

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
LAGUNA WOODS MUTUAL NO. FIFTY
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION**

September 16, 2010

The Board of Directors of Laguna Woods Mutual Fifty, a California non-profit mutual benefit corporation, met at 2:00 P.M. on Thursday, September 16, 2010 at 24055 Paseo del Lago West, Laguna Woods, California.

Directors Present: Dick Gray, Chair; Herb Harris; Richard Wurzel; Keith Wallace

Directors Absent: Marilyn Ruekberg

Others Present: Judie Zoerhof, Jerry Storage, Patty Kurzet

1. Call to Order

President Gray chaired the meeting and stated that it was a regular meeting of the Corporation and that a quorum was present. The meeting was called to order at 2:00 P.M.

2. Pledge of Allegiance to the Flag

Director Wurzel led the membership in the Pledge of Allegiance to the Flag.

3. Approval of the Minutes

The Board reviewed and approved without objection the minutes of the agenda prep meeting for the 2011 Version 2 Business Planning Meeting of July 23, 2010, the minutes of the 2011 Version 2 Business Planning Meeting of July 27, 2010, the minutes of the Regular Meeting of August 19, 2010, and the minutes of the Special Meeting of September 2, 2010.

4. President's Comments

President Gray announced that staff members from the Saddleback Hospital will give a presentation on the hospital's emergency procedures; provided an update on the lighting in the Crystal Room; and updated the membership on the Board's request to remove the stop sign near gate 10.

5. Consent Calendar

Without objection, the Board of Directors approved the Consent Calendar and the following resolution was adopted:

RESOLUTION M50-10-62

WHEREAS, Member ID 932-960-53 is currently delinquent to Laguna Woods Mutual Number Fifty 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, September 16, 2010, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-960-53; 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.

6. Old Business

No old business came before the Board.

7. New Business

a. Approve 2011 Business Plan

The Board reviewed the proposed resolution approving the 2011 Business Plan. Director Harris moved to approve the resolution. Director Wurzel seconded the motion and Director Harris spoke to the resolution.

Member Ellie Wagner (851) commented on the income received from leased Mutual 50-owned units.

By a vote of 3-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION M50-10-63

**LAGUNA WOODS MUTUAL NO. FIFTY
2011 BUSINESS PLAN RESOLUTION**

RESOLVED, September 16, 2010, that the Business Plan of this Corporation for the year 2011 is hereby adopted and approved; and

RESOLVED FURTHER, that pursuant to said Business Plan, the Board of Directors of this Corporation hereby estimates that the sum of \$6,146,171 is required by the Corporation to meet the Laguna Woods Mutual No. Fifty operating expenses and reserve requirements for the year 2011 from which will be deducted \$556,778 expected from various sources of revenue. In addition, the sum of \$745,385 is required by the Corporation to meet the Golden Rain Foundation and the Golden Rain Foundation Trust operating expenses and reserve contributions for the year 2011. The Board of Directors hereby estimates that the net sum of \$6,334,778 is required to be collected from and paid by members of the Corporation as monthly assessments; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby approves expenditures from reserves in the sum of \$146,050, of which \$96,050 is planned from the Replacement Funds and \$50,000 from the Contingency Fund; and

RESOLVED FURTHER, that all sums paid into the replacement reserves shall be used for capital expenditures only and shall be credited on the books of account of the Corporation to Paid-In Surplus as a capital contribution; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby determines and establishes monthly assessments of the Corporation as shown on each member's breakdown of monthly assessments for the year 2011 and as filed in the records of the Corporation; said assessments to be due and payable by the members of this Corporation on the first day of each month for the year 2011; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby determines and establishes monthly assessments required to be paid by members of the Corporation effective January 1, 2011 as follows:

Unit Model	Monthly Assessment
A	\$1,638.58
B	\$1,659.95
C	\$1,821.15
D	\$1,794.99
F	\$1,952.93
G	\$1,769.34
H	\$1,916.71

RESOLVED FURTHER, that the second occupant charge will be \$596.87, of which \$501.30 is for food service and \$95.57 is for maintenance; 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.

b. Approve the Schedule of Patio Enclosure Fees

The Secretary of the Board read a proposed resolution approving the schedule of patio enclosure fees. Director Wallace moved to approve the resolution. Director Harris seconded the motion.

Members Mollie Hayes (105) and Henry Nahoum (1306) addressed the Board on the resolution.

By a vote of 3-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION M50-10-64

WHEREAS, eight units have an enclosed patio area and pay a fee for the incremental operating costs, such as utilities, that arise from the increased square footage of interior space; and

NOW THEREFORE BE IT RESOLVED, September 16, 2010, that the Board of Directors of this Corporation hereby approves the following schedule of patio enclosure fees:

Manor	Monthly Fee
1305	\$10.47
1306	\$10.47
1356	\$9.42
1357	\$16.14
1403	\$10.44
1404	\$10.24
1405	\$10.81
1406	\$12.59

RESOLVED FURTHER, the new rates will be effective January 1, 2011 and included in the monthly assessment; and

RESOLVED FURTHER, Resolution M50-09-71 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.

c. Approve 2011 Replacement Reserves Plan

The Secretary of the Board read a proposed resolution approving the 2011 Replacement Reserves Plan. Director Wallace moved to approve the resolution. Director Harris seconded the motion.

By a vote of 3-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION M50-10-65

**LAGUNA WOODS MUTUAL NO. FIFTY
2011 REPLACEMENT RESERVES RESOLUTION**

WHEREAS, Civil Code § 1365.2.5 requires specific reserve funding disclosure statements for homeowner associations; and

WHEREAS, planned assessments or other contributions to replacement reserves must be projected to ensure balances will be sufficient at the end of each year to meet the association's obligations for repair and/or replacement of major components during the next 30 years;

NOW THEREFORE BE IT RESOLVED, September 16, 2010, that the Board has developed and hereby adopts the Replacement Reserves 30-Year Funding Plan (attached) with the objective of maintaining replacement reserve balances at or above a threshold of \$1,130,000 (indexed for projected inflation), while meeting its obligations to repair and/or replace major components; 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.

d. Approval of Dissolution of Trust

The Secretary of the Board read a proposed resolution approving the dissolution of the Trust. Director Wallace moved to approve the resolution. Director Harris seconded the motion.

By a vote of 3-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION M50-10-66

WHEREAS, the Franchise Tax Board determined that Laguna Woods Mutual No. Fifty (Mutual Fifty) did not qualify for the favorable tax status it had enjoyed for several years under §23701t of the California Revenue and Taxation Code, due to unit-specific costs such as food, housekeeping and certain utilities; and

WHEREAS, Mutual Fifty formed a Trust in 1996 to collect assessments and pay expenses related to unit-specific costs, as a condition of the settlement with the Franchise Tax Board, which allowed Mutual Fifty to continue filing its state income tax returns under that favorable status; and

WHEREAS, Mutual Fifty has not filed its state tax returns under §23701t for several years as it has not been financially beneficial; and does not intend to file under that section in the future;

NOW THEREFORE BE IT RESOLVED, September 16, 2010, that the Laguna Woods Mutual Fifty Trust will be dissolved and cease to exist effective December 31, 2010; and

FURTHER RESOLVED, that all assets and liabilities of the Trust will become assets and liabilities of Mutual Fifty and any cumulative net income or loss related to the Trust will be recorded as revenue on the books of Mutual Fifty; and

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

e. Approve Offering Flu Shots to Residents

The Secretary of the Board read a proposed resolution offering flu shots to residents. Director Wallace moved to approve the resolution. Director Harris seconded the motion.

By a vote of 3-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION M50-10-67

WHEREAS, Mutual Fifty has provided venue for health care providers to offer flu shots to the residents of Mutual Fifty; and

WHEREAS, legal counsel has opined that there may be a risk to the Mutual with regard to providing venue for this service; and

WHEREAS, Maxim Health Care has provided flu shots for Mutual Fifty for the last six years and has expressed the desire to do so again;

NOW THEREFORE BE IT RESOLVED, September 16, 2010, that the Board of Directors of this Corporation hereby grants permission for Maxim Health Care to provide flu shots and pneumonia shots to the residents; and

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

f. Approval of Collection and Lien Enforcement Policy and Procedures for Assessment Delinquencies

The Board reviewed a proposed resolution approving the Collection and Lien Enforcement Policy and Procedures for Assessment Delinquencies. Director Harris moved to approve the resolution. Director Wurzel seconded the motion.

By a vote of 3-0-0, the motion carried and the Board of Directors adopted the following resolution:

RESOLUTION M50-10-68

WHEREAS, Section 1365 of the California Civil Code requires that homeowner associations have a specific policy relating to collection of delinquent assessment accounts and enforcement of liens placed upon such delinquent properties; and

NOW THEREFORE BE IT RESOLVED, September 16, 2010, that the Board of Directors of this Corporation hereby approves the attached Collection and Lien Enforcement Policy and Procedures for Assessment Delinquencies, effective January 1, 2010; and

RESOLVED FURTHER, that Resolution M50-09-68, adopted October 29, 2009 is hereby superseded and cancelled; 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.

g. Approve Board Advisor Committee and Charter

Director Harris made a motion to table the following resolution approving the Board Advisor Committee and Charter for further discussion. Director Wurzel seconded the motion and the motion carried unanimously.

RESOLUTION M50-10-

LAGUNA WOODS MUTUAL NO. FIFTY
BOARD ADVISOR COMMITTEE 2010 CHARTER

WHEREAS, the governing documents grant the Board of Directors the purposes and powers of the corporation to make contracts, and to do all other acts necessary or expedient for the administration of the affairs and the attainment of the purposes of the corporation; and

WHEREAS, the authority of the Board cannot be delegated to members nor to Staff;

NOW THEREFORE BE IT RESOLVED, September 16, 2010 that the Board of Directors of this corporation hereby assigns the duties and responsibilities of the Board Advisors as follows:

1. Perform the duties imposed upon all standing committees as set forth in the current resolution entitled, "General Duties of Standing Committees."
2. Attend Board meetings and Agenda preparation meetings as practical to advise the Board in decision making;
3. Represent Mutual Fifty at Golden Rain Foundation Committee meetings;

4. Become informed on the business of the village as a whole;
5. Discuss and analyze with the Board on decisions relevant to Mutual Fifty;

RESOLVED FURTHER, that all correspondence will take place directly between the Board of Directors and the Board Advisors and that no direction or instruction will be given to Staff at any time; 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.

8. Discussion Items

President Gray commended the Guckenheimer service staff for their services to the Towers.

President Gray commented on the necessity for residents to prepare for disasters and encouraged residents to obtain earthquake disaster kits. President Gray announced that the California Shakeout is scheduled for October 21, 2010.

President Gray updated the Board on the current phase of elevator work and stated that phase one, the replacement of the computer boards in the elevators, went very well. Phase two is to replace the doors which will inconvenience the residents from August to September.

President Gray commented on the recent Open House.

President Gray announced that the Mutual will hold a Resident Holiday Boutique on October 28, 2010.

President Gray commented on the work performed by the Nominating Committee.

President Gray commented on the Towers Wii Bowling Team and encouraged residents to volunteer their time to assist in organizing the teams.

9. Members' Comments

- Ruth Goodman (905) commented on the meetings being held in the Key Club.
- Lorna Ingram (1161) commented on the lighting in the Crystal Room.

10. Financial and Budget Report – Herb Harris

11. Standing Committee Reports:

- **Resident Entertainment Committee:** Director Wurzel reported on behalf of the Resident Entertainment Committee.
- **Business Planning Committee:** No report was given.

- **Information and Orientation Committee:** President Gray reported on behalf of the Information and Orientation Committee.
- **Architectural Control Committee:** No report was given.

12. GRF Committees:

- **Community Activities Committee:** No report was given.
- **Broadband Services Committee:** Director Wallace reported on behalf of the Broadband Services Committee.
- **Government and Public Relations Committee:** No report was given.
- **Bus Services Committee:** Director Harris reported on behalf of the Bus Services Committee.
- **Select Audit Committee:** Director Harris reported on behalf of the Select Audit Committee.
- **Finance:** Director Harris reported on behalf of the Finance Committee.
- **Security Committee:** No report was given.

13. Golden Rain Foundation

Mr. Jerry Storage reported on the ongoing projects in the Community at large and reported on the September 7, 2010 Golden Rain Foundation Board Meeting.

14. Resale and Leasing Reports

Mr. Storage reported on the resale and leasing activity at the Towers.

15. Administrator's Report

Ms. Zoerhof reported on the Kiwanis 737 request to hold a new resident event at the Towers. The Board agreed to move forward with the request.

16. Directors' Forum

No comments were made.

Recess

The meeting recessed at 3:00 P.M. and reconvened into Executive Session at 3:05 P.M.

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

During its August 19, 2010 Regular Executive Session Board Meeting, the Board approved the Minutes from the July 15, 2010 Regular Executive Session and the August 6, 2010 Special Executive Session; and approved regarding of a notice of default for Member ID 932-961-26; considered setting foreclosure sale dates, and discussed contractual issues.

There being no further business to come before the Board, the meeting was adjourned at 3:28 P.M.

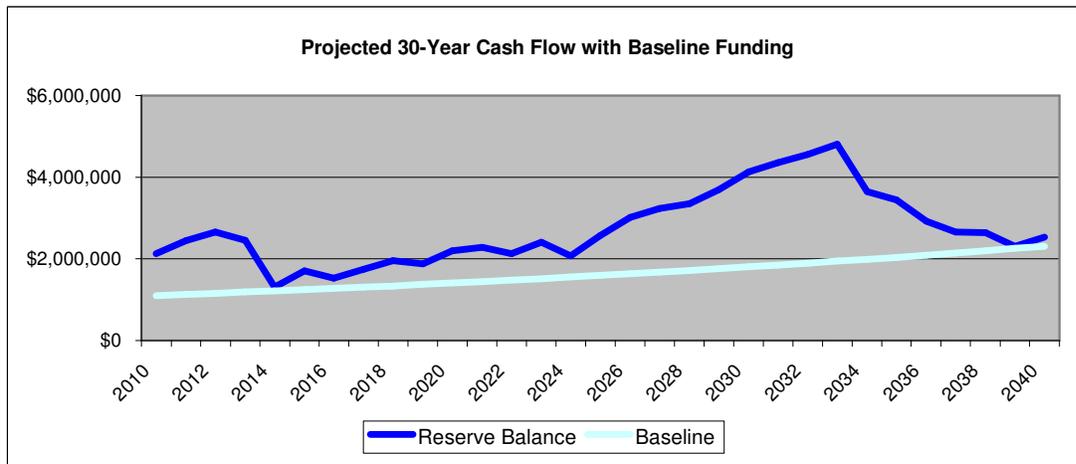
Keith Wallace, Secretary

**LAGUNA WOODS MUTUAL NO. FIFTY
 2011 RESERVES PLAN
 Replacement Reserves 30 Year Funding Plan**

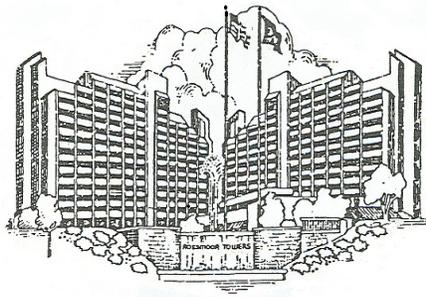
Baseline (Threshold): \$ 1,130,000

Indexed for projected inflation

Year	Assessment		Interest Earnings	Planned Expenditures*	Reserve Balance
	Per Unit Per Month	Total Contribution			
2010	\$ 113.00	\$ 421,716	\$ 38,911	\$ 516,760	\$ 2,128,164
2011	\$ 118.00	\$ 440,376	\$ 41,265	\$ 164,550	\$ 2,445,255
2012	\$ 123.00	\$ 459,036	\$ 38,435	\$ 283,976	\$ 2,658,750
2013	\$ 128.00	\$ 477,696	\$ 38,522	\$ 718,102	\$ 2,456,866
2014	\$ 133.00	\$ 496,356	\$ 28,378	\$ 1,669,934	\$ 1,311,665
2015	\$ 135.00	\$ 503,820	\$ 22,773	\$ 125,724	\$ 1,712,534
2016	\$ 137.00	\$ 511,284	\$ 24,427	\$ 716,973	\$ 1,531,272
2017	\$ 139.00	\$ 518,748	\$ 24,680	\$ 328,541	\$ 1,746,158
2018	\$ 141.00	\$ 526,212	\$ 27,896	\$ 341,925	\$ 1,958,341
2019	\$ 143.00	\$ 533,676	\$ 28,862	\$ 646,424	\$ 1,874,455
2020	\$ 145.00	\$ 541,140	\$ 30,655	\$ 249,897	\$ 2,196,353
2021	\$ 147.00	\$ 548,604	\$ 33,771	\$ 490,464	\$ 2,288,263
2022	\$ 149.00	\$ 556,068	\$ 33,253	\$ 750,028	\$ 2,127,556
2023	\$ 151.00	\$ 563,532	\$ 34,153	\$ 317,461	\$ 2,407,780
2024	\$ 153.00	\$ 570,996	\$ 33,740	\$ 939,800	\$ 2,072,716
2025	\$ 154.00	\$ 574,728	\$ 34,939	\$ 115,369	\$ 2,567,014
2026	\$ 155.00	\$ 578,460	\$ 42,011	\$ 175,606	\$ 3,011,879
2027	\$ 156.00	\$ 582,192	\$ 47,029	\$ 407,719	\$ 3,233,381
2028	\$ 157.00	\$ 585,924	\$ 49,575	\$ 518,872	\$ 3,350,008
2029	\$ 158.00	\$ 589,656	\$ 53,038	\$ 299,454	\$ 3,693,247
2030	\$ 159.00	\$ 593,388	\$ 58,931	\$ 213,020	\$ 4,132,546
2031	\$ 160.00	\$ 597,120	\$ 63,955	\$ 433,168	\$ 4,360,453
2032	\$ 161.00	\$ 600,852	\$ 67,173	\$ 468,603	\$ 4,559,874
2033	\$ 162.00	\$ 604,584	\$ 70,558	\$ 425,056	\$ 4,809,961
2034	\$ 163.00	\$ 608,316	\$ 63,740	\$ 1,827,607	\$ 3,654,409
2035	\$ 164.00	\$ 612,048	\$ 53,440	\$ 877,684	\$ 3,442,213
2036	\$ 165.00	\$ 615,780	\$ 47,947	\$ 1,180,962	\$ 2,924,978
2037	\$ 166.00	\$ 619,512	\$ 42,085	\$ 922,839	\$ 2,663,735
2038	\$ 167.00	\$ 623,244	\$ 39,981	\$ 681,438	\$ 2,645,523
2039	\$ 168.00	\$ 626,976	\$ 37,292	\$ 1,003,039	\$ 2,306,751
2040	\$ 169.00	\$ 630,708	\$ 36,456	\$ 439,466	\$ 2,534,450



*Planned Expenditures include Reserves Expenditures Plan and carryover items from prior years.



YEAR 2011 COLLECTION AND LIEN ENFORCEMENT POLICY AND PROCEDURES FOR ASSESSMENT DELINQUENCIES

PURPOSE STATEMENT

The following is a statement of the specific procedures, policies and practices ("Policy Statement") employed by Laguna Woods Mutual No. Fifty, 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 1365(e).

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 special projects 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.

WE SINCERELY TRUST THAT ALL MEMBERS, IN THE SPIRIT OF COOPERATION, WILL MAKE TIMELY PAYMENTS AND AVOID THE IMPOSITION OF LATE CHARGES AND POSSIBLE RESULTANT LEGAL ACTION. IT IS IN THE BEST INTEREST OF YOU AND EVERY OTHER MEMBER OF THE MUTUAL FOR EACH OF YOU TO MAKE YOUR MONTHLY 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 made monthly by the Mutual's managing agent to the Board of the Mutual, identifying the delinquent member, amount and the length of time the assessments have been in arrears. Additionally, to ensure the prompt payment of monthly assessments the Mutual employs the following collection and lien enforcement procedures:

Due Dates

Regular assessments are due and payable to the Mutual, in advance, in equal monthly installments, on the first day of each month. Special assessments shall be due and payable on the due date specified by the Board of Directors 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. If the current monthly assessment is not received by the Mutual on or before the close of business on the sixteenth (16th) day of the month (or if a special assessment is not received by the Mutual on or before the close of business on the fifteenth (15th) day after it is due), a Reminder Notice is sent to the member.

PLEASE NOTE THAT TO BE CONSIDERED TIMELY, THE PAYMENT MUST BE RECEIVED BY THE MUTUAL WITHIN THIS FIFTEEN (15) DAY GRACE PERIOD. SIMPLY PLACING THE PAYMENT IN THE MAIL BEFORE THE GRACE PERIOD EXPIRES IS NOT SUFFICIENT.

Costs of Collection

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 Two Hundred Dollars (\$200) (the "Administrative Collection Fee"), which is charged by the Mutual's managing agent to cover staff's costs to prepare the files for delivery to the Mutual's legal counsel in order to carry out legal actions authorized hereunder, as well as direct costs incurred in recording and/or mailing documents attendant to this legal process.

This Administrative Collection Fee may be increased by majority vote of the Mutual's Board, and may be collected by the Mutual's legal counsel on its behalf, and remitted to the Mutual's managing agent, or may be directly collected by the Mutual's managing agent.

IT IS THE MEMBER'S RESPONSIBILITY TO ALLOW AMPLE TIME TO DROP OFF OR MAIL ALL PAYMENTS SO THAT THEY ARE RECEIVED BEFORE THE DELINQUENCY DATE. All notices or invoices for assessments will be sent to members by first-class mail addressed to the member at his or her 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 due dates and to advise the Mutual of any changes in the member's mailing address.

A late payment charge for a delinquent assessment will be assessed in the amount of Twenty Dollars (\$20.00) and will be imposed on any assessment payment that is more than fifteen (15) days in arrears. Further, both state law and the Mutual's governing documents provide for interest on the delinquent assessment and the late charge, and accordingly interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate not to exceed twelve percent (12%) or the maximum interest rate allowed by law, whichever is less. Such interest may be imposed and collected per the foregoing sentence regardless of whether the member's delinquent account is referred to the Mutual's legal counsel for further handling.

Demand Letter

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 the Reminder Notice, a Demand Letter will be sent to the member by Certified Mail. Additionally, the Mutual will 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 telephone reminder is actually received by the member.

Alternate Means to Collect Delinquent Sums

If full payment of the delinquent amount is not received by the close of business on the thirtieth (30th) day after the date of the Demand Letter, the Mutual may, at its option, 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 to use Mutual or 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 appropriate means.

The Mutual may, after following appropriate procedures prescribed by law and the Mutual's governing documents, suspend a delinquent member's right to vote on matters as to which the member would otherwise be entitled to vote (based on applicable law and/or the Mutual's governing documents), or to use facilities or receive services provided by the Mutual, or both, until the delinquency is paid in full, including interest, a late charge, and/or the Administrative Collection Fee, as may have been imposed or incurred in a particular instance. Failure to pay the assessments or failure to pay interest, a late fee, and/or the Administrative Collection Fee may also result in suspension of membership in and the ability to use the facilities or services provided by the Golden Rain Foundation of Laguna Woods 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.

Small Claims Court

First, a civil action in small claims court may be filed (and/or a lien recorded, as to which the Mutual is prohibited from foreclosing while the amount of the delinquent assessments, exclusive of any late charges, fees, attorney's fees, interest, and Costs of Collection is less than One Thousand Eight Hundred Dollars (\$1,800), or the delinquent assessments are not yet more than twelve (12) months delinquent), 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, 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 proceeding; 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 and any reasonable late charges, fees and Costs of Collection (which costs shall, as stated above, include, without limitation, the Administrative Collection Fee), attorney's fees and interest, all up to the jurisdictional limits of the small claims court.

Foreclosure/ADR

Alternatively, if the amount of delinquent assessments (again, not including any late charges, fees, attorney's 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 specified conditions, 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 must 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. Another condition is that the decision to initiate foreclosure of a lien for delinquent assessments that has been validly recorded 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 or members. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale.

The Board must provide notice by personal service to an owner of a separate interest or their legal representative, if the Board votes to foreclose. For a non-occupying owner, the Board must 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 separate interest may be treated as the owner's mailing address.

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 separate interest may be redeemed from a foreclosure sale ends ninety (90) days after the sale, per California Civil Code Section 1367.4.

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 the Davis-Stirling Common Interest Development Act, applicable regulations, and the Covenants, Conditions and Restrictions (CC&R's), the

delinquent amount, as well as late payment penalties for the delinquent assessments and/or interest charges and/or charges for Costs of Collection that are incurred by the Mutual or its managing agent acting on behalf of the Mutual in its efforts to collect delinquent assessments (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 the Davis-Stirling Common Interest Development Act, 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.

Prerequisites to Recording a Lien: Offer of ADR and Thirty (30) Day Pre-Lien Notice to the Delinquent Member. Before a Notice of Delinquent Assessment can be recorded in the chain of title to the manor of a delinquent member, the Mutual must offer the member, and if so requested by the member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program (per the requirements set forth in Article 5 commencing with Section 1363.810 of Chapter 4) or ADR as set forth in Article 2 (commencing with Section 1369.510 of Chapter 7), both in the California Civil Code.

Any choice by a member to pursue 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 ADR, whether it is before a Notice of Delinquent Assessment 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 ADR.

THE DECISION TO PURSUE DISPUTE RESOLUTION 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.

Pre-Lien Notice

If the member elects not to proceed with dispute resolution or any type of ADR, then 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.

This certified Pre-Lien Notice from the Mutual must include the following information:

- (a) A general description of the collection and lien enforcement procedures of the Mutual and the method of calculation of the amount that is claimed to be owed (this Policy Statement is intended to satisfy that disclosure requirement);

- (b) A statement that the notified member has the right to inspect the Mutual's records pursuant to Section 8333 of the Corporations Code;
- (c) A statement in 14-point capital letters (or boldface type): "IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION";
- (d) An itemized statement of the charges owed by the member, including items on the statement that indicate the amount of any delinquent assessments, the fees and Costs of Collection, reasonable attorney's fees, and late charges, and interest, if any;
- (e) A statement that the member shall not be liable to pay the charges, interests and Costs of Collection if it is determined that the assessment was paid on time to the Mutual;
- (f) A statement that the notified member has a right to meet with the Board to discuss a payment plan (further discussed below);
- (g) A statement that the member has the right to dispute the assessment debt by submitting a written request for dispute resolution to the Board pursuant to the Mutual's "meet and confer" program; and
- (h) A statement that the member has the right to request ADR with a neutral third party before the Mutual may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure.

Member's Right to Request a Meeting with the Board, or Dispute Resolution 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 dispute resolution to the Mutual pursuant to the Mutual's "meet and confer" program, which is required by Civil Code Sections 1363.810-1363.850;
- (b) The noticed member may exercise his or her right to participate in alternative dispute resolution with a neutral third party under Civil Code Sections 1369.510-1369.590 before the Mutual may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure.
- (c) The noticed member has a right to submit a written request to meet with the Board of Directors 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 if there is no regularly scheduled Board meeting that will occur within forty-five (45) days of the member's request.

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 separate interest 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.

Also, Civil Code Section 1369.590 requires the Mutual to include the following statement in this Policy Statement:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your 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 new statutory minimum as to the delinquent amount or duration of the delinquency had been met, a proceeding may be commenced to foreclose the lien against the member's Manor and sell the member's Manor at a private sale or by a judicial sale. If this occurs, the member may lose his or her Manor.

Application of Payments

Additionally, in accordance with state law, payments received on delinquent assessments shall be applied to the member's account in the following order of priority: first, to the principal owed; then to accrued interest and late charges; then to attorney's fees; then to title company and foreclosure service company charges and other Costs of Collection. 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 1366(e).

The Mutual is prohibited from recording a lien or initiating a foreclosure action without participating in dispute resolution or ADR procedures if so requested by the member. If it is determined through dispute resolution or ADR that the Mutual has filed a lien for delinquent assessments in error, the Mutual is required to promptly reverse all late

charges, fees, interest, attorney's fees, Costs of Collection, costs imposed for the Pre-Lien Notice, and costs of recordation and release of the lien, and pay all costs related to any dispute resolution or ADR that has been pursued.

Secondary Address

Members have a right to identify in writing to the Mutual a secondary address for purposes of collection notices delivered pursuant to this Policy Statement, and upon receipt of a written request from a member identifying a secondary address, the Mutual must send additional notices to this secondary address.

Rights Reserved by Mutual

Although the matters set forth above summarize the policies and practices ordinarily employed to collect delinquent monthly 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.

BOARD OF DIRECTORS

Laguna Woods Mutual No. Fifty