



OPEN MEETING

REGULAR MEETING OF THE THIRD LAGUNA HILLS MUTUAL RESIDENT POLICIES AND COMPLIANCE COMMITTEE

**Wednesday, January 15, 2020 – 1:30 P.M.
Laguna Woods Village Community Center Board Room
24351 El Toro Road**

AGENDA

- | | |
|--|--------------|
| 1. Call to Order | Lynn Jarrett |
| 2. Acknowledgment of Media | Lynn Jarrett |
| 3. Approval of the Agenda | Lynn Jarrett |
| 4. Approval of Meeting Report for December 2, 2019 | Lynn Jarrett |
| 5. Chair's Remarks | Lynn Jarrett |
| 6. Member Comments (Items Not on the Agenda) | Lynn Jarrett |

Reports:

- | | |
|----------------------------------|------------------|
| 7. Vacant Manor List Update | Gavin Fogg |
| 8. Disciplinary Report | Blessilda Wright |
| 9. Expired Lease – 15 Day Letter | Pamela Bashline |

Items for Discussion and Consideration:

- | | |
|--|------------------|
| 10. 30% Lease Cap | Pamela Bashline |
| 11. Harassment Policy | Blessilda Wright |
| 12. Nuisance Policy | Blessilda Wright |
| 13. Election Rules | Blessilda Wright |
| 14. Good Standing Policy | Blessilda Wright |
| 15. Designate Smoke Free Building Policy & Procedure | Blessilda Wright |

Items for Future Agendas:

- | | |
|-----------------------|--|
| 16. Purchase by Proxy | |
|-----------------------|--|

Concluding Business:

- | | |
|---|--|
| 17. Committee Member Comments | |
| 18. Date of Next Meeting – To Be Determined | |
| 19. Adjournment | |

Lynn Jarrett, Chair
Blessilda Wright, Staff Officer
Telephone: 597-4254



OPEN MEETING

**REGULAR MEETING OF THE THIRD LAGUNA HILLS MUTUAL
RESIDENT POLICY AND COMPLIANCE TASK FORCE**

Monday, December 2, 2019 – 1:30 p.m.

Laguna Woods Village Community Center, Board Room – 24351 El Toro Road

MEMBERS PRESENT: Lynn Jarrett, Chair, Cush Bhada, Ralph Engdahl, Annie McCary, and Steve Parsons

MEMBERS ABSENT: Reza Karimi

ADVISORS PRESENT: Stuart Hack

ADVISORS ABSENT: None

STAFF PRESENT: Pamela Bashline, Blessilda Wright, and Debbie Ballesteros

CALL TO ORDER

Lynn Jarrett, Chair, called the meeting to order at 1:32 p.m.

ACKNOWLEDGEMENT OF PRESS

The Media was not present.

APPROVAL OF AGENDA

Chair Jarrett amended the agenda to take agenda item #11 and #14 first.

Director McCary made a motion to approve the agenda as amended. Director Parsons seconded the motion.

By unanimous vote the motion carried.

APPROVAL OF MEETING REPORTS

Director Parsons made a motion to approve the October 31, 2019 meeting report as presented. Director McCary seconded the motion.

By unanimous vote the motion carried.

CHAIRMAN'S REMARKS

Chair Jarrett stated that when she opened the packet that she was surprised at how thick it was. She said that the Compliance team did a great job with the agenda packet.

MEMBER COMMENTS ON NON-AGENDA ITEMS

None

REPORTS

Disciplinary Report

Blessilda Wright, Compliance Supervisor, presented the Disciplinary Report. The Task Force members commented and asked questions.

Expired Lease – 15 Day Letter

Pamela Bashline, Community Services Manager, presented the Expired Lease – 15 Day Letter report and stated that it continues to be effective.

She explained that in October, 45 letters were sent out and only fourteen (14) cases remain open. 31 cases were resolved. The Task Force members commented and asked questions.

ITEMS FOR DISCUSSION AND CONSIDERATION

Good Standing Policy

The Task Force discussed the Good Standing Policy. They commented and asked questions.

By consensus, the Task Force directed Staff to send the questions / changes discussed to Legal and to bring back to the next meeting.

Resident Policy and Compliance Task Force to Committee Charter

Ms. Wright presented the Resident Policy and Compliance Task Force to Committee Charter. The Task Force commented and asked questions.

Director Bhada made a motion approve the Resident Policy and Compliance Task Force to Committee Charter. Director Parsons seconded the motion.

By unanimous vote, the motion carried.

Nuisance Policy

The Task Force discussed the Nuisance Policy. They commented and asked questions.

Director Parsons made a motion to approve the Nuisance Policy with corrections. Director Bhada seconded the motion.

By unanimous vote, the motion carried.

Harassment Policy

The Task Force discussed the Harassment Policy. They commented and asked questions.

Director McCary made a motion to approve the Harassment Policy. Director Parsons seconded the motion.

By unanimous vote, the motion carried.

Internal Dispute Resolution

Ms. Wright presented the Internal Dispute Resolution. The Task Force commented and asked questions.

Director McCary made a motion to approve the Internal Dispute Resolution. Director Parsons seconded the motion.

By unanimous vote, the motion carried.

Election Rules

Ms. Wright presented the Election Rules. The Task Force commented and asked questions.

Director Bhada made a motion to send to Legal for review. Director McCary seconded the motion.

By unanimous vote, the motion carried.

Designate Smoke Free Building Policy & Procedure

Ms. Wright presented Designate Smoke Free Building Policy & Procedure. The Task Force commented and asked questions.

By consensus, the Task Force directed Staff to send the questions / comments discussed to Legal and to bring back to the next meeting.

Mr. Hack left the meeting at 2:24 p.m.

ITEMS FOR FUTURE AGENDAS

- Purchase by proxy
- 30% Lease Cap

CONCLUDING BUSINESS

Task Force Member Comments

None

Date of Next Meeting

To be determined

Adjournment

With no further business before the Task Force, the Chair adjourned the meeting at 3:10 p.m.

A handwritten signature in black ink, appearing to read "LJ Jarrett", with a long horizontal flourish extending to the right.

Lynn Jarrett, Chair
Third Laguna Hills Mutual

Third Mutual Unoccupied Units Summary

Status	February	July	August	December
<i>Inspected</i>	14	13	8	19
<i>In Process/Letter to be sent</i>	47	0	0	10
<i>For Sale/Sold (<6month)</i>	25	31	33	32
<i>Escrow</i>	6	0	0	0
<i>Letter Sent</i>	12	12	12	15
<i>Under Construction</i>	26	25	21	15
<i>Denied Entry</i>	2	1	2	0
<i>Activity at Unit</i>	0	10	8	27
<i>Scheduled for Inspection</i>		20	25	1
<i>Total Qualify for Inspection</i>	59	32	37	26
<i>Total Vacant</i>	132	112	109	119



MEMORANDUM

To: Resident Policy and Compliance Committee
From: Blessilda Wright, Compliance Supervisor
Date: January 15, 2020
Re: Disciplinary Hearing Update

Below is a breakdown of the disciplinary cases:

	Oct	Nov	Dec
Total Number of Cases:	413	385	384
Average Case Load/Coordinator:	138	128	128
Allegations:			
Abandoned Vehicle:	7	12	22
Alteration - Failure to Maintain:	9	19	20
Animal Nuisance:	47	49	28
Alteration Standards:	19	35	43
Business in Manor:	0	0	2
Clutter:	127	132	135
<i>Balcony Clutter:</i>	17	16	13
<i>Breezeway Clutter:</i>	27	29	30
<i>Carport Clutter:</i>	32	34	36
<i>Common Area Clutter:</i>	29	31	32
<i>Interior Clutter:</i>	10	10	11
<i>Patio Clutter:</i>	12	12	13
Care Provider Policy:	9	14	5
Delinquent Accounts:	55	14	12
Illegal Occupancy	39	23	37
Landscape:	12	19	14
Maintenance:	9	7	7
Nuisance:	36	42	32
Real Estate Signs:	26	4	6
Short-Term Rentals:	0	0	0
Smoking Policy:	9	8	9
Traffic Rules:	5	7	9
Vehicle Oil:	4	0	3



MEMORANDUM

To: Resident Policies and Compliance Committee
From: Pamela Bashline, Community Services Manager
Date: January 15, 2020
Re: Expired Lease – 15 Day Letter

During November 2019, 31 letters were mailed, resulting in 21 cases being resolved immediately and 10 cases remaining open. During December 2019, 30 letters were mailed, resulting in 15 cases being resolved immediately and 15 cases remaining open.

Distribution of the 15 day holdover tenancy letter at the time of lease expiration reminds and provides an incentive for members to renew active leases. The letters have significantly decreased the number of holdover leases occurring in Third Mutual.

Such positive results mitigate the number of investigations that are pursued by the Compliance and/or Security departments.



STAFF REPORT

DATE: January 15, 2020
FOR: Resident Policies and Compliance Committee
SUBJECT: Leasing Cap and Lease Waiting List Policy

RECOMMENDATION

Approve the creation of a wait list to fairly and uniformly manage a wait list when the number of approved leases reaches the 30 percent cap (1,830 units leased).

BACKGROUND

Third Mutual established a 30 percent cap on leases by way of Resolution 03-08-106, which became effective December 1, 2008. The cap on active leases enables owners and prospective owners to obtain more favorable rates for home loans, maintains a positive owner-tenant ratio within the community and stabilizes the pool of resident owners who are eligible to assist with the governance of Third Mutual.

The annual lease rate in Third has trended at 27 percent for many years. However, in January 2017, the leasing rate in Third Mutual rose to 27.5 percent and then dropped back to 27 percent before spiking to 28 percent in October 2018 through December 2018. The rate remained at 28 percent for nine months in 2019. The current rate is 28 percent.

Planning forward, it is recommended that a procedure to manage a wait list for excess lease requests, beyond 30 percent, be established.

DISCUSSION

To manage owner expectations as well as establish a wait list, it is recommended that an extra step be implemented before the submittal of a lease authorization application. An owner would initially submit a request for eligibility to lease. If the leasing cap is not met, the owner may submit a lease authorization application in accordance with the Lease Policy. If the leasing cap is met, the owner would be added to a wait list that would be prioritized on a first come first serve basis.

At such time as the number of leases is reduced below the 30 percent cap, or 1,830 leased units, the owner at the beginning of the wait list would be notified of his eligibility to lease and given a period of time, 90 days or another set time established by the Board, to submit a complete lease authorization application. If the eligible owner fails to submit a complete lease authorization application within the specified time period, he would lose eligibility and have to resubmit for eligibility and go to the end of the wait list. The next owner on the wait list would then have the opportunity to complete a lease authorization application and so on.

Ninety days is utilized as the eligibility period throughout proposed policy since this is a reasonable time for an owner to find a prospective tenant and prepare and submit the required lease authorization application.

Having an owner confirm he is eligible to lease his unit seeks to prevent the upset that would result from completing the entire lease application including the proposed lease and tenant verification along with fees, only to then be told he cannot lease because the leasing cap is exceeded. Additionally, the proposed eligibility verification step leaves the existing lease application process intact without requiring it to be amended once again.

An owner who is currently leasing his unit would continue to be eligible to lease his unit for 90 days after the expiration (or termination) of the current lease authorization. If a lease authorization for an approved lease of the owner's unit expires and the owner does not submit a new, complete lease authorization application for a new lease for his unit within 90 days of the expiration of the prior lease authorization, the owner's eligibility to lease his unit would expire.

Furthermore, counsel recommends that language be incorporated into the proposed policy that would allow for exceptions to the leasing cap for hardship. Doing so would allow the Board, in its sole discretion, to consider extraordinary circumstances and make the policy more reasonable and better able to withstand legal/judicial scrutiny if an owner objects to the policy and tries to challenge its enforcement.

FINANCIAL ANALYSIS

None.

Prepared By: Pamela Bashline, Community Services Manager

Reviewed By: Siobhan Foster, COO

ATTACHMENT(S)

ATT 1 – Leasing Cap and Lease Waiting List Policy

RESOLUTION 03-20-XX

Leasing Cap and Lease Waiting List Policy

WHEREAS, the Board of Directors (the “Board”) of Third Laguna Hills Mutual (“Third”) held a meeting on _____, 2020, at which a quorum of the Board was present;

WHEREAS, the Board is obligated to enforce the provisions set forth in Third’s governing documents, including without limitation, the Declaration of Covenants, Conditions, and Restrictions (CC&Rs), Bylaws, and Operating Rules (collectively, the “Governing Documents”); and

WHEREAS, on October 21, 2008, the Board adopted Resolution M3-08-106, which required that a minimum of seventy percent (70%) of the manors in Third be owner occupied at all times and that a maximum of thirty percent (30%) of the manors may be leased at any given time (the “Leasing Cap”), effective as of December 1, 2008;

WHEREAS, since the time the Leasing Cap was implemented by the Board and became effective as an operating rule of Third, the number of manors leased has remained below the Leasing Cap, however the number of leased manors has steadily risen and will soon reach the Leasing Cap;

WHEREAS, while the Leasing Cap has been in effect since December 2008, specific procedures relating to the monitoring of the Leasing Cap, the implementation of a waiting list for leasing, and the process for leasing a manor once the Leasing Cap has been met have not been adopted by Third;

WHEREAS, given the approach of the number of leased manors to the Leasing Cap, the Board has determined that it would be in the best interests of Third to adopt procedures regarding leasing once the Leasing Cap has been met to be added to Third’s Operating Rules;

NOW, THEREFORE BE IT RESOLVED, _____, 2020 that the Board of Third hereby approves and adopts the below Leasing Cap and Lease Waiting List Policy, which provides Third’s policy and procedures with regard to the leasing of manors once the Leasing Cap has been met, and incorporates same into the Third’s Operating Rules as a part of Third’s Governing Documents; and

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

Leasing Cap and Lease Waiting List Policy
Resolution 03-20-XX; Adopted _____ XX, 2020

I. Purpose

Third Laguna Hills Mutual ("Third") authorizes Members, as defined in the CC&Rs, to lease their manors, subject to the restrictions and procedures in Third's Governing Documents, including without limitation, the Operating Rules and any policy duly adopted by the Board. The current procedures relating to Lease Authorization are contained in Third's Lease Policy, as may be amended from time to time. Notwithstanding the right of Members to lease their manors, Third has in place a limit on the total number of manors that may be leased at any given time, which is thirty percent (30%) of the total number of manors in Third (the "Leasing Cap").

The purpose of this document is to set for the Leasing Cap and Waiting List Policy (the "Policy"), which supplements the Lease Policy by providing additional procedures relating to eligibility of Members to lease their manors once the Leasing Cap is reached.

II. Restriction on Number of Units Leased; Leasing Eligibility

Pursuant to the Leasing Cap, no more than thirty percent (30%) of the manors in Third shall be leased at any given time.

A Member desiring to lease his or her manor must submit to Third a written lease eligibility request for approval of eligibility of the Member to lease his or her manor based on the total number of manors currently leased in Third. No Member will be eligible to lease his or her manor or to submit a Lease Authorization Application prior to receiving written notice of eligibility to lease from Third through an authorized VMS staff member.

Third will respond to any Member's written request for eligibility to lease the Member's manor within ten (10) business days of the written submittal of such request to Third.

Third will deny a Member's request for eligibility to lease the Member's manor if the number of currently leased manors, plus the number of manors for which other Members have received approval to lease but which are not yet leased, plus the Member's manor (the "Leased Unit Calculation") exceeds thirty percent (30%) of the manors in Third. In such event, the Member will be notified in writing of such denial and placed on the lease waiting list, as further described below.

If the Leased Unit Calculation does not exceed thirty percent (30%) of the manors in Third, Third will notify the Member that his or her manor is eligible to lease, and that the Member has ninety (90) days to submit a complete Lease Authorization Application in accordance with the Lease Policy. After ninety (90) days from the notice of eligibility to lease, the Member's eligibility to lease will expire, and the Member must submit a new written request for eligibility.

III. Waiting List

In the event a Member's request for approval to lease is denied because the Leased Unit Calculation exceeds thirty percent (30%), the Member shall be placed on a waiting list maintained by Third, and the Member shall be given an opportunity to submit a Lease Authorization Application to lease his or her manor when such Member's name is first on the waiting list and the Leased Unit Calculation no longer exceeds thirty percent (30%) of the manors in Third. The Member will be contacted by Third in writing when such Member is eligible to lease his or her manor.

If a Member has received notice that such Member is eligible to lease his or her manor, that Member must submit a complete Lease Authorization Application in accordance with the Lease Policy within ninety (90) days of the notice of eligibility to lease. If the Member fails to submit a complete Application within ninety (90) days of the date of notice of lease eligibility, the Member's eligibility to lease shall expire. In such event, the Member shall be required to submit a new written request for eligibility to lease his or her manor in accordance with the foregoing provisions; and, if there is a waiting list, the Member will be placed at the end of such waiting list.

Members who are currently leasing their manors will continue to be eligible to lease their manor for ninety (90) days after the expiration or termination of the current Lease Authorization. If a Lease Authorization for an approved lease of a Member's manor expires or terminates and the Member does not submit a new, complete Lease Authorization Application (in accordance with the requirements of the Lease Policy) for a new lease for the Member's manor within ninety (90) days of the expiration or termination of the prior Lease Authorization, the Member's eligibility to lease his or her manor shall expire. In such event, the Member shall be required to submit a new written request for eligibility to lease his or her manor in accordance with the foregoing provisions of this Policy.

IV. Exemptions; Enforcement

Upon written request by a Member for eligibility to lease his or her Unit, the Board shall be authorized and empowered, in its sole and reasonable discretion, to grant a hardship

exemption for the Member with respect to the Leasing Cap. For purposes of this Policy, a “hardship” shall be defined as the need of a Member to lease his or her manor as a result of an unforeseeable event and/or because enforcement of the Leasing Cap against the Member could reasonably subject the Member to suffer a severe financial difficulty.

If a Member submits a Lease Authorization Application in accordance with the Lease Policy without first requesting and receiving written approval for eligibility to lease, the Application will be rejected and the fee returned, with instructions for the Member to first obtain written approval of eligibility to lease.

If a Member leases his or her manor without approval from the Board, or is otherwise in violation of the provisions of this Policy or the Lease Policy, the Member shall be subject to disciplinary measures, including, but not limited to: (A) a monetary penalty in an amount to be determined by the Board; (B) other disciplinary measures; and/or (C) a reimbursement assessment in an amount equal to the costs incurred by Third related to addressing such violation, including, without limitation, attorneys' fees and costs, irrespective of whether Third is able to obtain a court order to evict the tenant or otherwise effectuate the legal eviction of the non-compliant tenant from the Member's manor.



STAFF REPORT

DATE: January 15, 2020
FOR: Resident Policy and Compliance Committee
SUBJECT: Harassment Policy

RECOMMENDATION

Staff recommends adoption of the Harassment Policy.

BACKGROUND

The member-discipline process is coordinated by the Compliance Division. Upon notice of an alleged violation, staff investigates and should staff identify objective evidence of a violation by a member or their guests, staff will send a courtesy notice to the offending party describing the allegation(s) and the disciplinary action that may ensue if not corrected. Staff then monitors the situation and if compliance is not achieved, will send a final notice requesting compliance. Additionally, the matter is scheduled for a disciplinary hearing with the Board of Directors to determine if member-discipline is merited. If the alleged violation has been resolved, no further action is required.

If a disciplinary hearing is necessary, staff will notice the member for a hearing before the Board of Directors in Executive Session. If the Board finds the member to be in violation of the governing documents, the Board may impose a fine based on the Monetary Fee Schedule, suspend member privileges, and/or consider legal action.

Violations may include but not be limited to behavior/disturbance, noise, odors and neighbor disputes.

On December 2, 2019, the Resident Policy and Compliance Committee approved adoption of the Harassment Policy.

On December 17, 2019, the Board requested that the Committee review the Harassment Policy with Legal Counsel's updates.

DISCUSSION

The purpose of the Harassment Policy (Attachment 1) is to set forth guidelines to address alleged violations of harassment behavior that occurs in Third Mutual.

FINANCIAL ANALYSIS

None.

Prepared By: Blessilda Wright, Compliance Supervisor

Reviewed By: Francis Gomez, Operations Manager
Tim Moy, Chief of Security

ATTACHMENT(S)

Attachment 1: Harassment Policy

Attachment 2: Resolution



Harassment Policy

I. Purpose

The purpose of this Harassment Policy ("Policy") is to set forth guidelines for harassment complaints received by Third Laguna Hills Mutual ("Third") in accordance with the requirements of Third's Governing Documents, defined below, and the law.

II. Definitions

- a. Community – Laguna Woods Village.
- b. Golden Rain Foundation (GRF) – the Golden Rain Foundation of Laguna Hills, a California nonprofit mutual benefit corporation.
- c. Governing Documents – all of the following, collectively, the Articles of Incorporation; the Bylaws; the CC&Rs; the Rules and Regulations; and any Resolutions or Policies of duly adopted by the Board; all ~~the same as~~ may be lawfully amended or modified from time to time.
- d. Harassment – see details under Conditions.
- e. Member – is defined as any person who is an owner of a Unit in Third's development who has been approved for membership in Third —in accordance with the Governing Documents.
- f. Resident ~~---~~ is defined as any person who has been approved by the Board of Directors, or its designee, as applicable, for occupancy of a manor within Third's development.
- g. Staff - Employees of Village Management Services, Inc. authorized to act on behalf of United Third.
- h. Third or the Mutual — the corporate homeowners association that was formed in 1970 and by 1984 had acquired the assets and liabilities by vote of each of the 59 individual mutuals within the larger Leisure World (now Laguna Woods Village), a common interest development, with full authority to "manage, operate, and ~~maintain~~ maintain" them. ~~Also known as Corporation. Also known as the Mutual.~~

III. Conditions for Harassment

Below are various definitions and descriptions of harassment under both Federal and California law. While the Association is a private corporation and is not responsible for enforcing the law, these definitions act as guidelines for Third's Board and Staff in determining whether alleged conduct rises to the level of harassment, and should thus be treated as a violation of Third's Governing Documents pursuant to, without limitation, the restrictions against nuisances ~~found as~~ set forth in the CC&Rs.

- **Federal Law:** Under federal law, "harassment" is defined to mean "a serious act or a course of conduct directed at a specific person that causes substantial emotional distress in such person and serves no legitimate purpose." (18 U.S.C.A. §1514(d)(1)(B).)
- **California Law:** California defines "harassment" as unlawful violence; a credible threat of violence; or a knowing and willful course of conduct directed at a specific person that seriously alarms, annoys, or harasses ~~the~~ that person, and that serves no legitimate purpose. The course of conduct must be such as would cause a reasonable person to suffer substantial emotional distress, and must actually cause substantial emotional distress to the petitioner. (Code Civ. §527.6(b)(3).)

"Course of Conduct" is defined as a pattern of conduct composed of a series of acts over a period of time, however short, evidencing a continuity of purpose, including, without limitation, following or stalking an individual, making harassing telephone calls to an individual, or sending harassing correspondence to an individual by any means, including, but not limited to, the use of public or private mails, interoffice

- mail, facsimile, or computer email. (Code Civ. §527.6(b)(1).)
- "Credible threat of violence" is a knowing and willful statement or course of conduct that would place a reasonable person in fear for his/ ~~or her~~ they/their safety, or the safety of ~~his or her~~ his or her immediate family, and that serves no legitimate purpose. (Code Civ. §527.6(b)(2).)

Department of Housing and Urban Development (HUD) "Final Rule": Notwithstanding the foregoing and that fact that Third has no obligation to enforce the law, recent Federal regulations/guidelines enacted by the Department of Housing and Urban Development (HUD), do impose certain obligations on Third with regard to the investigation and treatment of reported harassment. The ~~Department of Housing and Urban Development (HUD)~~ "Final Rule": New guidelines, adopted in August 2016, were enacted in an effort to further define and address housing discrimination in the form of harassment. In that regard HUD's new guidelines, adopted in August 2016 and referred to as the Final Rule, now deem any form of harassment in housing or within housing developments a form of illegal discrimination.— Based on HUD's guidelines, homeowners associations, such as Third, are considered housing providers, and as such, ~~there required to a Board must now~~ evaluate alleged harassment ~~from a perspective of a housing provider, which HUD deems homeowners association Boards as just that, and~~ to investigate whether a resident is being subjected to harassment to the extent that it, ~~under the Final Rule, may~~ amounts to illegal housing discrimination. Pursuant to the guidelines Third is required to investigate

all reported claims of potential harassment of Members or Residents and, as appropriate, take all action permitted under the Governing Documents to address such harassing behavior. (24 CFR 100.600.)

Governing Documents: While Third's Governing Documents do not directly address "harassment", those actions which constitute harassment based on the above laws and guidelines would fall under the general prohibition against nuisances found in Article III, Section 6 of Third's CC&Rs, and, further, any acts of harassment that constitute a violation of law are expressly considered a nuisance in violation of the Governing Documents. According to Article III, Section 6, ~~Members and Residents are not to permit~~ the Member shall not permit or suffer anything to be done or kept in or about the dwelling unit ~~or or other premises of the Corporation~~ otherwise within Third's development which will increase the rate of insurance on any building or other property of ~~the Corporation~~ Third or on the contents thereof, or which will obstruct or interfere with the rights of other ~~Members or Residents~~ members of the Corporation or annoy them by unreasonable noises or otherwise. ~~Members and Residents are also restricted nor will it commit or from~~ permitting any nuisance in or about the dwelling unit or other ~~wise within Third's development~~ —premises of the Corporation or committing or suffering any immoral or illegal act to be committed thereon. ~~The Members and Residents are obligated to~~ shall comply with all of the requirements of governmental authorities with respect to the dwelling unit and all other premises of ~~Third~~ the Corporation. ~~The Member shall not permit or suffer anything to be done or kept in or about the dwelling unit or other premises of the Corporation which will increase the rate of insurance on any building or other property of the Corporation or annoy them by unreasonable noises or otherwise nor will it commit or permit any nuisance in or about the dwelling unit or other premises of the Corporation~~ (CC&Rs Article III, Section 6, Use Restrictions.)

IV. Harassment Complaints and Investigation

A complaint may be registered by calling the Security Department at 949-580-1400 or the Compliance Division by calling 949-268-CALL or email to compliance@vmsinc.org. Staff will inform the reporting party to call the Security Department for documentation of the reported harassment. Staff may also inform the reporting parties to call the Orange County Sheriff's Department if and when the behavior occurs.

Investigating Alleged Harassment: to determine if whether or not harassment is taking place in violation of the Governing Documents, Staff evaluates the nature of the unwelcome conduct, the context in which the incidents occur, the severity, scope, frequency, duration, and location of the conduct, and the relationships of the people involved. ~~Staff will inform the reporting parties to call the Orange County Sheriff's Department if and when the behavior occurs and the persons subjected to this type of harassment and threats of violence can seek a restraining order.~~

Any complaint received of harassment of a Staff member by any Member or Resident of Third will be investigated by the Board and Third's Legal Counsel. No harassing or inappropriate behavior toward Staff will be tolerated. Village Management Services may also perform its own investigation into such allegations and determine whether legal action against a Member or Resident is necessary to protect Staff and its interests. Third may coordinate its investigation with Village Management Services, and, in the Board's discretion, may review and adopt the evidence and findings of any investigation by Village Management Services as its own and take appropriate enforcement action based upon same. The Board will address if the harassment is of the type that will require Third to intervene versus deem the matter a neighbor to neighbor dispute that must be resolved between the two residents.

In the event that the alleged harassment involves acts or behavior by a Staff member against a Member or Resident, a complaint may be made directly to the Third's Executive Committee by [phone to 1-877-888-0002](tel:1-877-888-0002).

Third will report such conduct directly to Village Management Services to conduct an internal investigation into the conduct in question by the Staff member who is a Village Management Services employee, and to take appropriate action with regard to said employee. Staff members are employees of Village Management Services, which is the managing agent for Third, and are not employees of Third over which Third has direct authority or control. Notwithstanding the foregoing, Third and its Board may address and discuss any complaints regarding Staff members and the handling of same with Village Management Services, as may be appropriate, in the Board's discretion.

Any~~Except as otherwise indicated above,~~ reports of harassment will be evaluated by Staff ~~(except in the event Staff is involved in such complaint)~~ and Third's Legal Counsel to ensure that the Board complies with ~~the Final Rule~~its obligations under the Governing Documents and as required by law, including, without limitation the HUD guidelines on harassment. ~~The Board will address the harassment to the extent such acts constitute a violation of Third's Governing Documents and the to the~~ extent required by law.

III.V. Enforcement

United-Third is authorized to take disciplinary action against any Member~~(s)~~ whose ~~dwelling~~ may be found in violation of the Governing Documents, or whose unit or Residents, tenants, or guests are found to be in violation of the Governing Documents (CC&R Article XIX; Bylaws Article 4, Section 4.5). When a complaint is lodged regarding the occurrence of a violation, the Board of Directors has a ~~fiduciary~~ duty to investigate and impose, if appropriate, discipline as set forth in the Governing Documents. Discipline shall be imposed after a duly noticed disciplinary hearing in accordance with the requirements of statute and Third's Governing Documents.

If a Member or Resident, or a guest of either, is found to have engaged in acts constituting harassment in violation of the law and/or constituting a nuisance or otherwise in violation of the Governing Documents, ~~t~~The Board has the authority to impose monetary fines, suspend Member(s) privileges, and/or bring forth legal action, as more fully set forth in the Governing Documents, including without limitation the Schedule of Monetary Penalties, as may be revised from time to time. ~~Each~~The Member(s) ~~are~~ is entirely responsible for ensuring that the Governing Documents are followed by anyone they allow into the Community—~~t~~. This includes any ~~c~~Co-occupant, ~~l~~Lessee, ~~g~~Guest, ~~c~~Care ~~p~~Provider, ~~v~~Vendor, invitee or contractor. (~~Amended and Restated Bylaws, Article IV, Dispute Resolution~~)

If a non-owner Resident is found to have engaged in behavior constituting harassment, Third may, in addition to any disciplinary action taken against the responsible Member, exercise such rights and remedies directly against such Resident as authorized by the Governing Documents and law, which include, without limitation, legal action for a protective order against such Resident to protect the interests of the Association and Staff. If such Resident is subject to a lease with Lease Authorization from Third, Third may also revoke the Lease Authorization and approval for occupancy of such person in Third, and seek removal of such Resident through an unlawful detainer action, in accordance with Third's Lease Policy.

Notwithstanding the foregoing, and regardless of whether disciplinary action is taken, any Member of Third or resident of the Community who serves in any capacity as an officer of Third, a committee member, or otherwise as an advisor to Third or Staff may be removed by the Board from such position and have any appurtenant privileges revoked. Any person holding such officer, committee, or advisor position serves at the pleasure of the Board, and may be removed by the Board in its discretion if the Board believe it is in the best interests of the Third to do so, even if it is ultimately determined upon investigation that no harassment took place (see Bylaws, Sections 7.1 and 9.3).



Resolution 03-20-XX

Harassment Policy

WHEREAS, the Resident Policy and Compliance Committee has recognized the need to adopt a Harassment Policy to set forth guidelines for harassment complaints received by the Board;

NOW THEREFORE BE IT RESOLVED, March XX, 2020, that the Board of Directors of this Corporation hereby adopts the Harassment Policy, as attached to the official minutes of this meeting; and

RESOLVE 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.



STAFF REPORT

DATE: January 15, 2020
FOR: Resident Policy and Compliance Committee
SUBJECT: Nuisance Policy

RECOMMENDATION

Staff recommends adoption of the Nuisance Policy.

BACKGROUND

The member-discipline process is coordinated by the Compliance Division. Upon notice of an alleged violation, staff investigates and should staff identify objective evidence of a violation by a member or their guests, staff will send a courtesy notice to the offending party describing the allegation(s) and the disciplinary action that may ensue if not corrected. Staff then monitors the situation and if compliance is not achieved, will send a final notice requesting compliance. Additionally, the matter is scheduled for a disciplinary hearing with the Board of Directors to determine if member-discipline is merited. If the alleged violation has been resolved, no further action is required.

If a disciplinary hearing is necessary, staff will notice the member for a hearing before the Board of Directors in Executive Session. If the Board finds the member to be in violation of the governing documents, the Board may impose a fine based on the Monetary Fee Schedule, suspend member privileges, and/or consider legal action.

Violations may include but not be limited to behavior/disturbance, noise, odors and neighbor disputes.

On December 2, 2019, the Resident Policy and Compliance Committee approved adoption of the Nuisance Policy.

On December 17, 2019, the Board requested that the Committee review the Nuisance Policy with Legal Counsel's updates.

DISCUSSION

The purpose of the Nuisance Policy (Attachment 1) is to set forth guidelines to address alleged violations of nuisance behavior that occurs in Third Mutual.

FINANCIAL ANALYSIS

None.

Prepared By: Blessilda Wright, Compliance Supervisor

Reviewed By: Francis Gomez, Operations Manager
Tim Moy, Chief of Security

ATTACHMENT(S)

Attachment 1: Nuisance Policy

Attachment 2: Resolution



Nuisance Policy

I. Purpose

The purpose of this Nuisance Policy (“Policy”)~~policy~~ is to set forth guidelines for the treatment and handling of nuisance complaints received by Third Laguna Hills Mutual (“Third”), in accordance with the requirements of Third’s Governing Documents, as defined below, and the law.

II. Definitions

- a. Community – Laguna Woods Village.
- b. Golden Rain Foundation (GRF) – the Golden Rain Foundation of Laguna Hills, a California nonprofit mutual benefit corporation.
- c. Governing Documents – all of the following, collectively, the Articles of Incorporation; the Bylaws; CC&Rs; the Rules and Regulations; and any Resolutions or Policies of the duly adopted by the Board; all ~~the same as~~ may be lawfully amended or modified from time to time.
- d. Member ~~— is defined as~~ any person who is an owner of a Unit in Third’s development who has been approved for membership in Third in accordance with the Governing Documents.
- e. Nuisance – see details under Conditions.
- f. Resident ~~— is defined as~~ any person who has been approved by the Board of Directors, or its designee, as applicable, for occupancy of a manor within Third’s development.
- g. Staff - Employees of Village Management Services, Inc. authorized to act on behalf of United Third.
- h. Third or the Mutual ~~—~~ the corporate homeowners association that was formed in 1970 and by 1984 had acquired the assets and liabilities by vote of each of the 59 individual mutuals within the larger Leisure World (now Laguna Woods Village), a common interest development, with full authority to “manage, operate, and maintain” them. ~~Also known as Corporation. Also known as the Mutual.~~

III. Conditions for Nuisance

Nuisance in General: Anything which is injurious to health, indecent or offensive to the senses, causes an unreasonable disturbance or annoyance, or an obstruction to the free use of property, so as to interfere with the comfortable enjoyment of life or property, is a nuisance. (Civ. Code § 3479-)

Public Nuisance: A public nuisance is a condition or activity that interferes with the health or well-being of the entire community or a considerable number of persons in the neighborhood. (Civ. Code §§ 3479-3480-)

Private Nuisance: A private nuisance is a condition or activity that interferes with an individual's use or enjoyment of their property. (Civ. Code §§ 3479, 3481.)

Governing Documents: "No Owner or Resident shall permit or suffer anything to be done or kept within the Project which will increase insurance rates on any Building or contents thereof, or which will obstruct or interfere with the rights of other persons in the Project or annoy them by unreasonable noises or otherwise, nor shall any Owner or Resident commit or permit any nuisance or commit or permit any illegal act within the Project. An Owner and each Resident shall comply with the requirements of all governmental authorities. If by reason of any act of any Owner insurance rates should be increased, the Owner shall be personally liable for the additional premium" (CC&Rs Article III, Section 6, Use Restrictions.)

Based upon the foregoing provision of the CC&Rs and the various statutory provisions of statute, with regard to Third, a nuisance shall be deemed to be anything that unreasonably interferes with another Member or Resident's use and enjoyment of his/her/their/they his or her manor, as determined by the Board.

Below are examples of activities that fall into a nuisance category: please note, however, that this is not an exhaustive list of potential nuisances, and that inasmuch as any activity that falls within the above definition of a nuisance shall be deemed a violation of Third's Governing Documents:

1. **Noise:** Things that interfere with quiet enjoyment such as improperly installed hardwood floors, residents neighbors playing their music or TV ~~too~~ at an excessively loud volume ~~loud~~, overly loud conversations, yelling or shouting, barking dogs, excessively loud vehicles, etc. Excessive and overly loud characteristics are measured against what a reasonable person in the same or similar circumstance would consider to be excessive or overly loud.
2. **Odors:** This includes second-hand smoke or smoke odors (cigarettes, cigars, vaping matter/materials and marijuana), strong odors from e-cigarettes or vaping devices, strong cooking odors, smoke from a BBQ grill entering other units, etc. The word strong shall be measured against what a reasonable person in the same or similar circumstance would consider to be strong.
3. **Visual:** Draping articles over balcony rails or patio walls, storing inoperable vehicles in parking spaces, excessive amount of items or clutter in visible areas, etc.

4. **Health/Safety:** ~~Hearders~~ Persons who allow unsanitary conditions to exist in and around their unit/manor where the accumulation of household items, belongings and/or materials, that attract insects, pests and rodents or creates strong odors that are recognizable in the common area or another unit/or manor, or residents who wash dog feces ~~and~~ and/or urine off their unit/manor balcony onto the property below them.

4.5. **Violation of Laws:** A violation of federal or state laws or local ordinances. ~~An example would, including, without limitation, such violations as~~ be public nudity, brandishing weapons which are registered or unregistered at or in the presence of another resident, the resident's guest and invitees and/or a staff member or a Resident, the resident's guest and invitees engaged in drug dealing (selling drugs for money or in exchange for some other form of remuneration) or prostitution.

IV. Nuisance Complaints and Investigation

A complaint may be registered by calling the Security Department at 949-580-1400 or the Compliance Division by calling 949-268-CALL or email to compliance@vmsinc.org. Staff will inform the reporting party to call the Security Department for documentation of the ongoing nuisance violation.

Investigating Alleged Nuisances: To determine whether or not a nuisance in violation of the Governing Documents is taking place or has occurred, Staff evaluates the alleged behavior, based upon the written complaint provided along with ~~and~~ all of the information provided to support the complaint, and may further investigate the complaint before determining if the alleged behavior or nuisance activity in fact occurred, and whether the impact on other Members/Residents or units is deemed reasonable or unreasonable to an average reasonable person similarly situated. This may include, without limitation, further conversations with the reporting party and neighbors, and inspection of the unit(s)/manor(s) in question. Staff may also take the following steps when investigating certain nuisance complaints:

- For hard surface flooring complaints: Staff may perform informal sound tests that include two Staff members in the downstairs unit at the same time that two Staff members are in the upstairs unit, with an attempt to replicate the alleged noise.
- For odor complaints: Staff may perform an informal odor test that includes two Staff members in the unit from which the alleged nuisance odor arose at the same time that two Staff members are in the reporting party's unit, with an attempt to replicate the alleged odors. Staff may also seek assistance from the Maintenance Department to determine if the building

structure is a factor that allows for the transmission of the odor that can be remedied.

If Staff determines that the alleged nuisance in violation of the Governing Documents has or may have occurred, a warning letter may be sent to the responsible Member and/or the Member may be sent a notice that that the Member is being called to a disciplinary hearing before the Board or a committee thereof. At the disciplinary hearing, the Board will consider all evidence and documentation of the alleged nuisance violation, and the Member may speak and present evidence regarding the nuisance before the Board makes a decision on disciplinary action to be taken, if any.

III.V. Enforcement

Third is authorized to take disciplinary action against any Member(s) who whose dwelling may be found in violation of the Governing Documents, or whose unit or Residents, tenants, or guests are found to be in violation of the Governing Documents (CC&R Article XIX; Bylaws Article 4, Section 4.5). When a complaint is lodged regarding the occurrence of a violation, the Board of Directors has a fiduciary duty to investigate and impose, if appropriate, discipline as set forth in the Governing Documents. Discipline shall be imposed, if at all, after a duly noticed disciplinary hearing in accordance with the requirements of statute and Third's Governing Documents.

If a Member or such Member's unit/manor is found to have committed a nuisance violation as defined herein, the Board has the authority to impose monetary fines, suspend Member(s)'s privileges, and/or bring forth legal action, as more fully set forth in the Governing Documents, including without limitation the Schedule of Monetary Penalties, as may be revised from time to time. Each Member(s) are is entirely responsible for ensuring that the Governing Documents are followed by anyone they allow into the Community. This includes any Co-occupant, Lessee, Guest, Care Provider, Vendor, invitee or contractor.

A complaint may be registered by calling the Security Department at 949-580-1400 or the Compliance Division by calling 949-268-CALL or email to compliance@vmsinc.org.

Investigating Nuisance: To determine if nuisance is taking place, Staff evaluates the behavior and determines if the behavior or noise transferring to other units is deemed reasonable or unreasonable to an average reasonable person. Staff will inform the reporting parties to call the Security Department for documentation.

For hard surface flooring complaints: Staff will perform informal sound tests that include two Staff members in the downstairs unit at the same time that two Staff members are in the upstairs unit, with an attempt to replicate the alleged noise.

~~For odor complaints: Staff will perform an informal odor test that includes two Staff members in the suspects' unit at the same time that two Staff members are in the reporting parties unit, with an attempt to replicate the alleged odors. Staff also seeks assistance from the Maintenance Department to determine if the building structure is a factor that can be remedied.~~

In the event there is an ongoing dispute between neighbors over nuisance violations or alleged violations, and the Board ultimately determines that the activity/behavior in question does not rise to the level of a governing document violation~~For neighbor-to-neighbor disputes:, although the Mutual is not obligated to do so, Staff, on behalf of the Mutual, will~~may offer informal mediation performed by the Compliance and Social Services Division to help facilitate a resolution to the dispute. ~~Staff will also recommend, as an alternative for the complaining and the owner against whom the complaint is made, professional mediation services offered by the County of Orange. Notwithstanding the foregoing, nothing in this paragraph or this Policy shall be construed to create a duty on the Board to resolve any dispute between neighbors or an obligation beyond those duties imposed on Third and its Board by the Governing Documents or by law.~~



Resolution 03-20-XX

Nuisance Policy

WHEREAS, the Resident Policy and Compliance Committee has recognized the need to adopt a Nuisance Policy to set forth guidelines for nuisance complaints received by the Board;

NOW THEREFORE BE IT RESOLVED, March XX, 2020, that the Board of Directors of this Corporation hereby adopts the Nuisance Policy, as attached to the official minutes of this meeting; and

RESOLVE 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.



STAFF REPORT

DATE: January 15, 2020
FOR: Resident Policy and Compliance Task Force
SUBJECT: Election Rules

RECOMMENDATION

Approve revised Election Rules to align with Senate Bill 323.

BACKGROUND

On May 16, 2006, the Board established Election Rules to align with changes in California Civil Code. The new Civil Code required procedures for appointment of inspectors of elections; voting by secret ballot and proxy; ballot instructions; publication of election results; retention of ballots; and deadline for mailing of ballots (Resolution 03-06-25).

Since the adoption, the Election Rules has been revised and approved by the Board one other occasion to comport with the current Civil Code requirements at the time (Resolutions 03-14-03).

DISCUSSION

In October 2019, new California State Legislation changes to election requirements for common interest developments passed. The legislation bill known as Senate Bill 323 will become effective on January 1, 2020 and require changes to the current election procedures.

These updates include, but not limited to: allowing all members the opportunity to vote even if they have a delinquent account, allowing a general power of attorney to vote; and inspector of election must send follow notice requirements and include specific language to the notices sent to the membership.

FINANCIAL ANALYSIS

None.

Prepared By: Blessilda Wright, Compliance Supervisor

Reviewed By: Francis Gomez, Operations Manager

ATTACHMENT(S)

Attachment 1: Redline – Election Rules

Attachment 2: Resolution

Election Rules
Resolution 03-20-XX; [Date]

ELECTION RULES OF THIRD LAGUNA HILLS MUTUAL

I. Purpose

These Election Rules (“Rules”) are intended to comply with California statutes as well as the Mutual Bylaws of Third Laguna Hills Mutual (the “Mutual”). In addition, these Rules are intended to enhance the fairness and professionalism of Mutual membership voting. Where applicable, Bylaw authority authority from the Bylaws is shown in (parentheses).

II. Definitions

1. Definitions

- a. Ballot Materials - Ballot, Secret Ballot Envelopes, Pre-addressed Return Envelopes, and any other material sent to all Members with the Ballots.
- b. Board or Board of Directors - the board of directors of the Mutual.
- c. Bylaws – the bylaws of the Mutual, as may be amended from time to time, applicable to Members in the Mutual.
- d. Candidate - a qualified candidate for election to the Mutual’s Board of Directors, including both incumbents and non-incumbents.
- e. CC&Rs - any Amended and Restated Declaration of Covenants, Conditions and Restrictions (as may be amended from time to time, the “CC&Rs”), applicable to Members in the Mutual.
- a.f. Director - a person who serves on the Board of Directors.
- g. Election Records - tabulated ballots, voided ballots, voided Pre-addressed Return Envelopes, signed voter exterior envelopes, the voter list of names, parcel numbers, and voters to whom ballotsBallot Materials were sent, proxies, and the Candidate registration list(s), -Eligible Voter List(s), inspector of election (defined below) tally sheets, ballot packages returned from the post office as undelivered, ballots received, after the election deadline, and any other used and/or voided ballots.
- h. General Delivery or General Notice - the delivery of a document to a Member, which can be effectuated by posting the document, pursuant to the requirements of California Civil Code Section 4045.
- i. Governing Documents - the governing documents of the Mutual, including, without limitation, (1) the Bylaws, (2) applicable CC&Rs, (3) Condo Plans and (3) any rules, regulations and policies adopted by the Board from time to time that apply generally to the conduct of the business and affairs of the Mutual.
- b-j. Individual Delivery or Individual Notice - the delivery of a document to a Member pursuant to the requirements of California Civil Code Section 4040
- c-k. Inspector or Inspector of Elections - an independent third party acting as the inspector of elections in any Mutual election conducted by Secret

- Ballot. The term "independent" means not subject to a current contract with the Association and in no event shall it be the Association's managing agent or an employee thereof.
- the one or three persons or entity appointed by the Board of Directors to serve as Inspector(s) of Election.
- No 3rd parties who are under contact with the association can to act as an inspector of election.
- d.l. Inspection Firm - business hired by the Mutual to conduct the election and assist the Inspector. If there is no Inspection Firm hired by the Mutual, those duties will be fulfilled by the Inspector. The Inspection Firm may also act as the Inspector, if so approved, in advance, by the Board.
- e. ~~Member~~ -- An owner of a Unit in Member of Third Laguna Hills Mutual
- f.m. ~~Record Date~~ -- The date for determining Member voting eligibility
- n. Rules -- Consist of, without limitation, tThese Elections Rules of Third Laguna Hills Mutual.
- g.o. Secret Ballot - a ballot used in a Mutual election which is subject to the secret ballot voting requirements of the California Civil Code or an election on any topic that is expressly identified in the Governing Documents as required to be held by secret ballot.
- h.p. Secretary - an elected member of the Board of Directors who has been elected or appointed as Secretary by the Board.
- q. Assistant Secretary -- Staff member of the Mutual's e mManaging aAgent who has been appointed by the Board of Directors.

III. Qualifications for Candidates and Directors

- a. An individual shall not qualify as a Candidate if the individual is not a Member at the time of nomination. (6.2)
- i. If title to a separate interest parcel is held by a legal entity that is not a natural person, the governing authority of that legal entity shall have the power to appoint a natural person to be a Member.
- a.b. In addition to being a Member, in order to qualify as a Candidate (or serve as a Director, as applicable), the following qualifications or requirements shall be applicable:
- i. A Candidate or Director must be current in the payment of regular and special assessments, which are consumer debts subject to validation. This requirement shall not apply to the nonpayment of fines, fines renamed as assessments, collection charges, late charges, costs levied by a third party, or other chargeable services permitted pursuant to the Governing Documents. Further, the personMember candidate shall not be disqualified for failure to be current in payment of regular and special assessments if either of the following circumstances is true:
1. The person has paid the regular or special assessment under protest pursuant to Section 5658 of the California Civil Code; or
 2. The person has entered into a written payment plan with the Mutual pursuant to Section 5665 of the California Civil Code

- ii. A Candidate or Director may not serve on the Board if the person, if elected, would be serving on the Board at the same time as another person who holds a joint ownership interest in the same separate interest parcel as the person and the other person is either properly nominated for the current election or an incumbent Director
- iii. A Candidate or Director may not serve on the Board unless that person has been a Member for at least one (1) year prior to the nomination date.
- iv. A Candidate or Director may not serve on the Board if that person discloses, or if the Association is aware of or becomes aware of, a past criminal conviction that would, if the person was elected, either prevent the Association from purchasing the fidelity bond coverage required by Section 5806 of the California Civil Code or terminate the Association's existing fidelity bond coverage.
- v. To the fullest extent permitted by law, a Director may have his or her seat declared vacant, and the Director's seat removed, if the Director has been convicted of a felony or declared of unsound mind by a final order of a court.
- c. A person may not be disqualified from nomination if the person has not been provided the opportunity to engage in internal dispute resolution pursuant to the California Civil Code.

II.—Nomination Process

IV.

- The Mutual **shall distribute** to all Members a notice seeking Candidates for the Board (the "Candidacy Notice") at least thirty (30) days prior to the date of the deadline for return of the completed Candidacy Notice to the Mutual. The Candidacy Notice shall provide a space for any Member interested in being a Candidate to indicate his or her name, separate interest address within the Mutual's development, mailing address (if different), other contact information and signature, a resolution by the governing authority of a legal entity authorizing a natural person to run for the Board on behalf of the legal entity (if applicable), and include a deadline for return of the completed Candidacy Notice to the Mutual. A candidate seeking to run in any election of Directors shall:

a.—

Nomination Process

A candidate seeking to run in any election of Directors shall:

- Be a Member of record as defined by the Corporation's governing documents (6.2)
- i. Be a Member of the association for more than one year
- ii. Be a resident Member of the community (6.2)
- iii. Not serve concurrently as a GRF Director (6.2.1)
- iv. Not be a director, stockholder, officer, employee, or partner of any other organization whether private, public, or governmental, where such dual status would create a material and adverse conflict of interest and adversely impact

- ~~v. Not concurrently serve on the Laguna Woods City Council (6.2.3)~~
- ~~vi. Not be, as shown on the books of account of this Corporation as of the Record Date, to be more than thirty (30) days delinquent in payment of any sums due to this Corporation (6.2.4)~~
- ~~vii. Neither the Member, nor the Member's spouse, co-owner, or co-resident may be an employee of the Corporation's managing agent (6.2.5) or the Mutual. Additional, cannot serve at the same time as another person who holds joint ownership in the same separated interest who is either already nominated or an incumbent director~~
- ~~viii. Not serve that has had a past criminal conviction that would prevent the association from purchasing or maintaining a fidelity bond have been convicted of a felony.~~
- ~~ix. Not have an unresolved disciplinary or architectural violation which remained unresolved for more than 60 days at any time within a period of 150 days prior to the election.~~

~~III.~~

- ~~a. Any Member is eligible as a candidate under these Rules and who also satisfies the qualifications of Directors under the Mutual's Bylaws (6.2) and State Bill 323 may apply or self-nominate at least fifty (50) days before each annual meeting of the Members by signing an application and submitting it to the Secretary or Assistant Secretary—of the Corporation Mutual (or otherwise in accordance with the instructions on the Candidacy Notice) stating an intention to run for the Board of Directors. (8.3.5). Incomplete applications will not be accepted. The application shall include the signed Candidate's Pledge as attached to these Rules.~~ Any Member submitting a completed Candidacy Notice will be required to certify on the Candidacy Notice that he/she meets the qualifications for Candidates and Directors set forth in these Rules. Any Member submitting an incomplete Candidacy Notice or failing to submit a completed Candidacy Notice by the stated deadline shall not have his or her name included in the Secret Ballot or other voting materials for that election. The application shall include the signed Candidate's Pledge as attached to these Rules.
- ~~b. Every eCandidate shall submit with his or her Candidacy Notice a statement of background and qualifications, not to exceed 300 words, to the Inspection Firm, not later than the time of close of nominations. It is specifically understood by each eCandidate that the statement will be published. The Mutual shall not edit or redact any content from the eCandidate's statement. Any eCandidate statement published shall be accompanied by the following statement:~~
- ~~c. "These statements are from the candidates and not the Mutual. Neither the Mutual nor the Board of Directors is responsible for or necessarily endorses any of the views expressed in these statements."~~
- ~~d. A eCandidate statement exceeding 300 words in length will be cut off at~~

- the 300th word before ~~publishing the statement~~ it is published.
- ~~e.~~ The Secretary or Assistant Secretary shall, ninety (90) days before the date of the election, send notice to all Members of the election date, ~~and the last date to submit candidate applications.~~

~~a.~~

- ~~b.~~ The Mutual shall provide General Notice (or Individual Notice if requested by a Member) of the procedure and deadline for submitting a nomination at least thirty (30) days before any deadline for submitting a Candidacy Notice. The Mutual shall provide General Notice (or Individual Notice if requested by a Member) of all of the following at least thirty (30) days before the ballots are distributed: (1) the date and time by which, and the physical address where, ballots are to be returned by mail or handed to the Inspector(s); (2) the date, time, and location of the meeting at which ballots will be counted; (3) the list of all Candidates' names that will appear on the ballot.

~~IV.~~

- ~~c.~~ The Inspector or Inspection Firm shall send to each Member entitled to vote a ballot package, including candidate statements, no later than thirty (30) days prior to the date of election. (8.3.6)

V. Eligibility to Vote

Eligibility to Vote

- ~~a.~~ No Member shall be eligible to vote who is shown on the books of account of the Mutual, on the Record Date for voting, to be more than thirty (30) days delinquent in payment of any sums due to this Corporation in excess of \$100. (5.8.1.1).
- a. Notwithstanding any other law or the Governing Documents, any Member at the time when ballots are distributed (or person with a valid, general power of attorney for a Member) may vote in all Mutual matters.
- b. Members shall have one (1) vote per separate interest owned. Memberships in which two or more Mutual Members have joint or undivided interest shall have only one (1) vote. (5.8.1.2)
- ~~b.~~ Record dates for determining Members entitled to receive notice of a meeting, and for determining Members entitled to vote at a meeting, shall be established in accordance with Section 7611 of the California Corporations Code. (5.10)

~~I.~~

VI. **Candidate Equal Access to Media**

- ~~b.~~ If any Candidate or Member advocating a point of view is provided access to Mutual media, newsletters, or Internet Web sites during a campaign, for purposes that are reasonably related to that election, equal access shall be provided to all Candidates and Members advocating a point of view, including those not endorsed by the Board, for purposes that are reasonably related to the election. The Mutual shall not edit or redact any

- content from communications by a Candidate or a Member, but the Association may include a statement specifying that the Candidate or Member, and not the Mutual, is responsible for that content; the Mutual shall not be responsible for the content of Candidate or Member communications, regardless of whether such a statement is included. All candidates will be afforded the same opportunity as any other candidate to Laguna Woods Village and/or any Third media.
- a.
- b. PPrior to each election for the Board of Directors, the Mutual shall hold a forum ("Meet the Candidates")— for the nominees within a Golden Rain Foundation (GRF) facility prior to the date that the ballot materials are sent to the Membership. The forum will be administered by the Candidates Information Committee. If no Candidates Information Committee is formed, the Board may designate a chairperson to preside over the forum. In the absence of Board action to designate a chairperson, the President may designate a chairperson. The forum— is intended to allow the Membership to meet and ask questions —of nominees. —All ~~nominees~~Candidates— standing for election shall be invited to attend the forum and should appear in person so that all candidates participating in "Meet the Candidates" are on an equal footing during the election. However, a Candidate shall not be disqualified if he/—or—she/their/theythey fails to attend the "Meet the Candidates" event and may not, by their failure to attend, demand that the Mutual host another "Meet the Candidates" forum that they can attend.
- c. Access to common area meeting space shall be made available during a campaign, at no cost, to all Candidates, including those who are not incumbents, and to all Members advocating a point of view, including those not endorsed by the Board, for purposes reasonably related to the election. Such access, as may be applicable, shall be made available upon the request of a Candidate or Member, at no charge and shall be scheduled at a reasonable time(s) by the Board.

VII. Proxies

- a. Any Member entitled to vote may do so by proxy, where the proxy is submitted in exchange for a secret or non-secret written ballot, as applicable, in accordance with the Bylaws. (5.11)
- b. A "proxy" means a written authorization signed by a Member or the authorized representative of the Member that gives another Member or Members (or a person with a valid, general power of attorney for a Member) the power to vote on behalf of that Member. For purposes of this definition, "signed" means the placing of the Member's name on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the Member or authorized representative of the Member.
- c. Proxies shall not be construed or used in lieu of a ballot (whether a Secret Ballot or other written ballot).
- d. The use of proxies shall meet the requirements of the Governing Documents, Section 7613 of the California Corporations Code and other provisions of law.

- e. The Mutual shall not be required to prepare or distribute proxies.
- f. Any instruction given in a proxy that directs the manner in which the proxyholder is to cast the vote must be set forth on a separate page of the proxy that can be detached and retained by the proxyholder. Neither the Mutual nor the Inspector will be responsible for ensuring that the proxyholder votes the votes in accordance with the Member's instructions.
- g. A proxy may be revoked by a Member prior to the receipt of a Secret Ballot by the Inspector (or receipt of other written ballot by the Mutual), as described in Section 7613 of the California Corporations Code. A Member's attendance at the meeting at which the proxyholder casts, or intends to cast, the Member's vote does not automatically revoke the proxy.

VIII. Procedures for Elections by Secret Ballot

- a. The Mutual shall utilize a Secret Ballot process for elections regarding any of the following matters:
 - i. Assessments legally requiring a vote of the Members.
 - ii. Election or removal of Directors.
 - iii. Amendments to the Governing Documents.
 - iv. The grant of exclusive use of the common area ~~unless otherwise~~ authorized by statute for certain stated purposes.
 - v. An election on any other topic that is expressly identified in the Governing Documents or the California Civil Code as required to be held by Secret Ballot.
- b. The Mutual shall hold an election for a seat or seats on the Board, in accordance with these Rules and applicable law, at the expiration of the corresponding Director(s)' term(s) and at least once every four (4) years.
- c. Secret Ballots and two (2) pre-addressed envelopes with instructions on how to return the Secret Ballots shall be mailed by first-class mail or delivered by the Mutual to every Member not less than thirty (30) days prior to the deadline for voting. The deadline for voting and the times at which the polls will open and close shall be noticed with the Secret Ballot
- d. In order to preserve confidentiality, a voter may not be identified by name, address, or lot, parcel, or unit number on the Secret Ballot. The Mutual shall use as a model those procedures used by California counties for ensuring confidentiality of vote by Secret Ballots, including all of the following:
 - i. The Secret Ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into a second pre-addressed return envelope that is sealed. In the upper left hand corner of the second envelope, the voter shall sign the voter's name, indicate the voter's name, and indicate the address of the separate interest that entitles the voter to vote.
 - ii. The pre-addressed return envelope is addressed to the ~~Inspector~~Inspector, who will be tallying the votes. The envelope may be mailed to the address designated by the Inspector or delivered by hand to the locked ballot box in the Community Center. All pre-addressed return envelopes received shall remain sealed and in the possession of the Inspector or Inspection Firm, or another party, at their direction and designation, until they are opened and the ballots tabulated in public.
- e. The Secret Ballots may be either mailed or hand delivered as follows:
 - i. Return by Mail

1. The pre-addressed return envelope shall be addressed to the Inspector. The Inspector may use a restricted-access post office box used solely for the receipt and storage of voted ballots, in which case, ballots shall be released only at a specified time on the ballot return deadline date and only to the Inspector of Elections. The Inspector may also use an address designated by the Inspector for receipt of the voted Secret Ballots.
2. A second post office box or address may be used for ballot packages returned as undeliverable to the Member to which they were sent.
3. Members who desire a receipt for delivery of a mailed ballot shall mail the ballot by Certified Delivery - Return Receipt Requested at the Member's expense.
- ii. Return by Hand Delivery
 1. Ballots returned by hand shall be deposited by the Member into a locked and secure ballot box located in the lobby of the Community Center, 24351 El Toro Road, Laguna Woods.
 2. At the request of the voting Member, management staff shall provide a receipt for the hand delivered ballot so long as same shall occur in the presence of management staff.
 3. The Inspector or Inspection Firm shall retrieve pre-addressed envelopes from the locked ballot box and record their receipt, at periodic intervals of their selection, until the close of balloting.
 4. In the alternative, the Inspector may select an alternate location for hand delivery of ballots, or require that hand-delivered ballots be brought directly to the tabulation meeting.
- f. A quorum shall be required only if so stated in the Governing Documents or as may be required by law. If a quorum is required, each Secret Ballot received by the Inspector shall be treated as a Member present at a meeting for purposes of establishing a quorum.
- g. In an election to approve an amendment of the Governing Documents, the text of the proposed amendment shall be delivered to the Members with the Secret Ballot.
- h. A Member who owns multiple separate interests must submit separate sealed Secret Ballots for each separate interest owned.
- i. Once a Secret Ballot is received by the Inspector, it shall be irrevocable. If more than one valid Secret Ballot is received for any Member's separate interest, the first secret ballot received will be the one counted; if it cannot be determined which Secret Ballot was the first received, the Secret Ballots will not be counted, except for the purpose of establishing quorum.
- j. All votes shall be counted and tabulated by the Inspector or Inspectors, or the designee of the Inspector or Inspectors, in public at a properly noticed open meeting of the Board or Members. Any Candidate or other Member of the Association may witness the counting and tabulation of the votes. No person, including a Member of the Mutual or an employee of the Mutual's managing agent, shall open or otherwise review any Secret Ballot prior to the time and place at which the Secret Ballots are counted and tabulated; provided, however, the Inspector, or the designee of the Inspector, may verify the Member's information and signature on the outer envelope prior to the meeting at which Secret Ballots are tabulated.
- k. Except for the meeting to count the votes required above, an election may

- be conducted entirely by mail.
- l. The sealed Secret Ballots, signed voter envelopes, voter list, proxies, and candidate registration list shall at all times be in the custody of the Inspector or Inspectors or at a location designated by the Inspector or Inspectors until after the tabulation of the vote, and until the time allowed by the California Civil Code for challenging the election has expired, at which time custody shall be transferred to the Mutual.
 - m. In the event of a tie vote among any number of Candidates, the Mutual will notice a special meeting of Members and send Secret Ballots to all Members for a runoff vote to break the tie. Such runoff vote shall be conducted in accordance with the Secret Ballot procedures set forth herein to the extent they are applicable to a runoff vote. No previously cast Secret Ballots or proxies from the prior election will apply or be counted in the runoff vote.
 - n. All Secret Ballots must be legible and clearly marked. If a Secret Ballot is marked to cast more votes than the maximum number of votes allowed for an election, the Secret Ballot will be used for quorum purposes only and shall not count towards the vote.
 - o. The Mutual shall retain, as Mutual election materials, both a Candidate registration list and a voter list. The voter list shall include the name, voting power, and either the physical address of the voter's separate interest, the parcel number, or both. The mailing address for the ballot shall be listed on the voter list if it differs from the physical address of the voter's separate interest or if only the parcel number is used. The Mutual shall permit members to verify the accuracy of their individual information on both lists at least thirty (30) days before the ballots are distributed. The Mutual or Member shall report any errors or omissions to either list to the Inspector(s) who shall make the corrections within two (2) business days.

VIII.IX. Appointment of Inspector

- a. ~~A~~—At an open session Board meeting, as soon as possible after the annual meeting of the Mutual, the Board of Directors shall appoint one (1) or three (3) Inspector(s) of Election. The Board may appoint individuals to serve as Inspector(s), or it may hire an independent third party Inspection Firm which specializes in the administration of elections. An independent third party Inspector or Inspection Firm may not be a person, business entity, or subdivision of a business entity who is currently employed or under contract to the Mutual for any compensable services, unless expressly authorized by these Election Rules other than serving as the Inspector. The Board may also hire an Inspection Firm to assist the individual(s) serving as Inspectors. ~~An individual Inspector must be a member of the Mutual in good standing as defined in the Bylaws.~~
- b. An Inspector shall not be a Director on either the ~~Third Mutual's~~ or GRF's Board of Directors, a candidate for either Board of Directors, or related by blood or marriage to a candidate for either Board of Directors.
- c. An Inspector shall not be an employee of the managing agent; ~~however, employees of the managing agent may assist the Inspector(s) with their duties except for the counting and tabulation of the votes.~~

- d. An Inspector shall be impartial and shall not advocate, recommend or even disclose any personal voting preference.
- e. The Inspection Firm shall be instructed to communicate only with the Inspector(s), with management staff, Mutual legal counsel or as otherwise directed by majority vote of the Board.

IX.X. Duties of Inspector

- a. The Inspector or Inspectors shall do all of the following:
 - i. Determine the number of memberships entitled to vote. The Inspector may rely upon information provided by the Mutual with regard to the memberships entitled to vote.
 - ii. Determine the authenticity, validity, and effect of proxies, if any.
 - iii. Receive Secret Ballots, and determine the validity of those Secret Ballots and their compliance with the Secret Ballot requirements of these Rules and the Governing Documents.
 - 1. Validate and record the number of pre-addressed return envelopes received from the post office and by hand delivery.
 - 2. Void any Secret Ballot which is not sealed inside a Secret Ballot envelope.
 - 3. Void (but do not open) any Secret Ballot envelope which is not enclosed in a pre-addressed return envelope.
 - 4. Void (but do not open) any pre-addressed return envelope, which does not contain information that identifies the member as an eligible voter.
 - 5. Void (but do not open) any pre-addressed return envelope that is a duplicate vote.
 - iv. Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
 - v. Determine when the polls shall close, consistent with the Governing Documents and with the assistance of the Managing Agent. Ballots received after closing of the polls will not be counted, but shall be logged only for purposes of achieving quorum. The Inspector shall remove the Secret Bballots from the locked ballot box in the Community Center as soon after closing of the polls as is possible, and will not accept any Secret Bballots for counting after that time.
 - vi. Count and tabulate all votes.
 - 1. At the tabulation meeting, the seals of the Secret Ballot envelopes shall be broken, and the Inspector or Inspection Firm shall prepare the Secret Bballots for electronic tabulation scanning.
 - 2. A Secret Bballot shall be voided if it contains information identifying the voter.
 - 3. Any Secret Bballot not counted shall be kept separately from counted Secret Bballots, and the reason for not counting the

- Secret Ballot will be noted on the bSecret Ballot or its envelope
4. Envelopes and/or Secret Ballots which have been determined by the Inspectors to be invalid shall not be mixed with the Secret Ballots to be counted, but shall be segregated by the Inspector, with explanation of the reasons for rejecting the Secret Ballots in the Inspector's final report.
 5. Secret Ballots which are determined by the Inspector during the counting process to be invalid shall not be counted but shall be segregated from the counted Secret Ballots—KEVIN, ISN'T THIS DUPLICATIVE OF NUMBER 3 ABOVE?.
- vii. Determine the tabulated results of the election and advise the Board of same.
 - viii. Perform any acts as may be proper to conduct the election with fairness to all Members in accordance with provisions of the law and all applicable rules of the Mutual regarding the conduct of the election that are not in conflict with the law.
 - ix. Deliver, or cause to be delivered, at least thirty (30) days before an election both of the following documents to each Member:
 1. The Secret Ballot or Secret Ballot(s).
 2. A copy of these Rules. Delivery of these Rules, pursuant to this provision, may be accomplished by either of the following methods: (i) Individual Delivery; or (ii) Posting these Rules to an internet website and including the corresponding internet website address on the Secret Ballot together with the phrase, in at least twelve (12) point font: "The rules governing this election may be found here:"
- a. ~~A~~—If three individuals are the Inspector they shall act by majority vote, and the decision or act of a majority shall be effective in all respects as the decision or act of all. Any report made by the Inspector or Inspectors is prima facie evidence of the facts stated in the report. ~~The Inspector may rely upon information and assistance from management staff as well as legal counsel.~~
 - b. ~~An Inspector shall perform all duties impartially, in good faith, to the best of the Inspector's ability, and as expeditiously as is practical, and in a manner that protects the interest of all Members of the Mutual.~~
 - c.
 - d. The Inspector or Inspectors may appoint and oversee additional persons to verify signatures and to count and tabulate votes as the Inspector or Inspectors deem appropriate, provided that such persons are independent third parties as defined herein. ~~Determine the number of memberships entitled to vote. The Inspector may rely upon management staff for this information.~~
 - e. The Inspector has the authority to confer with the Association's legal counsel in advance of or at the meeting where Secret Ballots are to be

counted. By the adoption of these Rules, the Association's legal counsel has been authorized by the Board of Directors to provide advice, as determined necessary or prudent by the Mutual's legal counsel, for the limited purpose of informing and advising the Inspector regarding issues related to the Inspector performing his/her/their/they's ~~or her~~ duties for the Mutual, and the Mutual waives the attorney-client privilege for that limited purpose.

- f. The Board may, in its discretion, pay compensation to the Inspector and/or the Inspection Firm.
- g. Prior to the election, the Mutual shall provide the Inspector with a current list of all Members and all other information as may be required under these Rules or applicable law ~~and a list of those Members whose voting rights have been duly suspended.~~
- h. If any election meeting is adjourned due to lack of quorum, the Inspector shall retain custody of such ~~Secret~~ Ballots and bring them to the adjourned meeting; new Secret Ballots will not be required from any Member who has cast a valid Secret Ballot vote in accordance with these Rules.
- ~~e.i.~~ i. The Inspector may request that the meeting be recessed to allow the Inspector to complete the counting and tabulation of the Secret Ballots to another time. Notice of the recessed meeting will be given to all Members at the meeting where the counting and tabulation occurs and will identify the location, date and time when the counting and tabulation will resume. The Inspector will continue to maintain custody of all Secret Ballots until the counting and tabulation is complete.

~~Eligible Voter List: Thirty days prior to the mailing of ballots the Inspectors of Election shall approve an Eligible Voter List that identifies all Members who are eligible to vote.~~

~~Record Date: The Record Date for determining voter eligibility shall be sixty (60) days prior to the date the ballots are mailed.(Corp. Code 7611(c)).~~

- ~~d. Closing of polls. The Inspector, with the assistance of the Managing Agent, shall determine the date and time the polls shall close ("Closing of the Polls"), notification of which shall be provided to the eligible Members no later than the date the ballots are distributed. Ballots received after Closing of the Polls will not be counted, but shall be logged only for purposes of achieving quorum. The Inspector or Inspection Firm shall remove the ballots from the locked ballot box in the Community Center as soon after Closing of the Polls as is possible, and will not accept any ballots for counting after that time. All ballots must be received by the Inspector or Inspection Firm on or before the date and time of the Closing of the Polls.~~

~~—Oversee the Mailing of the Ballot Package~~

- ~~— The Inspector(s) shall ensure that Ballot Package Mailing Envelopes are sent by first class mail to ensure that all eligible voting members receive ballots in a timely manner.~~
- ~~— It must include a statement that the inspector of election must deliver, or cause to be individually delivered to each member, at least 30 days before an election, both the ballots and either a copy of the election rules or a statement in 12-point font that reads, "the rules governing this election may be found here (insert web address)."~~
- e. ~~Receive ballots, either directly or through the Inspection Firm~~
 - i. ~~Ballot Return Instructions~~
 - a. ~~The ballot itself is not signed by the voter, but is inserted into the Secret Ballot Envelope, which is sealed. The Secret Ballot Envelope is then inserted into the Pre-Addressed Return Envelope, which is also sealed. In the upper left hand corner of the Pre-Addressed Return Envelope, the voter shall both print and sign his or her name, address, and the unit number that entitles him or her to vote.~~
 - b. ~~The Pre-Addressed Return envelope is addressed to the Inspector(s), who will be tallying the votes. The envelope may be mailed to the address designated by the Inspector or delivered by hand to the locked ballot box in the Community Center.~~
 - 1) ~~Return by Mail~~
 - ~~— (a). The Pre-addressed Return Envelope shall be addressed to a restricted-access post office box used solely for the receipt and storage of voted ballots. Ballots shall be released only at a specified time on the ballot return deadline date and only to the Inspectors of Election.~~
 - a) ~~(b). A second post office box may be used for ballot packages returned as undeliverable.~~
 - ~~—~~
 - b) ~~(c). Members who desire a receipt for delivery of a mailed ballot shall mail the ballot by Certified Delivery – Return Receipt Requested at the Member's expense.~~
 - 2) ~~Return by Hand Delivery~~
 - a) ~~Ballots returned by hand shall be deposited by the Member into a locked and secure ballot box located in the lobby of the Community Center, 24351 El Toro Road, Laguna Woods.~~
 - ~~—~~
 - ~~— At the request of the voting Member, management staff shall provide a receipt for the hand delivered ballot.~~
 - b) ~~(c). The Inspector(s) or Inspection Firm shall retrieve Pre-addressed Envelopes from the locked ballot box and record their receipt, at periodic intervals of their selection, until the close of balloting.~~

- ~~c. All Pre-addressed Return Envelopes received shall remain sealed and in the possession of the Inspection Firm until they are opened and the ballots tabulated in public.~~
- ~~f. Verify voter eligibility.~~
 - ~~i. Validate and record the number of Pre-addressed Return Envelopes received from the post office and by hand delivery.~~
 - ~~ii. Void any Secret Ballot which is not sealed inside a Secret Ballot Envelope.~~
 - ~~iii. Void (but do not open) any Secret Ballot envelope which is not enclosed in a Pre-addressed Return Envelope.~~
 - ~~iv. VVoid (but do not open) any Pre-addressed Return Envelope, which does not contain information that identifies the member as an eligible voter.~~
 - ~~v. Void (but do not open) any Pre-addressed Return Envelope that is a duplicate vote.~~
 - ~~a. Revocation. No written ballot may be revoked after delivery to this Corporation or deposit in the mails, whichever first occurs. (5.9.5)~~
 - ~~b. If a voter returns two Pre-addressed Return Envelopes, the ballot received in the first Pre-addressed Return Envelope received will be counted (assuming there is no other defect in that ballot). If two ballots are received simultaneously on behalf of the same member, or if it is otherwise not possible to ascertain which ballot was cast first, then both ballots will be void and not counted.~~
 - ~~vi. Resolve any challenged ballots. If possible, this should be done before any ballot envelopes are opened and counting begins.~~
 - ~~vii. Record and explain the reason for each voter eligibility decision made.~~
 - ~~viii. The sealed ballot packages at all times shall be in the custody of the Inspector at a location designated by the Inspector until the tabulation of the votes.~~
- ~~g. Count and tabulate the votes.~~
 - ~~i. All votes shall be counted and tabulated by the Inspector in public at a properly noticed open meeting of the Board of Directors ("Counting Meeting").~~
 - ~~ii. At the Counting Meeting, the seals of the Secret Ballot Envelopes shall be broken, and the Inspector or Inspection Firm shall prepare the ballots for electronic tabulation scanning.~~
 - ~~iii. A ballot shall be voided if it contains information identifying the voter.~~
 - ~~iv. The counting and tabulation of the ballots may be observed by Members, who may not interrogate, talk to, or otherwise interfere with the Inspector or Inspection Firm during the performance of the Inspector's and/or Inspection Firm's duties.~~
 - ~~v. Any ballot not counted shall be kept separately from counted ballots,~~

~~and the reason for not counting the ballot will be noted on the ballot or its envelope.~~

- ~~vi. Envelopes and/or ballots which have been determined by the Inspection Firm to be invalid shall not be mixed with the ballots to be counted, but shall be segregated by the Inspection Firm and presented separately to the Inspector, with explanation of the reasons for rejecting the ballots in the Inspection Firm's final report to the Inspector.~~
- ~~vii. Ballots which are determined by the Inspector during the counting process to be invalid shall not be counted but shall be segregated from the counted ballots.~~

~~h. Determine the result of the election~~

- ~~i. Once the ballots are tabulated, the Inspector shall certify the election in writing.~~
- ~~ii. Within fifteen days of the election, the Board of Directors shall publicize the results of the election.~~
- ~~iii. After the tabulation of ballots, the Inspection Firm shall return to the post office to pick up any ballots received after the deadline. These ballots shall not be opened and shall be marked "Void - received after deadline".~~
- ~~iv. Upon written request, the Inspector must make ballot materials available to a Member or Member's representative for inspection and review.~~
- ~~v. Election Records shall be packed and sealed, and stored by the Inspection Firm for one year. If there is no Inspection Firm, the Inspector shall store the counted and voided ballots and the roster of members participating in a secure location supervised by Management staff.~~
- ~~vi. Custody of the Election Records shall be transferred by the Inspector or the Inspection Firm to the Mutual or its management agent twelve (12) months after the ballots are tabulated. After that time, the ballot materials will be destroyed and discarded.~~

XI. Election Results

- a. Once the **Secret B** ballots are tabulated, the Inspector(s) shall certify the election in writing.
- a. The tabulated results of the election shall be promptly reported to the Board, shall be recorded in the minutes of the next meeting of the Board, and shall be available for review by Members of the Mutual.
- b.
- c. After the tabulation of **Secret B** ballots, the Inspector or Inspection Firm shall return to the post office to pick up any **Secret B** ballots received after the deadline. These **Secret Ballots** shall not be opened and shall be marked "Void - received after deadline."
- d. Within fifteen (15) days of the election, the Board shall give general notice of the tabulated results of the election, in accordance with the requirements of the California Civil Code.

XII. Recount or Challenge to the Election

- a. The time period in which a Member may challenge an election shall be subject to the limitations set forth in the California Civil Code and the California Corporations Code.
- b. If there is a recount or other challenge to the election process, the Inspector or Inspectors shall, upon written request, make the ~~Secret~~ ~~B~~ballots, signed voter envelopes, ~~the voter list of names,~~ parcel numbers, and voters to whom ~~Secret B~~ballots were sent, proxies, and the Candidate registration list available for inspection and review by a Member or his or her authorized representative; provided, however, that the signed voter envelopes may be inspected but may not be copied. The Member shall be responsible for all costs and expenses related to such recount.
- c. Any recount shall be conducted in a manner that preserves the confidentiality of the vote.

XIII. Use of Mutual Funds for Campaign Purposes

- a. Association funds may not be used for campaign purposes in connection with any Association election except to the extent necessary to comply with the duties of the Association imposed by law. "Campaign purposes" include, but are not limited to, the following:
 - i. Expressly advocating the election or defeat of any Candidate.
 - ii. Including the photograph or prominently featuring the name of any Candidate on a communication from the Association or the Board, excepting the ballot, ballot materials, or a communication that is legally required, within thirty (30) days of an election; provided, however, this is not a campaign purpose if the communication is one for which the California Civil Code requires that equal access be provided to another Candidate or advocate.
- b. Unless otherwise provided by the California Civil Code, the foregoing restrictions on the use of Association funds for campaign purposes shall apply only to the election and removal of Directors.

[End of Document]

-end-

CANDIDATES PLEDGE

Candidates for the Third Laguna Hills Mutual Board of Directors shall confirm their commitment to the following:

I promise that:

1. I will review the CC&Rs, Bylaws, and meeting rules of Third Laguna Hills Mutual before beginning service as a Director, if I am elected.
2. I will attend Board and Committee meetings except when illness or travel prevents it, and will review Board or Committee packets before the meeting. I will come prepared.
3. I will familiarize myself with the basics of Roberts Rules of Order.
4. I will, during the first year of my term, undertake a minimum of three hours of homeowner association education from a qualified HOA education provider.
5. I have reviewed the Board's Conduct Policy, and agree to follow it.
6. If elected, I will honor the confidentiality of information I receive regarding closed sessions of the Board, or during closed sessions, as well as information I receive from Mutual legal counsel.
7. I will attend the Directors' Institute if I am elected; and
8. I will disclose any conflict of interest which arises during my term on the Board, and will recuse myself from voting on matters in which I have a personal interest.



RESOLUTION 03-20-XXX

Election Rules

WHEREAS, Senate Bill 323 also known as the new election laws has amended sections of California Civil Code § 5100, 5110, 515, 5125, 5145 and 5200 and added section 5910.1 relating to common interest developments; and

WHEREAS, the Board recognized that need to amend the Election Rules to align with the current California Civil Code;

NOW THEREFORE BE IT RESOLVED; Febraury XX, 2020, that the Board of Directors of this Corporation hereby approves the amended Election Rules, as attached to the official minutes of this meeting; and

RESOLVED FURTHER, that Resolution 03-14-03 adopted January 21, 2014 is hereby superseded in its entirety and cancelled;

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.



STAFF REPORT

DATE: January 15, 2020
FOR: Resident Policy and Compliance Committee
SUBJECT: Good Standing Policy

RECOMMENDATION

Entertain a motion to approve a Good Standing Policy that provides the definition of good standing and implications of a lack of the same.

BACKGROUND

The board is obligated to enforce the provisions set forth in the mutual's governing documents, including, without limitation, the declaration of covenants, conditions and restrictions (CC&Rs); bylaws and operating rules (collectively governing documents). Mutual members/owners, or the units they own, as may be applicable, that have engaged in or are actively and currently in violation of the governing documents may be subject to certain disciplinary action and/or limitation in their rights and privileges, including, without limitation, suspension of voting rights and ineligibility for serving on the board, as described in the governing documents.

The term "good standing" has been used colloquially by the mutual and the board in reference to members who are not in violation of the governing documents. The lack of good standing has been used to denote that such members have committed a violation or are currently in violation of the governing documents and thus limited in their membership privileges. Despite the general use of this term and references made to same in the governing documents, there is no formal, comprehensive definition of good standing or accompanying description of the consequences of a lack of good standing by a member.

On September 17, 2019, the Board introduced a resolution for a Good Standing Policy and placed the resolution on 28-day review. Subsequently on October 12, 2019, Governor Newsome signed SB 323 pertaining to common interest developments elections into law. SB 323, which goes into effect on January 1, 2020, imposes new burdens on the election process both with regard to qualifications of candidates and the procedures to be followed when electing directors. As a result, the proposed Good Standing Policy has been updated to reflect the new legislation.

DISCUSSION

The board has determined that it would be in the best interests of the mutual to adopt a formal definition of good standing to be added to the operating rules to provide clear guidance on the term and the implications for members identified as not in good standing.

The proposed Good Standing Policy provides the definition of good standing and the implications of a lack of same, and would incorporate such definition into the operating rules as a part of the governing documents. The term good standing shall mean that a member is:

- Not delinquent in payment of any assessment of related charge to the mutual (including regular monthly assessments, special assessments or reimbursement assessments);
- Not currently in violation of the provisions of the governing documents; and
- Not currently subject to disciplinary action imposed by the board of directors (or a committee thereof) after a duly noticed hearing in accordance with disciplinary procedures for a violation of the governing documents including any suspension of membership privileges as may be permitted by law (such as amenity use), or ongoing unpaid fines.

A member who is not in good standing due to a failure to meet any of the above-described criteria may be subject to certain restrictions, such as without limitation, in the use of the common area amenities, limits on the authority to rent his/her manor and/or refusal to approve architectural requests, in accordance with the provisions of the governing documents.

In accordance with SB 323, the mutual may not suspend a member's voting rights for any election/vote subject to Civil Code Section 5100 and the mutual's Election Rules (a "Subject Election"), as a disciplinary measure or otherwise restrict a member from voting in any Subject Election unless the member was not a member at the time the voting ballots were distributed. Matters that must be considered in a Subject Election include the election and removal of directors, special assessments over 5% or regular assessments over 20%, amendments to the governing documents, and grant of exclusive use of common area property.

A member more than 30 days delinquent on the payment of any sums due to the mutual including assessments, late fees or cost of collection relating to the same, chargeable service or other required fee, or fine imposed by the mutual in excess of \$100 as of the date of the distribution of ballots for voting on any matter involved in a Non-Subject Election shall be ineligible to vote in such an election. According to Section 4.5.3 of the Bylaws, any suspension period shall not exceed one year for any individual violation. A member delinquent in payment may also be subject to collection, legal action or other disciplinary action.

Further, no member who is more than 30 days delinquent on the payment of any sums due to the mutual including assessments, late fees or cost of collection relating to the same, chargeable service or other required fee, or fine imposed by the mutual will not be eligible to be a candidate for election to the Board of Directors or to serve as a director on the Board of Directors. Notwithstanding the foregoing, a candidate or Board Member shall not be disqualified to serve for failure to remain current in the payment of regular or special assessments if the member has paid the amounts under protest or entered into a payment plan with the mutual.

A member who is ineligible to serve as a candidate for election to the Board will have his/her nomination rejected by the Mutual, and the member's name and candidate information will not appear in the election ballot package. If it is determined that the candidate is not eligible after the distribution of the ballots, any votes for such candidate will not be counted. Any currently serving Board Member who becomes ineligible to serve pursuant to this Policy, other

Governing Documents, or applicable statute may be removed by the remainder of the Board from such director position.

FINANCIAL ANALYSIS

None.

Prepared By: Siobhan Foster, COO

Reviewed By: Francis Gomez, Operations Manager

ATTACHMENT(S)

Attachment 1: Good Standing Policy

Attachment 2: Resolution 03-19-xx



Good Standing Policy
Resolution 03-20-XX; Adopted February 18, 2020

I. Definition

For the purposes of the enforcement of the Mutual's Governing Documents, and the exercise by Mutual members of the rights and privileges appurtenant to such membership as further described in the Governing Documents, including without limitation, the Mutual's CC&Rs, Bylaws, and Operating Rules and other rules or policies that may be adopted by the Mutual from time to time, the term "**good standing**" shall mean that the member (or the member's unit(s), as may be applicable) is:

- Not delinquent in the payment of any assessment or related charge to the Mutual (including regular monthly assessments, special assessments, or reimbursement assessments) or other any other amounts owed to the Association, including, without limitation, payment of chargeable services, fees or costs required to be paid, or fines imposed against the member as a disciplinary measure for violation of the Governing Documents. Pursuant to the new law, the ONLY way someone can be prohibited from voting is if they were not a member of record at the time ballots were mailed.
- Not currently in violation of the provisions of the Mutual's Governing Documents, including without limitation, in violation of any architectural or landscaping rules, policies or procedures, leasing or occupancy rules and requirements, vehicle registration requirements, or other similar ongoing-type obligations of members and their units.
- Not currently subject to disciplinary action imposed by the Mutual's Board of Directors (or a committee thereof) after a duly noticed hearing in accordance with the Mutual's hearing enforcement procedures for a violation of the Mutual's Governing Documents, including any suspension of membership privileges as may be permitted by law (such as amenity use), or ongoing or unpaid fines.
 - If a one-time fine is levied against a Mutual member for one or more violations without additional ongoing disciplinary action such as suspension of membership privileges, the member shall be restored to good standing upon receipt of payment of the fines by the Mutual.

II. Effect of Lack of Good Standing

A member who is not in good standing, due to a failure to meet any of the above-described criteria may be subject to certain restrictions, such as without limitation, in the

use of the common area amenities, restrictions in the authority to rent their manor and/or refusal to approve architectural requests, in accordance with the provisions of the Governing Documents.

a. Eligibility to Vote

In accordance with a new statute adopted pursuant to California Senate Bill 323, effective January 1, 2020, notwithstanding any provisions to the contrary within the Mutual's Governing Documents, including without limitation any provisions in the CC&Rs, the Bylaws and the Rules and Regulations, the Mutual may not suspend a member's voting rights for any election/vote subject to Civil Code Section 5100 et seq. and subject to the Mutual's Election Rules (a "**Subject Election**") as a disciplinary measure or otherwise restrict a member from voting in any such election for any reason other than that such member was not a member at the time the voting ballots were distributed.

b. Collection and Legal Action

A member who is delinquent in the payment of any sums owed to the Mutual, ~~in addition to being ineligible to vote in non-Subject Elections and~~ subject to other disciplinary measures that may be imposed by the Mutual after a noticed disciplinary hearing before the Board (or a committee thereof), shall also be subject to the Mutual's procedures for the collection of delinquent sums owed as described in the Governing Documents, including without limitation the Collection and Lien Enforcement Policy, which may include the exercise by the Association of its lien rights, foreclosure action, and/or other legal action against the member to collect the amounts owed to the Mutual.

c. Other Disciplinary Measures

In addition to the foregoing disciplinary and enforcement procedures, a Mutual member (or such member's unit(s)) determined to be in violation or to have committed a violation of the Mutual's Governing Documents after a duly noticed disciplinary hearing before the Board (or a committee thereof) may also be subject to other disciplinary measures in accordance with the Mutual's enforcement procedures, including, without limitation the imposition of fines in accordance with the Mutual's Schedule of Monetary Penalties, the suspension of the member's (or the member's guests, residents, and invitees) privilege to use amenities controlled by the Mutual for a period not to exceed ninety (90) days for each violation, a referral to GRF for potential suspension of the use of GRF operated facilities, and the suspension of the member's right to lease his/her/its unit for a specified period.

III. Good Standing and Eligibility to Serve on the Board

In addition to the foregoing actions and disciplinary measures to which a member not in good standing is subject, due to violations by a member, the member's unit, or the member's guests, residents, and invitees, a member's lack of good standing may also impact such member's eligibility to be a candidate for election to the Board.

In accordance with Section 6.2.4 of the Mutual's Bylaws and Civil Code Section 5105, no Mutual member will be eligible to be a candidate for election to the Board of Directors or to serve as a director on the Board of Directors who is more than thirty (30) days delinquent in the payment of any regular or special assessment sums due to the Mutual (this does **not** apply for any late fees, interest or costs of collection relating to same; chargeable service or other required fee, fines, or reimbursement assessment which was recharacterized as a fine, imposed by the Mutual against the member) as of the prescribed record date for voting for the election of the Board. Notwithstanding the foregoing, a candidate or Board Members shall not be disqualified to serve for failure to remain current in the payment of regular or special assessments if such member has paid said amounts under protest or entered into a payment plan with the Mutual for the repayment of such amounts.

Any member who is ineligible to serve as a candidate for election to the Board will have their nomination rejected by the Mutual, and such member's name and candidate information will not appear in the election ballot package. In the event it is determined that a candidate is not eligible after the distribution of the ballots, any votes for such candidate will not be counted thereby invalidating a member's ability to be seated for same. Any currently serving Board Member who becomes ineligible to serve pursuant to this Policy, the Mutual's other Governing Documents, or applicable statute may be removed by the remainder of the Board from such director position.

Any member who is ineligible to serve as a candidate for election to the Board will have their nomination rejected by the Mutual, and such member's name and candidate information will not appear in the election ballot package. In the event it is determined that a candidate is not eligible after the distribution of the ballots, any votes for such candidate will not be counted thereby invalidating a member's ability to be seated for same. Any currently serving Board Member who becomes ineligible to serve pursuant to this Policy, the Mutual's other Governing Documents, or applicable statute may be removed by the remainder of the Board from such director position.



RESOLUTION 03-20-XX

Good Standing Policy

WHEREAS, the Board of Directors (the “Board”) of Third Laguna Hills Mutual (“Mutual”) held a meeting on December 17, 2019, at which a quorum of the Board was present;

WHEREAS, the Board is obligated to enforce the provisions set forth in the Mutual’s governing documents, including without limitation, the Declaration of Covenants, Conditions, and Restrictions (CC&Rs), Bylaws, and Operating Rules (collectively, the “Governing Documents”); and

WHEREAS, the Board must comply with SB 323 pertaining to common interest developments elections that goes into effect on January 1, 2020; and

WHEREAS, Mutual members/owners, or the units they own, as may be applicable, that have engaged in or are actively and currently in violation of the Governing Documents may be subject to certain disciplinary action and/or limitation in their rights and privileges, including, without limitation, in the use of the common area amenities, limits on the authority to rent his/her manor and/or refusal to approve architectural requests as described in the Governing Documents; and

WHEREAS, a member more than 30 days delinquent on the payment of any sums due to the mutual including assessments, late fees or cost of collection relating to the same, chargeable service or other required fee, or fine imposed by the mutual in excess of \$100 as of the date of the distribution of ballots for voting on any matter involved in a Non-Subject Election shall be ineligible to vote in such an election and may be subject to collection, legal action or other disciplinary action. This member will also not be eligible to be a candidate for election to the Board of Directors or to serve as a director on the Board of Directors; and

WHEREAS, any currently serving Board Member who becomes ineligible to serve pursuant to this Policy, other Governing Documents, or applicable statute may be removed by the remainder of the Board from such director position; and

WHEREAS, the term *good standing* has been used colloquially by the Mutual and the Board in reference to Mutual members who are not in violation of the Governing Documents, and the lack of *good standing* to denote that such members have committed a violation or are currently in

violation of the Governing Documents and thus limited in their membership privileges; and

WHEREAS, despite the general use of the term *good standing*, and references made to same in various rules, policies, and elsewhere in the Governing Documents, there is no formal, comprehensive definition of *good standing* or accompanying description of the consequences of a lack of good standing by a Mutual member; and

WHEREAS, the Board has determined that it would be in the best interests of the Mutual to adopt a formal definition of the term *good standing* to be added to the Mutual's Operating Rules, which will provide clear guidance on the term and the implications for Mutual Members identified as not being in *good standing*;

NOW, THEREFORE BE IT RESOLVED, _____, 2020, that the Board of the Mutual hereby approves and adopts the below Good Standing Policy, which provides the definition of *good standing* and the implications of a lack of same, and incorporates such definition into the Mutual's Operating Rules as a part of the Mutual's Governing Documents; and

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



STAFF REPORT

DATE: January 15, 2020
FOR: Resident Policy and Compliance Committee
SUBJECT: Smoke-Free Building Designation Policy and Procedure

RECOMMENDATION

Staff recommends adoption of a Smoke-Free Building Designation Policy and Procedure.

BACKGROUND

The Board created a Residency Policy and Compliance Task Force to review policies and processes for consistency. The committee and staff have identified areas of improvement including, but not limited to, the need to adopt a Smoke-Free Building Designation Policy and Procedure. On January 24, 2017, the Board adopted a Non-Smoking Policy to fairly and reasonably address smoking in Laguna Woods Village. The policy defines the areas where smoking is prohibited and the responsibility for remediation costs associated with second-hand smoke infiltration (Resolution 03-17-05). On October 31, 2019, the Residency Policy and Compliance Task Force discussed and considered legal implications for designating a building as smoke-free. By unanimous vote, the Task Force approved the creation of a procedure to designate a building as smoke-free.

On December 2, 2019, staff was directed to obtain clarification from Legal Counsel regarding:

- A resale disclosure for buyers to be aware that a unit being purchased is in a building designated as smoke free. Legal Counsel advised that it is the owner's responsibility to make the disclosure to the purchaser of the unit, not Third's.
- Include the estimated cost each unit owner may pay to have the covenant that runs with the land to be recorded with the County of Orange. The information was included in the updated policy.

DISCUSSION

There are certain Members who have requested that Third designate buildings in which their Units are located as "smoke-free", to reduce those Members', their co-occupants' and lessees', as application, exposure to second hand smoke. The purpose of a Smoke-Free Building Designation Policy and Procedure is to provide for a systematic, fair, and reasonable manner to designate building as non-smoking. The Board has consulted with Third's legal counsel on the legality of prohibiting smoking in Third and the Board has determined that upon certain conditions and requirements being met, that multi-dwelling unit buildings in Third can be permanently designated as "smoke-free" going forward so long as specific terms and conditions are met.

FINANCIAL ANALYSIS

There is no financial impact to Third. However, the cost for Members to designate their building as smoke-free is estimated at \$225 per Unit which includes preparation of the actual covenant for each unit and filing cost with the state.

Prepared By: Blessilda Wright, Compliance Supervisor

Reviewed By: Francis Rangel, Operations Manager

ATTACHMENT(S)

Attachment 1: Smoke-Free Building Designation Policy and Procedure

Attachment 2: Resolution

Attachment 3: Petition

Attachment 4: Covenant

Attachment 5: Checklist

Attachment 6: Hearing Notice

Attachment 7: Hearing Determination – Approval

Attachment 8: Hearing Determination – Denial



Smoke-Free Building Designation Policy and Procedure
Resolution 03-20-XX; Adopted _____ XX, 2020

I. Purpose

Third Laguna Hills Mutual (“Third”) is the corporation formed to administer, manage and operate the business and affairs of the common interest development commonly known as Third Laguna Hills Mutual located at Laguna Woods Village in Laguna Woods, California (the “Development”). The Development is comprised of 6,102 separate dwelling units (collectively, the “Units”). Each occupant of a Unit is either a “Member”, “Qualifying Resident”, “Co-occupant” or “Lessee”, as such terms are defined in Third’s Bylaws (as may be amended from time to time, the “Bylaws”).

While many of the Units in Third are standalone residences, a significant portion of the Units are located within multi-dwelling Unit buildings (each, a “Building”) at the Development. Effective as of [REDACTED], 20[REDACTED], pursuant to Resolution 03-20-XX of Third’s Board of Directors (the “Board”), individual multi-dwelling Unit Buildings can be designated as non-smoking in perpetuity (the “Designation”) by the Members who are owners of the individual Units within a Building, except as may otherwise be required by law. Designation of a Building may occur upon the collective and unanimous written consent of all of the then current Members who own the Units in a Building in accordance with the procedures described below.

The purpose of this Smoke-Free Building Designation Policy and Procedure (“Policy”) is to establish and identify those specific procedures that must be followed in order to designate a Building as smoke-free.

II. Smoke-Free Definition

For the purposes of this Policy and for the Designation of any Building as smoke-free, “smoking” shall mean inhaling, exhaling, burning, holding or carrying any lighted cigarette, cigar, cigarillo, pipe or other lighted smoking device for burning tobacco or any other plant product (including but not limited to marijuana) in any manner or in any form, known as of the date of this Resolution or created and/or becomes known at a date after the effective date of this Designation. Smoking also includes the inhaling, exhaling, burning, carrying, or use of electronic cigarettes and/or vaping devices (electronic

tobacco delivery systems), hookahs, any other tobacco or nicotine product, marijuana (including medical marijuana), and/or legal or illegal substance(s).

If a Building is designated as smoke-free, no smoking shall be permitted in any area of the Building, including any Common Area portion of the Building (including any exclusive use Common Area) and any individually owned unit, including Owner's Unit. Any violation of the Designation may subject a Member to disciplinary action in accordance with this Policy, as further described below.

III. Process for Smoke-Free Designation

Any Member may petition Third for a Designation for the Building in which his/her Unit is located (the "Petitioner"), by completing and submitting to Third the form titled "Petition for Designation as a Smoke-Free Building" (as may be amended from time to time, the "Petition"). Attached to the Petition is a "Petition Agreement Form" (the "Agreement Form") that must be signed by all of the Members who own the Units in the Building proposed for Designation at the time the completed Petition is submitted to Third (the "Applicable Members"). If the Agreement Form is not signed by all Applicable Members in front of a notary public, then the Petition will be deemed incomplete and returned to the Petitioner. By signing the Agreement Form, the Applicable Members agree to be bound by the terms of the Agreement Form.

Within thirty (30) days of receipt of the complete Petition and Agreement Forms, as described above, Third will prepare for each of the Applicable Members to sign an "Agreement and Covenant to Run with Land (Non-Smoking Building Designation)" (as may be amended from time to time, the "Covenant"), which will, when completed and executed before a Notary, be recorded against each Applicable Member's Unit in the Building. The Covenant will be sent by Third to the Applicable Members' mailing address(es) on record with Third via first class mail. All of the Applicable Members will be required to return signed and notarized original copies of the Covenant to Third. Each Applicable Member shall be responsible for the costs incurred by Third for the preparation and recordation of the Covenant for their Unit, which costs are estimated at \$225.00.*

When the complete and original executed Covenants signed by all Applicable Members are submitted to and verified as complete by Third, the Board will schedule a hearing with the Applicable Members to confirm that none of them oppose the Designation of their Building. The hearing will be held in an open session meeting of the Board within sixty (60) days of the verification. At the hearing, the Applicable Members will have an opportunity to be heard before the Board regarding the Petition and their opposition to

* This fee may be changed at any time by Third and such change shall not constitute a rule change to this Smoke-Free Building Designation Policy and Procedure which requires notice to the Members of Third.

same, if any. Notice of the hearing will be sent by Third to the Applicable Members' mailing address(es) on record with Third, via first class mail at least fifteen (15) days prior to the hearing.

If any Applicable Member opposes the Petition at the Hearing, then the Board will deny the Petition. The Applicable Members will be advised of the smoke-free Designation denial via first class mail within fifteen (15) days after the Hearing. The Petitioner or any other Applicable Member can resubmit a Petition for the Building to Third if a Petition is denied by the Board, provided, however, that a Petition for a specific Building may be submitted to Third only once during any six (6) month period.

If no Applicable Member opposes the Petition at the hearing, then the Board will approve the Petition. The Applicable Members will be advised of the smoke-free Designation approval via first class mail within fifteen (15) days after the hearing. The Designation will be effective forty-five (45) days after the hearing (the "Conversion Date")

IV. Conversion to a Smoke-Free Building

In the event the Petition is approved, after the notice of approval and before the Conversion Date:

1. The Board will execute all of the Covenants for the Manors in the Building receiving the Designation, and will arrange for the recording of the Covenants with the County Recorder's Office. Once Third receives back the fully recorded Covenants, a copy shall be mailed to each Applicable member via first class mail.
2. Copies of the fully executed Covenants will be placed in Third's corporate records for each of the Units in the Building, and provided to the employees and/or contractors of Third and/or Third's managing agent who are responsible for providing information regarding the Units to Members, prospective Members (through the current Member, and/or through the current Member's real estate broker or agent, as applicable) and lenders of either.
3. A "Smoke-Free Building" list compiled and maintained by Third will be updated to reflect that the Building is subject to Designation and the effective date of the Designation.
4. The "Smoke Free Building" webpage on Third's website will be updated to reflect that the Building is subject to Designation and the effective date of the Designation.

5. Third will post signs containing the language “No Smoking Anywhere in Building” at the main/common entrances to each Building designated as smoke-free (both at the exterior and interior entrances), if any, as well as in at least two (2) prominent places within common hallways/walkways on the floor of each Building, as may be applicable. The signs shall be of a design, material and size to be determined by the Board. As may be practical, Third will try to use the same or similar Signs for different Buildings subject to the Designation.
6. All Applicable Members will be required to remove all tobacco products, medical marijuana and other substances that generate smoke from their Units and the Building, as may be applicable. Notwithstanding the foregoing, Third shall have no duty to inspect the Units to confirm that this removal has occurred.

At the end of the conversion period, the Building will be deemed to have received a permanent Designation as a non-smoking Building. All Applicable Members and all current and future Qualifying Residents, Co-occupants and Lessees residing in a Unit in the Building, and the family members, guests and invitees of each of them, shall be prohibited from smoking anywhere in the Building as of the Conversion Date. Further, all new lease agreement and renewals of existing lease agreements for Units at the Building must include language prohibiting smoking of any substances anywhere within the applicable Unit and the other portions of the Building.

V. Violations of the Smoke-Free Designation

Once a Designation is effective for a Building, no smoking or vaping of any products or items of any kind shall be allowed within the Building. Smoking within a Unit of a Building receiving a Designation shall be a violation of the Covenant applicable to the Manor associated with such person. If an alleged violation is reported to Third, Third will investigate the alleged violation, and, as appropriate, call an offending Member to a hearing before the Board regarding the violation, in accordance with the disciplinary proceeding requirements pursuant to applicable law and Third’s governing documents, including without limitation the Bylaws, Rules and Regulations, and the Schedule of Monetary Penalties.

In the event of a verified violation, the offending Member shall be subject to the rights and remedies of Third with respect to such violation as shall be permitted pursuant to the recorded Covenant (in the same manner as any other violation of Third’s governing documents), as described in any CC&Rs, the Bylaws, the other governing documents of Thirds and at law, including, without limitation, the imposition of monetary penalties and/or the suspension of membership privileges.

All Applicable Members are also able to enforce compliance of the Designation against any other Applicable Member, at their own cost and expense, and in accordance with the provisions of the Third's governing documents and applicable law.

Notwithstanding the foregoing, in no event shall Third be liable for any injury to any person or damage to any property of any kind resulting from an alleged or actual violation of the Designation.

DRAFT



RESOLUTION 03-19-XX

Smoke-Free Building Designation Policy and Procedure

WHEREAS, the Board of Directors (the “Board”) of Third Laguna Hills Mutual (“Third”) held a meeting on _____, 20____, at which a quorum of the Board was present;

WHEREAS, the members (each, a “Member”) of Third Laguna Hills Mutual (“Third”) have an interest in their health, safety and welfare while within Third’s common interest development (the “Development”), including when in the separate interest dwelling units located within the Development (each, a “Unit”) in which the Members, their co-occupants and tenants, as applicable, reside; and

WHEREAS, certain Members have requested that Third’s Board designate the buildings in which their Units are located as “smoke-free”, to reduce those Members’, their co-occupants’ and tenants’, as applicable, exposure to second hand smoke; and

WHEREAS, the Board has determined that in addition to addressing health concerns related to second-hand smoke raised by Members as referenced above, prohibiting smoking in buildings at the Development will reduce the risk of fires related to accidents stemming from the use of smoking tobacco, marijuana and other substances, and reduce maintenance and repair costs for building components needed due to wear and tear to those components caused by smoke; and

WHEREAS, the Board has consulted with Third’s legal counsel on the legality of prohibiting smoking at the Development and the Board has determined that upon certain conditions and requirements being met, that multi-dwelling unit buildings at the Development can be permanently designated as “smoke-free” going forward so long as specific terms and conditions are met; and

WHEREAS, the Board recognizes that Members, their co-occupants and tenants, if applicable, have a right to privacy within their respective Units and a right to freely use and occupy the Units (in accordance with Third’s governing documents), that Members purchased their Units with the understanding that smoking was not expressly prohibited in their Unit, and that legal precedent does not exist as to whether the Board can unilaterally prohibit smoking in Units; and

WHEREAS, the Board has determined that it will designate a building containing Units as non-smoking if all of the then Members who are record owners of the Units in that building agree in writing before a notary public, that the building should be non-smoking and if certain other requirements are met; and

WHEREAS, the Board has tasked Third's legal counsel with drafting documents related to implementing and managing the designation of buildings at the Development as non-smoking that provide for such designation in a systematic, fair and reasonable manner; and

WHEREAS, Third's legal counsel has drafted those documents, the Board has reviewed those documents, and the Board believes those documents and the procedures and requirements described in those documents meet the Member needs and business requirements of Third; and

WHEREAS, those documents consist of (i) the "Smoke-Free Building Designation Policy and Procedure", (ii) the "Petition for Designating a Building as Smoke-Free", (iii) the "Petition Agreement Form" and (iv) the "Agreement And Covenant to Run with Land (Non-Smoking Building Designation)" (collectively, the "Designation Documents"), all of which are attached to this Resolution and incorporated in their entirety herein by this reference.

NOW, THEREFORE, BE IT RESOLVED, on , 20 , that the Board has determined that the Designation Documents, and the procedures and requirements described thereunder, shall be immediately effective upon adoption by the Board, to provide for a systematic, fair and reasonable manner to designate buildings at the Development as non-smoking.

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

THIRD LAGUNA HILLS MUTUAL

Petition for Designating a Building as Smoke-Free

(to be completed by Petitioning Member only)

I am a Member of Third Laguna Hills Mutual ("Third"). I am completing this Petition for Designating a Building as Smoke-Free (this "Petition") to request that the Building in which my Unit is located, including all Units and Common Areas comprising the Building, be designated as non-smoking, as defined in the Smoke-Free Building Designation Policy and Procedure (the "Procedure").

Prior to completing this form, I acknowledge and agree that I have read and understand the Procedure regarding the requirements for approval of this Petition and designation of my Building as non-smoking, and that I will be considered the Petitioner under the Procedure. The capitalized terms used in this Petition shall have the same meaning given to them in the Procedure, unless otherwise defined herein.

My information:

Name: _____

Unit Address: _____

Mailing Address: _____

I understand that this Petition must be signed by all of the Applicable Members in my Building, on the form attached hereto and identified as the Petition Agreement Form (the "Agreement") before this Petition will be considered by the Board, and that an executed Covenant to Run With the Land Regarding Designation of a Building as Smoke-Free ("Covenant") for each Unit in my Building must also be submitted with this Petition. If an Agreement and Covenant are not completed and signed by all such Members and submitted with this Petition, then this Petition will be deemed incomplete and returned to me. By signing this Petition, I agree to be bound by the terms of this Petition and the Procedure, and to execute and submit a Covenant with this Petition.

By: _____

Date: _____

THIRD LAGUNA HILLS MUTUAL

Petition Agreement Form

I/We am/are a Member(s) of Third Laguna Hills Mutual, and I/We acknowledge and agree that I/We have read the Petition to which this Agreement is attached and the Procedure governing the Petition. I/We understand that by executing this Agreement and the attached Covenant, I/We am/are requesting that the Building in which my/our Unit is located be designated permanently and forever as a non-smoking Building. I/We further understand that upon such designation, should it occur, that neither I/We nor any current or future residents of, or visitors to, my/our Unit may smoke or vape any substance (tobacco, marijuana or otherwise) in my/our Unit or any portion of the Building in which my/our Unit is located, that I/we are, as a Member(s) responsible for the violation of the Designation by me/we, my/our guests and/or invitees actions, and that a non-smoking designation may negatively impact the market value of my/our Unit.

Upon such non-smoking designation, any smoking in my/our Unit will be deemed a violation of the Covenant and Third's governing documents, and could result in, enforcement action by Third, including, without limitation, the imposition of monetary penalties and/or the suspension of membership privileges, or be the subject of litigation, if determined by the Third Board to be in the best interests of the Designation. My/Our signature(s) below, which must be executed in front of a notary public who completes the following notary page, and my/our execution of the Covenant to Run With the Land Regarding Designation of a Building as Smoke-Free shall be deemed agreement with and acknowledgement of these potential enforcement actions by Third in the event of a smoking violation with respect to my/our Unit.

I/We understand that an original notarized copy of this Agreement signed by each of the Members who are owners of record for a Unit in my Building, and an original copy of the Covenant noted above, executed by all such Members for their respective Units, must be submitted to Third before the Petition to which this Agreement is attached will be considered by the Board. If the Agreement and Covenant are not completed and executed by all such Members, then the Petition will be deemed incomplete and my/our Building will not be designated as smoke-free.

Unit Address: _____

Mailing Address: _____

By: _____

By: _____

Name: _____

Name: _____

Date: _____

Date: _____

STATE OF CALIFORNIA)
)
COUNTY OF _____)

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Notary Public

STATE OF CALIFORNIA)
)
COUNTY OF _____)

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Notary Public

Recording requested by and
when recorded mail to:

**Third Laguna Hills Mutual
c/o VMS, Inc.
24351 El Toro Road
Laguna Woods, CA 92637**

Attn: _____

Space above for Recorder's use_

**AGREEMENT AND COVENANT TO RUN WITH LAND
(NON-SMOKING BUILDING DESIGNATION)**

AGREEMENT AND COVENANT TO RUN WITH LAND (NON-SMOKING BUILDING DESIGNATION)

This AGREEMENT AND COVENANT TO RUN WITH LAND (NON-SMOKING BUILDING DESIGNATION) (this "Covenant"), effective as of the date of execution hereof, is entered into by _____ and _____ (collectively, the "Owner") in favor of Third Laguna Hills Mutual ("Third"). Owner and Third shall sometimes be referred to herein individually as a "Party" and collectively as the "Parties" in this Covenant.

RECITALS

A. Third is the governing body responsible for the management, operation and administration of the common interest development commonly known as Third Laguna Hills Mutual located in Laguna Woods, California (the "Development").

B. Owner is the owner of the condominium unit located at _____, Laguna Woods, California 92637 (the "Unit"), which is a part of the Development and is more particularly described in **Exhibit "A"** attached hereto and incorporated herein by reference.

C. The Development is subject to those certain Declarations of Covenants, Conditions and Restrictions for the various mutuels comprising Third (collectively, and as may be amended from time to time, the "Declaration"), including that *Amended and Restated Declaration of Covenants, Conditions and Restrictions* applicable to the Unit recorded in the official records of Orange County, California on _____, 19____ as Document No. _____, as may be amended from time to time.

D. Notwithstanding the fact that Third's governing documents, including, without limitation, the Declaration do not prohibit smoking within any of the individually owned units in the Development, including Owner's Unit, Owner, along with all of the owners of units within the same building as the Unit within the Development (the "Building"), has petitioned Third to designate the Building as a non-smoking building in accordance with the procedures of Third's Smoke-Free Building Designation Policy and Procedure (the "Policy").

E. Owner's request to designate the Building as non-smoking, and Owner's agreements and obligations related to same, are also described in (i) the completed "Petition for Designating a Building as Smoke-Free" applicable to the Building (the "Petition"), attached hereto as **Exhibit "B"** and incorporated herein by reference, and (ii) the "Petition Agreement Form" executed by Owner applicable to the Petition (the "Form"), attached hereto as **Exhibit "C"** and incorporated herein by reference.

F. Third's Board of Directors (the "Board") held a hearing in accordance with the Policy regarding the petition, subsequently determined that the requirements of the Policy to designate the Building as non-smoking had been met, and granted the petitioners' request to so designate the Building.

G. In accordance with the Policy, Owner, along with all of the owners of units within the Building, has agreed to and executed this Covenant regarding the non-smoking designation of the Building and agrees on behalf of Owner's self and Owner's successors-in-interest that the Building shall be henceforth be non-smoking, and that Owner and the Unit shall be bound to the terms of this Covenant.

H. Third and Owner intend that this Covenant be made and entered into pursuant to the provisions of California Civil Code Section 1468, in effect as of the effective date of this Covenant, and that this Covenant shall run with the real property encompassing the Building and the real property of Owner, and that it shall benefit and be binding upon Third, Third's members, and Owner during their ownership of any portion of the real property affected hereby, and upon each party having an interest in the real property derived through any owner thereof.

I. Any capitalized terms not defined herein shall have the meanings given to them in the Declaration, as may be applicable.

NOW, THEREFORE, Owner does hereby covenant and agree as follows:

TERMS AND CONDITIONS

1. Incorporation of Recitals. The Recitals of this Covenant are hereby incorporated herein by this reference in their entirety as if fully set forth in this Covenant.

2. Building Non-Smoking Designation. Owner acknowledges and agrees that the Building in which Owner's Unit is located will be permanently and forever designated as a non-smoking building. No smoking shall be permitted in any area of the Building, including any Common Area portion of the Building (including any exclusive use Common Area) and any individually owned unit, including Owner's Unit. For the purposes of this Covenant, smoking shall mean inhaling, exhaling, burning, holding or carrying any lighted cigarette, cigar, cigarillo, pipe or other lighted smoking device for burning tobacco or any other plant product (including but not limited to marijuana) in any manner or in any form known as of the date of execution of this Covenant or which is created and/or becomes known at a date after the effective date of the non-smoking designation of the Building. Smoking also includes the inhaling, exhaling, burning, carrying, or use of electronic cigarettes and/or vaping devices (electronic tobacco delivery systems), hookahs, any other tobacco or nicotine product, marijuana (including medical marijuana), and/or legal or illegal substance known as of the date of execution

of this Covenant or which is created and/or becomes known at a date after the effective date of the non-smoking designation of the Building.

3. Violation of the Designation. Failure to adhere to the smoking restriction by Owner, any occupant of the Unit, or any guest or invitee of Owner or such occupant of the Unit, shall be a breach of this Covenant and shall constitute a nuisance pursuant to the governing documents of Third, and will subject Owner to the rights and remedies of Third under this Covenant; Third's governing documents, including without limitations the Declaration, the Bylaws, and any duly adopted Rules and Regulations; and at law.

4. Recordation of Covenant. Owner consents to and acknowledges that this Covenant will be recorded in the Official Records of the County Recorder of Orange County, State of California, and may, therefore, affect title to or the value of Owner's interest in the Property.

5. Attorney's Fees. If any legal action or proceeding is instituted by either Party to enforce or interpret any of the terms of this Covenant, the prevailing Party shall be entitled to recover from the other Party attorneys' fees, costs and expenses incurred in the prosecution or defense of such action, including, without limitation, fees and costs of retaining expert witnesses, incurred in good faith.

6. Effect of Waiver. The waiver by either Party of a breach of any term, promise or condition of this Covenant shall not constitute a waiver of any subsequent breach of the same or any other term, promise or condition. The failure by either Party to enforce any right for a period of time shall not constitute a waiver of such right or any term, promise or condition of this Covenant.

7. Covenant Running With the Land. Owner and Third further agree and covenant that the covenants provided herein shall run with both the land owned by Owner (the Unit) and the land controlled by Third (the Common Area) and shall benefit or be binding upon each successive owner, during such successor's ownership and/or control of any portion of the land affected by this Covenant (the Unit and the Common Area), and upon each party having any interest in such land and derived through any owner thereof; further, that the successive owner of the Unit and controller of the Common Area are to be bound by the covenants provided herein. The covenants running with the land described herein shall run with the land regardless of whether the Unit is sold or transferred through a bona fide sale to a third party or through an interfamilial or trust transfer of any type. Specifically, all future owners of the Unit agree that by way of their assumption of title to the Unit they shall be bound by, without limitation, the specific obligations and limitations described in this Covenant.

8. Disclosure of Covenant. Owner agrees and represents that Owner will not look to Third or hold Third responsible to disclose to potential buyers of the Unit any information concerning this Covenant, and the Association shall have no obligation to

disclose such information inasmuch as Owner and successive owners, as applicable, bear the sole responsibility to make such disclosure known.

9. Indemnity. Owner agrees to indemnify, defend and hold harmless Third and its past, present and future directors, officers, committee members, managing agents and attorneys (collectively, the “Released Parties”) from and against any and all claims, actions, lawsuits, liabilities, costs and expenses of any kind or nature whatsoever, including but not limited to attorney's fees and costs, (collectively, the “Claims”) involving, pertaining to or in connection with (i) the designation of the Building and/or the Unit as non-smoking and Third's power to so designate the Building and enforce such restriction; and (ii) this Covenant, and to pay all attorneys' fees and costs incurred by any of the Released Parties arising out of any litigation with respect to any Claims.

10. Relationship to Declaration. Nothing contained herein shall in any way constitute a release from or waiver of any of the conditions, covenants and restrictions contained in the Declaration or Third's other governing documents; this Covenant only concerns the non-smoking designation of the Building, and shall not be interpreted or construed to affect any other rights, powers, duties, burdens or obligations of Owner or Third, or any other parties.

11. Severability. The provisions of this Covenant are severable, and if any provision contained herein is determined by a court of competent jurisdiction to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions of this Covenant, and any partially unenforceable provisions to the extent enforceable, shall nevertheless be binding and enforceable.

12. Representation. Neither Third nor its legal counsel has rendered advice to Owner of any nature whatsoever with respect to execution of this Covenant, and Owner acknowledges that Owner has been advised by independent legal counsel, or has had the reasonable opportunity to be advised by independent legal counsel, with regard to this Covenant prior to executing it.

13. Amendment and Modification. This Covenant may only be modified or amended by a written instrument executed by Owner and acknowledged by Third and recorded in the official records of the County of Orange, California. This Covenant shall be construed according to its fair meaning and as though no single party drafted this Covenant. This Covenant shall also be construed in accordance with, and governed by, the laws of the State of California. The failure by Third to enforce any provision of this Covenant shall not be deemed to be a waiver of Third to enforce the applicable provision, or any other provision of this Covenant, in the future.

14. Reimbursement of Costs. Owner agrees to reimburse Third its attorneys' fees and costs incurred in the preparation and recordation of this Covenant. Such payment shall be made by Owner to Third within five (5) business days after demand by Third.

IN WITNESS WHEREOF, Owner has executed this Covenant on the date written below.

"Owner"

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

ACKNOWLEDGEMENT

Third has acknowledged this Covenant as of the date written below.

"Third"

Third Laguna Hills Mutual

By: _____

Name: _____

Title: _____

Date: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____,
Notary Public, personally appeared _____, who
proved to me on the basis of satisfactory evidence to be the person(s) whose
name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf
of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California
that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
)
COUNTY OF _____)

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Notary Public

EXHIBIT “A”

UNIT LEGAL DESCRIPTION

SAMPLE

EXHIBIT “B”

PETITION FOR DESIGNATING A BUILDING AS SMOKE-FREE

SAMPLE

EXHIBIT “C”

OWNER’S PETITION AGREEMENT FORM

SAMPLE



Checklist for Designation of a Building as Smoke-Free

This checklist is designed for use in keeping track of the steps required to designate a building in Third's development as smoke-free (the "Designation") and documenting the completion/satisfaction of such steps, consistent with Third's procedure for Designation.

Building Address: _____

(the "Building") _____

Petitioner: _____

Completed (check)	Step	Date of Submittal/ Action	Task (as more fully described in the Smoke-Free Building Designation Policy and Procedure)
	1		Receipt of a completed "Petition for Designating a Building as Smoke-Free" (the "Petition") signed by a Third member(s) who is a record owner(s) of a unit in the Building (the "Petitioner").
	2		Receipt of a completed and notarized "Petition Agreement Form" (an "Agreement Form"), which is an attachment to the Petition, signed separately by each of the Third members who are owners of a unit in the Building (collectively, the "Applicable Members").
	3		<p>Upon Receipt of the completed Petition and Agreement Forms, coordinate with Third's legal counsel for the preparation of the "Covenant to Run With the Land Regarding Designation of a Building as Smoke-Free" (the "Covenant") for the Building to be signed by each of the Applicable Members and Third.</p> <p><i>*The Amendments and Covenant must be prepared and mailed to the Applicable Members within thirty (30) days of Third's receipt of a complete Petition and complete Agreement Forms, to the Applicable Members' mailing addresses on record with Third.</i></p>

Completed (check)	Step	Date of Submittal/ Action	Task (as more fully described in the Smoke-Free Building Designation Policy and Procedure)
	4		<p>Mailing of the applicable Amendments and the Covenant to the Applicable Members.</p> <p><i>*The Amendments and Covenant must be prepared and mailed to the Applicable Members within thirty (30) days of Third's receipt of a complete Petition and complete Agreement Forms, to the Applicable Members' mailing addresses on record with Third.</i></p>
	5		<p>Receipt of notarized signatures by each of the Applicable Members for the Covenant.</p>
	6		<p>Verification that the executed Covenant copies received are signed by all Applicable Members, original and notarized, as applicable (the "Verification").</p> <p><i>*If the forms are not complete, the Petitioner should be advised in writing of same, why the forms are incomplete and what is required for the forms to be complete and the Designation process to move forward.</i></p>
	7		<p>Schedule a hearing before the Board to determine if any of the Applicable Members oppose the designation of the Building as smoke-free (the "Hearing").</p> <p><i>*The Hearing must occur within sixty (60) days of the Verification.</i></p>
	8		<p>Mailing of the notice of the Hearing to all of the Applicable Members.</p> <p><i>*The notice must be sent by first class mail at least fifteen (15) days prior to the Hearing, to the Applicable Members' mailing addresses on record with Third</i></p>
	9		<p>The Hearing is held.</p>
	10		<p>Petition and Designation approved by Board</p> <p><i>* If any Applicable Member opposes the Petition at the Hearing, then the Board will deny the Petition. If no Applicable Member opposes the Petition at the Hearing, then the Board will approve the Petition.</i></p> <p><u>IF PETITION DENIED, STOP HERE</u></p>

Completed (check)	Step	Date of Submittal/ Action	Task (as more fully described in the Smoke-Free Building Designation Policy and Procedure)
	11		<p>If the Petition and Designation were approved by the Board, the effective date of the Designation for the Building (the "Conversion Date") must be set.</p> <p><i>*The Conversion Date will be the date that is forty-five (45) days after the Hearing.</i></p>
	12		<p>Mailing of the Hearing results.</p> <p><i>*The Applicable Members must be advised of the Hearing results via first class mail within fifteen (15) days after the Hearing, to the Applicable Members' mailing addresses on record with Third. If the Petition and Designation are approved, the Applicable Members should be advised of the Designation approval and the Conversion Date. If the Petition and Designation are not approved, the Applicable Members should be advised of the Designation denial and that the Petitioner or any other Applicable Member can resubmit a Petition for Designation of the Building, provided that a Petition may be submitted to Third for the Building only once during any six (6) month period.</i></p>
	13		Third executes the Covenants, and the executed Covenants are submitted to the Orange County Registrar-Recorder for recordation.
	14		Upon receipt of the recorded Covenants from the County Recorder, a copy of each of the Covenants is mailed to the respective Applicable Members.
	15		A copy of the recorded Covenant is placed in Third's corporate records for each of the Units in the Building.
	16		A copy of the recorded Covenant is distributed to the employees and/or contractors of Third and/or Third's managing agent (e.g. persons or parties managing membership, real estate, Unit maintenance and escrow matters for Third) who are responsible for providing information regarding the Units to Members, prospective Members (through the current Member, and/or through the current Member's real estate broker or agent, as applicable) and lenders of either.

Completed (check)	Step	Date of Submittal/ Action	Task (as more fully described in the Smoke-Free Building Designation Policy and Procedure)
	17		The “Smoke-Free Building” list compiled and maintained by Third will be updated to reflect that the Building is subject to the Designation as of the Conversion Date.
	18		The “Smoke-Free Building” webpage on Third’s website will be updated to reflect that the Building is subject to the Designation as of the Conversion Date.
	19		Third will post Board-approved signs containing the language “ <u>No Smoking Anywhere in Building</u> ” at the main/common entrances to the Building (both at the exterior and interior entrances), if any, as well as in at least two (2) prominent places within common hallways/walkways on the floor of the Building, as may be applicable.
	20		All Applicable Members will be sent a notice reminding them to either remove all tobacco products, medical marijuana and other substances that generate smoke from their Units and the Building or to place on notice persons who enter their Unit of the Designation of the Building as smoke-free and the prohibition of smoking in the Unit.



Notice of Hearing Regarding Designation of a Building as Smoke-Free

Pursuant to Third's "Smoke-Free Building Designation Policy and Procedure" (the "Procedure"), Third's Board of Directors has received completed forms petitioning for the designation of the building located at _____, Laguna Woods, California 92637 (the "Building") as smoke-free.

The Board has scheduled a hearing, in accordance with the Procedure, to determine if any of the members of Third who are record owners of units in the Building (the "Applicable Members") oppose the designation of the Building as smoke-free. The forms received by Third regarding designation of the Building as smoke-free indicate that all of the Applicable Members approve such designation.

The hearing will be held as follows:

Date: _____

Time: _____

Location: _____

Please be advised that if any Applicable Member opposes the designation of the Building as smoke-free at the hearing, then the Board will deny the petition for such designation. If no Applicable Member opposes the petition at the hearing, then the Board will approve the petition and the Building will become smoke free on a permanent and irrevocable basis forty-five (45) days from the date of the above noticed hearing.

This hearing will be held at an open session meeting of Third's Board, and this notice has been prepared and distributed/posted in accordance with the requirements of the Procedure, Third's other governing documents and applicable state statute.



**Results of Hearing Regarding Designation of a Building as Smoke-Free
(Approval of Designation of Building as Smoke-Free)**

On [REDACTED], a hearing was held before/with Third's Board of Directors to determine whether the building located at [REDACTED], Laguna Woods, California 92637 (the "Building") would be designated as smoke-free, in accordance with Third's Smoke-Free Building Designation Policy and Procedure (the "Procedure"). All members of Third who are record owners of a Unit in the Building (the "Applicable Members") were sent notice of that hearing in accordance with the requirements of the Procedure, Third's other governing documents and applicable state statute. Prior to the hearing, all Applicable Members had submitted forms in accordance with the Procedure evidencing unanimous Applicable Member support for the designation of the Building as smoke-free.

At the hearing, none of the Applicable Members opposed the designation of the Building as smoke-free. Accordingly, in accordance with the Procedure, the Building will be designated as smoke-free on a permanent and irrevocable basis as of [REDACTED] (the "Conversion Date"), forty-five (45) days after the above noted hearing date. All Applicable Members will be required to remove all tobacco products, medical marijuana and other substances that generate smoke from their Units and the Building on or before the Conversion Date or, in the alternative, place on notice persons who enter their Unit of the designation of the Building as smoke-free and the prohibition of smoking in the Unit. All current and future persons residing in, occupying, leasing or visiting a Unit in the Building, and the family members, guests and invitees of each, shall be prohibited from smoking anywhere in the Unit and Building as of the Conversion Date on a permanent and irrevocable basis.

In the near future, a fully executed recorded copy of the Agreement and Covenant to Run with Land (Non-Smoking Building Designation), signed by each of the Applicable Members, will be forwarded to each such Applicable Member. Further communication with regard to this matter is forthcoming to you from Third, and this notice of hearing results is being sent in compliance with the Procedure, Third's other governing documents and applicable state statute.

Should you have any questions, please contact [REDACTED] via telephone at [REDACTED] or via email at [REDACTED].



**Results of Hearing Regarding Designation of a Building as Smoke-Free
(Denial of Designation of a Building as Smoke-Free)**

On [REDACTED], a hearing was held before/with Third's Board of Directors to determine whether the building located at [REDACTED], Laguna Woods, California 92637 (the "Building") would be designated as "smoke-free", in accordance with Third's Smoke-Free Building Designation Policy and Procedure (the "Procedure"). All members of Third who are record Owners of a Unit in the Building (the "Applicable Members") were sent notice of that hearing in accordance with the requirements of the Procedure, Third's other governing documents and applicable state statute. Prior to the hearing, all Applicable Members had submitted forms in accordance with the Procedure evidencing unanimous Applicable Member support for the designation of the Building as smoke-free.

At the hearing, one or more of the Applicable Members opposed the designation of the Building as smoke-free. Accordingly, in accordance with the Procedure, the Building will not be designated as smoke-free. As described in the Procedure, in six (6) months the Applicable Members may re-petition and re-submit documentation to seek designation of the Building as smoke free; such action may only be taken once in any six (6) month period.

Should you have any questions, please contact [REDACTED] via telephone at [REDACTED] or via email at [REDACTED].

