

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

July 20, 2010

The Regular Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Tuesday, July 20, 2010 at 9:30 A.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Carol Moore, John Paulus, Kathryn Freshley, Carol Skydell, Dominic Burrasca, Lucy Shimon, Pat Feeney, Don Lippert, Noel Hatch, Stanley Feldstein, Dick Palmer

Directors Absent: None

Others Present: Jerry Storage, Patty Kurzet
Executive Session: Jerry Storage, Patty Kurzet, Cris Robinson, Sandy Meyer

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 Dick Palmer led the Membership in the Pledge of Allegiance to the Flag.

ACKNOWLEDGEMENT OF PRESS

Ms. Claire Webb from the Laguna Woods Globe was not present, and the Channel 6 Camera Crew, by way of remote cameras, was acknowledged as present.

APPROVAL OF AGENDA

The Board approved the agenda as written.

CHAIR'S REPORT—Carol Moore

President Moore commented on the history of the Community, the Board's financial duty to increase the reserves, the Board's duty to investigate wrongdoings, legal fees, and encouraged residents to pick up an application and run for the Board of Directors.

APPROVAL OF THE MINUTES

The Board reviewed and approved without objection, the minutes of the Regular Meeting of June 15, 2010 and the minutes of the Special Meeting of June 28, 2010.

CONSENT CALENDAR

Without objection the Consent Calendar was approved as written and the Board took the following actions:

Maintenance & Construction Committee Recommendations:

- | | |
|---------|---|
| 965-C | Denial of appeal request to retain original clerestory living room window |
| 2337-B | Approval of request to retain the plants on the patio block wall and approval of request for Mutual to exclude patio block wall from Mutual's 2010 Exterior Paint Program, with contingencies |
| 3266-B | Approval of request to allow the existing lean-to structure to be changed into a free-standing shade structure, with contingencies |
| 3371-3A | Approval of request to install two XO retrofit windows, with contingencies |
| 3426-A | Approval of request to extend rear patio slab, with contingencies |
| 3514-B | Approval to retain free-standing lattice work between manors, but require removal of lattice panels on exterior ends of patio enclosure at Member's expense |
| 4003-3G | Approval of request to install two XO retrofit windows, with contingencies |
| 5461-B | Approval of request to retain brick patio addition, cement walkway, planter walls, and tile roof structure, with contingencies; and deny request to retain storage cabinet |
| 5543-A | Approval of request to extend front patio and install patio wall, with contingencies |

Landscape Committee Recommendations

No Meeting was Held.

Finance Committee Recommendations

RESOLUTION 03-10-91

WHEREAS, Member ID 931-370-28 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, July 20, 2010, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-370-28; 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 03-10-92

WHEREAS, Member ID 931-371-37 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, July 20, 2010, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-371-37; 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 03-10-93

WHEREAS, Member ID 931-590-27 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

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

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-590-27; 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 03-10-94

WHEREAS, Member ID 932-201-38 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, July 20, 2010, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-201-38; 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 03-10-95

WHEREAS, Member ID 932-440-07 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, July 20, 2010, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-440-07; 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 03-10-96

WHEREAS, Member ID 932-720-34 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

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

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-720-34; 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.

President Moore described the Board decorum for Member Comments.

Ms. Claire Webb of the Laguna Woods Globe entered the meeting at 10:05 A.M.

THIRD MUTUAL MEMBER COMMENTS

- Bud Nesvig (2392-3H) commented on Third's lawsuit against PCM.
- Pat Wilkinson (5274) inquired on the legal fees to fund Third's lawsuit against PCM.
- Mary Robinson (5184) commented on the Board using the Corporation's reserves to fund Third's lawsuit against PCM and requested that the Board disclose the amount of legal fees incurred up to date.
- Mike Straziuso (4006-2E) commented on his reasons for resigning from the Board based on the Board's Executive Committee's decision to file a lawsuit against PCM without full board approval and its high legal fees incurred up to date.
- Corkey Eley (2401-2E) commented on the residents owning the Community Center, and paying for the costs to maintain the Community Center and all costs incurred by PCM.
- Ed Bernstein (3493-C) commented on the request to install an HVAC unit by Manor 3493-O.
- Teresa Stewart (2353-1C) commented on Security's request for her to park her camper van in the RV Lot.
- Barbara Marsh (3433-B) commented on the Board keeping the time limit for member comments.
- Ms. Lazarus (3493-O) commented on the installation of heat pumps.
- Irvin Snyder (4002-2C) commented on recycling bins.
- Jennifer Marks (5261) requested that the Board require PCM to run Federal background checks on its employees and that PCM disclose the results to the Board.
- Ritamarie Meyer-Smith (3501-3E) commented on hard surface flooring.
- Tony Sorich (3402-B) encouraged residents to get involved with the Community's governance.
- Kay Margason (510-C) commented on the City's proposal to rezone Community property.
- Bob Cummings (5095) commented on the negative effect the lawsuit will have on the Community.
- Vivian Bornstein (3501-3B) commented on hard surface flooring.
- Ed Menter (3493-B) commented on the installation of hard surface flooring.

RESPONSES TO MEMBER COMMENTS

- Director Freshley responded to comments made on the lawsuit and provided a breakdown of the year-to-date legal fees.
- President Moore responded to comments made on the lawsuit.
- Director Feldstein responded to comments made on the lawsuit, stated that the current Board has been more transparent than the preceding Board, and that the Board has evidence of obfuscation against PCM and the Board has a fiduciary duty to recover monies taken by PCM.
- Director Paulus stated that Third's contribution to the Incentive Plan exceeds \$2 million dollars, and responded to comments on hard surface flooring.
- Director Burrasca commented on PCM's usage of credit cards.
- Director Lippert commented on removing named defendants from controlling Third's money.

- Director Feeney responded to comments made on hard surface flooring.
- Director Shimon encouraged the Board to request PCM to use E-Verify for background checks.
- Director Palmer commented on heat pumps.
- Director Hatch responded to comments made on the condition of the Community, the installation of hard surface flooring, and the lawsuit.
- Director Skydell responded to comments made on the lawsuit and hard surface flooring.
- Mr. Storage responded to the comments made regarding background checks, parking in the RV parking lot, and the ownership of the Community Center.

GENERAL MANAGER'S REPORT

Mr. Storage updated the membership on the Moulton Widening project, the budget meetings, and the Plan-a-Ride program. Mr. Storage announced that PCM employees have been nominated for the California Association of Community Managers (CACM) Vision Awards as leaders in the community management industry. Mr. Storage encouraged residents to visit the Village website for upcoming events.

OLD BUSINESS

The Secretary of the Corporation, Director Carol Skydell, read a proposed resolution, postponed from last month to satisfy the 30-day notification requirements, approving Third Laguna Hills Mutual Alteration Standard Section 11A – Interior Hard-Surface Flooring.

Director Skydell moved to approve the resolution and the motion was seconded.

Members Ed Menter (3493-B) and Isabel Muennichow (5285) commented on the policy.

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

RESOLUTION 03-10-97

WHEREAS, flooring is an integral sound attenuation element of the building where a floor is above another manor; and

WHEREAS, the installation of hard-surface flooring, which shall include, but not be limited to, wood, tile, slate, linoleum, bamboo, laminates, and stone, within a manor can result in unreasonable noise being transmitted into the manor immediately below, which noise can adversely affect said resident's quality of life; and

WHEREAS, the Mutual has received complaints that the installation and/or utilization of hard-surface flooring within certain manors has resulted in an obstruction or interference with the rights of persons in the manors located immediately below, has annoyed said persons by unreasonable noise, thereby creating or constituting a nuisance; and

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WHEREAS, Article III, Section 6 of Third's Amended and Restated Declaration of Covenants, Conditions and Restrictions states that "no Owner or Resident shall permit or suffer anything to be done or kept within the Project which will obstruct or interfere with the rights of other persons in the Project or annoy them by unreasonable noises or otherwise, nor shall any Owner or Resident commit or permit any nuisance"; and

WHEREAS, Article IV, Section 1 of Third's Amended and Restated Declaration of Covenants, Conditions and Restrictions grants the Mutual the right and power to do all things which may be necessary, convenient or desirable for the management, operation and maintenance of the Project; and

WHEREAS, after conducting an investigation of certain of these complaints, which included consultation with an acoustical engineer and counsel, the Mutual has determined that Section 11A – Interior Hard-Surface Flooring should be added to the Third Laguna Hills Mutual Alteration Standards and should be adopted;

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that Section 11A – Interior Hard-Surface Flooring is hereby added to the Third Laguna Hills Mutual Alteration Standards, as attached hereto and to the official minutes of this meeting; and

RESOLVED FURTHER, that Resolution M3-96-28, adopted May 21, 1996 is hereby amended; and

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

The Secretary of the Corporation read a proposed resolution, postponed from last month to satisfy the 30-day notification requirements, approving Third Laguna Hills Mutual Interior Hard-Surface Flooring Complaint Rules. Director Skydell moved to approve the resolution. Director Feldstein seconded the motion and discussion ensued.

Members Harry Curtis (5371-2A) and Mike Straziuso (4006-2E) addressed the Board on the resolution.

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

RESOLUTION 03-10-98

WHEREAS, flooring is an integral sound attenuation element of the building where a floor is above another manor; and

WHEREAS, the installation of hard-surface flooring, which shall include wood, but not be limited to, tile, slate, linoleum, bamboo, laminates, and stone, within a manor can result in unreasonable noise being transmitted into the manor immediately below, which noise can adversely affect said resident's quality of life; and

WHEREAS, the Mutual has received complaints that the installation and/or utilization of hard-surface flooring within certain manors has resulted in an obstruction or interference with the rights of persons in the manors located immediately below, has annoyed said persons by unreasonable noise, thereby creating or constituting a nuisance; and

WHEREAS, Article III, Section 6 of Third's Amended and Restated Declaration of Covenants, Conditions and Restrictions (CC&Rs) states that "no Owner or Resident shall permit or suffer anything to be done or kept within the Project which will obstruct or interfere with the rights of other persons in the Project or annoy them by unreasonable noises or otherwise, nor shall any Owner or Resident commit or permit any nuisance"; and

WHEREAS, after conducting an investigation of certain of these complaints, the Mutual has determined that Interior Hard-Surface Flooring Complaint Rules should be adopted;

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors hereby approves the Third Laguna Hills Mutual Interior Hard-Surface Flooring Complaint Rules, as attached hereto and to the official minutes of this meeting; and

RESOLVED FURTHER, that these Interior Hard-Surface Flooring Complaint Rules shall govern complaints by any Owner or resident of a first or second floor condominium that the interior hard-surface flooring in the condominium immediately above is in violation of Article III, Section 6 of the Mutual's CC&Rs and/or Third Laguna Hills Mutual Alteration Standard Section 11A – Interior Hard-Surface Flooring; 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.

The Secretary of the Corporation read a proposed resolution, postponed from last month to satisfy the 30-day notification requirements, amending the Care & Maintenance of Patios, Balconies, Breezeways & Walkways Policy. Director Skydell moved to approve the resolution. Director Shimon seconded the motion and discussion ensued.

Members Harry Curtis (5371-2A) and Art Harris (3244-1G) addressed the Board on the revision.

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By a vote of 6-3-1 (Directors Feeney, Paulus and Freshley opposed, and Director Shimon abstained), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-10-99

WHEREAS, by way of Resolution M3-94-32, the Board of Directors of this Corporation adopted the "Landscape Maintenance Manual;" and

WHEREAS, the Third Laguna Hills Mutual Maintenance and Construction Committee has recommended revising *Care & Maintenance of Patios, Balconies, Breezeways & Walkways*, a section of said Manual, to include the option of allowing residents to hang artificial plants for decoration;

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors of this Corporation hereby amends the "Care & Maintenance of Patios, Balconies, Breezeways & Walkways Policy," as attached to the official minutes of this meeting; and

RESOLVED FURTHER, that Resolution M3-94-32 adopted March 15, 1994 is hereby amended, and Resolution M3-02-06 adopted January 15, 2002 is hereby superseded and canceled; 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.

The Secretary of the Corporation read a proposed resolution, postponed from last month to satisfy the 30-day notification requirements, approving the revised Third Laguna Hills Mutual Alteration Standard Section 4 – *Air Conditioning/Heat Pump Units*. Director Skydell moved to approve the resolution. Director Freshley seconded the motion.

Members Mary Robertson (5184) and Ed Menter (3493-B) addressed the Board on the policy.

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

RESOLUTION 03-10-100

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

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WHEREAS, the Maintenance & Construction Committee of this Corporation recognizes the need to further amend a portion of the standards with regard to Section 4 – *Air Conditioning/Heat Pump Units*;

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that Section 4 – *Air Conditioning/Heat Pump Units* is hereby amended as attached to the official minutes of this meeting; and

RESOLVED FURTHER, that Resolution 03-05-20 adopted September 20, 2005 is hereby superseded and canceled and Resolution M3-96-28, adopted May 21, 1996 is hereby amended; and

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

NEW BUSINESS

Director Skydell made a motion to dissolve the Information Access Ad Hoc Committee. Director Freshley seconded the motion and discussion ensued. The motion carried unanimously.

Director Paulus made a motion to dissolve the Chargeable Services Ad Hoc Committee. Director Freshley seconded the motion and the motion carried unanimously.

Director Paulus made a motion to establish a Problem Solutions Ad Hoc Committee and to appoint Directors Paulus, Freshley, Feldstein, and Feeney to the Committee. Director Hatch seconded the motion.

Member Isabel Muennichow (5285) commented on the motion.

Director Skydell left the meeting at 12:11 P.M.

By a vote of 8-0-1 (Director Lippert abstained and Director Skydell was absent from the meeting), motion carried.

Director Feldstein made a motion to establish a Water Conservation Ad Hoc Committee and to appoint Directors Palmer, Paulus, and Skydell to the Committee. Director Shimon seconded the motion, and the motion carried by a vote of 8-0-1 (Director Lippert abstained and Director Skydell was absent from the meeting), motion carried.

Director Hatch made a motion to appoint Directors Moore and Shimon to the GRF Community Revitalization Ad Hoc Committee. Director Shimon seconded the motion and discussion ensued. The motion carried unanimously.

On behalf of the Secretary of the Corporation, President Moore read a proposed resolution approving the ballot package for the 2010 Director Election. The motion was moved and seconded and discussion ensued.

Director Skydell returned to the meeting at 12:15 P.M.

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

RESOLUTION 03-10-101

RESOLVED, July 20, 2010, that the ballot package for the 2010 Election of Directors of this Corporation, as prepared by the managing agent, is hereby approved; and

RESOLVED FURTHER, that the Board hereby approves three (3) random ballot rotations to be determined by Martin and Chapman, the approved Election Company; 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.

The Secretary of the Corporation read a proposed resolution approving a Delegation of Actions and Commitments matrix. Director Skydell moved to approve the resolution. Director Freshley seconded the motion and discussion ensued.

Members Denny Welch (5517-1C), Bud Nesvig (2392-3H), and Sy Wellikson (5026) commented on the matrix.

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

RESOLUTION 03-10-102

WHEREAS, in accordance with Corporations Code §7210 the activities and affairs of a corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the corporation to any person(s), management company, or committee, provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the board; and

WHEREAS, in order to avoid confusion as to the role and responsibilities of the Board and the managing agent, a matrix was created to clearly define the responsibilities and authority of the Board and those responsibilities they may wish to delegate;

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NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors of this Corporation hereby approves the attached document entitled "Delegation of Actions and Commitments" which identifies the day-to-day responsibilities and duties of the Board, committees, and the managing agent; 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.

The Secretary of the Corporation read a proposed resolution authorizing the Managing Agent to designate the necessary staff to represent the Board in Small Claims Court. Director Skydell moved to approve the resolution. Director Shimon seconded the motion and discussion ensued.

By a vote of 6-4-0 (Directors Feldstein, Palmer, Lippert and Burrasca opposed), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-10-103

WHEREAS, the Board of Directors of this Corporation from time to time requires representation in Small Claims Court to resolve disputes;

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors of this Corporation hereby authorizes the Managing Agent of this Corporation to designate the necessary staff to represent the Board in Small Claims Court matters; 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.

The Secretary of the Corporation read the proposed changes to the Mutual Committee Appointments. Director Skydell moved to approve the resolution. Director Freshley seconded the motion.

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

RESOLUTION 03-10-104

RESOLVED, July 20, 2010, that the following persons are hereby appointed to serve on the committees and services of this Corporation; and

RESOLVED FURTHER, that each committee chair in consultation with the vice chair may appoint additional members and advisors with interim approval by the President subject to the approval of the Board of Directors:

Board Operating Rules Ad Hoc Committee (Committee of the Whole)

Stanley Feldstein, Chair
Carol Skydell, Vice Chair

Exterior Paint Colors Ad Hoc Committee

Carol Skydell, Chair
Non-Voting Advisors: Ann Souza, Nina Brice

Finance (Committee of the Whole)

Kathryn Freshley, Chair
Stanley Feldstein, Vice Chair
Non-Voting Advisors: Jim Hart, Rosemarie diLorenzo Dickens

Garden Villa Recreation Room Ad Hoc Committee

John Paulus, Chair
Kathryn Freshley, Vice Chair
Non-Voting Advisors: Harry Curtis, Shari Horne, Iris Gilboard

Laguna Canyon Foundation Representative

Carol Skydell

Landscape (Committee of the Whole)

Lucy Shimon, Chair
Carol Moore, Vice Chair
Non-Voting Advisors: Gerald Figliuzzi, John Dudley, Shari Horne

Long Range Planning

Noel Hatch, Carol Skydell, and Lucy Shimon

Joint Long Range Planning

Noel Hatch, Carol Skydell, and Lucy Shimon

Maintenance and Construction (Committee of the Whole)

John Paulus, Chair
Dominic Burrasca, Vice Chair
Non-Voting Advisor: Art Harris

Management Agreement Ad Hoc Committee (Committee of the Whole)

New Resident Orientation

Per Rotation List

Plumbing Ad Hoc Committee

John Paulus, Chair
Dominic Burrasca
Carol Moore
Richard Palmer

Problem Solutions Ad Hoc Committee

John Paulus
Kathryn Freshley
Stanley Feldstein
Pat Feeney

Resident Problem Resolution Services

John Paulus, Chair
Dominic Burrasca, Vice-Chair

Smoking Complaint Ad Hoc Committee

John Paulus
Kathryn Freshley
Carol Skydell

Standards Sub-Committee

John Paulus, Chair
Carol Skydell, Vice Chair
Pat Feeney

Select Audit

Kathryn Freshley
Pat Feeney

Traffic

Dominic Burrasca, Chair
Richard Palmer, Vice-Chair
Stanley Feldstein

Water Conservation Ad Hoc Committee

Richard Palmer
John Paulus
Carol Skydell

RESOLVED FURTHER, Resolution 03-09-164, adopted December 15, 2009 is hereby superseded and canceled.

The Secretary of the Corporation read the proposed changes to the appointments to GRF Committees. Director Skydell moved to approve the resolution. Director Freshley seconded the motion.

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

RESOLUTION 03-10-105

RESOLVED, July 20, 2010, that in compliance with Article 7, Section 7.3 of the Golden Rain Foundation Bylaws, adopted May 2006, the following persons are hereby appointed to serve on the committees of the Golden Rain Foundation:

Broadband Services Committee

Lucy Shimon
Kathryn Freshley

Business Planning

Carol Moore
Kathryn Freshley

Bus Services Committee

Lucy Shimon
Richard Palmer

Community Activities

Kathryn Freshley
Pat Feeney

Community Revitalization Ad Hoc Committee

Carol Moore
Lucy Shimon

Finance

Kathryn Freshley
Stanley Feldstein

GRF Ad Hoc Bylaw Committee

Noel Hatch
Stanley Feldstein

Golf Building Ad Hoc Committee

Kathryn Freshley
Richard Palmer

Government and Public Relations

Kathryn Freshley
Carol Skydell

Landscape Committee

Carol Moore

Lucy Shimon

Land Use Ad Hoc Committee

Kathryn Freshley
Carol Skydell

Maintenance and Construction

John Paulus
Dominic Burrasca

Master Landscape Plan Ad Hoc Committee

Carol Moore
Lucy Shimon

Recreation Master Planning Sub-Committee

Kathryn Freshley
Pat Feeney

Security and Community Access

Carol Skydell
Dominic Burrasca

RESOLVED FURTHER, Resolution 03-10-66, adopted May 18, 2010 is hereby superseded and canceled.

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 read a proposed resolution authorizing a supplemental appropriation in the amount of \$100,000 to fund a specific legal action. Director Skydell moved to approve the resolution. Director Freshley seconded the motion and discussion ensued.

Director Hatch made recommended changes to the resolution to specify the legal action. The amendments carried without objection.

Members Mary Robertson (5184) and Barbara Marsh (3433-B) addressed the Board on the resolution.

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

RESOLUTION 03-10-106

WHEREAS, the Board of Directors of this Corporation has engaged in a legal action against PCM, Inc., et. al, for which the costs are not budgeted, and in order to aid in proper tracking of the expenses related to this legal matter, a special appropriation is necessary;

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors of this Corporation hereby authorizes a supplemental appropriation in the amount of \$100,000 from the Unappropriated Expenditures Fund to fund the legal action of Third Mutual vs. PCM, Inc., et. al; 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.

Director Hatch left the meeting at 1:22 P.M.

COMMITTEE REPORTS

Director Lucy Shimon reported from the Landscape Committee.

Director John Paulus reported from the Maintenance and Construction Committee.

Director Lippert left the meeting at 1:26 P.M.

The Secretary of the Corporation read a proposed resolution authorizing a supplemental appropriation in the amount of \$7,480 to retain engineering services to begin the design of potential parking in cul-de-sac 306. Director Skydell moved to approve the resolution. Director Paulus seconded the motion.

By a vote of 8-0-0 (Directors Hatch and Lippert were absent from the meeting), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-10-107

WHEREAS, a request was received from the Maintenance and Construction Committee for Staff to investigate adding additional parking in cul-de-sac 306; and

WHEREAS, Staff identified 3 areas in cul-de-sac 306 where additional parking could be created;

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors of this Corporation hereby authorizes a supplemental appropriation in the amount of \$7,480 to be funded from the Unappropriated Expenditures Fund

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to retain engineering services to begin the design of potential parking in 3 areas in cul-de-sac 306 that could yield up to 13 additional parking stalls; and

RESOLVED FURTHER, that the 3 potential areas are the north side of the cul-de-sac 306, adjacent to carport 3027; the entrance of cul-de-sac 306 between two existing groups of unassigned parking; and in front of Building 3407; 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.

The Secretary of the Corporation read a proposed resolution authorizing a supplemental appropriation in the amount of \$175,000 to remove and replace twelve distressed beams at Building 2399. Director Skydell moved to approve the resolution. Director Feldstein seconded the motion.

By a vote of 8-0-0 (Directors Hatch and Lippert were absent from the meeting), the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION 03-10-108

WHEREAS, Building 2399 has twelve (12) dry-rot damaged glue-laminated beams in the center atrium of the building that need replacement;

NOW THEREFORE BE IT RESOLVED, July 20, 2010, that the Board of Directors of this Corporation hereby authorizes a supplemental appropriation in the amount of \$175,000 to be funded from the Replacement Fund to remove and replace twelve distressed beams at Building 2399; 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.

Director Skydell reported from the Board Operating Rules Ad Hoc Committee.

Due to time constraints, the Board agreed to waive the remaining committee reports.

Directors Lippert and Hatch returned to the meeting at 1:32 P.M.

GRF COMMITTEE REPORTS HIGHLIGHTS

No reports were made.

PUBLIC FORUM

No comments were made.

DIRECTOR COMMENTS

No comments were made.

The Board recessed at 1:32 P.M. and reconvened into Executive Session at 2:20 P.M.

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

During its June 15, 2010 Regular Executive Session Board Meeting, the Board reviewed and approved the Minutes of the Special Executive Session Meeting of April 22, 2010 and the Regular Executive Session Meeting of May 18, 2010; approved a payment plan for delinquent assessments and established a foreclosure sale date; heard three (3) disciplinary hearings; approved recording Notices of Default for Member ID 931-680-63, Member ID 931-720-66, and Member ID 933-611-82; approved filing two separate Small Claims Cases of \$5,000; approved filing nine separate Small Claims Cases of \$2,500 (or less); and approved filing 21 Small Claims cases of \$2,500 (or less) against former owners with previous debt written off as bad debt; discussed the legal matters of Ellen Moss v. Third Mutual; Victoria Pullman v. Third Mutual; and Third Mutual v. PCM, Inc.; discussed other member disciplinary matters; and discussed contractual and litigation matters.

The Traffic Committee of the Board met in Executive Session on June 23, 2010 to discuss member disciplinary issues.

With no further business before the Board of Directors, the meeting was adjourned at 5:56 P.M.

Carol Skydell, Secretary

THIRD LAGUNA HILLS MUTUAL
SECTION 11A INTERIOR HARD-SURFACE FLOORING
July 20, 2010, RESOLUTION 03-10-97

1.0 GENERAL REQUIREMENTS

1.1. PERMITS, FIIC TESTS AND FEES: Neither a Mutual permit nor an FIIC test shall be required prior to the installation of any interior hard-surface flooring. A City of Laguna Woods permit may be required. All fees for City permits shall be paid for by the member and/or his contractor. For purposes of this Section, "hard-surface flooring" shall mean any flooring which is composed of hard-surface materials such as wood, linoleum, tile, bamboo, slate, laminates or stone.

1.2. MEMBER RESPONSIBILITY: The member is solely responsible for the maintenance and repair of his or her interior hard-surface flooring. Each member who installs interior hard-surface flooring does so at his or her own risk, and shall be liable for any damage that is caused by said flooring.

1.3. CODES AND REGULATIONS: The installation of interior hard-surface flooring shall comply with all applicable local, state, and federal requirements, including but not limited to the current edition of the Uniform Building Code and the California Building Code (UBC/CBC).

1.4. WORK HOURS: No work on the installation of interior hard-surface flooring shall commence prior to 7:00 a.m. and no work will be permitted after 6:00 p.m. Monday through Friday. Saturday work should be held to a minimum and no work whatsoever shall be performed on Sunday.

1.5. DUMPSITES: The premises shall be kept free from accumulation of waste materials and/or rubbish caused by interior hard-surface flooring installation work. The member and his contractor are responsible for removal of debris and excess material. USE OF COMMUNITY DUMPSITES OR TRASH CONTAINERS FOR CONSTRUCTION RELATED DUMPING IS NOT PERMITTED. Contractor's dumpsters, if required, must have location approved by the Mutual's Permits and Inspections office.

2.0 APPLICATIONS

2.1 FIIC AND CC&R STANDARDS: All interior hard-surface flooring (including but not limited to new, different or replacement flooring) which is installed on or after the effective date of this Section in a room within a second or third floor Condominium that is located above an area where there is no dropped ceiling immediately below, must at all times meet a field impact insulation class (FIIC) rating of 50 as defined in the American Society for Testing and Materials (ASTM) E 1007 standard, and the utilization of same by the occupants of the aforesaid Condominium must not cause any violation of Article III section 6 of the Amended and Restated Declaration of Covenants, Conditions and Restrictions. FIIC testing on interior hard-surface flooring shall only be required pursuant to the procedures described in the Interior Hard-Surface Flooring Complaint Rules. Floor coverings such as area rugs, may be included to obtain the required FIIC 50 rating; provided that these coverings must be retained as a permanent part of the interior flooring and may be replaced only by other floor coverings that provide the required 50 FIIC rating.

2.2 OWNER RESPONSIBILITIES. The Owner(s) of a Condominium (including the Condominium Owner(s) on the date of the installation and all successor Owners) where interior hard-surface flooring subject to paragraph 2.1 has been installed shall be responsible for ensuring that the utilization of said flooring at all times meets a 50 FIIC rating, and for ensuring that said flooring does not cause any violation of Article III section 6 of the Amended and Restated Declaration of Covenants, Conditions and Restrictions.

THIRD LAGUNA HILLS MUTUAL
INTERIOR HARD-SURFACE FLOORING COMPLAINT RULES
July 20, 2010, RESOLUTION 03-10-98

1. **APPLICABILITY.** These Interior Hard-Surface Flooring Complaint Rules (“Rules”) shall govern complaints by any Owner or resident of a first or second floor Condominium that the interior hard-surface flooring in the Condominium immediately above is in violation of Article III section 6 of the Amended and Restated Declaration of Covenants, Conditions and Restrictions and/or Section 11A of the Third Laguna Hills Mutual Alteration Standards.
2. **WRITTEN COMPLAINTS.** Any Owner or resident of a first or second floor Condominium who alleges that the existence of and/or utilization of the interior hard-surface flooring in the Condominium immediately above it is in violation of Article III section 6 of the Amended and Restated Declaration of Covenants, Conditions and Restrictions and/or Section 11A of the Third Laguna Hills Mutual Alteration Standards, must submit a written complaint to the Mutual on a form provided by the Mutual (the “Hard-Surface Flooring Complaint Form” or “Complaint”). Upon receipt of said Complaint, the Mutual will forward a packet to the complaining Condominium Owner(s), the Owner(s) of the Condominium against which the Complaint has been lodged, and the residents of same (if different from the Owners), which packet will include the Complaint, these Rules, and a written demand that all affected parties meet and confer in person in a good faith effort to resolve the Complaint (collectively the “Meet and Confer Packet”).
3. **MEET AND CONFER PROCESS.** Upon receipt of the Meet and Confer Packet, all affected parties shall meet and confer in person in a good faith effort to resolve the Complaint between themselves. If the affected parties resolve the Complaint, they shall notify the Mutual in writing of the terms and conditions of such resolution. If the affected parties are unable to resolve the Complaint between themselves, then the complaining Owner or resident must so notify the Mutual in writing on a form provided by the Mutual (the “Notice of Failure To Resolve Hard-Surface Flooring Complaint” or “Notice”).
4. **INVESTIGATION OF COMPLAINTS.** Upon the Mutual’s receipt of the Notice of Failure To Resolve Hard-Surface Flooring Complaint from the complaining Owner or resident, then the Mutual shall: a) forward a copy of said Notice to the Owners and residents of the Condominium which is the subject of the Complaint, and b) select, retain and advance the costs for an acoustical testing and engineering expert, who shall perform FIIC testing on the interior hard-surface flooring which is the subject of the Complaint. The Mutual’s payment of such expert costs shall be subject to its right to obtain reimbursement of such costs by imposition and levy of a Reimbursement Assessment upon the appropriate Condominium and Condominium Owners pursuant to the Governing Documents and these Rules.
5. **FIIC TESTING.** All FIIC testing which is conducted under these Rules shall be performed by an expert selected by the Mutual in its sole discretion. The expert shall be experienced in the field of acoustical testing and engineering. Said expert shall promptly forward to the Mutual a written report which shall include all test results as well as his, her or its findings, opinions and recommendations. The Mutual shall forward copies of the report to the complaining Condominium Owners and residents, and to the Owners and residents of the Condominium wherein the interior hard-surface flooring at issue is located.
6. **OWNER AND RESIDENT COOPERATION.** All Condominium Owners and residents involved shall fully cooperate with the Mutual, its agents and experts in connection with FIIC testing. Said cooperation shall include allowing the Mutual, its agents and experts to enter, inspect, photograph,

and test all Condominiums which are identified in the Complaint. If entry into a Condominium is required, such entry shall be done at reasonable times, upon reasonable prior notice, and with as little inconvenience to the Condominium Owners and residents as possible. The Board shall impose and levy a Reimbursement Assessment against the appropriate Condominium Owners and their respective Condominiums in order to reimburse the Mutual for all costs, expenses and attorneys fees which the Mutual incurs in connection with the Complaint or the enforcement of these Rules.

7. BOARD HEARINGS AND ORDERS.

i) As soon as reasonable after the Mutual receives the expert's test results and report, a hearing shall be held before the Board of Directors. At the hearing, the Board shall consider all relevant matters, including whether there has been any violation of Article III section 6 of the Amended and Restated Declaration of Covenants, Conditions and Restrictions and/or Section 11A of the Third Laguna Hills Mutual Alteration Standards.

ii) After the hearing has concluded, the Board of Directors shall determine such actions, remedies, fines, penalties, suspensions, Reimbursement Assessments, and other orders that the Board in its discretion deems appropriate to be taken, including, but not limited to:

(1) Imposing and levying a Reimbursement Assessment against either the Owner of the Condominium where the interior hard-surface flooring at issue is located or the Owner of the Condominium which originated the Complaint (even if the Complaint was made by a non-Owner resident in the Condominium) to reimburse the Mutual for all costs, expenses and attorneys fees that the Mutual has incurred in connection with the Complaint or its enforcement of these Rules, including the costs of FIIC testing, expert consultations, and expert reports;

(2) Directing the Owner(s) and/or resident(s) of the Condominium where the interior hard-surface flooring at issue is located to take remedial action to correct the situation that resulted in the Complaint, submit documents verifying that such remedial action has been completed, and/or allow an expert selected by the Mutual and paid for in advance by said Owners to perform follow-up FIIC testing to verify the effectiveness of the remedial action; and

(3) Making such other and further orders as it deems appropriate, including imposing monetary penalties and fines, imposing and levying Reimbursement Assessments, suspending the right to use any facilities owned, operated or managed by the Mutual, suspending the right to vote in Mutual elections, recommending to GRF that it take disciplinary action against the Owner(s) and/or resident(s) with respect to the Owner(s) and/or resident(s) use of GRF provided facilities and amenities, and/or setting additional hearings.

CARE & MAINTENANCE OF PATIOS, BALCONIES, BREEZEWAYS & WALKWAYS
Resolution 03-10-99 revised July 20, 2010

The walkway, breezeway, patio and balcony areas are “common areas” or “limited common areas” with by-laws and CC&R provisions for their management and care under the direction of the Third Mutual Board.

Common areas are for the use and enjoyment of all residents and while limited common areas permit exclusive use of the area, it is essential that all residents be aware of the need for the safety, attractiveness and the prevention of damage to the building by items placed by the residents in or on the common or limited common areas of the Mutual’s multistory buildings and where applicable to other residential buildings.

The following rules for residents address the safety, attractiveness and prevention of damage issues. Residents should take whatever corrective action is necessary to manage those items they have placed outside their manor. Residents who disregard these guidelines will be given a citation to correct the problem, possibly followed with disciplinary action.

1. All plants must be suitably potted with adequately sized saucers to collect excess water and elevated by substantial caster or sturdy platforms with casters. Care must be used to control the amount of water given to these plants so as not to run over the saucer and collect on the floor surface or fall to a lower level of the building on people, windows, or other objects belonging to neighbors.
2. Items, including plants, statues, furniture, etc., may be placed outside a manor’s front door on the floor and shall be limited. Adequate clearance is required to allow for easy walkway access along the area (at least in number and size to allow for a 48-inch clearance as required by law).
3. All plants shall be attractive and shall be maintained by the resident in a healthy, well cared for condition, properly watered and pruned. Non-plant items shall be maintained clean and in good repair.
4. Potted plants are not to be placed on railings in common or limited common areas. Live hanging plants are prohibited in breezeways and walkways; artificial hanging plants on previously installed hooks are permissible in breezeways and walkways.
5. Items that constitute a nuisance to one’s neighbors should not be placed in common areas or limited common areas. Examples are intrusive wind chimes, food or water, which will attract birds, insects, or other animals. Residents are encouraged to resolve amicably differences or disputes involving such items.
6. A resident’s balcony and patio area adjoining a manor, is limited common area. This area needs the same care & protection as our walkways and breezeways to prevent dry rot, decay and mold of surfaces. Therefore only a limited number of potted plants on the balconies of multistory buildings is allowed, without the prior approval of the

Third Mutual Board. No more than 15% of the total floor area of a balcony may be used for potted plants.

7. Landscape crews will not care for a resident's personal items placed in common areas unless arranged through the Customer Services as a chargeable service.

Any building, by majority decision, may establish additional rules for its own use, providing the rules are not in conflict with the above guidelines. The Third Mutual Board of Directors shall resolve any disputes or misunderstandings relating to common areas and limited common areas.

We ask each resident to read these guidelines and take whatever corrective action is necessary for the care and protection of property where plants and items have been placed outside manors.

The Third Mutual Board shall have full authority to recommend remedial action or a hearing for disciplinary action.

**KEEP THE AREAS CLEAN, ATTRACTIVE AND SAFE
THESE BUILDINGS ARE YOUR HOMES**

THIRD LAGUNA HILLS MUTUAL

SECTION 4 AIR CONDITIONING UNITS/HEAT PUMPS

REVISED SEPTEMBER 2005, RESOLUTION 03-05-20

REVISED FEBRUARY 2006, RESOLUTION 03-06-09

REVISED SEPTEMBER 2006, RESOLUTION 03-06-40

REVISED JULY 2010, RESOLUTION 03-07-100

1.0 GENERAL REQUIREMENTS

- 1.1 PERMITS AND FEES:** A Mutual permit is required for all alterations to the building. A City of Laguna Woods permit may be required. All fees for both Mutual and City permits shall be paid for by the Member and/or his contractor. Member and/or his contractor must supply the Permits and Inspections office with City permit number prior to beginning work.
- 1.2 MEMBERS RESPONSIBILITY:** The Member is solely responsible for the maintenance, repair, and/or removal of all alterations to the building.
- 1.3 CODES AND REGULATIONS:** All work shall comply with all applicable local, state, and federal requirements including but not limited to the current edition of the Uniform Building Code.
- 1.4 WORK HOURS:** No work shall commence prior to 7:00 a.m. and no work will be permitted after 6:00 p.m. Monday through Friday. Saturday work should be held to a minimum and no work whatsoever on Sunday.
- 1.5 PLANS:** The Member applying for a permit shall provide to the Permits and Inspections office a detailed plan(s), for approval, indicating all work to be done, i.e., size, location, description, and specifications.
- 1.6 DUMPSITES:** The premises shall be kept free from accumulation of waste materials and/or rubbish caused by the construction work. Member and/or his contractor is responsible for removal of debris and excess material and must leave work areas "**BROOM CLEAN**" daily. **USE OF COMMUNITY DUMPSITES FOR CONSTRUCTION RELATED DUMPING IS NOT PERMITTED.** Contractor's dumpsters, if required, must have location approved by the Permits and Inspections office.
- 1.7 CONTRACTOR:** Installation must be performed by a California licensed contractor of the appropriate trade.

2.0 APPLICATIONS

- 2.1** A Third Laguna Hills Mutual Permit is required for installation of any condensing unit. Plans and specifications must be submitted to the PCM Permits and Inspections office for approval.

- 2.2** No condensing unit may be located or project directly into any walkway, breezeway or interior court of a three-story building.
- 2.3** Only one outdoor condensing unit per manor is permitted.
- 2.4** No outdoor condensing unit will be larger than 42" high nor more than 37" wide and 36" deep.
- 2.5** Outdoor condensing unit locations for three story buildings are as follows: third floor manor units will be installed only on the flat roof, directly above the manor, second floor manor units will be installed on the ground or on the flat roof, directly above the manor; and first floor manor units will be installed only on the ground.
- 2.6** Outdoor condensing unit locations for two story buildings are as follows: Second floor manors will be installed only on the flat roof, directly above the manor, or ground; first floor manors will be installed only on the ground.
- 2.7** Ground-mounted condensing units must be mounted on a manufactured non-metallic and/or concrete pad approved by the Permits and Inspections office.
- 2.8** Roof-mounted condensing units must be mounted on a raised platform constructed per Mutual approved standard plan drawings. Structural calculations for roof-mounted units shall be submitted to the Permits and Inspections office and shall be wet stamped and signed by a California licensed structural engineer. Roofing and flashing must be in strict conformance with all applicable building codes and Third Laguna Hills Mutual approved standard drawings.
- 2.9** If condensing unit is roof mounted and the existing roof is under warranty, the roofing contractor responsible for the roof's warranty must perform the roof tie-in.
- 2.10** In the absence of an approved alternate heat source, removal of the through-the-wall AC/Heat pump and wall condensing unit sleeves is prohibited.
- 2.11** Should removal of the wall condensing unit sleeve be permitted, the area from which the sleeve is removed must be appropriately patched to match the existing surrounding exterior stucco with like texture, finish, color and integrity.
- 2.12** New construction condensing units installed through-the-wall on the ends of three-story buildings shall be 5,000/8,000 btuh/115 volts. The units must be centered in the knockout panel below the existing window opening, and placed 12 inches off the floor, as measured to the bottom of the unit. Dimensions and design must be approved by the Permits and Inspections office prior to installation.

- 2.13** New construction condensing units installed through-the-wall on one and two story buildings must conform in appearance, size and type to existing through-the-wall condensing units on the same side of the building.
- 2.14** Installation of new construction through-the-wall condensing units will be installed in existing knock-out panel areas under windows.
- 2.15** All through-the-wall condensing unit sleeves will be painted to match the exterior wall color.
- 2.16** No exterior wiring or conduits will be attached to the exterior of the building except as required for a forced air unit in which refrigerant lines, etc., will be encased in a square metal chaseway painted the same color as the wall and be as unobtrusive as possible. Switch box equipment need not be painted. No roof ducts or chases are allowed.
- 2.17** Condensate and overflow line(s) must: be located to protect existing structure; located to prevent condensation from dripping onto sleeves below; be approved by the Permits and Inspections office; match the color the of the surface onto which it is mounted.
- 2.18** Minimum unit requirements: SEER ratings of 13 on central units; 10 on through-the-wall units; 220 volt; 5-year warranty; meet current City of Laguna Woods noise requirements.

3.0 MAINTENANCE

- 3.1** Through-the-wall condensing units shall be totally maintained by the Mutual member, with the exception of exterior painting only.
- 3.2** Condensing units shall be replaced as needed.
- 3.3** Mutual member assumes all responsibility for any damage that occurs due to installation of any condensing unit.
- 3.4** Condensing unit may be tested for compliance with the City of Laguna Woods noise requirements. Member will correct all violations immediately, which may require removal or replacement of the condensing unit and all its related construction.

DELEGATION OF ACTIONS AND COMMITMENTS

Resolution 03-10-102, July 20, 2010

I. INTRODUCTION

One of the core principles of the laws governing corporations, both for-profit and non-profit, is that the ultimate responsibility for the business and operations of the corporation and thus the ultimate authority to take action rests with the corporation's Board of Directors. The board then has the right to determine under what circumstances to delegate specific actions and commitments to committees, committee chairs, to management, to other agents, professionals or contractors.

For several months the Third Laguna Hills Mutual Board of Directors has been engaged in a process which has as its goal the creation of a Delegation of Actions and Commitments Matrix that can be used to guide current and future Board members in the responsible delegation of duties and responsibilities. The intent is to develop a document that can be adopted by each of the four boards and can be used to clearly define the responsibilities and authority of the boards and those responsibilities they may wish to delegate.

The goal of the matrix and this accompanying memorandum is to identify more clearly those persons, boards, committees, or the Managing Agent in the corporate structure of governance at Laguna Woods Village which have the principal responsibility for performing certain actions or duties and, conversely, which persons, boards, committees, and outside contractors are expected to render services and assistance in an advisory capacity to add value and expertise to foster better actions and decisions by the principal decision-maker(s).

II. AUTHORITY

In order for an individual or an organization to accomplish a task, they need a certain amount of authority to carry out the assigned activity. However, implicit in the delegation of authority is that the responsibility for the outcome of the activity remains with the individual or organization that delegated the authority.

When the governing Board of a homeowners' association delegates responsibility and authority to others, it becomes vital to maintain control through the timely reporting of data and information and monitoring the progress or outcome of the delegated responsibilities or functions. This is typically accomplished through timely financial reports that can be evaluated in the context of budgeted/projected income and expenditures for a given fiscal period, and the receipt of progress reports that address work status and milestones achieved during the specified period, such as a calendar month, quarter or fiscal year.

III. DELEGATION MATRIX

The matrix that accompanies this Memorandum presents four categories of functions which, taken together, define the principal mission and day-to-day responsibilities of Laguna Woods Village Corporations, namely the formation of contracts, the conduct of Board and member meetings, financial matters, and manner in which legal services are solicited and utilized by the corporations. Then, in four columns opposite these four substantive areas of corporate action the matrix presents a description of the appropriate role and responsibilities of: (i) the Association's Board of Directors; (ii) Board Committee Chairs; (iii) Board Committees; and (iv) the management agent. The matrix is set forth on Page 8 of this memorandum.

IV. PURPOSE OF THIS MEMORANDUM

The principal purpose of this Memorandum is to provide explanatory text that clarifies and further elaborates on each of the sub-categories of action items in the Matrix.

A. Contracts

1. Request for Analysis-Determination of Objectives

The decision to commission a subject report request primarily resides with the Board of Directors; however, a committee chair with committee approval may also request a subject report from the managing agent. There may be situations where the committee will request reports from other professional organizations. It should be noted that certain contracts are processed based upon board-approved service levels and reserve expenditures, and are not a result of a subject report.

2. Subject Report

The committee having jurisdiction over this activity has the option to prepare the subject report, unless otherwise directed by the Board of Directors when the project is assigned to the committee. However, the report preparation usually will be performed by the managing agent. Occasionally, different professional organizations may be selected, but this action may result in higher implementation costs.

3. Approval of Appropriation by Resolution of Board

This activity is reserved for the Board of Directors. The approval follows the review of the subject report by the appropriate committees with their respective recommendation submitted for action. The board will then review the subject report and the attendant recommendations and either approve the recommended action or return the subject report to committee for further consideration.

4. Draft of Scope of Work/Specifications for a Contracted Activity

This activity, which is a statement of particulars, such as, type, scope, size, performance, terms, conditions, etc., will be performed by the managing agent.

5. Approval of Scope of Work/Specifications

The scope of work/specifications will be reviewed and approved by the appropriate committee. In circumstances where the expected value of the contract will be less than \$10,000 the managing agent has the authority to approve the scope of work/specification without committee review and approval.

6. Initiate a RFP with Approved Scope of Work/Specifications

This activity will be initiated by the committee after the committee's approval of the scope of work/specifications. The managing agent will prepare the RFP and if the value of the contract is expected to be less than \$25,000 and is within the approved budget, staff has the authority to issue the RFP with the appropriate scope of work/specifications without review by the appropriate committee.

7. Approval of RFP with Approved Scope of Work/Specifications

The committee will approve all RFPs with expected values greater than \$25,000. For RFPs with expected values less than stated previously, the managing agent will proceed to send the RFP to the selected vendors. For work that will exceed the budget for that activity, a Board Resolution providing approval is required to proceed.

8. Creation of Initial Bidders List (Excluding Financial and Legal Contracts)

The bidders list will be created by the managing agent following initiation of the RFP by the committee. The committee may recommend appropriate bidders be added to the list.

9. Approval/Modification of Final Bidders List

After review and recommendation by the appropriate committee, the RFP will be sent to the listed bidders for contracts in excess of \$25,000.

10. Delivery of Request for Proposal (RFP)

This activity is performed by the managing agent.

11. Pre-bid Meeting

The Pre-bid Meeting, if required, will be set up and conducted by the managing agent. The Board does not have to participate in this meeting. Instead, the Board may request that appropriate committee representatives participate in the meeting. If the expected contract is less than \$100,000, participation by the board or committee representatives is not required.

12. Bid Opening

The Board does not have to participate in this activity; they may delegate the responsibility to an appropriate committee or, if the expected contract is less than \$25,000, delegate the responsibility to the managing agent.

13. Bid Analysis

The Board does not have to participate in Bid Analysis; they may delegate the responsibility to an appropriate committee who may elect to exercise control of the bid review and prepare a recommendation to the Board or, if the expected contract is less than \$25,000, delegate the responsibility to the managing agent.

14. Recommendation for Award of Contract

The managing agent will prepare a report with the recommendation of the vendor that best fulfills all aspects of the RFP and the required specifications of the work to be performed. This activity may include a concurrent report by the committee involved in the RFP and Bidding process. For contracts valued at less than \$25,000 and within the budget for the activity, the managing agent is delegated the authority to award the contract to the vendor best fulfilling the requirements of the RFP and the scope of work/specifications without committee review and board approval.

15. Approval to Award Contract

For contracts in excess of \$25,000 the appropriate committee will review and approve the award of contract. For activities requiring expenditures exceeding the budget, the appropriate committee will review and recommend approval of the contract to the Board. The Board will proceed to approve a resolution to award the contract to the recommended vendor.

16. Administration of Contract and/or Work

The managing agent performs this activity with reporting, when requested, to the appropriate committee of progress and discussion of any issues arising during the previous month with the vendor, such that there are no surprises for Board members regarding the contract work and activities.

B. Agendas and Minutes – Board Meetings

1. Determine Format and Level of Reporting of Minutes

This activity is performed by the Board with guidance from their legal counsel and the managing agent.

2. Production of Draft Agendas/Minutes

This activity is performed by the managing agent, unless the minutes pertain to an executive session regarding management where, with the advice of legal counsel, management should be excluded from the need to know what transpired in the executive session. In this situation, the Board Secretary

will prepare the minutes of the session for the Board members and an abstract copy will be provided for the Corporate Records maintained by the managing agent for the corporation.

3. Approval of the Agenda

This item is performed by the Board. A draft agenda will be prepared by the managing agent and reviewed by the presiding officer prior to distribution. The final agenda must be approved by the Board at the beginning of the board meeting.

4. Approval of the Board Meeting Minutes

The text of the minutes must be approved by the Board.

C. Financial Analysis and Reporting

1. Initiate Request for Analysis/Report—Determination of Objectives

The initiation of a report on a financial topic primarily resides with the Board of Directors; however, a committee chair with committee approval may also request a financial topic report from either the managing agent or another professional organization.

2. Prepare Financial Topic Report

The committee has the option to prepare the financial topic report. Unless otherwise directed by the Committee, this activity will be performed by either the managing agent or a selected professional organization with input from other community sources as the committee deems appropriate.

3. Review of Report and Acceptance of Recommendation

The committee chair and committee will perform a detailed review of the report and the committee will act on the report. If a resolution is required for implementation of a change in operating practice or requires funding, the committee will forward a recommendation to the board for action.

4. Adoption of Recommendation

The Board approves the recommendation that has been forwarded by the finance committee and the managing agent implements the new or revised practices. If the recommendation is not approved, the subject will be returned to committee.

5. Budget Preparation

The responsibility for a budget to be prepared, as required by law, resides with the Board who initiates the preparation process. In practice, the preparation process is delegated to the managing agent. Several successive versions of the budget are prepared as a result of reviews by appropriate committees. A final version is presented to the Board for review and approval.

6. Budget Approval

The final version of the budget is reviewed and approved by the Board by way of resolution approving the key criteria and elements of the document.

7. Reserve Studies

The responsibility for a reserve analysis to be performed resides with the Board who initiates the process as part of the budgeting process when legally required. The Reserve Analysis is reviewed and approved by the Finance Committee prior to being submitted to the Board for a resolution approving the key criteria and elements of the document.

8. Annual Audits –RFP

The responsibility for a RFP to be prepared for conducting the annual audit of the books of the four Laguna Woods Village corporations resides with the joint Select Audit Committee of which the Treasurer of each mutual participates. Preparation of the RFP is performed by the Managing Agent.

9. Annual Audits – Review and Approval

The preliminary audit review is conducted by the joint Select Audit Committee. Once the preliminary review has been completed, an open meeting of the corporations is held where the firm performing the audit presents its findings and answers questions from the joint Select Audit Committee and the membership in attendance. The joint Select Audit Committee then presents the Audit Report for approval by the boards of the four Laguna Woods Village Corporations.

D. Requests for Legal Opinions/Guidance/Interpretation and Distribution of Same

1. Selection of Appropriate Legal Counsel

This responsibility resides with the Board to initiate and perform the selection process. The board may have their committee and management agent participate in the selection process. However, there is no obligation for the Board to consult with the managing agent if the purpose of the counsel is to evaluate the performance, acts or omissions of management.

2. Formulation of Legal Question

The formulation of a question requiring a legal opinion may occur from the Board, a committee chair and/or committee (if the question is within the committee's charter), or the managing agent.

3. Request Submitted to Law Firm to Answer Question

If the question arises within a Board committee, the Board president would submit the question to the corporation's counsel, unless the Board approves having the question submitted by the managing agent. The managing agent is delegated the authority to submit questions to corporate counsel

regarding occupancy and membership issues, such as lien filings, etc. or issues arising from lending organizations for member mortgages.

4. Opinion Tendered and Received

The legal opinions received will be directly submitted to the Board President for distribution to the full Board, except for those opinions dealing with the resident occupancy issues initiated by the managing agent who will provide the opinion during the Board's monthly executive session.

5. Opinion Summarized with Appropriate Action Plans and Budgets

Oftentimes, it is more effective for the non-attorney Board members to have legal opinions summarized and this activity may be delegated, by the committee or board that requested the opinion, to the managing agent. Legal counsel's opinion often includes a summary. The committee chair may prepare an abstract of the summary and opinion for presentation to the committee. Part of the summary will include an action plan developed by the committee chair and the managing agent. Any Board resolution necessary and appropriate to implement the opinion will be prepared by managing agent.

6. Implementation of the Opinion

The managing agent will implement the action plans within the established funds appropriated by the Board in the resolution.

IV. SUMMARY

The delegation of actions and commitments by a community association Board of Directors is fundamental to the effective management of a homeowners' association. Every Board will approach the delegation of responsibility and commensurate authority somewhat differently; however, it is critical that the Board clearly establish how much authority it is willing to delegate to its committees, committee chairs and to the managing agent. Otherwise, conflicts arise or some activities will not be accomplished because clear objectives and corresponding authority were not defined.

Unfortunately, this can be a very challenging activity, but each Board needs to develop an orientation program for new Board members so that, upon election, each Board member understands the scope of his or her fiduciary responsibilities and duties that are incumbent upon being a Board member in a common interest development or any other non-profit mutual benefit corporation. The laws governing the duties and governance of homeowners' associations and common interest communities are different from the rules that apply to towns, cities, and municipalities; therefore, it is necessary to have an understanding of the differences between the two community organizational structures, and particularly, the duties of care, inquiry and loyalty, which are specifically defined in Corporations Code, Section 7231 and are critical to individual Board members and ensuring that the Board of Directors operates successfully.

Delegation of the Initiation, Authorization and Performance of Actions and Commitments that are Within the Responsibility Scope of the Organization	Organization			
	Board of Directors	Board Committee Chair	Board Committee	Managing Agent

A. Contracts

1 Request for Analysis--Determination of Objectives	I	I'	I'	
2 Subject Report			O	P
3 Approval of Appropriation by Resolution of Board	A			
4 Draft of Specifications for a Contracted Activity				P
5 Approval of Specifications		R	R,A	P,A
6 Initiate a RFP with Approved Scope of Work/Specifications			I	P
7 Approval of RFP with Approved Scope of Work/Specifications		R	R,A	R,A
8 Creation of Initial Bidders List (Excludes Financial and Legal Contracts)			I	P
9 Approval/Modification of Final Bidders List			R,A	
10 Delivery of RFP				P
11 Pre-bid Meeting		O	O	P
12 Bid Opening		O	O	P
13 Bid Analysis		O	O	P
14 Recommendation of Award of Contract				P
15 Approval to Award Contract		R	R,A	R,A
16 Administration of Contract and/or Work		R	R	P

B. Agendas and Minutes--Board Meetings

1 Determine Format and Level of Reporting of Minutes	P			
2 Production of Draft Minutes/Agenda	O			P
3 Approval of Agenda	A			
4 Approval of Board Meeting Minutes	A			

C. Financial Analyses

1 Initiate Request for Analysis/Report--Determination of Objectives	I	I'	I'	
2 Prepare Financial Topic Report			O	P
3 Review of Report and Acceptance of Recommendation		R	R,A	
4 Adoption of Recommendation	A			P
5 Budget Preparation	I	O	O	P
6 Budget Approval	A	R	R	
7 Reserve Studies	A	R	R	P
8 Annual Audits - RFP			I	P
9 Annual Audits - Review and Approval	A		R	

D. Requests for Legal Opinions/Guidance/Interpretation and Distribution of Same

1 Selection of Appropriate Legal Counsel *	I,P	O	O	O
2 Formulation of Legal Question *	I	I'	I'	I
3 Request submitted to Law Firm to Answer Question	P			P
4 Opinion Tendered and Received	R			R
5 Opinion Summarized with Appropriate Action Plans and Budgets		O	O	P
6 Implementation of Opinion	A			P

* **Note:** There is no obligation to consult with the managing agent in selection of counsel if the purpose of the counsel is to evaluate the performance, acts or omissions of management.

Key

I = Initiate an activity, directive may come from either, but the directive is required

I' = Initiate activity within committee charter and with objective parameters

A = Authorize an activity that is within the Governing Documents. The Managing Agent is authorized to approve contracts of less than \$25,000

O = The Committee or Board may choose to exercise participation at this level; if not, the Agent will perform the task

R = Review Reports and/or for Approval, where Necessary and Appropriate

P = Performed By