



SPECIAL OPEN SESSION

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

**Wednesday, September 13, 2023 – 11:00 a.m.
Willow Room/Virtual Meeting
24351 El Toro Road
Laguna Woods, California**

Directors Present: Mark Laws, N. Cris Prince, Cush Bhada, Donna Rane-Szostak, Nathaniel Lewis, S.K. Park, Andy Ginocchio, Jules Zalon, Ralph Engdahl, Jim Cook

Directors Absent: Moon Yun (excused)

Staff Present: CEO-Siobhan Foster, Makayla Schwiertert, Paul Nguyen

Other present: Legal Counsel: Steve Roseman, Esq., Michael Poole, Esq., Sophie Haimof, Esq.
VMS: Deb Allen
GRF: Juanita Skillman

1. Call Meeting to Order / Establish Quorum

President Laws called the meeting to order at 11:02 a.m. and established that a quorum was present.

2. Approval of the Agenda

President Laws asked for a motion to approve the Agenda.

Director Prince made a motion to approve the Agenda. Director Rane-Szostak seconded.

President Laws request Item 4 Members' Comments be moved prior to Item 3 New Business.

Hearing no further changes or objections, the amended Agenda was approved by consent.

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3. Member Comments – None

4. New Business

a. Proposed Censure of Director Zalon (Oral Discussion)

President Laws read the following resolution to censure Board Member Jules Zalon.

RESOLUTION 03-23-105

**THIRD LAGUNA HILLS MUTUAL
BOARD RESOLUTION TO CENSURE BOARD MEMBER JULES ZALON**

A majority of the members of the Board of Directors (“Board”) of Third Laguna Hills Mutual, do hereby censure director, Jules Zalon, as follows:

WHEREAS, the Third Laguna Hills Mutual (“Mutual”) Board of Directors (“Board”) is informed and believes that Jules Zalon, a director serving on the Board, has intentionally breached his fiduciary duties to the Mutual; and

WHEREAS, all Mutual Board members owe the Mutual certain fiduciary duties, including the duty to maintain confidentiality, duty of loyalty and duty of care. The duty to maintain confidentiality requires that Board members refrain from disclosing any confidential or attorney-client privileged information to anyone who is not on the Board. The duty of loyalty requires that Board members cannot have divided loyalties and may not take any personal action or opinion which is against or inconsistent with the best interests of the Mutual. The duty of care requires that directors must be diligent and careful in performing the duties they have undertaken; and

WHEREAS, the Board is informed and believes that Jules Zalon intentionally breached his fiduciary duty of loyalty, duty of confidentiality, and duty of care by disseminating confidential information and communications of the Mutual on at least two occasions (August 4, 2023 and August 5, 2023) to several members of the Mutual, namely, Deborah Allen and Brad Rinehart, without the approval of a majority of the Board, and as a whole, is not working in the best interest of the Mutual; and

WHEREAS, the Board believes that it is proper to condemn the above referenced conduct of Director Jules Zalon and therefore, a majority of the Board resolves to censure Jules Zalon; and

THEREFORE, IT IS RESOLVED THAT: the majority of the Board of the Mutual hereby censures Jules Zalon for his conduct as described herein.

Director Cook made a motion to approve the resolution to Censure Board Member Jules Zalon. Director Lewis seconded.

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Director Zalon commented on the motion.

Hearing no changes or objections, the motion was called to a vote and passed 7-1-1. Director Bhada voted against and Director Park abstained. Director Zalon did not vote on this item.

b. Formation of Executive Committee

President Laws read the resolution to Create Executive Committee.

RESOLUTION 03-23-106

**THIRD LAGUNA HILLS MUTUAL
BOARD RESOLUTION TO CREATE EXECUTIVE COMMITTEE**

WHEREAS, the Third Laguna Hills Mutual (“Mutual”) Board of Directors (“Board”) is informed and believes that Jules Zalon, a director serving on the Board, has intentionally breached his fiduciary duties to the Mutual; and

WHEREAS, the Board is informed and believes that Jules Zalon intentionally breached his fiduciary duty of loyalty, duty of confidentiality, and duty of care by disseminating confidential information and communications of the Mutual on at least two occasions (August 4, 2023 and August 5, 2023) to several members of the Mutual, namely, Deborah Allen and Brad Rinehart, without the approval of a majority of the Board, and as a whole, is not working in the best interest of the Mutual; and

WHEREAS, all Mutual Board members owe the Mutual certain fiduciary duties, including the duty to maintain confidentiality, duty of loyalty and duty of care. The duty to maintain confidentiality requires that Board members refrain from disclosing any confidential or attorney-client privileged information to anyone who is not on the Board. The duty of loyalty requires that Board members cannot have divided loyalties and may not take any personal action or opinion which is against or inconsistent with the best interests of the Mutual. The duty of care requires that directors must be diligent and careful in performing the duties they have undertaken; and

WHEREAS, the Board noticed a censure hearing for Jules Zalon to discuss the above referenced breaches of fiduciary duty and pursuant to a noticed due-process hearing, the Board determined to censure Jules Zalon for his breaches of fiduciary duties (“Censure”) pursuant to the Board Resolution to Censure Board Member Jules Zalon dated September 13, 2023; and

WHEREAS, as a result of the Censure, the Board desires to establish an Executive Committee (“Committee”) for the Board to discuss all matters discussed in the Mutual’s executive matters, without Jules Zalon present during such discussions and any subsequent decisions (“Committee Matters”); and

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WHEREAS, the Board is permitted to establish the Committee under California Corporations Code §7212 and any other applicable statutes; and

WHEREAS, serving at the pleasure of the Board, and subject to the other limitations of Corporations Code §7212 and other applicable law, the Executive Committee will, among other things, assist the Board in: executing all of its duties with respect to the Committee Matters; and protecting the interests of the Mutual as a whole; and

WHEREAS, a majority of the Board resolves to establish an Executive Committee at the Board meeting on this September 13, 2023; and

THEREFORE, IT IS RESOLVED THAT: pursuant to the Mutual's Bylaws and any amendments thereto ("Bylaws") and other governing documents ("Governing Documents"), and applicable statutes, the Board hereby establishes an Executive Committee to be made up of all directors currently serving on the Board except for Jules Zalon, for the purpose of executing all of its duties with respect to the Committee Matters; and protecting the interests of the Mutual as a whole.

Director Cook made a motion to approve the resolution to Create Executive Committee. Director Bhada seconded.

Discussion ensued among the Board.

Hearing no changes or objections, the motion was called to a vote and passed 9-0-0. Director Zalon did not vote.

5. Directors' Comments

- Director Bhada commented on being upset with this matter.
- Director Park commented why he abstained from the vote of censuring Director Zalon.

6. Adjournment

The meeting was adjourned at 11:20 a.m.

DocuSigned by:

N. Cris Prince

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N. Cris Prince, Secretary of the Board
Third Laguna Hills Mutual