

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

July 28, 2011

The Special Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Thursday, July 28, 2011 at 9:30 A.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Carol Moore, Kathryn Freshley, Denise Welch, Sy Wellikson, Carol Skydell, Rae Tso, Isabel Muennichow, Lucy Shimon, Richard Palmer, John Paulus, Dominic Burrasca

Directors Absent: None

Staff Present: Marcel Bradley, Patty Kurzet, Betty Parker (9:30 A.M. – 11:52 A.M.), Jerry Rathje (9:55 A.M. - 11:44 A.M.)

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.

ACKNOWLEDGEMENT OF PRESS

No one from the press was present.

APPROVAL OF THE AGENDA

Directors Muennichow, Tsp, Welch and Wellikson addressed their concerns and objections to the discussion on the Version 2 Budget. Director Freshley indicated that the discussion is to further discuss Version 2, resolve issues, and change service levels before the Board discussed Version 3 at a time when it is more difficult to make changes.

Without objection, the agenda was approved as submitted.

MEMBER COMMENTS

Member Andy Brannen of Laguna Woods Village Properties (5293) commented on an unauthorized awning installed at unit 5228 in 1985 and stated that the owner is trying to sell the manor and obtain the proper alteration permit from the City.

Although this issue was not on the agenda at the time it was posted, Director Muennichow made a motion to remove the following clause: "and city permit" from the alteration permit application in this case only. Director Palmer seconded the motion and the motion carried unanimously.

Director Wellikson left the meeting at 9:55 A.M. and did not return.

Mr. Jerry Rathje, Landscape Manager, entered the meeting at 9:55 A.M.

The Federal Housing Administration ("FHA") provides mortgage insurance on loans made by FHA-approved lenders. The Mutual's current FHA certification expires September 30, 2011 and in order for a potential buyer to get an FHA backed loan, the Association must be FHA certified.

The Board discussed whether or not to pursue FHA Certification. FHA Certification is not required by the governing documents and some HOAs have opted against expending resources to obtain FHA Certification, preferring to require conventional loans. In addition, Third Mutual does not comply with some current FHA requirements and would have to be granted a variance, but there is no way of knowing whether a variance will be granted without submitting an application and requesting a variance. Further, the application requires some legal interpretation so it is best completed by counsel or a service that specializes in submitting FHA applications.

Member Jeanne Allen (5488-A) spoke of the need for FHA approval.

Dwight Moody – Premier Capital Mortgage, explained the advantage of obtaining FHA approval, and commented on the Mutual's restrictive financial requirements.

Member Andy Brannen (5293) spoke to services provided by Associa for FHA certification assistance.

Member Pat Feeney (2399-1E) inquired on FHA insurance.

Director Tso made a motion to move forward with obtaining FHA certification. Director Welch seconded the motion and discussion ensued. The motion carried by a vote of 9-0-1 (Director Palmer abstained).

Director Freshley commented on making further reductions to the proposed 2012 landscape operating budget and directing PCM to perform cost effective practices and acceptable services without reducing service levels. Director Freshley stated that she obtained quotes from other landscape companies who perform work at other PCM properties to compare costs.

Members Margaret Klein (3487-A), Wei-Ming Tao (2306-B), and Shari Horne (2354-3C) spoke to cost effective practices.

Director Muennichow made a motion to restore \$250,000 taken out of the proposed 2012 landscape operating budget during Version 2 business planning meeting and remove the \$3.00 contribution to the Unappropriated Expenditures Fund due to a projected balance of over \$2 million in this contingency reserve. Director Tso seconded the motion and discussion ensued. The motion failed by a vote of 3-6-0 (Directors Muennichow, Tso, Welch voted in favor, and Director Wellikson was absent from the meeting).

Director Freshley moved to reduce the Landscape budget to \$5,250,000 and to achieve a bottom-line basic assessment of \$552.70 (no increase from prior year) by making

adjustments to the Unappropriated Expenditures Fund contribution. Director Skydell seconded the motion and discussion ensued

Mr. Jerry Rathje addressed the Board on the budget reductions and the possibility of not reaching acceptable service levels with the proposed reduction. Betty Parker, Financial Services Director, noted that if service levels cannot be maintained within the proposed 2012 budget, further discussion will be required at the regular Landscape Committee meetings.

Mr. Jim Hart (5510-3A) spoke to the proposed reductions.

The motion carried by a vote of 6-3-0 (Directors Muennichow, Tso, and Welch opposed).

The Board discussed a flyer presented by the Earthworks volunteers who are asking to distribute recycling instructions to those residents who are new to recycling.

Director Freshley left the meeting at 11:43 A.M.

Mr. Jerry Rathje left the meeting at 11:44 A.M.

Members Irv Snyder (3118-A) and Pat Feeney (2399-1E) commented on the flyer distribution.

Directors Palmer and Welch left the meeting at 11:48 A.M.

Director Skydell made a motion to appropriate up to \$3000 to print and distribute the flyers. The motion was seconded. The motion carried by a unanimous vote and the following resolution was adopted:

RESOLUTION 03-11-118

WHEREAS, the Earthworks volunteers requested to distribute flyers on the "Do's and Don'ts of Recycling";

NOW THEREFORE BE IT RESOLVED, July 28, 2011, that the Board of Directors of this Corporation hereby authorizes a supplemental appropriation not to exceed \$3,000 from the Unappropriated Expenditures Fund for copy costs associated with the Earthworks recycling flyers; 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.

DIRECTORS COMMENTS

Director Shimon briefly made comments.

The Open Session Meeting recessed at 11:52 A.M. and the Board adjourned into Executive Session at 11:58 A.M. to discuss contractual issues.

ADJOURNMENT

With no further business before the Board of Directors, the special meeting was adjourned at 2:16 P.M.

Carol Skydell, Secretary