



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

**Tuesday, August 21, 2018 - 9:30 a.m.**

**Laguna Woods Village Community Center Board Room 24351 El Toro Road**

The Regular Meeting of the Third Laguna Hills Mutual Board of Directors, a California non-profit mutual benefit corporation, was held on Tuesday, August 21, 2018, at 9:30 a.m., at 24351 El Toro Road, Laguna Woods, California

**Directors Present:** Rosemarie diLorenzo, Bill Walsh, Steve Parsons, James Tung, Burt Baum, Roy Bruninghaus, John Frankel, Jules Zalon, Cush Bhada, Jack Connelly and Bunny Carpenter (arrived late).

**Directors Absent:** None

**Staff Present:** Brad Hudson, Siobhan Foster, Chuck Holland, Eileen Paulin, Kurt Wiemann, Bruce Hartley, Chris Spahr, Marcy Vivios and Cheryl Silva

**Others Present:** Marcy Sheinwold (VMS), Rachel Unger (VMS),

**1. Call meeting to order / Establish Quorum**

Rosemarie diLorenzo, President of the Corporation, chaired and opened the meeting, and stated that it was a Regular Meeting held pursuant to notice duly given. A quorum was established, and the meeting was called to order at 9:30 a.m.

**2. Pledge of Allegiance**

Director Frankel led the Membership in the Pledge of Allegiance.

**3. Acknowledge Media**

The Globe and the Village Television Crew, by way of remote cameras, were acknowledged as present.

**4. Approval of Agenda**

Director Parsons made a motion to approve the agenda as presented. Director Bhada seconded the motion and it passed by unanimous consent.

Director Frankel requested to moved 11a(1) deny the request to remove one Weeping Fig tree located at 3138-C Via Vista from the consent calendar to unfinished business to agenda item 12d.

Director Walsh added agenda item 12e Alteration Standard 31: Washer and Dryers Installations.

Director Parsons made a motion to approve the corrected agenda. The motion was seconded by Director Bhada and passed by unanimous consent.

## **5. Approval of Minutes**

- a. July 17, 2018 – Regular Open Session
- b. July 26, 2018 – Special Open Session

Director Zalon made a motion, seconded by Director Bruninghaus to approve the minutes of July 17, 2018, and July 26, 2018 it passed by unanimous consent.

## **6. Report of the Chair**

President diLorenzo announced that the Meet the Candidates session would be held on August 24, 2018, and that there were three vacancies on the Board.

## **7. Open Forum**

Members talked about supporting the Laguna Woods Foundation, banning the use of Round-up in Third Mutual, protesting a Cease and Desist letter from Third Mutual's Attorney, emergency evacuations of the Village, having food trucks within the Village, installing solar energy, having better building lights, problem of noise and lights from laundry room in 3 story buildings and parking of RV's on Avenida Sosiega.

## **8. Responses to Open Forum Speakers**

Directors responded to Member comments.

CEO, Brad Hudson and Bruce Hartley, Director of General Services, discussed the extensive work Landscaping is doing to replace Round-up with the goal of stopping the use of Round-up. By consensus, the Board decided to discuss this issue further in Close Session.

## **9. Update from VMS – Director Sheinwold**

Director Sheinwold introduced some of the employees that were recognized for excellent service to VMS. She gave a brief summary of the recent VMS Board meetings. Bruce Hartley, Director of General Services, reported on work being done on the slopes, streets and paving. Tim Moy, Director of Security and Community Access reported on gate access, mail break-in problems, automated response system, and the work done by Social Services.

## **10. CEO Report**

Brad Hudson, CEO, reported on the following developments:

- Asphalt paving and sealcoating being done in seventeen cul-de-sacs during the month of August. Concrete and asphalt repairs at RV Lot A are beginning soon

and RVs will be allowed to park temporarily along Avenida Sosiega and Bahia Blanca West.

- Vegetation clearing project and shepherds crooks fencing scheduled to begin along Ridge Route Drive;
- Improved reflective street and building signage are being installed;
- Website is now available in 9 languages;
- Need for residents to call Resident Services for pick-up of bulky items and household hazardous waste items, but not to leave them by the dumpsters;
- Upgrading the landscaping around the gatehouses with drought tolerant plants;
- Gatehouse renovations are almost complete at gates 8, 9 10 11 and 14;
- Gate arms will be installed shortly at gates 10 & 11;
- West Coast Internet contract has been re-negotiated and will result in improved services with no additional costs to the community;
- Television Guide has been upgraded to the current version. Residents can also get the latest TV Guide from [tvguide.com](http://tvguide.com);
- The kiosk for Resident Services in the Community Center lobby is going to be upgraded;
- Manor alteration is moving their services to one of the rooms on the first floor;
- CEO, Brad Hudson, is doing a special edition of "This Day" to talk about the budget and some of the projects that have been done; and
- The current landscaping turf requires a lot of maintenance; new techniques and equipment are needed.

Brad Hudson, answered questions from the Board.

President diLorenzo asked staff to place signs by the dumpsters with the trash rules.

Bruce Hartley, Director of General Services, commented on the household hazardous waste program offered by Waste Management Services. Call Resident Services for a pick-up.

## **11. Consent Calendar**

### **11a. Landscape Committee Recommendations:**

#### **(1) Tree Removal Recommendations**

#### **RESOLUTION 03-18-127**

#### **Tree Removal Approval (2) Tree Removal Denial (1) and Approval of Off-schedule trimming/crown reduction (1)**

**WHEREAS**, September 20, 2011, that the Board of Directors adopted Resolution 03-11-149 tree removal guidelines:

- Unless there is a purposeful reason, trees should not be removed merely because they are messy, or because of residents' personal preferences concerning shape, color, size, or fragrance.
- Trees should not be removed because of view obstruction if the obstruction is at a considerable distance from the complaining manor and therefore causes only a partial obstruction.

- Trees on slopes should not be removed if the removal will contribute to the destabilization of that slope.
- Trees which are damaging or will damage a structure, pose a hazard, in failing health or interfering with neighboring trees, will be considered for removal.

**WHEREAS**, on August 2, 2018, the Landscape Committee recommended to:

- Approve the request to remove one diseased Evergreen Pear tree located at 4007-2G Calle Sonora and;
- Deny the request to remove one Weeping Fig tree located at 3138-C Via Vista and in an effort to preserve the tree and protect private property, direct staff to root prune and install 18" deep root barriers around the perimeter of the patio within 60 days at no charge to the resident, and;
- Approve the off-schedule trimming and crown reduction of one Indian Laurel Fig tree that has become too large for the location and is adversely affecting the surrounding manors at 3166-B Alta Vista and;
- Approve the removal of one Carrotwood tree due to the presence of wood decay and the visible damage to the adjacent concrete sidewalk and driveway; located at 5567-A Via Portora.

**NOW THEREFORE BE IT RESOLVED**, August 21, 2018, the Board of Directors approved the request to remove one tree at 4007-2G and one tree located at 5567-A; denied the request to remove one tree located at 3138-C; and approved the off-schedule trimming of one tree located at 3166-B.

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

**11b. Finance Committee Recommendations:**

- (1) Approve Resolution to Record Lien against Member's ID; 934-902-59

**RESOLUTION 03-18-128**

**Recording of a Lien**

**WHEREAS**, Member ID 934-902-59 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

**WHEREAS**, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board

(with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

**NOW THEREFORE BE IT RESOLVED**, August 21, 2018, that the Board of Directors hereby approves the recording of a Lien for Member ID 934-902-59 and;

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

(2) Approve Resolution to Record Lien against Member's ID; 932-310-38

**RESOLUTION 03-18-129**  
**Recording of a Lien**

**WHEREAS**, Member ID 932-310-38 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

**WHEREAS**, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

**NOW THEREFORE BE IT RESOLVED**, August 21, 2018, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-310-38 and;

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

Director Parsons made a motion to approve the Consent Calendar as amended. The motion was seconded by Director Bhada. The motion passed by unanimous consent.

**12. Unfinished Business**

**12a.** Entertain a Motion to Adopt a Payment Plan Agreement Form

Burt Baum, Secretary of the Board, presented a summary of the following resolution:

**RESOLUTION 03-18-130**  
**Delinquent Assessment Payment Plan Agreement**

**WHEREAS**, any Member who is unable to timely pay regular assessments is entitled to make a written request for a payment plan to the Board;

**WHEREAS**, each request for a payment plan is approved or denied on a case-by-case basis after review by the Finance Committee;

**WHEREAS**, a Delinquent Assessment – Payment Plan form, which includes several payment options and conditions, is used to create an agreement between the delinquent Member and the Mutual;

**WHEREAS**, the Third Finance Committee recommends a revised Payment Plan Agreement Form with changes submitted by legal counsel to help reinforce collection activity that will occur if a member breaches the agreed-to payment plan for delinquent assessments; and

**WHEREAS**, the Finance Committee recommends recovering costs associated with accepting payments over time including the initiation of interest charges and an administrative fee for every month the agreement is in effect;

**NOW THEREFORE BE IT RESOLVED**, on August 21, 2018, the Board of Directors of this Corporation hereby introduces revisions to the Delinquent Assessment - Payment Plan Agreement form, as attached to this Corporate record, initiating a monthly charge for interest at the rate of 10% per annum, and introducing a new payment plan administrative fee of \$25 per month; and

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

**JULY INITIAL NOTIFICATION**

**30-day notification to comply with Civil Code §4360 has been satisfied.**

Director Baum made a motion to adopt the Payment Plan Agreement form. Director Parsons seconded the motion and it passed by unanimous consent.

**12b. Entertain a Motion to Approve the Energy Task Force Charter**

Director Baum, Secretary of the Board, presented a summary of the changes to following Charter:

**Village Energy Task Force  
Charter and Mission**

In July 2018, the Boards of Directors of the Third Laguna Hills Mutual, United Laguna Woods Mutual and the Golden Rain Foundation hereby assigns the duties and responsibilities of this Task Force, as follows:

***The Village Energy Task Force will consist of two directors each from Third Mutual, United Mutual and the Golden Rain Foundation. Member Advisors as approved by the Task Force will be voting members.***

***The mission of the Village Energy Task Force is to identify and recommend to all Boards, investments in energy technologies that will address the, economic, environmental and aesthetic issues of Third and United Mutual and GRF (the Corporations) with the common goal to enhance the wellbeing of their respective residents.***

1. Recommend to the respective Committees and Boards, for their approval, all actions that will result in energy savings for residents and an improved environment for the Community.
2. Review energy statements and other reports affecting the Corporations' energy usage and recommend actions.
3. Work closely with Staff and review all devices or systems that either generate, control or consume energy within the Corporations. Identify alternatives that would be beneficial, taking into consideration factors such as efficiency, reliability, sustainability, installation, cost, return on investment, carbon foot print, human factors, and operability. Propose priorities of actions.
4. Seek out energy incentive programs applicable to the Corporations.
5. Work with the respective Communications Committees to make residents aware of Task Force actions as well as actions they can take to reduce their own energy costs and improve the environment.
6. In conjunction with Staff, make progress reports to the respective corporate M&C Committees on investigation results, resident actions and comments, as well as M & C Committee-approved projects.
7. To improve familiarity with technology and products, the Task Force should arrange seminars and invite speakers from vendors, universities, trade groups or consultants.
8. Suggest actions the Boards can take with respect to the California Public Utility Commission or the California legislature regarding proposed tariff charges or energy related bills affecting the Corporations.

9. Meet and Confer with the City of Laguna Woods on energy saving initiatives offered to municipalities by the State of California through Investor Owned Utilities (IOU) such as Southern California Edison.
10. The Chair and Vice Chair of the Task Force will be elected by members of the Task Force.

Director Baum made a motion to approve the revised Village Energy Task Force Charter. Director Bruninghaus seconded the motion and it passed by unanimous consent.

**12c. Entertain a Motion to Adopt a Resolution to Revise the Financial Guidelines/Guarantors for Manor Unit**

Burt Baum, Secretary of the Board, presented a summary of the following resolution:

**RESOLUTION 03-18-131**  
**Guidelines for Financial Qualifications**

**WHEREAS**, Third Laguna Hills Mutual ("Mutual"), acting through its Board of Directors ("Board"), previously adopted operating rules concerning financial qualifications pursuant to the following Board resolutions:

1. Administrative Guidelines for Financial Qualification (Res. No. 03-05-17);
2. Financial Guarantor (Res. No. M3-91-38); and
3. Financial Qualifications Policy (Res. No. 03-16-95).

**WHEREAS**, the forgoing operating rules are collectively referred to herein as the "Financial Resolutions".

**WHEREAS**, it is in the Mutual's best interests to protect and preserve its financial integrity, ensure consistency among the provisions of its governing documents (including without limitation, the Financial Resolutions), and promote the uniform application of the provisions of said governing documents.

**NOW, THEREFORE BE IT RESOLVED**, on August 21, 2018, that the Board hereby adopts, and the Financial Resolutions are hereby superseded by, the Guidelines for Financial Qualifications set forth below.

**GUIDELINES FOR FINANCIAL QUALIFICATIONS**

The governing documents of Third Laguna Hills Mutual ("Mutual") require each person seeking to acquire an ownership interest in a unit ("Applicant") to obtain the prior written approval of the Mutual's Board of Directors ("Board") before doing so. As a condition to



obtaining such approval, each Applicant must provide to the Board documentation that conclusively establishes that Applicant satisfies certain financial requirements as set forth in the Mutual's governing documents ("Application"). For the purposes of determining whether an Application will be approved or denied, the Board has adopted these Guidelines for Financial Qualifications ("Guidelines"), which shall remain in effect until such time as these Guidelines may be changed, modified, or amended by a duly adopted Board resolution.

**I. General Application Requirements.**

- a. As a condition of approval, each Applicant must submit to the Mutual an Application with **all** of the following documentation provided in a form satisfactory to the Board:
  1. A federal income tax return for the most recent year that is signed, dated, and includes Schedules A, B and E, as applicable, as well as any other financial verification documents requested by the Board. By way of example, but without limitation, other verification documents may be required if any Applicant derives income from a business owned by the Applicant (personally or through a legal entity), in which case the applicable business tax schedule and profit and loss statement may also be required.
  2. Net worth verification pursuant to Section II of these Guidelines.
  3. Income verification pursuant to Section III of these Guidelines.
  4. A completed Financial Statement and Credit Information form.
  5. Verification of the Applicant's identity, which must be a natural person, or a designated individual acting on behalf of a corporation, LLC or Trust.
  6. If the Applicant desires to have a Guarantor to enable the Applicant to Qualify to purchase a unit (as defined below), all documents required pursuant to Section IV of these Guidelines shall also apply to the Guarantor.
  7. If the Applicant desires to purchase more than one (1) unit or already owns at least one (1) unit at the Mutual, all documents required pursuant to Section IV of these Guidelines shall be required for each unit application.
- b. The Board may deny any Application that does not include **all** of the documentation required herein, in a form consistent with these Guidelines and satisfactory to the Board, except as otherwise required by law.

- c. Any Application (including, without limitation, any document submitted in connection with said Application) that contains false or misleading information will be denied. If an Application was approved and it is later determined that such Application contained false or misleading information and if escrow had not closed by the time such discovery was made the Board may immediately withdraw its approval without the Mutual suffering any liability whatsoever. If escrow, as referenced immediately above, has already closed when the discovery of the false and misleading documentation is discovered, the Applicant will be deemed an owner, not in good standing and will, after a noticed hearing before the Board, be denied the owner's amenity rights applicable, unless suspended, by an owner in the Mutual.
- d. Notwithstanding anything to the contrary contained herein, if more than one (1) Applicant will acquire an ownership interest or reside in any single unit, such Applicants' income and net worth may, in the Board's sole reasonable discretion, be calculated collectively.

## II. **Net Worth Requirements.**

- a. As a condition of approval, each Applicant shall submit satisfactory verification of net worth that is greater than or equal to the *sum* of the purchase price of the unit *plus* one hundred twenty-five thousand dollars (\$125,000) in acceptable assets.
- b. When computing net worth for the purposes of this Section, acceptable assets shall be limited to those assets that are considered, in the Board's sole discretion, to be liquid, marketable or income producing. Examples of acceptable assets include, without limitation, the following:
  - 1. Equity in residential and income real estate.
  - 2. Savings accounts in banks and credit unions.
  - 3. Cash value life insurance.
  - 4. Certificates of deposit and money market accounts.
  - 4. IRA, SEP, 401(k), Profit Sharing and Keogh accounts.
  - 5. Federal, state, or municipal government bonds.
  - 6. U.S. traded investments (e.g., NYSE, Amex, OTC, Nasdaq, etc.) valued at current market prices.
  - 7. Mortgages and promissory notes; provided that the interest in such mortgages or promissory notes is reported on the Applicant's tax

return.

- c. When computing net worth for the purposes of this Section, acceptable assets will **not** include, without limitation, the following:
1. Equity in mobile homes, recreational vehicles, boats, trailers, airplanes, automobiles, or other vehicles of any kind.
  2. Vacant or undeveloped real estate.
  3. Artwork, jewelry, or other collectibles (e.g., coins, dolls, stamps, etc.).
  4. Term life insurance.
  5. Annuity funds that cannot be withdrawn in lump sum.
  6. Anticipated bequests, devises or inheritances.
  7. Mortgages and promissory notes where the interest in such mortgages or promissory notes is **not** reported on the Applicant's tax return.

### III. Income Requirements.

- a. As a condition of approval, each Applicant shall submit satisfactory verification of annual income that is greater than or equal to the *sum* of the total of the unit's annual mortgage payment *plus* forty-five thousand dollars (\$45,000) per year.
- b. Traditional retirement account assets (e.g., 401K, ERISA, IRA, Profit Sharing, etc.) will be considered as a source of annual income in accordance with this subsection. For the purposes of the income verification requirement pursuant to subsection (a) above, the portion of an Applicant's traditional retirement account assets attributable to said Applicant's annual income shall be deemed to be the greater of the following:
1. The mandatory annual distributions for the Applicant's retirement accounts; **or**
  2. The total amount of the Applicant's retirement accounts *multiplied* by eighty percent (80%), and then *dividing* this product by twenty-five (25) years, as follows:

$$\text{Attributable Income} = (\text{Total Retirement Account Assets} \times 80\%) \div 25$$

- c. Examples of acceptable income verifications include, without limitation, the following:
  - 1. Federal tax returns from the most recent year.
  - 2. W-2 forms or paycheck stubs.
  - 3. Bank, credit union, or investment account statements.
  - 4. Letters from bankers with verifiable first-hand knowledge of the Applicant's finances.
  - 5. Notices of annuities and social security payments.
  - 6. Credit reports.
- d. Examples of **unacceptable** income verifications include, without limitation, the following:
  - 1. Letters from employers, accountants, enrolled agents, investment counselors, or attorneys.
  - 2. Any income not reported on federal income tax returns.

#### IV. **Guarantors.**

- a. In the event any Applicant is unable to satisfy the financial requirements set forth in the Mutual's governing documents (including, without limitation, these Guidelines), the Board may permit said Applicant to have a financial guarantor in accordance with this Section IV ("Guarantor").
- b. Each Applicant supported by a Guarantor shall submit proof that their primary residence is located in California, USA and satisfactory verification of a net worth of at least one hundred twenty-five thousand dollars (\$125,000) in acceptable assets, notwithstanding the requirements of Section II and Section III of these Guidelines.
- c. Each Guarantor shall enter into an agreement with the Mutual to become financially responsible, jointly and severally, for all expenses associated with the Applicant's ownership, residency and/or membership at the Mutual ("Assessment/Charges Guarantor Obligation Form"). A Assessment/Charges Guarantor Obligation Form is attached hereto as Exhibit "A" and incorporated in its entirety herein by this reference as if fully set forth in these Guidelines.
- d. Each Guarantor shall submit **all** of the following documentation in a form satisfactory to the Board:

1. A fully executed and completed Assessment/Charges Guarantor Obligation Form.
  2. Proof that the Guarantor's primary residence is located in California, USA.
  3. Verification of net worth equal to the *sum* of the purchase price of the unit *plus* two hundred thousand dollars (\$200,000) in acceptable assets.
  4. Verification that the Guarantor's annual income is greater than or equal to the *sum* of the total of the unit's annual mortgage payment *plus* eighty-thousand dollars (\$80,000) per year.
  5. A credit report.
- e. The Board may withhold its approval of any Guarantor for, without limitation, any the following reasons:
1. A Guarantor or Applicant fails to provide **all** of the documentation as required by subsection (d), above, in a form consistent with these Guidelines and satisfactory to the Board.
  2. A Guarantor is subject to a bankruptcy proceeding that is pending or has not been discharged.
  3. Any foreclosure or short sale of any property owned by the Guarantor.
  4. Any outstanding balances, collection accounts, or judgments owed by the Guarantor.
  5. A Guarantor's credit score is lower than 680.
  6. A Guarantor resides in a primary residence outside of the State of California.
  7. A Guarantor's bank is located outside of the State of California.
  8. A Guarantor already guarantees (1) one or more units within Laguna Woods Village.
  9. A Guarantor provides any false or misleading information to the Board.
  10. Any other reasonable grounds that call into question a Guarantor's

financial ability or fitness to serve in this capacity on an Applicant's behalf.

- f. Each Guarantor's assurances shall only apply to the Applicant(s) and unit expressly identified on the Assessment/Charges Guarantor Obligation Form. No Guarantor's assurances may be transferred to any other Applicant or unit.
- V. **Multiple Units.** As a condition of approval, any Applicant who desires to purchase more than one (1) unit or already owns at least one (1) unit at Third Laguna Hills Mutual, Laguna Woods Mutual No. Fifty or United Laguna Woods Mutual shall submit satisfactory verification of annual income and net worth requirements pursuant to this Section V.
- a. **Net Worth Requirements.** The Applicant shall submit satisfactory verification of net worth that is greater than or equal to the *sum* of the purchase price for each unit *plus* one hundred twenty-five thousand dollars (\$125,000) in acceptable assets per unit, as follows:
    - Unit 1: purchase price for Unit 1 + \$125,000
    - Unit 2: purchase price for Unit 1 + \$125,000 +  
purchase price for Unit 2 + \$125,000
    - Unit 3: purchase price for Unit 1 + \$125,000 +  
purchase price for Unit 2 + \$125,000 +  
purchase price for Unit 3 + \$125,000
  - b. **Income Requirements.** The Applicant shall submit satisfactory verification of annual income as follows:
    - 1. Annual Income that is greater than or equal to the *sum* of the following: the total of the first unit's annual mortgage payment *plus* forty-five thousand dollars (\$45,000) per year *plus* the total of the second unit's annual mortgage payment *plus* forty-five thousand dollars (\$45,000) per year *plus* an additional twenty-two thousand five hundred dollars (\$22,500).
    - 2. For each additional unit, the annual income requirement shall be calculated consistent with subsection (b)(1), above – that is, the additional unit's annual mortgage payment *plus* an additional twenty-two thousand five hundred dollars (\$22,500) over the previous annual income requirement, as follows:
      - Unit 1: annual mortgage payment + \$45,000
      - Unit 2: annual mortgage payment on Unit 1 + \$45,000 +

annual mortgage payment on Unit 2 + \$45,000 + \$22,500

Unit 3: annual mortgage payment on Unit 1 + \$45,000 +  
annual mortgage payment on Unit 2 + \$45,000 + \$22,500 +  
annual mortgage payment on Unit 2 + \$45,000 + \$22,500 +  
\$22,500

**July Initial Notification**

**30-Day notification to comply with Civil Code §4360 has been satisfied.**

Director Baum made a motion to adopt a resolution to revise the Financial Guidelines/Guarantors for Manor Unit. The motion was seconded by Director Bhada.

Discussion ensued among the Directors.

President diLorenzo called for the vote and the motion passed by unanimous consent.

This agenda item was removed from the Consent Calendar:

**12d. Landscape Committee Recommendations: Tree Removal (3138-C) Deny the request to remove one Weeping Fig tree located at 3138-C Via Vista and direct staff to root prune and install 18" deep root barriers around the perimeter of the patio within**

Judith Hurst (3138-C) requested that the root barriers be listed in the resolution.

This agenda item was added to the agenda:

**12e. Entertain a Motion to Adopt a Resolution for Revised Alteration Standard 31: Washer/Dryer Installations**

Burt Baum, Secretary of the Board, presented a summary of the following resolution:

**RESOLUTION 03-18-xx**

**Revised Alteration Standard 31: Washer/Dryer Installations**

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

**WHEREAS**, the Architectural Control and Standard Committee recognizes the need to revise Alteration Standard 31: Washer and Dry Installations.

**NOW THEREFORE BE IT RESOLVED**, July 17, 2018, that the Board of Directors of this Corporation hereby introduces Alteration Standard 31: Washer and Dry Installations as attached to the official meeting minutes;

**RESOLVED FURTHER**, that Resolution M3-98-65 adopted December, 1998, is hereby superseded in its entirety and no longer in effect;

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

**JULY INITIAL NOTIFICATION**

**30-day notification to comply with Civil Code §4360 has been satisfied.**

Director Baum made a motion to extend the adoption a resolution to revise Alteration Standard 31: Washer/Dryer Installations for another 30-days and send the resolution back to the Architectural Control and Standards Committee for corrections. The motion was seconded by Director Walsh.

Discussion ensued among the Directors.

President diLorenzo called for the vote and the motion passed by unanimous consent.

**13. New Business**

**13a.** Entertain a Motion to Introduce a Resolution to Revise the Common Area Use Policy.

Director Baum, Secretary of the Board, presented a summary of the following Resolution:

**RESOLUTION 03-18-XX**  
**Revised Common Area Use Policy**

**WHEREAS**, the Third Laguna Hills Mutual, ("Mutual") is a corporate homeowners association that was formed in 1970; by 1984 had acquired the assets and liabilities by vote of each of the fifty-nine (59) individual Mutuals within the larger Leisure World (now Laguna Woods Village) common interest development, with full authority to manage, operate, and maintain them. By 1988, each of the fifty-nine (59) Mutuals had agreed by vote of each Mutual's membership to adopt the same amended CC&Rs.

**WHEREAS**, the decisions of the Mutual's Board of Directors ("Board"), and any committees, task forces, etc., appointed by the Board, are governed or regulated by the Mutual's Governing Documents, the City of Laguna Woods and Orange County codes, and California and federal Laws and Regulations;

**WHEREAS**, the Mutual's Board recognizes that both new and existing Manor Owners may desire to upgrade or alter their Manors or elements thereof in style, structure or function. The current Mutual Board, prior Mutual Boards, and the Boards of the predecessor original condominium project mutual homeowner associations, have from time-to-time adopted policies and procedures to approve such Manor Alteration Applications in limited circumstances;

**WHEREAS**, the Mutual's current Governing Documents require that all such Manor Alteration Applications be approved either by the Architectural Control Committee, which may either be the Board itself or a separate committee of Members



appointed by the Board, or by the Mutual's Manager, Village Management Services, Inc. ("Staff"), where VMSI is so authorized;

**WHEREAS**, pursuant to Article X of the Mutual's *Declaration of Revised and Amended Covenants, Conditions and Restrictions* ("CC&Rs") and Article 7 of the Mutual's Bylaws, the Board, by Resolution 03-16-128, dated December 20, 2016, has formed an Architectural Control and Standards Committee ("Committee") to perform the functions described therein;

**WHEREAS**, pursuant to Article IV, Section 2, Clause (c); Article IV, Section 5; and Article X, Section 1, Clause (c), of the CC&Rs, the Board has delegated, with continuing oversight by the Committee, authority to its Manager and Staff to receive, evaluate, and make recommendations to the Committee and the Board to approve or deny Manor Alteration Applications;

**WHEREAS**, the current Board, as well as prior Mutual boards, have noted that over the years that some manor Owners have made alterations to their Manors or to the immediately contiguous areas, both with and without Board authorization, which have affected relatively small sections of the Mutual's Common Area. Typically those alterations have involved enclosing patios that are Exclusive Use Common Area and occasionally have also involved extending that enclosure onto general Common Area, or the alterations have affected the landscape and hardscape contiguous to a Manor;

**WHEREAS**, in some cases these alterations may not have met the Mutual's then current Architectural Alteration Standards, notwithstanding the fact that the alteration may have enhanced the value of the Manor and possibly the community as well;

**WHEREAS**, the Board recognizes that to identify each prior alteration and determine whether or not it is non-conforming and/or unauthorized would be expensive, time consuming and disruptive to the community and its residents. This Board has concluded that such an undertaking would not be in the best interests of the owners of undivided interests in the Mutual's general Common Area;

**WHEREAS**, the Committee and the Board have reviewed and reconsidered the Mutual's current policies and procedures regarding Manor Alteration Applications to ensure proper procedures are in place in the Mutual on a going-forward basis with regard to alterations by Members;

**WHEREAS**, among other things, the Common Area Use Policy sets forth very limited circumstances where the Mutual's Board, Committee or Staff, would approve a proposed alteration of, addition to, or improvement of any Manor ("Alteration") that would be located upon or over a portion of the common area; and,

**WHEREAS**, due to the administrative, financial, and legal burdens involved, the Board and the Committee have determined that it is not in the Association's best interests to approve any Manor Alteration Applications that do not satisfy the very

limited circumstances defined from time to time by the Committee and approved by the Board.

**NOW THEREFORE BE IT RESOLVED**, August 21, 2018, that the Board has prepared a "Decision Tree", "Neighbor Awareness Notice of Hearing" form, and "Covenant To Run With The Land form", and the Board hereby adopts the policy outlined in this Resolution to govern the Board's, the Committee's and Staff's decision process when Manor Owners apply to the Mutual for authorization to make or construct an Alteration to or within the Manor's Separate Interest; to, upon or within the Exclusive Use Common Area;

**BE IT RESOLVED FURTHER**, no proposed Alteration located upon or over a portion of the common area will be approved by the Board, the Committee or Staff for any reason, except as set forth pursuant to the Policy or as otherwise required by law;

**BE IT RESOLVED FURTHER**, that, in limited circumstances, as set forth in the Policy, Staff may, but is not obligated to; approve Manor Alteration Applications that meet pre-established *Third Architectural Alteration Standards* and other Board and Committee approved policies and procedures, and that do not raise an objection by the owner of a neighboring Manor which is defined as manors "within 150 feet" of the proposed manor Alteration Application. Any Manor Alteration Application that cannot or will not be approved by Staff for any reason will be treated as a unique Variance Request to be investigated by Staff and considered by the Committee for approval or denial, with potential appeal of the Committee's decision to the Board, all in accordance with the Mutual's Governing Documents;

**BE IT RESOLVED FURTHER**, that, if the proposed Alteration is to be located entirely within or upon an Exclusive Use Common Area already associated with the Manor, Staff, as authorized, the Committee or the Board may, but is not obligated to, approve the Manor Alteration Application, provided the Alteration is in compliance with the Mutual's Architectural Review Procedures, subject to the discretion granted to Staff, the Committee, or the Board, as may be applicable, whether the Alteration would be located within a Manor's Separate Interest, to, within or upon Exclusive Use Common Area;

**BE IT RESOLVED FURTHER**, that, if the Staff, as authorized, the Committee or the Board decides to approve a Manor Owner's Application to make or construct an Alteration to, within or upon an Exclusive Use Common Area associated with that Manor, that Manor Owner must, as a condition to receiving final approval for the Manor Alteration Application, execute a recordable Covenant to Run with the Land. Such Covenant shall provide, among other things that the Manor Owner agrees that the area altered in any dimension or manner, shall remain Exclusive Use Common Area, licensed for the exclusive use of the Manor Owner, but shall not also become a part of the Manor's Separate Interest. The Covenant will also require that the Manor Owner shall assume the responsibility for insuring, maintaining, repairing, replacing and restoring the area containing the Alteration, and shall agree to indemnify and hold harmless the Mutual for any and all claims pertaining to the Alteration;

**BE IT RESOLVED FURTHER**, that the Board, within the limits of its current authority, hereby "grandfathers" any existing Alteration to any of the Manors located within the original condominium projects, or to the area immediately adjacent to that Manor, which have been previously approved by this Board, a prior board of directors of the Mutual, a board of directors or the architectural committee of a predecessor original condominium project mutual homeowner association, or the Staff of a prior management agent, if that Staff were so authorized, prior to July 20, 2017, even though that Alteration may encroach upon some portion of the general Common Area, provided that:

- (1) there is no threat to the safety of persons or property;
- (2) the Alteration met the Mutual's construction and architectural standards in effect at the time of the Alteration; and
- (3) there is no direction or order of a court requiring the Board to take contrary action; and

**BE IT RESOLVED FURTHER**, that "grandfathering" any such encroachment did not, does not, and will not constitute a transfer of general Common Area into any Manor's Exclusive Use Common Area or Separate Interest, or the conversion of Exclusive Use Common Area into a Manor's Separate Interest. Such "grandfathering" does not remove the obligation of a Member/Owner of a non-compliant Alteration to a Manor to correct such non-compliance in the event of a sale or transfer of their Manor, but merely means that such non-conformance will not be actively pursued by the Mutual;

**BE IT RESOLVED FURTHER**, that no further alteration may be approved or constructed on any previously approved or "grandfathered" alteration that encroaches upon common area, other than like for like, that augments, enlarges, or changes the construction, purpose, or use of the alteration;

**BE IT RESOLVED FURTHER**, that the Board may, subject to the limitations provided in this Resolution, the Governing Documents, and applicable law, demand that any Alteration, not consistent with the Mutual's *Third Architectural Alteration Standards* and other Mutual and VMSI policies and procedures published at the time of construction of said Alteration, be removed, at the Manor Owner's expense, if the Alteration is not either altered or reconstructed to be in conformity with such *Third Architectural Alteration Standards*, state and local building codes, and other Mutual and VMSI policies and procedures;

**BE IT RESOLVED FURTHER**, that the Board may demand the removal of any Alteration that is constructed after July 20, 2017, without the prior written approval of Staff, the Committee or the Board;

**BE IT RESOLVED FURTHER**, that, in accordance with the Mutual's CC&Rs, the existence in the Mutual of a prior Alteration comparable to an Alteration being sought by a Manor Owner shall have no precedential value and shall not obligate in any way

Staff, the Committee or the Board to approve any subsequent Manor Alteration Application;

**BE IT RESOLVED FURTHER**, that Mutual Board Resolution 03-17-77 is hereby superseded and cancelled; and

**BE IT RESOLVED FURTHER**, that Staff is charged with the responsibility of receiving, evaluating, approving or making recommendations for approval of Manor Alteration Applications; and overseeing construction of additions, modification, improvements, and such other Alterations to the Manors within the Mutual are hereby authorized to take all appropriate actions consistent with this Resolution and to carry out the purpose and intent of this Resolution and assure compliance with its terms.

**AUGUST Initial Notification**

Should the Board endorse the proposed revisions, Staff recommends that a motion be made and seconded to accept the resolution and allow discussion to ensure that the resolution reads to the satisfaction of the Board. Staff then recommends that a Board Member postpones the resolution to the next available Board Meeting no less than 30-days from the postponement to comply with Civil Code §4360.

Director Baum made a motion to introduce a resolution to revise Common Area Use Policy for 30-day review. Director Walsh seconded the motion.

Discussion ensued among the Directors.

Juniel Worthington (3280-O) spoke in favor of allowing residents to use the common area for personal items of art and submitted a petition signed by residents of Casa Blancas.

By consensus, the Board recommended sending the resolution back to the Architectural Control and Standards Committee for revisions.

**13b. Entertain a Motion to Revise the Traffic Rules & Regulations, Section 7.6**

Director Baum, Secretary of the Board, presented a summary of the following Resolution:

**RESOLUTION 03-18-XXX**  
**Traffic Rules and Regulations**

**WHEREAS**, by way of Resolution 03-14-44 the Board of Directors of this Corporation has adopted standards for traffic enforcement and parking enforcement, and in an effort to provide comprehensive traffic rules and regulations enforceable to the residents of Third Mutual, both standards have been consolidated to improve consistency within the community; and

**WHEREAS**, the Traffic Rules and Regulations are intended to mirror the California Vehicle Code and to adhere to the Davis-Stirling Act;

**WHEREAS**, due to the limited parking spaces throughout Third Mutual, contractor vehicles are only allowed to park on named streets and are prohibited from parking within numbered cul-de-sacs or manor parking lots;

**WHEREAS**, there is an exception to this rule in Section 7.6 Contractor and Service Vehicle Parking, that allow GRF owned vehicles and equipment to park in these areas while working.

**NOW THEREFORE BE IT RESOLVED**, August 21, 2018, that the Board of Directors of this Corporation hereby adopts the revised Third Laguna Hills Mutual Vehicle, Traffic, and Parking Rules, as attached to the minutes of this meeting; and

**RESOLVED FURTHER**, that the exception allowing GRF owned vehicles and equipment to park in numbered cul-de-sacs or in manor parking lots be removed from Section 7.6 of the Vehicle, Traffic and Parking Rules; and

**RESOLVED FURTHER**, that Resolution 03-14-44 adopted April 15, 2014 is hereby superseded 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.

Director Baum made a motion to introduce a resolution to review revisions to the Traffic Rules & Regulations, Section 7.6. Director Bruninghaus seconded the motion.

Discussion ensued among the Directors.

The Board requested this item be placed on 30-day review to allow for discussion to ensure that the resolution reads to the satisfaction of the Board.

By consensus, the Board introduced a resolution to revise the Traffic Rules & Regulations, Section 7.6 for 30-day review and for the Traffic Task Force to clarify the issue of parking in the wedding cake areas.

**13c.** Entertain a Motion to Introduce a Resolution to Revise the Non-Emergency Chargeable Maintenance Services Policy

**RESOLUTION 03-18-XX**

**Schedule for Non-Emergency Maintenance Chargeable Services**

**WHEREAS**, on October 20, 2015, the Board of Directors adopted Resolution 03-15-156 which reestablished the delivery of non-emergency chargeable services and approved a schedule for non-emergency maintenance chargeable services; and

**WHEREAS**, the service call charge for all Maintenance chargeable services was increased to \$25; and

**WHEREAS**, the Board established a \$25 permit processing fee for work that requires a City of Laguna Woods building permit if VMS pulls the permit; and

**WHEREAS** the Board approved a \$15 service charge when the Mutual Member (or representative) is not home for a scheduled appointment and fails to cancel in advance; and

**WHEREAS**, on July 21, 2015 the Board of Directors approved amending the schedule for non-emergency maintenance chargeable services to include the replacement of manor low flow toilets; and

**WHEREAS**, on March 21, 2017 the Board of Directors approved amending the schedule for non-emergency maintenance chargeable services to include Water Heater Maintenance & Element replacement; and

**WHEREAS**, additional non-emergency maintenance chargeable services have been added for electrical, carpentry, plumbing and facilities divisions as shown on the attached approved list.

**NOW THEREFORE BE IT RESOLVED**, October 16, 2018, that the Board of Directors hereby approves the attached new schedule for non-emergency maintenance chargeable services; and

**RESOLVED FURTHER**, that the service call charge for all Maintenance chargeable services shall remain \$25; and

**RESOLVED FURTHER**, the \$25 permit processing fee for work that requires a City of Laguna Woods building permit if VMS pulls the permit shall remain in effect; and

**RESOLVED FURTHER**, the \$15 service charge for when the Mutual Member (or representative) is not home for a scheduled appointment and fails to cancel in advance shall remain in effect; and

**RESOLVED FURTHER**, should the Mutual Member not be notified of a scheduled appointment change or the technician does not make the scheduled appointment, the subsequent scheduled appointment will be at no charge to the Mutual Member; and

**RESOLVED FURTHER**, that Resolution 03-17-48 adopted May 16, 2017 is hereby superseded and cancelled; and

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

**AUGUST Initial Notification**

Should the Board endorse the proposed revisions, Staff recommends that a motion be made and seconded to accept the resolution and allow discussion to ensure that the resolution reads to the satisfaction of the Board. Staff then recommends that a Board Member postpones the resolution to the next available Board Meeting no less than 30-days from the postponement to comply with Civil Code §4360.

Director Baum made a motion to introduce a resolution to revise the Non-Emergency Maintenance Chargeable Services Policy for 30-day review.

Discussion ensued among the Directors.

By consensus, the Board introduced a resolution for 30-day review.

**13d. Entertain a Motion to Adopt a Resolution to Approve 2019 Collection and Lien Enforcement Policy**

Director Baum, Secretary of the Board, presented a summary of the following Resolution:

**RESOLUTION 03-18-132**  
**2019 Collection & Lien Enforcement Policy**

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

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

**NOW THEREFORE BE IT RESOLVED**, August 21, 2018, that the Board of Directors hereby adopts the 2019 Third Laguna Hills Mutual Collection and Lien Enforcement Policy as attached to the official minutes of this meeting; and

**RESOLVED FURTHER**, the policy statement is provided pursuant to the requirements of California Civil Code section 5310(a)(7) and will be distributed to members in November 2018 as part of the Annual Policy Statement.

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

Director Baum made a motion to adopt a resolution to approve the 2019 Collection and Lien Enforcement Policy. The motion was seconded by Director Bhada.

Discussion ensued among the Directors.

President diLorenzo called for the vote and the motion passed by unanimous consent.

**13e. Entertain a Motion to Approve the Disciplinary Violations Matrix**

Director Baum, Secretary of the Board, presented a summary of the Disciplinary Violations Matrix.

Director Baum made a motion to adopt the Disciplinary Violations Matrix. The motion was seconded by Director Brunnghaus.

Discussion ensued among the Directors.

President diLorenzo called for the vote and the motion passed by unanimous consent.

**14. Committee Reports**

14a. Report of the Finance Committee / Financial Report - Director Parsons reported on the Treasurer's Report, Resale and Lease Reports. Next Meeting September 4, 2018, at 1:30 p.m. in the Board Room

14b. Report of the Architectural Controls and Standards Committee - Director Walsh gave an update from the last committee meeting. Next Meeting Monday, August 27, 2018, at 9:30 a.m. in the Sycamore Room

14c. Report of the Maintenance and Construction Committee - Director Walsh reported from the last committee meeting. Next Meeting October 1, 2018, at 9:00 a.m. in the Board Room

- Report of the Parking and Golf Cart Task Force - Director Frankel

14d. Report of the Landscape Committee - Director Tung gave an update from the last committee meeting and showed a presentation on drought resistant landscaping near the Great Park. Next Meeting September 6, 2018, at 9:00 a.m. in the Board Room

14e. Report of the Laguna Woods Village Traffic Hearings - Director Frankel gave an update from the last committee meeting. Next hearing September 19, 2018, at 9:00 a.m. in the Board Room and 1:00 p.m. in the Pine Room



14f. Report of the Communications Committee - Director Baum gave an update from the last committee meeting. Next Meeting September 12, 2018, at 1:30 p.m. in the Board Room

14g. Report of the Village Energy Task Force - Director Walsh gave an update from the last meeting. Next Meeting September 12, 2018, at 9:30 a.m. in the Willow Room

14h. Report of the Water Subcommittee - Director Tung gave a presentation on water usage in the Community. Director Frankel invited Katherine Freshley to come to the September meeting to report on water connectivity. Next meeting October 9, 2018 at 11:00 a.m. in the Sycamore Room

14i. Report of the Resident Policy and Compliance Task Force - Director Baum gave an update from the last committee meeting. Next meeting TBD

#### **15. GRF Committee Highlights**

15a. Community Activities Committee – Director Parsons reported on past and upcoming recreation and special events. Next meeting August 22, 2018, at 1:30 p.m. in the Board Room

15b. Finance Committee – Director Parsons reported on highlights from the last committee meeting. Next Meeting August 22, 2018, at 1:30 p.m. in the Board Room

15c. Maintenance & Construction Committee – Director Carpenter reported on highlights from the last committee meeting. Next meeting October 10, 2018 at 9:30 a.m. in the Board Room

- PAC Ad Hoc Committee – Next meeting TBA.

15d. Media and Communications Committee – Director Baum reported on highlights from the last committee meeting. Next meeting September 17, 2018 at 1:30 p.m. in the Board Room

- Thrive Project Task Force – Next Meeting September 19, 2018 at 9:30 a.m. in the Cypress Room

15e. Mobility and Vehicles Committee-Director Frankel reported on highlights from the last committee meeting. Next meeting October 3, 2018, at 1:30 p.m. in the Board Room

15f. Security and Community Access Committee – Director Bruninghaus reported on highlights from the last committee meeting. Next meeting August 27, 2018, at 1:30 p.m. in the Board Room

- Disaster Preparedness Task Force—Next meeting September 25, 2018, 9:30 a.m. in the Cypress Room

**16. Future Agenda Items--** *All matters listed under Future Agenda Items are Resolutions on 30-day public review or items for a future Board Meetings. No action will be taken by the Board on these agenda items at this meeting. The Board will take action on these items at a future Board Meeting.*

- 16a. Revise Common Area Use Policy (August Initial Notification)
- 16b. Revise the Traffic Rules & Regulations, Section 7.6 (August Initial Notification)
- 16c. Revisions to the Non-Emergency Chargeable Maintenance Services (August Initial Notification)
- 16c. Revised Alteration Standard 31: Washer/Dryer Installations (July Initial Notification)
- 16d. Resolution to Update the Third Mutual Bylaw Section 6.4.5 Automatic Vacancy

**17. Director's Comments**

The Directors had no additional comments.

**18. Recess**

The Board recessed at 12:55 p.m. and reconvened into Executive Session at 1:30 p.m..

**Summary of Previous Closed Session Meeting per Civil Code Section §4935**

*During the July 17, 2018, Regular Executive Session, the Board:*

*Approval of Agenda*

*Approval of the Following Meeting Minutes;*

*(a) June 19, 2018 – Regular Executive Session*

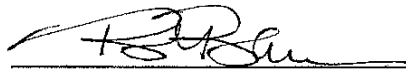
*Write-off Assessment & Chargeable Services Balances*

*Discuss and Consider Member Matters*

*Discuss and Consider Legal and Litigation Matters*

**19. Adjourn**

With no further business to come before the Board of Directors, the meeting was adjourned at 5:05 p.m.



Burt Baum, Secretary of the Board  
Third Laguna Hills Mutual



## **YEAR 2019 COLLECTION AND LIEN ENFORCEMENT POLICY AND PROCEDURES FOR ASSESSMENT DELINQUENCIES**

### **PURPOSE STATEMENT**

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

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

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

WE SINCERELY TRUST THAT ALL MEMBERS, IN THE SPIRIT OF COOPERATION AND RECOGNIZING THEIR LEGAL OBLIGATIONS, WILL MAKE TIMELY PAYMENTS AND AVOID THE IMPOSITION OF LATE CHARGES, POSSIBLE RESULTANT LEGAL ACTION, AND THE LEGAL OBLIGATION TO REIMBURSE THE MUTUAL FOR THE COSTS OF SUCH LEGAL ACTION. IT IS IN THE BEST INTEREST OF YOU AND EVERY OTHER MEMBER OF THE MUTUAL FOR EACH OF YOU TO MAKE YOUR MONTHLY PAYMENTS ON TIME.

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

### **BASIC POLICIES AND PROCEDURES**

Delinquency reports are made monthly by the Mutual’s managing agent to the Board of the Mutual, identifying the delinquent Member, and the amount and length of time the assessments have been in arrears. The policies and practices outlined in this Policy Statement shall remain in effect until such time as they may be changed, modified, or amended by a duly adopted resolution of the Mutual’s Board of Directors, or unless the applicable statutory scheme changes, in which event, this Policy Statement shall be construed so as to be consistent with any newly adopted statutes or court decisions.

In accordance with the Mutual's governing documents (including, without limitation, the Articles of Incorporation, the Bylaws, the recorded CC&Rs, rules and regulations and the California Civil Code), to ensure the prompt payment of monthly assessments, the Mutual employs the following collection and lien enforcement procedures. Also following, pursuant to Paragraphs 4, 6, and 7 are Third collection policies and procedures for the collection of fines, fees, and chargeable services charged against Members pursuant to the Governing Documents and current law:

### **1. Assessment Due Date**

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

### **2. Reminder Notice**

If the current monthly assessment is not received by the Mutual on or before the close of business on the sixteenth (16th) day of the month (or if a special assessment is not received by the Mutual on or before the close of business on the fifteenth (15th) day after it is due), a Reminder Notice is sent to the Member.

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

### **3. Administrative Collection Fee**

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

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

### **4. Late Charge**

IT IS THE MEMBER'S RESPONSIBILITY TO ALLOW AMPLE TIME TO DROP OFF OR MAIL ALL PAYMENTS SO THAT THEY ARE RECEIVED BEFORE THE DELINQUENCY DATE. All notices or invoices for assessments will be sent to Members by first-class mail addressed to the Member at his or her address as shown on the books and records of the Mutual. However, it is the

Member's responsibility to be aware of the assessment payment due dates and to advise the Mutual of any changes in the Member's mailing address, pursuant to Civil Code section 4041.

A late payment charge for a delinquent assessment will be assessed in the amount of Sixty Dollars (\$60.00) and will be imposed on any assessment payment that is more than fifteen (15) days in arrears. Further, both state law and the Mutual's governing documents provide for interest on the delinquent assessment and the late charge, and accordingly interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate of ten percent (10%) as allowed by Civil Code section 5650. Such interest may be imposed and collected per the foregoing sentence regardless of whether the Member's delinquent account is referred to the Mutual's legal counsel for further handling. Non-assessment fines, fees, and chargeable services are also subject to a late fee and interest, in an amount determined by Board resolution.

### **5. Demand Letter (aka Pre-Lien Letter)**

If full payment of the delinquent amount is not received by the close of business on the day which is fifteen (15) days after the date of the Reminder Notice, a Demand Letter (also known as a Pre-Lien Letter under California Civil Code sections 5650-5660) will be sent to the Member by Certified Mail. The Mutual, through its managing agent, will also attempt to contact the Member by telephone to remind the Member of the delinquency and determine when payment will be made. However, no assurances can be given that the Mutual will in fact reach the Member by telephone, and the Member is responsible to pay off the delinquency whether or not a telephone reminder is actually received by the Member.

### **6. Alternate Means to Collect Delinquent Sums**

If full payment of the delinquent amount (such as a duly levied and imposed assessment, fine, fee, or chargeable service including associated late fees and interest) is not received by the close of business on the thirtieth (30th) day after the date of the Demand Letter, the Mutual may, at its option, and based on the circumstances of the delinquency, including but not limited to, the total delinquent amount owing and the Member's payment history, undertake to collect the delinquency by: (1) suspending a Member's right (and that of the Resident or Tenant of that Member's Condominium Unit) to use Mutual or GRF facilities; (2) termination of the delinquent Member's Membership in the Mutual as a result of any foreclosure, (3) legal actions, discussed further below, or (4) other means permitted by law.

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

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

### **7. Small Claims Court**

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

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

The amount that may be recovered in small claims court may not exceed the jurisdictional limits of the small claims court, and shall be the sum of the following: (a) the amount owed as of the date of filing of the complaint in the small claims court proceeding; and (b) in the discretion of the court, an additional amount equal to the amount owed for the period from the date the complaint is filed until satisfaction of the judgment, which total amount may include accruing unpaid assessments, fines, fees, or chargeable services, and any reasonable late charges, fees and Costs of Collection (which costs shall, as stated above, include, without limitation, the Administrative Collection Fee), attorney's fees and interest, all up to the jurisdictional limits of the small claims court.

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

### **8. Lien**

The Mutual may secure the delinquency by recording a lien on the owner's separate interest with the county recorder of the county in which the separate interest is located. The debt shall be a lien on the owner's separate interest in the development from and after the time the Mutual records a notice of delinquent assessment, which shall state: the amount of the assessment and other sums imposed in accordance with subdivision (b) of Section 5650; a legal description of the owner's separate interest in the common interest development against which the assessment and other sums are levied; and the name of the record owner of the separate interest in the common interest development against which the lien is imposed.

The itemized statement of the charges owed by the owner described in subdivision (b) of Section 5660 shall be recorded together with the notice of delinquent assessment. In order for the lien to be enforced by nonjudicial foreclosure as provided in Sections 5700 to 5710, inclusive, the notice of delinquent assessment shall state the name and address of the trustee authorized by the association to enforce the lien by sale. The notice of delinquent assessment shall be signed by the person designated in the declaration or by the association for that purpose, or if no one is designated, by the president of the association. A copy of the recorded notice of delinquent assessment shall be mailed by certified mail to every person whose name is shown as an owner of the separate interest in the association's records, and the notice shall be mailed no later than ten (10) calendar days after recordation.

### **9. Foreclosure/ADR**

After the expiration of thirty (30) days following the recording of a lien created pursuant to Section 5675, the lien may be enforced in any manner permitted by law. Once the amount of delinquent assessments (not including any late charges, fees, attorney's fees, interest, or Costs of Collection), exceeds One Thousand Eight Hundred Dollars (\$1,800), or any unpaid assessments are more than

twelve (12) months delinquent, then, subject to specified conditions, the Mutual may initiate foreclosure proceedings to collect the amounts owed.

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

#### **10. Board Decision to Initiate Foreclosure**

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

The Board must provide notice by personal service to an owner of a separate interest or their legal representative, if the Board votes to foreclose. For a non-occupying owner, the Board must provide written notice by first-class mail, postage prepaid, at the most current address shown on the books of the Mutual. In the absence of written notification by a non-occupying owner to the Mutual, the address of the owner's separate interest may be treated as the owner's mailing address.

#### **11. Non-Judicial Foreclosure/Right of Redemption**

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

If a foreclosure action is prosecuted to judgment and the judgment is in favor of the Mutual, assets of the Member may be seized or a lien may be placed on such assets to satisfy the judgment. Pursuant to the provisions of the Davis-Stirling Common Interest Development Act, applicable regulations, and the Covenants, Conditions and Restrictions (CC&Rs), the delinquent amount, as well as late payment penalties for the delinquent assessments and/or interest charges and/or charges for Costs of Collection that are incurred by the Mutual or its managing agent acting on behalf of the Mutual in its efforts to collect delinquent assessments (including, but not limited to, attorney's fees, title company and foreclosure service company charges, charges imposed to defray the cost of preparing and mailing demand letters (such as the Administrative Collection Fee), recording costs and costs associated with small claims court actions) may be enforced as a lien against the Member's Manor.

Moreover, pursuant to the Davis-Stirling Common Interest Development Act, monetary penalties that have been imposed by the Mutual as a means of reimbursing the Mutual for costs incurred by the Mutual in the repair of damage to common areas and/or community facilities for which a Member or a

Member's guests or tenants were responsible may also be enforced as a lien against the Member's Manor.

## **12. Prerequisites to Recording a Lien: Offer of ADR and Thirty (30) Day Pre-Lien Notice to the Delinquent Member**

Before a Notice of Delinquent Assessment can be recorded in the chain of title to the manor of a delinquent Member, the Mutual must offer the Member, and if so requested by the Member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program (per the requirements set forth in Article 2 commencing with section 5900 of Chapter 10) or ADR as set forth in Article 3 (commencing with Section 5925 of Chapter 10), both in the California Civil Code.

Any choice by a Member to pursue any kind of ADR must be made by the Member's delivery of written notice of such choice to the Mutual's managing agent within thirty (30) days of any event which triggers a Member's right to pursue ADR, whether it is before a Notice of Delinquent Assessment can be recorded (i.e., upon receipt of the certified Pre-Lien Notice), or prior to initiating a foreclosure action, or in any other situation for which the Davis-Stirling Common Interest Development Act or the Mutual's governing documents authorize or allow a Member to choose ADR.

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

## **13. Pre-Lien Notice**

If the Member elects not to proceed with dispute resolution or any type of ADR, then the Mutual must send the Member a certified notice providing information regarding the sums claimed as being delinquent ("Pre-Lien Notice"). No lien can be recorded until thirty (30) days after this Pre-Lien Notice has been given.

This certified Pre-Lien Notice from the Mutual must include the following information (per California Civil Code Section 5660):

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

**"IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION"**

- (b) An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney's fees, any late charges, and interest, if any ;



- (c) A statement that the owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association;
- (d) The right to request a meeting with the board as provided in Section 5665;
- (e) The right to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association's "meet and confer" program required in Article 2 (commencing with Section 5900) of Chapter 10;
- (f) The right to request alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with Section 5925) of Chapter 10 before the association may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure;

#### **14. Member's Right to Request a Meeting with the Board, or Dispute Resolution or ADR.**

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

- (a) The Member has the right to dispute the assessment debt by submitting a written request for dispute resolution to the Mutual pursuant to the Mutual's "meet and confer" program, which is required by Civil Code sections 5900-5920;
- (b) The Member may exercise his or her right to participate in alternative dispute resolution with a neutral third party under Civil Code sections 5925-5965 before the Mutual may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure;
- (c) The Member has a right to submit a written request to meet with the Board of Directors to discuss a payment plan for the delinquent assessment, as long as the request for a meeting is made within fifteen (15) days following the postmark on the Mutual's Pre-Lien Notice to the Member. That meeting must take place within forty-five (45) days (calculated from the postmark on the Member's request) and must be conducted in executive session. When a Member has made a timely request for a meeting to discuss a payment plan, the Mutual must provide the requesting Member with the Mutual's standards for payment plans, if any standards have been adopted. There is no statutory authorization for the Board to delegate this meeting obligation to a property manager, but the Board may designate a committee of one or more directors to meet with the Member if there is no regularly scheduled Board meeting that will occur within forty-five (45) days of the Member's request.

#### **15. Payment Plan Requests**

Any Member who is unable to timely pay regular or special assessments is entitled to make a written request for a payment plan to the Mutual's Board. A Member may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the Demand Letter (i.e., the Pre-Lien Letter). The Mutual's Board will consider payment plan requests on a case-by-case basis, and is under no obligation to grant payment plan requests. Payment plans may incorporate any assessments that accrue during the payment plan

period. Payment plans may not impede the Mutual's ability to record a lien on the Member's separate interest to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Member is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Mutual may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan. The Mutual reserves the right to impose reasonable conditions on any approvals for a payment plan and request that the delinquent Member provide disclosure of certain identifying information and other assets that may be used as additional security for the debt owed.

Also, Civil Code section 5965 requires the Mutual to include the following statement in this Policy Statement:

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

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

### **16. Application of Payments**

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

The Mutual is prohibited from recording a lien or initiating a foreclosure action without participating in dispute resolution or ADR procedures if so requested by the Member. If it is determined that an association has recorded a lien for a delinquent assessment in error, the association shall promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the notice prescribed in Section 5660, and costs of recordation and release of the lien authorized under subdivision (b) of Section 5720, and pay all costs related to any related dispute resolution or alternative dispute resolution.

### **17. Secondary Address**

Members have a right and obligation to identify in writing to the Mutual a secondary address for purposes of collection notices delivered pursuant to the Mutual's Annual Policy Statement, and upon receipt of a proper written request from a Member identifying a secondary address that complies with Civil Code section 4041 and the Governing Documents, the Mutual must send additional notices to this

secondary address. Pursuant to section 4041, Members must keep the Mutual updated with respect to any mailing or secondary address to which notices from the Mutual are to be delivered. If Members fail to provide such information to the Mutual, the onsite manor shall be deemed to be the address to which notices are to be delivered.

### **18. No Right of Offset**

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

### **19. Returned Checks**

The Mutual may charge the Member a twenty-five dollar (\$25.00) fee for the first check tendered to the Mutual that is returned unpaid by the Member's bank, and thereafter, the Mutual may charge a thirty-five dollar (\$35.00) fee for any subsequent check that is returned based on insufficient funds. If a Member's check cannot be negotiated for any reason, then the Mutual may also seek to recover damages of the greater of (a) one hundred dollars (\$100.00); or (b) three (3) times the amount of the check up to fifteen hundred dollars (\$1,500.00) in accordance with California Civil Code section 1719.

### **20. Charges and Fees Subject to Change**

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

### **21. Overnight Payments**

The mailing address for overnight payment of assessments is: Third Laguna Hills Mutual, Attn: Assessment Payments, 24351 El Toro Road, Laguna Woods, CA 92637.

### **22. Rights Reserved by Mutual**

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

### **23. Attachments**

The Notice of Assessments and Foreclosure required by Civil Code Section 5730 is contained in Attachment "A" to this Policy.

The disclosures required by the State Rosenthal Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act are contained in Attachment "B" to this Policy.

**BOARD OF DIRECTORS**

**THIRD LAGUNA HILLS MUTUAL**

**ATTACHMENT "A"**  
**NOTICE OF**  
**ASSESSMENTS AND FORECLOSURE**

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

**NOTICE ASSESSMENTS AND FORECLOSURE**

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

**ASSESSMENTS AND FORECLOSURE**

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

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

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it

has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

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

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

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

## **PAYMENTS**

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

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

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

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

## **MEETINGS AND PAYMENT PLANS**

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

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

## **ATTACHMENT "B"**

### **The following Disclosure is made pursuant to Civil Code Section 1812.700-1812.703**

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