

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

September 24, 2010

The Special Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Friday, September 24, 2010 at 1:00 P.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Carol Moore (1:09 P.M.), John Paulus, Kathryn Freshley, Carol Skydell, Lucy Shimon, Dick Palmer, Dominic Burrasca

Directors Absent: Noel Hatch, Stanley Feldstein, Pat Feeney, Don Lippert

Staff Present: Scott Dunham, Janet Price, Patty Kurzet

Others Present: Chris Jordan, Sr. Vice President of Beecher Carlson Insurance Services; Peggy Blizzard of Laguna Woods Globe; Directors of GRF, United and Mutual 50

CALL TO ORDER

The meeting was called to order at 1:00 P.M. and the chair was relinquished to GRF President Matson who stated that it was a Special All Boards/All Directors Meeting held pursuant to notice duly given, and that quorum was present.

President Moore entered the meeting at 1:09 P.M.

Ms. Janet Price introduced Mr. Chris Jordan, of Beecher Carlson, one of the Community's insurance brokers, and stated that the purpose of the meeting is to discuss the Directors & Officers Liability Insurance renewal and options available to the Directors.

Mr. Dunham provided a brief explanation of what D&O insurance coverage is and stated that the Corporations currently have a shared policy with a maximum limit of \$10,000,000 for all claims. Around May of this year the Board requested Staff to look into quotes for higher limits of liability as it had been several years since the current limit had been adopted and in consideration of the limit being shared by four corporations, as well as thirty-eight director positions.

Mr. Jordan gave a brief summary of the services provided by Beecher Carlson and presented an explanation of the renewal process; a summary of wrongful acts covered by D&O insurance and key policy exclusions; and finally the marketing results for the policy renewal.

Mr. Jordan explained the following 3 options available to the Boards:

1. Status quo - maintaining the current Limit of Liability of \$10,000,000.
2. Increasing the Limit of Liability to \$20,000,000; which would also necessitate increasing the retention from \$50,000 to \$100,000.
3. Obtaining separate policies (and limits) for each of the Corporations.

Because the higher cost and retention would be borne by a substantially lower number of residential units, the underwriter would allow Mutual 50 to obtain a separate policy with a lower limit and retention if Option 2 was selected by the other corporations.

Mr. Jordan reported on the advantages and disadvantages of Option 3 and provided information on special policies that may be purchased by individual directors to increase the limits of liability available to them. Both Mr. Jordan and Mr. Dunham cautioned that many Personal Umbrella Liability policies primarily cover claims for bodily injury and property damage as opposed to defamation and other wrongful acts covered by a D&O insurance policy.

The Directors asked questions on the coverage and the options.

Member Mary Stone (356-C) asked about the coverage.

Directors asked Mr. Dunham and Mr. Jordan to make a recommendation and Mr. Dunham responded that he and Mr. Jordan were prevented from making a recommendation to purchase lower limits of insurance.

Ms. Price indicated that if the Board wishes to make a change, then the Board will need to have a discussion and vote on it, however, if one Board wishes to choose Option 3, then all Boards will need to obtain separate policies.

Each of the Boards caucused to discuss their options.

Director Paulus made a motion to adopt Option 2. Director Freshley seconded the motion and the motion carried unanimously.

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

During its Regular Executive Session meeting of September 21, 2010 the Board reviewed and approved the minutes of August 17, 2010; heard three (3) disciplinary hearings; approved recording Notices of Default for Member ID 931-370-28, Member ID 932-440-07, Member ID 932-600-19; approved filing two separate Small Claims Cases of \$2,500 (or less); discussed the legal matters of Ellen Moss v. Third Mutual; Victoria Pullman v. Third Mutual; Third Mutual v. PCM, Inc., and Dolores Fruchtman v. Third Mutual; and discussed other member disciplinary and legal matters.

With no further business before the Board of Directors, the special meeting was adjourned at 2:39 P.M.

Carol Skydell, Secretary