

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

September 22, 2010

The Special Meeting of the United Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Wednesday, September 22, 2010 at 1:30 P.M. at 24351 El Toro Road, Laguna Woods, California.

Directors Present: Gail McNulty, Arlene Miller, Barbara Copley, Harold Allen, Paul Vogel, Cynthia Chyba, Marty Rubin, Libby Marks, Ron Beldner, Heather Gerson (1:38 P.M.)

Directors Absent: Linda Wilson

Staff Present: Cris Robinson, Patty Kurzet, Pamela Bashline

Others Present: Claire Webb of the Laguna Woods Globe

CALL TO ORDER

President McNulty chaired the meeting and stated that it was a Special Meeting held pursuant to notice duly given. A quorum was present and the meeting was called to order at 1:30 P.M.

Director Copley read a proposed resolution reaffirming the Board's policy allowing a member to sublease their manor for six (6) months. Director Copley moved to approve the resolution. Director Miller seconded the motion and discussion ensued.

Without objection, the Board agreed to strike "thus allowing 80% of the Mutual to be member-occupied" and add "at any given time" to the resolution;

Members Bevan Strom (30-A), Connie Grunke (2214-B), Maureen Mehler (415-B), Joan Nugent (482-C), Nancy Lannon (669-N), Eugenia Francis (80-A), Mary Stone (356-C), Marguerite Mason (413-D), Pamela Grunke (2214-B), Jodie Foster (2162-C), Lynn Hamm (747-C), Shelly Ellman (2043-B), Kay Margason (510-C), Carolynn Marshall (634-P), and Maxine McIntosh (68-C) presented their comments and concerns with the policy.

The Directors addressed the Members' comments and concerns.

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

RESOLUTION 01-10-198

WHEREAS, by way of Article 7 of the General Conditions of the United Laguna Hills Mutual's Occupancy Agreement, Members are prohibited from

subletting their manors without the prior written consent of the Corporation;
and

WHEREAS, the General Conditions do not restrict the time period for any subletting agreement; and

WHEREAS, by way of Resolution U-84-84 (with HUD concurrence) the Board of Directors of this Corporation established a maximum subleasing term of six (6) months within any twelve (12) month period, but it did not place a limit on the number of manors that may be subleased at any given time; and

WHEREAS, most private lenders to cooperative owners/purchasers, as well as the Department of Housing and Urban Development, FHA, Fannie Mae, Freddie Mac and other governmental agencies require a certain minimum percentage of the units within a project to be owner-occupied before they will make or insure loans; and

WHEREAS, the Board of Directors of this Corporation has a fiduciary duty to preserve the value of manors in United, and if potential new members were unable to obtain loans to purchase a cooperative share in the Mutual, the value of the existing cooperative shares would likely decrease;

NOW THEREFORE BE IT RESOLVED, September 22, 2010, that the Board of Directors of this Corporation hereby reaffirms its policy that allows a member to sublease their manor for six (6) months, whether or not consecutive, in any twelve (12) month period and hereby places a 20% cap (1,265 units) **at any given time** on the total number of subleases allowable in the Mutual. ~~thus allowing 80% of the Mutual to be member occupied;~~ and

RESOLVED FURTHER, that Resolution U-84-84, adopted June 26, 1984 is hereby superseded; and

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

The Secretary of the Corporation read the following proposed resolution approving a policy granting fractional membership interests in a manor:

RESOLUTION 01-10-

WHEREAS, United Laguna Hills Mutual (**United**) is primarily, and has historically been an owner-occupied community; and

WHEREAS, United's Board of Directors believes it is in the best interests of United's Members, in terms of the ~~market values of United's Manors and the~~ preservation and protection of United's development, that United remain a primarily owner-occupied community; and

WHEREAS, United's Board of Directors has recently become aware ~~of the fact~~ that a number of applications for fractional Membership in United have likely been submitted for stock issuance in a number of proposed Members' names with the intent of circumventing United's subleasing restrictions, allowing a proposed sublessee of a Manor to become a Member of United and sublease the Manor for no finite term, and certainly in excess of six months; and

WHEREAS, United's Board has also become aware that applications for fractional Membership in United have likely been submitted for stock issuance in a number of proposed Members' names with the sole intent of the proposed Member, who has no intention to reside in a Manor at United, being able to inappropriately use and enjoy the recreational facilities which United's Members/Manor occupants are entitled to use (the "Recreational Facilities").

NOW THEREFORE BE IT RESOLVED, November 9, 2010, that the Board of Directors of United has adopted the following operating rule regarding the granting of fractional membership interests in a manor to prevent any such circumvention of United's leasing restrictions and/or the inappropriate use of the Recreational Facilities by non-occupants of a Manor.

**UNITED LAGUNA HILLS MUTUAL
OPERATING RULE REGARDING THE GRANTING OF FRACTIONAL
MEMBERSHIP INTERESTS IN A MANOR**

1. APPLICATION FOR FRACTIONAL MEMBERSHIP INTEREST

If a person applies for fractional Membership in United, that person must have a bona fide intent to reside in a Manor at United for six or more months per calendar year. In applying for fractional Membership in United, the applicant must provide, in addition to any other information as may be requested by United, a sworn statement or affirmation, under penalty of perjury, describing in detail:

- (a) the nature of the relationship of the applicant to the other owners of the applicable Certificate of Membership;
- (b) the length of time that the applicant has known the other owners of the applicable Certificate of Membership;

(c) all consideration provided by the applicant in return for the proposed fractional interest in the applicable Membership, and documentation evidencing such consideration;

(d) the fractional interest that the applicant proposes to own along with a statement that (i) the applicant is a proposed owner of the applicable Membership interest, (ii) the applicant is not a sublessee or tenant of the applicable Member's Manor, (iii) the applicant will not be paying rent or providing consideration of any other kind or form as a result of the proposed occupancy of the Manor leasehold interest related to the Membership and (iv) the applicant will be occupying the Manor for at least six months during each 12-month period and is not seeking Membership as a means of gaining access and use rights to the Recreational Facilities.

2. TRANSFER DOCUMENT OR INSTRUMENT

In addition, the applicant must provide United with a copy of the document or instrument signed by the applicant and the transferor of Membership that purports to transfer a fractional Membership interest in United to the applicant.

3. BOARD DISCRETION

The Board of Directors of United may deny any application for fractional Membership in United if the Board determines, in its sole discretion, that the applicant is:

(a) not related by blood, marriage or domestic partnership to an owner of the applicable Membership;

(b) proposed to own less than a significant percentage interest in the applicable Certificate of Membership; and/or

(c) not an actual proposed owner of the applicable Certificate of Membership, but a person who is attempting, along with the owner of the applicable Certificate of Membership, to (i) circumvent the six (6) month maximum occupancy limitation applicable to the sublessees of United's Manors and/or (ii) obtain inappropriate access and use rights to the Recreational Facilities.

4. FALSE INFORMATION

If it is determined that either the applicant or an owner of the applicable Certificate of Membership provided false information to United during the application process, and/or it is determined that false information was provided to United in an attempt to allow the applicant, who is actually a tenant or sublessee of the applicable Member's Manor, or a proposed tenant or sublessee of the applicable Member's Manor, to obtain a fractional

Membership interest in United to circumvent United's leasing restrictions and/or it is determined that false information was provided to United in an attempt to allow the applicant, who does not plan to reside in the applicable Member's Manor, to inappropriately access and use the Recreational Facilities, the Board may, in its sole discretion, after a noticed hearing with the owner of the applicable Certificate Membership, terminate that Member's Certificate of Membership and initiate an unlawful detainer (eviction) action against that Member.

5. BOARD APPROVAL

Notwithstanding the foregoing, a Member may, upon written approval by United's Board of Directors, have a co-occupant who resides in his/her Manor along with the Member and who provides compensation to the Member for residency in the Member's Manor. In such event, both the resident Member and the qualified/approved co-occupant **with** ~~of~~ the Member shall have the right to access and use the Recreational Facilities.

6. RECREATIONAL FACILITIES

If a Member subleases his/her Manor, the Member's rights to access and use the Recreational Facilities shall be assigned to the Member's sublessee(s) during the term of such sublease, and the Member shall not **be** allowed to access or use the Recreational Facilities during the term of the Sublease.

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

Director Gerson moved to approve the resolution and the motion was seconded. The Board discussed potential changes.

Without objection, the Board referred the resolution to the Finance Committee for further review.

Members Bevan Strom (30-A) and Mary Stone (356-C) commented on the resolution.

Mr. Frank Hill of Century 21 and Mr. Dwight Moody of Premier Capital Mortgage addressed the Board on the resolution.

The Special Open Session Meeting recessed at 3:23 P.M. and reconvened into the Special Executive Session at 3:24 P.M.

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

During its Regular Executive Session meeting of September 14, 2010 the Board reviewed and approved the minutes of the Special Executive Session of August 4, 2010, the minutes of

the Regular Executive Session of August 10, 2010, the minutes of the Special Executive Session of August 11, 2010, the minutes of the Special Executive Session of August 19, 2010, the minutes of the Special Executive Disciplinary Committee meeting of August 23, 2010, and the minutes of the Special Executive Session of August 25, 2010.

The Board heard four (4) regular disciplinary hearings and imposed fines totaling \$350 for violations of the Mutual's rules and regulations; and discussed contractual, litigation and other member disciplinary matters.

ADJOURNMENT

With no further business before the Board of Directors, the special meeting was adjourned at 3:40 P.M.

Gail McNulty, President