



OPEN SESSION

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

**Tuesday, October 18, 2022 - 9:30 a.m.
Laguna Woods Village Community Center
Board Room/Virtual Meeting
24351 El Toro Road
Laguna Woods, California**

Directors Present: Mark Laws, Jim Cook, Nathaniel Ira Lewis, Cris Prince, Cush Bhada, Jules Zalon, Ralph Engdahl, Moon Yun

Directors Absent: Donna Rane-Szostak (Excused), Annie McCary (Excused)

Staff Present: Siobhan Foster-CEO, Makayla Schwietert, Paul Nguyen, Robert Carroll, Eric Nunez, Bart Mejia, Carlos Rojas, Manuel Gomez, Steve Hormuth

Others Present: VMS – Rosemarie diLorenzo and Wei-Ming Tao
GRF – None
United – None

1. Call meeting to order / Establish Quorum – President Laws, Chair

President Laws called the meeting to order at 9:30 a.m. and established that a quorum was present.

2. Pledge of Allegiance

Director Prince led the Pledge of Allegiance.

3. Approval of Agenda

President Laws asked for a motion to approve the agenda.

Director Bhada made a motion to approve the agenda. Director Engdahl seconded.

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

4. Approval of Minutes

- a. September 20, 2022 - Regular Board Meeting**
- b. September 30, 2022 – Special Open Meeting**

- c. October 7, 2022 – Agenda Prep Meeting**
- d. October 7, 2022 – Special Open Meeting**
- e. October 10, 2022 – Special Open Meeting**

Director Lewis made a motion to approve the minutes of September 20, 2022 - Regular Board Meeting. Director Bhada seconded.

Hearing no changes or objections, the minutes of the September 20, 2022 - Regular Board Meeting were approved by consent. Director Yun abstained.

Director Prince made a motion to approve the minutes of September 30, 2022 – Special Meeting. Director Bhada seconded.

Hearing no changes or objections, the minutes of the September 30, 2022 – Special Open Meeting were approved by consent. Director Yun abstained.

Director Prince made a motion to approve the minutes of October 7, 2022 – Agenda Prep Meeting. Director Bhada seconded.

Hearing no changes or objections, the minutes of the October 7, 2022 – Agenda Prep Meeting were approved by consent. Director Yun abstained.

Director Lewis made a motion to approve the minutes of October 7, 2022 – Special Open Meeting. Director Zalon seconded.

Hearing no changes or objections, the minutes of the October 7, 2022 – Special Open Meeting were approved by consent. Director Yun abstained.

Director Yun left the meeting at approximately 10:30 am.

Director Bhada made a motion to approve the minutes of October 10, 2022 – Special Open Meeting. Director Zalon seconded.

Hearing no changes or objections, the minutes of the October 10, 2022 – Special Open Meeting were approved by consent.

5. Report of the Chair

President Laws commented on the following:

- Introduced Moon Yun as the new Third Director, whose term expires in 2023, and welcomed him to the Board
- Reminded residents that there is an open position on the Third Board and it is a 3-year term. Please contact the Corporate Secretaries for further details

6. Update from the VMS Board – Chair diLorenzo

VMS Chair diLorenzo provided an update from the last VMS Board Meeting with the following information:

- Announced Mary Seto as the new Third representative on the VMS Board
- Contractor Open House
- Focus Groups

- Employee Excellence Awards
- Employee Excellence Award Recipients
- All Board Director Training
- Maintenance and Construction Update
- Client Services - Resident Services
- CSIP update
- Planning underway for next strategic plan update

VMS Chair diLorenzo answered questions from the Board.

7. Open Forum (Three Minutes per Speaker)

- Chris Collins gave an update on The Foundation of the Laguna Woods Village and spoke about National Good Neighbor Day in September

8. Responses to Open Forum Speakers

- President Laws thanked Chris Collins and The Foundation of Laguna Woods Village

9. Discussion of Rooftop Solar Systems (Oral Presentation)

Bart Mejia, Maintenance and Construction Assistant Director, discussed Rooftop Solar Systems.

Bart Mejia answered questions from the Board.

THIS ITEM WAS DISCUSSED PRIOR TO ITEM 9

10. CEO Report

CEO Siobhan Foster reported on:

- Halloween Hoedown to be held Saturday, October 22, 2022 at the Equestrian Center
- Oktoberfest Fun to be held Monday, October 24, 2022 at Clubhouse 5
- November Bonanza to be held Saturday, November 5, 2022 from 9 a.m. to 4 p.m. and Sunday, November 6, 2022 from 9 a.m. to 3 p.m. at Clubhouse 4
- NYE tickets are now on sale. The event will be held Saturday, December 31, 2022 at 7:30 p.m. at the Performing Arts Center

CEO Foster answered questions from the Board.

11. Consent Calendar - *All matters listed under the Consent Calendar were recommended for action by committees and were enacted by the Board by one motion. Items removed from the Consent Calendar by members of the Board were moved for further discussion and action by the Board.*

President Laws asked for a motion to approve the Consent Calendar as presented.

Director Lewis made a motion to approve the Consent Calendar. Director Bhada seconded.

Hearing no changes or objections, the motion to approve the Consent Calendar was approved by consent.

- a. Consistent with its statutory obligations the Board members individually reviewed Third Laguna Hills Mutual preliminary financials for the month of August 2022, and by this vote ratify that such review be confirmed in this month's Board Member Open Session Meeting minutes per Civil Code §5501.

b. Recommendation from the Finance Committee:

1. Approve a Resolution for Recording a Lien against Member ID# 931-371-47

RESOLUTION 03-22-105

Recording of a Lien

WHEREAS, Member ID 931-371-47; 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, October 18, 2022, that the Board of Directors hereby approves the recording of a Lien for Member ID 931- 371-47; 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.

2. Approve a Resolution for Recording a Lien against Member ID# 930-764-70

RESOLUTION 03-22-106

Recording of a Lien

WHEREAS, Member ID 930-764-70; 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, October 18, 2022, that the Board of Directors hereby approves the recording of a Lien for Member ID 930- 764-70; 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.

3. Approve a Resolution for Recording a Lien against Member ID# 933-612-26

RESOLUTION 03-22-107

Recording of a Lien

WHEREAS, Member ID 933-612-26; 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, October 18, 2022, that the Board of Directors hereby approves the recording of a Lien for Member ID 933- 612-26; 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.

c. Entertain a Motion to Approve 2023 Collection & Lien Enforcement Policy

RESOLUTION 03-22-108

2023 Collection and Lien Enforcement Policy

WHEREAS, in accordance with California Civil Code, Third Laguna Hills Mutual maintains a collection and lien enforcement policy that outlines the procedures, policies and practices employed by the Mutual in enforcing lien rights or other legal remedies for default in payment of assessments; and

WHEREAS, legal counsel has reviewed the existing Collection and Lien Enforcement Policy and determined that the updated policy complies with Civil Code requirements and reflects current practices for collection of Mutual delinquencies.

NOW THEREFORE BE IT RESOLVED, October 18, 2022, that the Board of Directors hereby adopts the 2023 Third Laguna Hills Mutual Collection and Lien Enforcement Policy as attached to the official minutes of this meeting; and

RESOLVED FURTHER, the policy statement is provided pursuant to the requirements of California Civil Code section 5310(a)(7) and will be distributed to members in November 2022 as part of the Annual Policy Statement.

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

12. Unfinished Business

- a. Entertain a Motion to Approve the Revised Architectural Standard No. 10 - Exterior Doors (**September initial notification – 28-day notification for member review and comments to comply with Civil Code §4360 has been satisfied**)

RESOLUTION 03-22-109

Revise Alteration Standard Section 10 - Doors, Exterior (Swing)

WHEREAS, the Architectural Controls and Standards Committee recognizes the necessity to amend Alteration Standards and create new Alteration Standards as necessary; and,

WHEREAS, the Architectural Controls and Standards Committee recognizes the need to revise Alteration Standard Section 10 - Doors, Exterior;

NOW THEREFORE BE IT RESOLVED, October 18, 2022, that the Board of Directors of this Corporation hereby adopts revisions and amendments to Alteration Standard Section 10 - Doors, Exterior (Swing); and

2.0 TYPES OF DOORS

2.1 All doors shall be of solid core 1-1/2" minimum thickness with exterior grade hardware. Metal doors and other composite materials are also allowed provided that they meet current California Building Code requirements for entry doors.

2.2 Dutch doors, split doors, double doors and French doors may be allowed provided any and all required permits are obtained through the City of Laguna Woods and the Alterations Division office.

2.3 Glass in entry doors and other modern designs may be allowed provided it follows the standards set for such installation as required by the current California Building Code.

2.4 Door trim shall not exceed approximately 3.5" in width unless prior approval is obtained from the Alterations Division.

2.5 All costs of maintenance shall be borne by the Mutual member.

3.0 APPLICATIONS

3.1 Doors shall be of wood, fiberglass, metal, or vinyl clad material or other composite materials. Doors shall be:

1. White.
2. Natural or stained (oak, maple, walnut, cherry, etc.) wood finish.
3. The current color of the building or trim.
4. Black.
5. Any of the new colors approved, or reasonably similar,
6. Commonly used door colors as per the door manufacturer.
7. Colors approved via the variance process.

3.2 Screen door additions are acceptable.

3.3 Door frames may be replaced if pre-hung doors are being used as replacements.

3.4 Any required irrigation or landscaping modifications resulting from the door (or required landing) installation must be performed by the Agent's Landscaping Division, at the Mutual member's expense.

3.5 Exterior doors shall only be allowed in existing openings. For existing openings wider than 36", doors with accompanying sidelights may be used.

3.6 Existing header height must remain unchanged; and

RESOLVED FURTHER, Resolution 03-18-40, adopted March 23, 2018, 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.

Director Cook made a motion to approve Resolution 03-22-109. Director Lewis seconded.

Discussion ensued among the Board.

Hearing no changes or objections, the motion was called to a vote and approved unanimously.

13. New Business

- a. Entertain a Motion to Approve Request a Supplemental Appropriation for Shepherd's Crook Conditional Use Permit Amendment (**October initial notification – 28-day notification for member review and comments to comply with Civil Code §4360**)

Resolution 03-22-XX

Supplemental Appropriation for CUP Amendment for Shepherd's Crook Installations

WHEREAS, in May 2017, the City of Laguna Woods issued CUP-1135 governing the replacement of barbed-wire fencing with wrought-iron shepherd's crook fence; and

WHEREAS, the CUP limits the height of the shepherd's crook installation to a height of 7 feet when viewed from adjoining properties; and

WHEREAS, staff recommends that the mutual authorize the submittal of an application to the City of Laguna Woods requesting that the height restriction be revised or amended to allow for the height restriction to be measured from the highest ground level on either side of the wall and allow for a height of up to 11 feet at locations where the presence of utility structures create a potential trespassing risk;

NOW THEREFORE BE IT RESOLVED, on November 15, 2022, the Board of Directors of this Corporation hereby authorizes a supplemental appropriation in the amount of \$10,000, for the City application process; and

RESOLVED FURTHER, that funding in the amount of \$10,000 from the Replacement Reserve Fund will be used for this project; and

RESOLVED FURTHER, a supplemental appropriation is authorized from the Reserve Fund in the amount of \$10,000; 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.

Manuel Gomez, Maintenance and Construction Director, discussed the Supplemental Appropriation for Shepherd's Crook Conditional Use Permit Amendment.

Director Prince made a motion to approve the Resolution. Director Engdahl seconded.

Discussion ensued among the Board.

Bart Mejia answered questions from the Board.

Eric Nunez, Security Director, answered questions from the Board.

Chair diLorenzo answered questions from the Board.

Upon motion duly made and seconded, the motion was called to a vote and failed by a vote of 0-7-0.

President Laws directed this go back to the M&C Committee.

b. Update Committee Appointments

RESOLUTION 03-22-111

Third Mutual Committee Appointments

RESOLVED, October 18, 2022, that the following persons are hereby appointed to serve on the committees and services of this Corporation.

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

Finance Committee

Donna Rane-Szostak, Chair
Mark Laws
Annie McCary
Ralph Engdahl
Cris Prince
Cush Bhada
Jim Cook
Ira Lewis
Jules Zalon
Non-Voting Advisors: Wei-Ming Tao

Architectural Controls and Standards Committee

James Cook, Chair
~~John Frankel~~
Cush Bhada
Ralph Engdahl
Nathaniel Ira Lewis
Cris Prince
Non-Voting Advisors: Mike Butler, Mike Plean, Lisa Mills

Landscape Committee

Nathaniel Ira Lewis, Chair
Annie McCary
Jules Zalon
Ralph Engdahl
Donna Rane-Szostak
Cush Bhada, Alternate
Non-Voting Advisors: Cindy Baker

Maintenance and Construction Committee

Ralph Engdahl, Chair
James Cook
Cush Bhada
Mark Laws
~~John Frankel~~
Cris Prince, ~~Alternate~~
Non-voting Advisors: David Bienek, Judith Troutman

Executive Hearing Committee

Annie McCary, Chair

Ralph Engdahl
Mark Laws
~~John Frankel, Alternate~~
~~Cris Prince, Alternate~~
Jules Zalon, Alternate

Resident Policy and Compliance Committee

Mark Laws, Chair
Cush Bhada
Jules Zalon
Cris Prince
Nathaniel Ira Lewis, ~~Alternate~~
Non-Voting Advisors: Stuart Hack

Water Conservation Committee

Donna Rane-Szostak, Chair
~~John Frankel~~
Cush Bhada
Jules Zalon
Nathaniel Ira Lewis
Non-Voting Advisor: Lee Goldstein

Garden Villa Recreation Room Subcommittee

Mark Laws, ~~Chair~~
Donna Rane-Szostak
Nathaniel Ira Lewis
Voting Advisors: Martina Mangan, Sharon Molineri
Non-Voting Advisors: Lynn Jarrett

~~Parking & Golf Cart Committee~~

~~Cush Bhada, Chair~~
~~John Frankel~~
~~Mark Laws~~
~~Ralph Engdahl, Alternate~~
~~Non-Voting Advisor: Hal Horne~~

Communications Committee

~~Annie McCary, Chair~~
~~Donna Rane-Szostak~~
~~Cris Prince~~
~~James Cook~~
~~Mark Laws~~
~~Cush Bhada, Alternate~~

Energy Research Group

~~Ralph Engdahl~~

~~John Frankel~~
~~Nathaniel Ira Lewis~~
~~Non-Voting Advisors: Sue Stephens, Bill Walsh~~

Investment Ad Hoc Committee

~~Mark Laws~~
~~Donna Rane-Szostak~~

RESOLVED FURTHER, that Resolution 03-22-82, adopted July 19, 2022, 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.

RESOLUTION 03-22-110

GRF Committee Appointments

RESOLVED, October 18, 2022, that in compliance with Article 7, Section 7.3 of the Golden Rain Foundation Bylaws, the following persons are hereby appointed to serve on the committees of the Golden Rain Foundation:

Community Activities Committee

Annie McCary
~~Cush Bhada~~
~~Mark Laws~~
Jules Zalon, Alternate

GRF Finance Committee

Donna Rane-Szostak
Mark Laws

GRF Landscape Committee

Jules Zalon
Nathaniel Ira Lewis
Annie McCary, Alternate

GRF Maintenance and Construction Committee

Ralph Engdahl
Jim Cook
~~Cush Bhada, Alternate~~
~~John Frankel, Alternate~~

Clubhouse Renovation Ad Hoc Committee

Ralph Engdahl
~~John Frankel~~
Cush Bhada, ~~Alternate~~

GRF Media and Communications Committee

Annie McCary
Jim Cook
Cris Prince, Alternate

Mobility and Vehicles Committee

Jim Cook, Alternate
~~John Frankel~~
Cush Bhada

Security and Community Access Committee

Annie McCary
Cris Prince
Donna Rane-Szostak, Alternate

Purchasing Ad Hoc Committee (new)

Donna Rane-Szostak
Mark Laws
Ralph Engdahl, Alternate

Broadband Ad Hoc Committee

Cris Prince
Jim Cook

Disaster Preparedness

Jim Cook
~~John Frankel~~
Donna Rane-Szostak, Alternate

Laguna Woods Village Traffic Hearings

~~John Frankel~~
~~Jules Zalon~~
Mark Laws, Alternate

Strategic Planning Committee

Nathaniel Ira Lewis
~~Mark Laws~~

IT Technology Advisory Committee (ITAC)

Mark Laws

Insurance Ad Hoc Committee

Cris Prince
Mark Laws
Jim Cook

Website Ad Hoc Committee

Annie McCary

Mark Laws

RESOLVED FURTHER, that Resolution 03-22-101, adopted September 20, 2022, 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.

Director Bhada made a motion to approve Resolution 03-22-111 and Resolution 03-22-110. Director Lewis seconded.

Discussion ensued among the Board.

Hearing no changes or objections, the motion was approved by consent.

14. Committee Reports

- a. Report of the Finance Committee / Financial Report – Steve Hormuth. The committee met on October 4, 2022; next meeting November 1, 2022, at 1:30 p.m. in the Board Room and as a virtual meeting.
Steve Hormuth, Finance Director, presented the Financial Report.
 - (1) Treasurer's Report
 - (2) Third Finance Committee Report
 - (3) Resales/Leasing Reports
- b. Report of the Architectural Controls and Standards Committee – Director Cook. The committee met on September 26, 2022; next meeting October 24, 2022 at 9:30 a.m. in the Board Room and as a virtual meeting.
- c. Report of the Landscape Committee – Director Lewis. The committee met on September 1, 2022; next meeting November 3, 2022 at 9:30 a.m. in the Board Room and as a virtual meeting.
- d. Report of the Maintenance and Construction Committee – Director Engdahl. The committee met on September 12, 2022; next meeting November 7, 2022, at 1:30 p.m. in the Board Room and as a virtual meeting.
 - (1) Garden Villa Rec. Room Subcommittee – Director Laws. The subcommittee met May 26, 2022; next meeting is scheduled for Thursday November 3, 2022.
- e. Report of the Water Conservation Committee – Director Laws. The committee met on July 28, 2022; next meeting October 27, 2022, at 2:00 p.m. in the Elm Room.

- f. Report of the Resident Policy and Compliance Committee – Director Laws. The committee met on September 28, 2022; next meeting October 25, 2022, at 9:30 a.m. in the Board Room and as a virtual meeting.

15. GRF Committee Highlights

- a. Community Activities Committee – Director Bhada. The committee met on October 13, 2022; next meeting, November 10, 2022, at 1:30 p.m. in the Board Room and as a virtual meeting.
- b. Media and Communications Committee – Director Cook. The committee met on October 17, 2022; next meeting November 21, 2022, at 1:30 p.m. in the Board Room and as a virtual meeting.
- c. Website Ad Hoc Committee – Director Cook. The committee met on October 17, 2022; next meeting TBA.
- d. GRF Landscape Committee – Director Lewis. The committee met on September 14; next meeting December 14, 2022, at 1:30 p.m. in the Board Room and as a virtual meeting.
- e. GRF Maintenance & Construction Committee – Director Engdahl – The committee met on October 12, 2022; next meeting December 14, 2022, at 9:30 a.m. in the Board Room and as a virtual meeting.
- f. GRF Strategic Planning Committee – Director Lewis. The committee met on October 3, 2022; next meeting TBA.
- g. Mobility and Vehicles Committee – Director Bhada – The committee met on October 5, 2022; next meeting December 7, 2022, at 1:30 p.m. in the Board Room and as a virtual meeting.
- h. Disaster Preparedness Task Force – Director Cook. The task force met on September 27, 2022; next meeting November 29, 2022 at 9:30 a.m. in the Board Room.
- i. Laguna Woods Village Traffic Hearings – Director Laws. The hearings were held on September 21, 2022; next meeting October 19, 2022 at 9:00 a.m. as a virtual meeting.
- j. Information Technology Advisory Committee – Director Laws. This closed committee last met on September 30, 2022; next meeting October 28, 2022 at 1:30 p.m.
- k. The following GRF Committees have not met since the last Third Board Meeting:

- i. GRF Finance Committee – Director Rane-Szostak. The committee met on August 17; next meeting October 19, 2022, at 1:30 p.m. in the Board Room and as a virtual meeting.
- ii. Security and Community Access Committee – Director McCary. The committee met on August 22, 2022; next meeting October 31, 2022, at 1:30 p.m. in the Board Room and as a virtual meeting.
- iii. Clubhouse Facilities Renovation Ad Hoc Committee – Director Engdahl. The committee met on June 24, 2022; next meeting, TBA.
- iv. Purchasing Ad Hoc Committee – Director Rane-Szostak. The committee met on April 7, 2022; next meeting TBA.
- v. Insurance Ad Hoc Committee – Director Laws. This Closed committee last met on July 25, 2022; next meeting TBA.
- vi. Insurance Ad Hoc Committee – Director Laws. This Closed committee last met on July 25, 2022; next meeting TBA.

16. Future Agenda Items-- *All matters listed under Future Agenda Items are Resolutions on 28-day public review or items for a future Board Meeting. No action will be taken by the Board on these agenda items at this meeting. The Board will take action on these items at a future Board Meeting.*

17. Directors' Comments

- Director Zalon commented on the formality of addressing the directors

18. Recess - *At this time, the meeting will recess for lunch and reconvene to Executive Session to discuss the following matters per California Civil Code §4935.*

The meeting was recessed into closed session at 11:40 a.m.

Closed Session Agenda

Approval of Agenda

Approval of the Minutes

(a) September 20, 2022—Regular Closed Session

Discuss and Consider Member Matters

Discuss Personnel Matters

Discuss and Consider Contractual Matters

Discuss and Consider Litigation Matters

19. Adjournment

The meeting was adjourned at 3:36 p.m.

DocuSigned by:

N. Cris Prince

5441FC1ED518422.....

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



2023 COLLECTION AND LIEN ENFORCEMENT POLICY AND PROCEDURES FOR ASSESSMENT DELINQUENCIES

Resolution 03-22-108, Adopted October 18, 2022

PURPOSE STATEMENT

The following is a statement of the specific procedures, policies, and practices (“Policy Statement”) employed by Third Laguna Hills Mutual, a California nonprofit mutual benefit corporation (the “Mutual”) in enforcing lien rights or other legal remedies for default in payment of its assessments against its owners (“Members”). This Policy Statement is provided pursuant to the requirements of California Civil Code Section 5310(a)(7).

The collection of delinquent assessments is of vital concern to **all** Members of the Mutual. Such efforts ensure that all Members pay their fair share of the costs of services and facilities provided and maintained by the Mutual. Members’ failure to pay assessments when due creates a cash-flow problem for the Mutual and causes those Members who make timely payment of their assessments to bear a disproportionate share of the community’s financial obligations. Special assessments must be received in a timely fashion in order to finance the needs for which said special assessments are imposed.

Accordingly, in order to reduce the amount and duration of delinquencies and to encourage the prompt and full payment of all assessments, the Mutual has been vested with certain enforcement rights and remedies which are in addition to those which exist generally for creditors. These rights and remedies are described in this Policy Statement.

FAILURE TO MAKE TIMELY PAYMENTS CAN RESULT IN THE IMPOSITION OF LATE CHARGES, INTEREST, COSTS OF COLLECTION, POSSIBLE RESULTANT LEGAL ACTION AND MEMBERS AGREE THAT THEY CAN BE REQUIRED TO REIMBURSE THE MUTUAL FOR SUCH LEGAL COSTS, REGARDLESS OF WHETHER FORMAL LEGAL ACTION IS TAKEN. IT IS IN YOUR AND EVERY OTHER MEMBER’S BEST INTEREST FOR EACH OF YOU TO MAKE YOUR MONTHLY ASSESSMENT PAYMENTS ON TIME.

REGARDLESS OF WHETHER THE MUTUAL RECORDS A LIEN ON YOUR PROPERTY DURING THE COLLECTION OF PAST-DUE ASSESSMENTS, ALL MEMBERS HAVE A PERSONAL AND ONGOING OBLIGATION TO PAY ASSESSMENTS AND CHARGES.

BASIC POLICIES AND PROCEDURES

Delinquency reports are prepared monthly by the Mutual’s managing agent to the Mutual’s Board of Directors (“Board”), identifying the delinquent Member, and the amount and length of time the assessments have been in arrears. The policies and practices outlined in this Policy Statement shall remain in effect until such time as they may be changed, modified, or amended by a duly adopted resolution of the Board, or unless the applicable statutory scheme changes, in which event, this Policy Statement shall be construed so as to be consistent with any newly adopted statutes or court decisions. In accordance with the Mutual’s governing documents (including, without limitation, the Articles of

Incorporation, the Bylaws, the recorded CC&Rs, rules and regulations, and written policies) (collectively, the “Governing Documents”) and the Civil Code, to ensure the prompt payment of monthly assessments, the Mutual employs the following collection and lien enforcement policies and procedures, including for the collection of assessments, late charges, interest, fees, and chargeable services charged against Members pursuant to the Governing Documents and current law:

1. Assessment Due Date

Regular assessments (“Carrying Charges” as defined in Article 1, Section 8 of the CC&Rs) are due and payable to the Mutual, in advance, in equal monthly installments, on the first (1st) day of each month. It is each Member’s responsibility to pay assessments in full each month regardless of whether a billing statement is received. Special assessments shall be due and payable on the due date specified by the Board in the notice imposing the special assessment or in the ballot presenting the special assessment to the Members for approval. In no event shall a special assessment be due and payable earlier than thirty (30) days after the special assessment is duly imposed.

2. Reminder Notice

A monthly assessment becomes delinquent if it is not received by the Mutual on or before the close of business on the sixteenth (16th) day of the month (or, for special assessments, if it is not received by the Mutual on or before the close of business on the fifteenth (15th) day after it is due). A written reminder notice may be sent and emailed to the Member. It is each Member’s responsibility to pay assessments in full each month regardless of whether a reminder notice is received.

TO BE CONSIDERED TIMELY, PAYMENT MUST BE **RECEIVED** BY THE MUTUAL WITHIN THE FIFTEEN (15) DAY GRACE PERIOD. SIMPLY PLACING THE PAYMENT IN THE MAIL BEFORE THE GRACE PERIOD EXPIRES IS INSUFFICIENT.

IN ADDITION TO THE FOREGOING, CHARGEABLE SERVICES ARE LATE IF NOT PAID WITHIN TWENTY-FIVE (25) DAYS AFTER BECOMING DUE.

3. Administrative Collection Fee

It is the policy of the Mutual not to routinely waive any duly imposed late charges, interest, or actually incurred “Costs of Collection.” “Costs of Collection” as used in this Policy Statement include, without limitation, an administrative collection fee, currently in the amount of five hundred dollars (\$500) (the “Administrative Collection Fee”), which is charged by the Mutual’s managing agent to cover staff’s costs to prepare files for delivery to the Mutual’s legal counsel and/or collection agent in order to carry out authorized legal and/or collection actions, as well as direct costs incurred in recording and/or mailing documents attendant to the legal and/or collection process.

The Administrative Collection Fee may be increased by majority vote of the Mutual’s Board and may be collected by the Mutual’s legal counsel and/or collection agent on its behalf, and remitted to the Mutual’s managing agent, or may be directly collected by the Mutual’s managing agent. Any change to the Administrative Collection Fee shall not be deemed a change to this Policy and shall not require rule change or member review period procedures to be undertaken by the Board.

4. Late Charge

IT IS THE MEMBER'S RESPONSIBILITY TO ALLOW AMPLE TIME TO DROP OFF OR MAIL ALL PAYMENTS SO THAT THEY ARE RECEIVED BEFORE THEY BECOME DELINQUENT. Any notices or invoices for assessments and/or special assessments will be sent to Members by first-class and/or certified mail addressed to the Member at his/her/their/its address as shown on the books and records of the Mutual. However, it is the Member's responsibility to be aware of the assessment payment amounts and due dates and to advise the Mutual of any changes in the Member's mailing address, pursuant to Civil Code Section 4041.

A late payment charge for a delinquent assessment will be assessed in the amount of seventy-five dollars (\$75) and will be imposed on any assessment payment that is more than fifteen (15) days in arrears. Further, both Civil Code Section 5650 and the Mutual's Governing Documents provide for interest on all sums imposed in accordance with Section 5650, including on delinquent assessment, reasonable fees and costs of collection, and reasonable attorney's fees, which may be imposed thirty (30) days after the assessment is due, at an annual percentage rate of twelve percent (12%). Such interest may be imposed and collected regardless of whether the Member's delinquent account is referred to the Mutual's legal counsel and/or collection agent for handling. Non-assessment fines, fees, and chargeable services are also subject to a late fee and interest, in an amount determined by Board resolution.

5. Demand Letter (aka Pre-Lien Notice)

If full payment of the delinquent amount is not received by the close of business on the day which is fifteen (15) days after the date of a reminder notice, as described in Section 2 above, or if no reminder notice was sent, then within thirty (30) days after the date when the delinquent amount became due, then a demand letter pursuant to Civil Code Section 5660 (a "Pre-Lien Notice"), as detailed below, will be sent to the Member by Certified Mail. The Mutual, through its managing agent, may also attempt to contact the Member by telephone to remind the Member of the delinquency and determine when payment will be made. However, no assurances can be given that the Mutual will in fact reach the Member by telephone, and the Member is responsible to pay off the delinquency whether or not a reminder notice or telephone reminder is actually received by the Member.

6. Alternate Means to Collect Delinquent Sums

If full payment of the delinquent amount (such as a duly levied and imposed assessment, fine, fee, or chargeable service including associated late charges and interest) is not received by the close of business on the thirtieth (30th) day after the date of a demand letter for payment of same (and with respect to recording a lien against a Member's separate interest in the condominium project ("Manor"), on the thirtieth (30th) day after receipt of a Pre-Lien Notice) the Mutual may, at its option, in accordance with the requirements and conditions herein and applicable law, and based on the circumstances of the delinquency, including but not limited to, the total delinquent amount owing and the Member's payment history, undertake to collect the delinquency by: (1) suspending a Member's right (and that of the Resident or Tenant of that Member's Manor) to use Mutual or Golden Rain Foundation of Laguna Woods ("GRF") facilities; (2) termination of the delinquent Member's Membership in the Mutual as a result of any foreclosure, (3) legal actions, discussed further below, or (4) other means permitted by law.

A demand letter and/or Pre-Lien Notice is presumed to have been received in the regular course of mail within five (5) days of mailing if the mailing address is within California and within ten (10) days if the

mailing address is within the United States but outside of California and within twenty (20) days if the mailing address is outside of the United States.

The Mutual may, after following appropriate procedures prescribed by law and the Mutual's Governing Documents, suspend a delinquent Member's right to use facilities or receive services provided by the Mutual, or both, until the delinquency is paid in full, including interest, late charges, and/or Costs of Collection, as may have been imposed or incurred in a particular instance. Failure to pay in full such amounts may also result in suspension of certain Membership rights and the ability to use the facilities or services provided by GRF or by this Mutual.

The Mutual may also take various legal actions to enforce the collection of delinquencies. **THESE ACTIONS MAY BE TAKEN SEPARATELY OR CONCURRENTLY.**

7. Small Claims Court

A civil action in small claims court may be filed, with a management company representative or bookkeeper appearing and participating on behalf of the Mutual.

PLEASE NOTE THAT A SMALL CLAIMS COURT ACTION MAY BE PURSUED BASED ON A BOARD RESOLUTION EITHER BEFORE OR AFTER RECORDING A NOTICE OF DELINQUENT ASSESSMENT (LIEN), AND/OR AFTER A WRITE-OFF.

The amount that may be recovered in small claims court may not exceed the jurisdictional limits of the small claims court, and shall be the sum of the following: (a) the amount owed as of the date of filing of the complaint in the small claims court; and (b) in the discretion of the court, an additional amount equal to the amount owed for the period from the date the complaint is filed until satisfaction of the judgment, which total amount may include accruing unpaid assessments, fines, fees, or chargeable services, and any reasonable late charges, fees and Costs of Collection (including attorney's fees), and interest, all up to the jurisdictional limits of the small claims court.

Successive small claims court actions may be pursued, consistently with applicable laws, until the entire amount of the delinquency is recovered.

8. Lien

The Mutual may secure the delinquency by recording a notice of delinquent assessment (lien) on the owner's Manor with the Orange County recorder. The debt shall be a lien on the owner's Manor from and after the time the Mutual records a notice of delinquent assessment, which shall state: the amount of the assessment and other sums imposed in accordance with Civil Code Section 5650(b); a legal description of the owner's Manor; and the name of the record owner of the Manor.

An itemized statement of the debt owed by the owner, as described in Civil Code Section 5660(b), shall be recorded together with the notice of delinquent assessment. In order for the lien to be enforced by nonjudicial foreclosure as provided in Civil Code Sections 5700 to 5710, inclusive, the notice of delinquent assessment shall state the name and address of the trustee authorized by the Mutual to enforce the lien by sale of the Manor. The notice of delinquent assessment shall be signed by the person designated in the declaration or by the Mutual for that purpose, or if no one is designated, by the president of the Mutual. A copy of the recorded notice of delinquent assessment shall be mailed by certified mail

to every person whose name is shown as an owner of the Manor in the Mutual's records, and shall be mailed no later than ten (10) calendar days after recordation.

If it is determined that the Mutual has recorded a lien for a delinquent assessment in error, the Mutual shall promptly reverse all related late charges, fees, interest, attorney's fees, and Costs of Collection, and pay all costs incurred by the Mutual related to any related an internal dispute resolution (IDR) or alternative dispute resolution (ADR).

9. Foreclosure/ADR

After thirty (30) days following the recording of a delinquent assessment lien, the lien may be enforced in any manner permitted by law. Once the amount of delinquent assessments (not including any late charges, fees, interest, or Costs of Collection), exceeds One Thousand Eight Hundred Dollars (\$1,800), OR any unpaid assessments are more than twelve (12) months delinquent, then, subject to the conditions specified below, the Mutual may initiate foreclosure proceedings to collect the amounts owed.

These conditions include that, prior to initiating a foreclosure, the Mutual shall offer the Member, and if so requested by the Member, the Mutual shall participate in dispute resolution pursuant to the Mutual's "meet and confer" program, or alternative dispute resolution (ADR). THE DECISION TO PURSUE DISPUTE RESOLUTION OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE MEMBER, EXCEPT THAT BINDING ARBITRATION SHALL NOT BE AVAILABLE IF THE MUTUAL INTENDS TO INITIATE A JUDICIAL FORECLOSURE.

Civil Code Section 5965 requires the following statement to be included in this Policy Statement:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

If any "meet and confer" session or ADR is engaged in by and between the Member and the Mutual (or any neutral third parties, as the case may be), and these efforts do not result in a payment plan, then, assuming the statutory minimum as to the delinquent amount or duration of the delinquency has been met, the Mutual may commence foreclosing the lien against the Member's Manor and sell the Manor at a private sale or by a judicial sale. If this occurs, the Member may lose title to his/her/their/its Manor.

10. Board Decision to Initiate Foreclosure

The decision to initiate foreclosure of a validly recorded delinquent assessment lien shall be made **only** by the Board and may not be delegated to an agent of the Mutual. The Board shall approve the decision by a majority vote of the Board in an executive session. The vote must be recorded in the minutes of the next meeting of the Board open to all Members; however, the confidentiality of the delinquent Member shall be maintained by identifying the matter in the minutes only by the Parcel Number, and not by the name of the delinquent Member. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale or judicial foreclosure.

If the Board votes to foreclose upon an owner's Manor, the Board shall provide notice by personal service to an owner of a Manor if the owner occupies the Manor or to their legal representative. For a non-occupying owner, the Board shall provide written notice by first-class mail, postage prepaid, at the

most current address shown on the books of the Mutual. In the absence of written notification by a non-occupying owner to the Mutual, the address of the owner's Manor may be treated as the owner's mailing address.

11. Non-Judicial Foreclosure/Right of Redemption

A non-judicial foreclosure by the Mutual to collect upon a debt for delinquent assessments is subject to a statutory right of redemption. The redemption period within which the Manor may be redeemed from a foreclosure sale ends ninety (90) days after the sale, per Civil Code Section 5715.

If a foreclosure action is prosecuted to judgment and the judgment is in favor of the Mutual, assets of the Member may be seized or a lien may be placed on such assets to satisfy the judgment. Pursuant to the provisions of California law, applicable regulations, and the Covenants, Conditions and Restrictions (CC&Rs), the delinquent amount, as well as late charges on the delinquent assessments and/or interest charges and/or Costs of Collection (including, but not limited to, attorney's fees, title company and foreclosure service company charges, charges imposed to defray the cost of preparing and mailing demand letters (such as the Administrative Collection Fee), recording costs and costs associated with small claims court actions) may be enforced as a lien against the Member's Manor.

Moreover, pursuant to California law, monetary penalties that have been imposed by the Mutual as a means of reimbursing the Mutual for costs incurred by the Mutual in the repair of damage to common areas and/or community facilities for which a Member or a Member's guests or tenants were responsible may also be enforced as a lien against the Member's Manor.

12. Prerequisites to Recording a Lien: Offer of IDR/ADR and Thirty (30) Day Pre-Lien Notice

Before a lien may be recorded against a Manor of a delinquent Member, the Mutual must offer the Member, and if so requested by the Member, the Mutual must participate in IDR pursuant to the Mutual's "meet and confer" program (per the requirements set forth in Article 2 commencing with section 5900 of Chapter 10) or ADR as set forth in Article 3 (commencing with Section 5925 of Chapter 10), both in the Civil Code.

Any choice by a Member to pursue IDR or any kind of ADR must be made by the Member's delivery of written notice of such choice to the Mutual's managing agent within thirty (30) days of any event which triggers a Member's right to pursue IDR/ADR, whether it is before a lien can be recorded (i.e., upon receipt of the certified Pre-Lien Notice), or prior to initiating a foreclosure action, or in any other situation for which the Davis-Stirling Common Interest Development Act or the Mutual's Governing Documents authorize or allow a Member to choose IDR/ADR. A Member's right to pursue IDR/ADR may be triggered by, among other things, a decision by the Board and/or Executive Hearing Committee, as applicable, following any right to appeal pursuant to the Mutual's Appeal Policy.

THE DECISION TO PURSUE IDR OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE OWNER. However, binding arbitration is not available if the Mutual intends to initiate a judicial foreclosure.

13. Pre-Lien Notice

Prior to recording a lien against a Member's Manor, the Mutual must send the Member a certified notice providing information regarding the sums claimed as being delinquent ("Pre-Lien Notice"). No lien can be recorded until thirty (30) days after this Pre-Lien Notice has been given.

The Pre-Lien Notice must include the following information (per Civil Code Section 5660):

- (a) A general description of the collection and lien enforcement procedures of the Mutual and the method of calculation of the amount, a statement that the owner of the Manor has the right to inspect the association records pursuant to Section 5205, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed;

"IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."
- (b) An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney's fees, any late charges, and interest, if any;
- (c) A statement that the owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association;
- (d) The right to request a meeting with the Board as provided in Section 5665;
- (e) The right to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association's "meet and confer" program required in Article 2 (commencing with Section 5900) of Chapter 10;
- (f) The right to request alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with Section 5925) of Chapter 10 before the association may initiate foreclosure against the owner's Manor, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure;

14. Member's Right to Request a Meeting with the Board, or IDR or ADR.

Upon receipt of the certified Pre-Lien Notice described above, the noticed Member has several possible courses of action that can be taken at this point in the collection process, such as:

- (a) The Member has the right to dispute the assessment debt by submitting a written request for IDR to the Mutual pursuant to the Mutual's "meet and confer" program, which is required by Civil Code Sections 5900-5920;
- (b) The Member may exercise his/her/their/its right to participate in ADR with a neutral third party under Civil Code Sections 5925-5965 before the Mutual may initiate foreclosure against the owner's Manor, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure;

- (c) The Member has a right to submit a written request to meet with the Board to discuss a payment plan for the delinquent assessment, as long as the request for a meeting is made within fifteen (15) days following the postmark on the Mutual's Pre-Lien Notice to the Member. That meeting must take place within forty-five (45) days (calculated from the postmark on the Member's request) and must be conducted in executive session. When a Member has made a timely request for a meeting to discuss a payment plan, the Mutual must provide the requesting Member with the Mutual's standards for payment plans, if any standards have been adopted. There is no statutory authorization for the Board to delegate this meeting obligation to a property manager, but the Board may designate a committee of one or more directors to meet with the Member in a specially called executive session meeting that will occur within forty-five (45) days of the Member's request.

15. Payment Plan Requests

Any Member who is unable to timely pay regular or special assessments is entitled to make a written request for a payment plan to the Mutual's Board. A Member may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the Pre-Lien Notice. The Mutual's Board will consider payment plan requests on a case-by-case basis and is under no obligation to grant payment plan requests. Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans may not impede the Mutual's ability to record a lien on the Member's Manor to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Member is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Mutual may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan. The Mutual reserves the right to impose reasonable conditions on any approvals for a payment plan and request that the delinquent Member provide disclosure of certain identifying information and other assets that may be used as additional security for the debt owed.

16. Application of Payments

In accordance with state law payments received on delinquent assessments shall be applied to the Member's account in the following order of priority: assessments owed, then fees and costs of collection, attorney's fees, late charges, interest. Payments on account of principal shall be applied in reverse order so that the oldest arrearages are retired first. Interest shall continue to accrue on unpaid balances of principal, and other costs and charges imposed in accordance with Civil Code Section 5655.

17. Secondary Address

Members have a right and obligation to identify in writing to the Mutual a secondary address for purposes of collection notices delivered pursuant to the Mutual's Policy Statement, and upon receipt of a proper written request from a Member identifying a secondary address that complies with Civil Code Section 4041 and the Governing Documents, the Mutual must send additional notices to this secondary address. Pursuant to Civil Code Section 4041, Members must keep the Mutual updated with respect to any mailing or secondary address to which notices from the Mutual are to be delivered. If Members fail to provide such information to the Mutual, the Manor shall be deemed to be the address to which notices are to be delivered.

18. No Right of Offset

There is no right of offset. This means that a Member may not withhold assessments and related charges owed to the Mutual on the alleged grounds that the Member would be entitled to recover money or damages from the Mutual based on some other obligation or some claim of another obligation.

19. Returned Checks

The Mutual may charge the Member a twenty-five-dollar (\$25) fee for the first check tendered to the Mutual that is returned unpaid by the Member's bank, and thereafter, the Mutual may charge a thirty-five-dollar (\$35) fee for any subsequent check that is returned based on insufficient funds. If a Member's check cannot be negotiated for any reason, then the Mutual may also seek to recover damages of the greater of (a) one hundred dollars (\$100); or (b) three (3) times the amount of the check up to one thousand five hundred dollars (\$1,500) in accordance with Civil Code Section 1719.

20. Charges and Fees Subject to Change

All charges and fees set forth in this Policy Statement are subject to change upon thirty (30) days prior written notice.

21. Overnight Payments

The mailing address for overnight payment of assessments is:

Third Laguna Hills Mutual
Attn: Assessment Payments
24351 El Toro Road
Laguna Woods, CA 92637

22. Rights Reserved by Mutual

Although the matters set forth above summarize the policies and practices ordinarily employed to collect delinquent assessments, the Mutual reserves the right to employ other or additional policies and practices as may be necessary or appropriate when the uniqueness of the circumstances or habitualness of the delinquency so requires.

23. Attachments

Notice of Assessments and Foreclosure (pursuant to Civil Code Section 5730): Attachment A.

State Rosenthal Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act disclosures: Attachment B.

BOARD OF DIRECTORS

THIRD LAGUNA HILLS MUTUAL

ATTACHMENT A
NOTICE OF
ASSESSMENTS AND FORECLOSURE

The following notice is provided pursuant to California Civil Code Section 5730

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent fifteen (15) days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least thirty (30) days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within twenty-one (21) days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

ATTACHMENT B

The following Disclosure is made pursuant to California Civil Code Sections 1812.700-1812.703.

“The State Rosenthal Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act require that, except under unusual circumstances, collectors may not contact you before 8 a.m. or after 9 p.m. They may not harass you by using threats of violence or arrest or by using obscene language. Collectors may not use false or misleading statements or call you at work if they know or have reason to know that you may not receive personal calls at work. For the most part, collectors may not tell another person, other than your attorney or spouse, about your debt. Collectors may contact another person to confirm your location or enforce a judgment. For more information about debt collection activities, you may contact the Federal Trade Commission at 1-877-FTC-HELP or www.ftc.gov.”