalties for the delinquent assessments and/or interest charges and/or charges for Costs of Collection that are incurred by the Mutual or its managing agent acting on behalf of the Mutual in its efforts to collect delinquent assessments (including, but not limited to, attorney's fees, title company and foreclosure service company charges, charges imposed to defray the cost of preparing and mailing demand letters (such as the Administrative Collection Fee), recording costs and costs associated with small claims court actions) may be enforced as a lien against the member's Manor.

Moreover, pursuant to the Davis-Stirling Common Interest Development Act, monetary penalties that have been imposed by the Mutual as a means of reimbursing the Mutual for costs incurred by the Mutual in the repair of damage to common areas and/or community facilities for which a member or a member's guests or tenants were responsible may also be enforced as a lien against the member's Manor.

Prerequisites to Recording a Lien: Offer of ADR and Thirty (30) Day Pre-Lien Notice to the Delinquent Member. Before a Notice of Delinquent Assessment can be recorded in the chain of title to the manor of a delinquent member, the Mutual must offer the member, and if so requested by the member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program (per the requirements set forth in Article 5 commencing with Section 1363.810 of Chapter 4) or ADR as set forth in Article 2 (commencing with Section 1369.510 of Chapter 7), both in the California Civil Code.

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 Policy Statement is intended to satisfy that disclosure requirement);

- (b) A statement that the notified member has the right to inspect the Mutual's records pursuant to Section 8333 of the Corporations Code;
- (c) A statement in 14-point capital letters (or boldface type): "IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION";
- (d) An itemized statement of the charges owed by the member, including items on the statement that indicate the amount of any delinquent assessments, the fees and Costs of Collection, reasonable attorney's fees, and late charges, and interest, if any;
- (e) A statement that the member shall not be liable to pay the charges, interests and Costs of Collection if it is determined that the assessment was paid on time to the Mutual;
- (f) A statement that the notified member has a right to meet with the Board to discuss a payment plan (further discussed below);
- (g) A statement that the member has the right to dispute the assessment debt by submitting a written request for dispute resolution to the Board pursuant to the Mutual's "meet and confer" program; and
- (h) A statement that the member has the right to request ADR with a neutral third party before the Mutual may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure.

Member's Right to Request a Meeting with the Board, or Dispute Resolution or ADR. Upon receipt of the certified Pre-Lien Notice described above, the noticed member has several possible courses of action that can be taken at this point in the collection process, such as:

- (a) The member has the right to dispute the assessment debt by submitting a written request for dispute resolution to the Mutual pursuant to the Mutual's "meet and confer" program, which is required by Civil Code Sections 1363.810-1363.850;
- (b) The noticed member may exercise his or her right to participate in alternative dispute resolution with a neutral third party under Civil Code Sections 1369.510-1369.590 before the Mutual may initiate foreclosure against the owner's separate interest, except that binding arbitration

shall not be available if the Mutual intends to initiate a judicial foreclosure.

- (c) The noticed member has a right to submit a written request to meet with the Board of Directors to discuss a payment plan for the delinquent assessment, as long as the request for a meeting is made within fifteen (15) days following the postmark on the Mutual's Pre-Lien Notice to the member. That meeting must take place within forty-five (45) days (calculated from the postmark on the member's request) and must be conducted in executive session. When a member has made a timely request for a meeting to discuss a payment plan, the Mutual must provide the requesting member with the Mutual's standards for payment plans, if any standards have been adopted. There is no statutory authorization for the Board to delegate this meeting obligation to a property manager, but the Board may designate a committee of one or more directors to meet with the member if there is no regularly scheduled Board meeting that will occur within forty-five (45) days of the member's request.

Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans may not impede the Mutual's ability to record a lien on the member's separate interest to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the member is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Mutual may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

Also, Civil Code Section 1369.590 requires the Mutual to include the following statement in this Policy Statement:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

If any "meet and confer" session or ADR is engaged in by and between the member and the Mutual (or any neutral third parties, as the case may be), and these efforts do not result in a payment plan, then, assuming the new statutory minimum as to the delinquent amount or duration of the delinquency had been met, a proceeding may be commenced to foreclose the lien against the member's Manor and sell the member's Manor at a private sale or by a judicial sale. If this occurs, the member may lose his or her Manor.

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 Policy Statement, and upon receipt of a written request from a member identifying a secondary address, the Mutual must send additional notices to this secondary address.

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