



OPEN SESSION

**MINUTES OF THE REGULAR OPEN MEETING OF THE THIRD LAGUNA HILLS
MUTUAL BOARD OF
DIRECTORS A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION
Tuesday, October 20, 2020 - 9:30 a.m.
Laguna Woods Village Virtual Meeting
24351 El Toro Road
Laguna Woods, California**

Directors Present: Steve Parsons, Annie McCary, Cush Bhada, Lynn Jarrett, John Frankel, Ralph Engdahl, Robert Mutchnick, Reza Karimi, Craig Wayne, Doug Gibson (arrived late)

Directors Absent: None

Staff Present: Jeff Parker, Siobhan Foster, Kurt Wiemann, Becky Jackson, Cheryl Silva and Grant Schultz

Others Present: Wei-Ming Tao, Rosemarie DiLorenzo, Raquel Unger
Sandra Gottlieb, Esq.

1. Call meeting to order / Establish Quorum – President Parsons

President Parsons called the meeting to order at 9:32 a.m.

Siobhan Foster made an announcement that VMS is experiencing a network outage. Residents can call in for comments.

2. Pledge of Allegiance – Director Engdahl

Director Engdahl led the pledge of allegiance

3. Acknowledge Media

4. Approval of Agenda

Director Mutchnick made a motion to approve the agenda. Director McCary seconded the motion.

Director Bhada commented that agenda item 11a has language issues. Asked to postpone agenda item 12a because he did not have a chance to read the packet.

President Parsons called for the motion and the amended agenda passed without objection.

5. Approval of Minutes

5a. September 15, 2020 – Regular Open Meeting

Director Mutchnick made a motion to approve the minutes. Director Wayne seconded the motion and the motion passed without objection.

6. Report of the Chair

President Parsons introduced the new board members Donna Rane-Szostak and Debbie Dotson who were elected by acclamation and will be seated at the Third Board Annual Meeting on November 5, 2020. There will be another Town Hall Meeting on October 22, 2020.

7. Open Forum

Members made comments regarding the following:

- A member commented about the insurance increase and asked for a summary of the changes in the CC&Rs.

8. Responses to Open Forum Speakers

- Director Mutchnick responded regarding the insurance renewal.
- President Parsons responded about the changes in the CC&Rs.
- Sandra Gottlieb, Esq. commented that once the ballot is submitted to the Inspector of Election you cannot retrieve your ballot or change your vote.

9. CEO/COO Report

Jeff Parker-CEO and Siobhan Foster-COO

- Network outage at Laguna Woods VMS. We are still operating however, we currently cannot take work orders.
- COVID-19 update: 203 positive case which is an increase from last month. Orange County reported 168 hospital beds, and 68 ICU COVID-19 cases. Laguna Woods Village remains the same with 70 COVID-19 cases and 8 deaths. Increase rate is at 4.6% per 100,000. Orange County will stay in the red tier for some time longer.
- New Resident Orientation has resumed. This is an opportunity to familiarize yourself with the operating rules. Must RSVP.
- Recreation Department updates outdoor fitness center open at clubhouse 1, bocce courts open, pool 1 open for recreational use, pool 4 hours extended.
- Halloween golf cart parade will be held on October 30 at 10 a.m.
- Tree trimming will occur next to the Aliso Creek.
- Drive through flu clinic will be held on October 30, 2020.

- National Election City of Laguna Woods is a voting center and has an official ballot box in front of City Hall.

Siobhan Foster answered question from the board.

10. Consent Calendar

10a. Finance Committee Recommendations:

Consistent with its statutory obligations the Board members individually reviewed Third Laguna Hills Mutual preliminary financials for the month of August, 2020 and by this vote ratify that such review be confirmed in this month's Board Member Open Session Meeting minutes per Civil Code 5501.

Director McCary made a motion, seconded by Director Mutchnick to approve the consent calendar as presented. The motion was approved by unanimous consent.

11. Unfinished Business

11a. Entertain a Motion to Approve the 2021 Collection and Lien Enforcement Policy

Director Jarrett gave a summary of the resolution:

RESOLUTION 03-20-74 **2021 COLLECTION AND LIEN ENFORCEMENT POLICY**

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

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

NOW THEREFORE BE IT RESOLVED, October 20, 2020, that the Board of Directors hereby adopts the 2021 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 2020 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.

SEPTEMBER Initial Notification
28-day notification for member review and comment to comply with Civil Code §4360 has been satisfied.

Director McCary made a motion, seconded by Director Mutchnick to approve the 2021 collection and lien enforcement policy resolution.

Discussion ensued among the directors.

Director Bhada made an amendment to postpone the vote one month. The amendment failed because it lacked a second.

President Parsons called for the vote and the motion passed by majority vote.

11b. Entertain a Motion to Approve the Change in the Exterior Paint and Prior to Paint Programs from a 10-year Cycle to a 15-year Cycle

Director Jarrett gave a summary of the resolution:

RESOLUTION 03-20-75
CHANGE IN THE EXTERIOR PAINT AND PRIOR TO PAINT PROGRAMS FROM A 10 YEAR CYCLE TO A 15 YEAR CYCLE

WHEREAS, the Board expressed a desire to extend the current Prior-to-Paint and Exterior Paint programs from a 10-year cycle to a 15-year cycle, for the dry rot preparation and painting of all buildings, carports, and laundry structures; and

WHEREAS, the balcony and breezeway resurfacing (top coat) mid-cycle program will also be extended from a 5-year program to a 7.5-year program cycle to coincide with buildings and the 15-year exterior paint program; and

WHEREAS, this program change will allow the Mutual to realize an annual savings for programs that have a broader life cycle; and to maximize the potential of the high quality products being applied, as well as the upgraded surface preparation methodology implemented by VMS; and

WHEREAS, the produce warranties for the exterior paint and resurfacing sealant, as well as the recommended application practices, will increase the long-term condition of the building envelope, and its structural components, without being negatively impacted by the extended cycles; and

NOW THEREFORE BE IT RESOLVED, on October 20, 2020, the Board of Directors of this Corporation hereby adopts a 15-year cycle change for the prior to paint and exterior paint programs, and a 7.5-year cycle change for the resurfacing programs; and

RESOLVED FURTHER, that the program cycle change will take effect with the 2021 fiscal year; and

RESOLVED FURTHER, that Resolution 03-12-97 adopted July 17, 2012, 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.

SEPTEMBER Initial Notification
28-day notification for member review and comment to comply with Civil Code §4360 has been satisfied.

Director McCary made a motion, seconded by Director Mutchnick, to approve the resolution to change the exterior paint and prior to paint programs from a 10 year to a 15 year cycle.

Discussion ensued among the directors.

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

12. New Business

12a. Entertain a Motion to Approve Third Mutual Rules for Board Meetings

Director Jarrett gave a summary of the resolution:

RESOLUTION 03-20-XX **THIRD MUTUAL RULES FOR BOARD MEMBERS**

WHEREAS, each Owner Member of Laguna Woods Village has an ongoing interest and right under California law to participate in the governance of their community; and

WHEREAS, the Board of Directors of the Third Laguna Hills Mutual has an equal interest and duty under law to ensure that the management of the community's affairs is carried out professionally and in adherence with the provisions of the Davis-Stirling Act; and

WHEREAS, the Board of Directors wishes to promote order and regulate meeting time in an even and consistent fashion;

NOW THEREFORE BE IT RESOLVED, November 17, 2020, that the Board of Directors of this Corporation hereby approves the attached revised Rules for Board Meetings; and

RESOLVED FURTHER, that Resolution 03-14-04 adopted January 21, 2014 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.

OCTOBER Initial Notification

Must postpone 28-days for member review and comment to comply with Civil Code §4360.

Director Mutchnick made a motion, seconded by Director McCary, to introduce the resolution for Third Mutual rules for board members for 28-day review. The motion was approved by unanimous consent.

12b. Entertain a Motion to Ratify Insurance Payments and Funding from Disaster Fund for 2020/2021 Annual Insurance Renewal

Director Mutchnick gave a summary of the resolution :

RESOLUTION 03-20-76
**RATIFY INSURANCE PAYMENTS AND FUNDING FROM DISASTER FUND FOR
2020/2021 ANNUAL INSURANCE RENEWAL**

WHEREAS, Beecher Carlson Insurance Services, the insurance broker for the community, worked several months on the October 1, 2020 renewal for expiring lines of property insurance.

WHEREAS, the boards were advised during business planning meetings of the potential financial impact of renewals in a difficult market and discussed the inclusion of pricing increases in the proposed budget for 2021.

WHEREAS, the broker met with the Board multiple times in August and September to discuss renewal progress and continued difficulties faced during a tightening of the reinsurance market, in addition to premium increases related to updated property values.

WHEREAS, final premium quotations for all renewing lines were received and bound on September 30, 2020 amounting to \$4,975,797 for the Third Mutual portion of the 12-month policy period, exceeding the operating budget of \$3,143,112 for same.

WHEREAS, the Disaster Fund is used for the repair or replacement of mutual assets damaged by uninsured or unexpected disasters in addition to providing for certain insurance premiums as directed by the Board. This

fund may also be used for write-offs of uncollectible accounts according to original definition of the General Operating Fund.

NOW THEREFORE BE IT RESOLVED, October 20, 2020 that the Board of Directors hereby ratifies expenditures up to \$1.8 million from the Disaster Fund to cover insurance policy payments from 10/1/2020 through 9/30/2021, in addition to the amounts included in the 2020 and 2021 Business Plans for insurance during the same time period.

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

Director Bhada made a motion, seconded by Director Jarrett, to approve the resolution to approve funding from the disaster fund for 2020-2021 insurance renewals.

Discussion ensued among the directors.

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

13. Committee Reports

13a. Report of the Finance Committee / Financial Report – Director Mutchnick. The Committee met on October 6, 2020; next meeting December 1, 2020, at 1:30 p.m. as a virtual meeting.

- (1) Treasurer's Report
- (2) Third Finance Committee Report
- (3) Resale/Leasing Reports

13b. Report of the Architectural Controls and Standards Committee – President Parsons. The committee met on September 28, 2020; next meeting November 23, 2020 at 9:30 a.m. as a virtual meeting

13c. Report of the Communications Committee – Director McCary. The committee has not met this year; next meeting TBA.

13d. Report of the Maintenance and Construction Committee – Director Mutchnick. The committee met on September 9, 2020; next meeting November 2, 2020, at 1:30 p.m. as a virtual meeting

- (1) Report of the Parking and Golf Cart Task Force – President Parsons. The task force met on January 6, 2020; next meeting TBA

- (2) Garden Villa Rec. Room Sub-Committee – Director Jarrett. The committee met on October 5, 2020; next meeting TBA

13e. Report of the Landscape Committee – Director Jarrett. The Committee met on October 1, 2020; next meeting November 5, 2020, at 2:30 p.m. as a virtual meeting

13f. Report of the Water Subcommittee – Director Karimi. The committee has not met this year; next meeting TBA

13g. Report of the Resident Policy and Compliance Committee – Director Jarrett. The Committee met on September 22, 2020; next meeting October 27, 2020 at 9:30 a.m. as a virtual meeting.

14. GRF Committee Highlights

14a. Community Activities Committee – Director Bhada. The committee met on October 8, 2020; next meeting November 23, 2020, at 1:30 p.m. as a virtual meeting

(1) Equestrian Center Ad Hoc Committee – Director Bhada. The committee met on August 25, 2020; next meeting October 27, 2020, at 9:30 a.m. as a virtual meeting.

14b. GRF Finance Committee – Director Mutchnick. The committee met on August 31, 2020; next meeting October 21, 2020, at 1:30 p.m. as a virtual meeting

14c. GRF Landscape Committee – Director Jarrett. The committee met on August 12, 2020; next meeting November 9, 2020 at 1:30 p.m. as a virtual meeting.

14d. GRF Maintenance & Construction Committee – Director Bhada – The committee met October 14, 2020; next meeting December 9, 2020, at 9:30 a.m. as a virtual meeting

(1) PAC Renovation Ad Hoc Committee – Director Mutchnick. The committee has been disbanded.

(2) Clubhouse 1 Renovation Ad Hoc Committee – Director Mutchnick. The committee met on September 2, 2020; next meeting TBA.

14e. Media and Communications Committee – Director McCary. The committee met on October 19, 2020 as a virtual meeting; next meeting November 16, 2020, at 1:30 p.m. as a virtual meeting

14f. Mobility and Vehicles Committee – Director Frankel – The committee met on October 7, 2020; next meeting December 2, 2020, at 1:30 p.m. as a virtual meeting

14g. Security and Community Access Committee – Director Bhada. The committee met on August 24, 2020; next meeting October 26, 2020 at 1:30 p.m. as a virtual meeting

(1) Disaster Preparedness Task Force – Director McCary. The task force met on September 29, 2020; next meeting November 24, 2020, 9:30 a.m. as a virtual meeting

14h. Report of the Laguna Woods Village Traffic Hearings – Director Frankel. The traffic hearings were on September 16, 2020; next meeting is October 21, 2020 at 9 a.m. and 1 p.m. as a virtual meeting.

15. Future Agenda Items-- *All matters listed under Future Agenda Items are 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.*

- a. Parking Report
- b. Resident Suggestion Program
- c. Alterations Review
- d. Property and Casualty Insurance

16. Director's Comment

- Directors McCary and Jarrett are working on the Annual Meeting.
- Director Mutchnick commented he will have updated financial slides for the Annual Meeting.
- Director Engdahl liked the financial presentation.
- Director Gibson feels the financial presentation was easier to understand.
- Director DiLorenzo commented about the real estate and contractor meetings, she asked about the VMS Management Agreement
- Sandra Gottlieb, Esq. thanked the board for all their hard work.

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

The meeting was recessed at 11:00 a.m.

Closed Session Agenda

Approval of Agenda

Approval of the Following Meeting Minutes;

- (a) September 4, 2020—Special Closed Meeting*
- (b) September 11, 2020 – Special Closed Meeting*
- (c) September 16, 2020 – Emergency Closed Meeting*
- (d) September 15, 2020—Regular Closed Session*
- (e) September 18, 2020—Special Closed Meeting*
- (f) September 25, 2020 – Special Closed Meeting*

Discuss Member Disciplinary Matters

Discuss Personnel Matters

Discuss and Consider Legal/Litigation Matters

- (a) September 4, 2020—Special Closed Meeting*
 - (b) September 11, 2020 – Special Closed Meeting*
 - (c) September 16, 2020 – Emergency Closed Meeting*
 - (d) September 15, 2020—Regular Closed Session*
 - (e) September 18, 2020—Special Closed Meeting*
 - (f) September 25, 2020 – Special Closed Meeting*
- Discuss Member Disciplinary Matters*
Discuss Personnel Matters

Discuss and Consider Legal/Litigation Matters

18. Adjournment

The meeting was adjourned at 3:05 p.m.



Lynn Jarrett, Secretary of the Board
Third Mutual Laguna Hills

**YEAR 2021 COLLECTION AND LIEN ENFORCEMENT
POLICY AND
PROCEDURES FOR ASSESSMENT DELINQUENCIES
ANNUAL POLICY 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. Payment of special assessments must be received in a timely fashion in order to finance the needs for which said special assessments are levied.

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, INTEREST, COLLECTION COSTS, AND POSSIBLE LEGAL ACTION INCLUDING 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 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

The policies and practices outlined in this Policy Statement shall remain in effect until such time as any of them may be changed, modified, or amended by a duly adopted resolution of the Mutual's Board of Directors ("Board"), or until the applicable statutory scheme changes, in which event, the policies and practices in this Policy Statement shall be construed so as to be consistent with any newly adopted statutes or court decisions.

Delinquency reports are prepared monthly by the Mutual's managing agent to the Mutual's Board, identifying the delinquent

Member, and the amount and length of time the assessments have been in arrears.

In accordance with the Mutual's governing documents (including, without limitation, the Articles of Incorporation, the Bylaws, the recorded CC&Rs, rules and regulations, and written policies) (collectively, the "Governing Documents")) and the California Civil Code, to ensure the prompt payment of monthly regular assessments and special assessments, the Mutual employs the following collection and lien enforcement policies and procedures, including for the collection of said assessments, as well as late charges, interest, legal fees and other costs of collection, 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 or as otherwise defined) are due and payable to the Mutual, in advance, in equal monthly installments, on the first (1st) day of each month. It is each Member's responsibility to pay assessments in full each month regardless of whether a billing statement is received.

Special assessments shall be due and payable on the due date specified by the Board in the notice of the levy of 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 levied. If a special assessment is payable in installments and an installment payment for that special assessment is delinquent for more than fifteen (15) days, all installments will be accelerated, and the entire unpaid balance of the special assessment

shall become immediately due and payable. The remaining balance shall be subject to late fees and interest as provided herein.

2. Reminder Notice

If the current monthly regular 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 may, but is not required to, be sent to the Member. It is each Member's responsibility to pay assessments in full each month regardless of whether a reminder notice is sent or received.

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

Any duly imposed late charges, interest, or incurred "Costs of Collection" shall not be routinely waived. "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 or collection agent in order to carry out legal and/or collection actions authorized hereunder, as well as costs incurred in handling the collection by the Mutual's legal counsel and/or collection agent,

and costs incurred for recording, posting, publishing, serving, and/or mailing documents attendant to the legal and/or collection process.

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

4. Late Charge and Interest

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. Any notices or invoices for assessments will be sent to Members by first-class mail addressed to the Member at his/her/their/its address as shown on the books and records of the Mutual. However, it is the Member's responsibility to be aware of the assessment payment due dates and to advise the Mutual of any changes in the Member's mailing address, pursuant to Civil Code section 4041.

Both state law and the Mutual's Governing Documents allow the imposition of late charges and interest on delinquent assessments. Such late charges and interest may be imposed and collected regardless of whether the Member's delinquent account is referred to the Mutual's legal counsel and/or collection agent for further handling.

A late charge for a delinquent assessment may be imposed in the amount of Sixty Dollars (\$60.00) on any assessment payment that is more than fifteen (15) days in arrears. The amount of the late charge may increase from time to time but shall in no event exceed ten percent (10%) of the delinquent assessment.

Interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate of twelve percent (12%) as allowed by Civil Code section 5650, pursuant to Board Resolution.

Non-assessment fines, fees, and chargeable services are also subject to late fees and interest, in an amount determined by Board resolution.

5. Demand Letter (aka Pre-Lien Notice)

If full payment of the delinquent amount is not received by the close of business on the day which is fifteen (15) days after the date the Assessment is due, unless a Reminder Notice states otherwise, a Demand Letter (also known as a Pre-Lien Notice pursuant to California Civil Code sections 5660) will be sent to the Member by Certified Mail. A Pre-Lien Notice is a pre-requisite prior to recording a lien against the property and provides information regarding the sums claimed as being delinquent. No lien can be recorded until thirty (30) days after this Pre-Lien Notice has been given.

The Mutual, through its managing agent, may also attempt to contact the Member by telephone to remind the Member of the delinquency and determine when payment will be made. However, no assurances are given that the Mutual will contact the Member by telephone, and the Member is responsible to pay the delinquent amount whether or not a telephone reminder is actually made to, or received by ,the Member.

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

- (a) A general description of the collection and lien enforcement procedures of the Mutual and the method of

calculation of the amount, a statement that the owner of the Manor has the right to inspect the association records pursuant to Section 5205, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed;

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

- (b) An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney’s fees, any late charges, and interest, if any;
- (c) A statement that the owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association;
- (d) The right to request a meeting with the board as provided in Section 5665;
- (e) The right to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association’s “meet and confer” program required in Article 2 (commencing with Section 5900) of Chapter 10;
- (f) The right to request alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with Section 5925) of Chapter 10 before the association may initiate foreclosure against the owner’s Manor, except that

binding arbitration shall not be available if the association intends to initiate a judicial foreclosure;

6. Alternate Means to Collect Delinquent Sums

If full payment of the delinquent amount (including any outstanding assessment, fine, fee, Costs of Collection or chargeable service including associated late charges and interest) is not received by the close of business on the thirtieth (30th) day after receipt of the Demand Letter/Pre-Lien Notice), unless the debt is disputed as detailed further below, the Mutual may thereafter, at its option, in accordance with the requirements and conditions herein and applicable law, and based on the circumstances of the delinquency, including but not limited to, the total delinquent amount owing and the Member's payment history, undertake to collect the delinquency by any and all means authorized by law and the Mutual's Governing Documents including, without limitation, by: (1) suspending a Member's right (and that of the Resident or Tenant of that Member's Manor) to use Mutual and/or Golden Rain Foundation of Laguna Woods services and/or facilities, after providing the owner with notice of a duly noticed hearing before the Board (no suspension imposed shall prevent the delinquent owner from the use, benefit and pleasure of the owner's Manor); (2) legal action(s), discussed further below; (3) securing the Mutual's interest in the debt owed by recording a lien against the delinquent owner's Manor and thereafter foreclosing on the Manor; (3) termination of the delinquent Member's Membership in the Mutual as a result of any foreclosure; and/or (4) other means permitted by law. **THESE ACTIONS MAY BE TAKEN SEPARATELY OR CONCURRENTLY.**

The Demand Letter/Pre-Lien Notice is presumed to have been received in the regular course of mail within five (5) days of mailing

if the mailing address is within the state of California, within ten (10) days if the mailing address is within the United States but outside of the state of California and within twenty (20) days if the mailing address is outside of the United States to avoid further collection action.

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. Validation of Debts

Pursuant to the Federal Fair Debt Collection Practices Act, if an owner notifies a debt collector in writing, within thirty days (30) after receipt of a notice of debt (as described in United States Code Section 1692g), that the debt, or any portion thereof, is disputed, or that the owner requests the name and address of the Mutual, which is the original creditor, the debt collector shall cease collection of the debt, or any disputed portion thereof, until the debt collector obtains verification of the debt or a copy of a judgment, or the name and address of the Mutual, which is the original creditor, and a copy of such verification or judgment, or name and address of the Mutual, which is the original creditor, is mailed to the owner by the debt collector.

9. Lien

The Mutual may secure the delinquency by recording a lien on the owner's Manor with the Orange County Recorder's office. The debt shall be a lien on the owner's Manor from and after the time the Mutual records a Notice of Delinquent Assessment (Lien), which shall state: the amount of the delinquent assessments and other sums imposed in accordance with subdivision (b) of Section 5650 of the California Civil Code; a legal description of the owner's Manor against which the assessments and other sums are levied; and the name of the record owner of the Manor against which the lien is recorded. The lien shall also include an itemized statement of the amounts owed by the owner as described in subdivision (b) of Section 5660 of the California Civil Code.

In order for the lien to be enforced by nonjudicial foreclosure as provided in Sections 5700 to 5710 of the California Civil Code, inclusive, the Notice of Delinquent Assessment (Lien) shall state the name and address of the trustee authorized by the Mutual to enforce the lien by sale of the owner's Manor against which the lien is recorded. The Notice of Delinquent Assessment (Lien) shall be signed by the person designated in the CC&Rs or by the Mutual for that purpose, or if no one is designated, by the president of the Mutual. A copy of the recorded Notice of Delinquent Assessment (Lien) shall be mailed by certified mail to every person whose name is shown as an owner of the Manor in the Mutual's records, and the notice shall be mailed no later than ten (10) calendar days after recordation.

10. 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 (Lien) 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 lien can be recorded (i.e., upon receipt of the certified Pre-Lien Notice), or prior to initiating a foreclosure action, or in any other situation for

which the Davis-Stirling Common Interest Development Act or the Mutual's Governing Documents authorize or allow a Member to choose ADR. A Member's right to pursue ADR may be triggered, by among other things, a decision by the Board and/or Executive Hearing Committee, as applicable following any right to appeal pursuant to the Mutual's Appeal Policy.

THE DECISION TO PURSUE 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.

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 the Mutual has recorded a lien for a delinquent assessment in error, the Mutual shall promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the notice prescribed in Section 5660 of the California Civil Code, and costs of recordation that were imposed or incurred in error 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.

11. 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/her/their/its 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 Manor, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure;
- (c) The Member has a right to submit a written request to meet with the Board of Directors to discuss a payment plan, as referenced below, 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.

12. Payment Plan Requests

Any Member who is unable to timely pay regular or special assessments is entitled to make a written request for a payment plan to the Mutual's Board. A Member may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the Pre-Lien Notice. The Mutual's Board will consider payment plan requests on a case-by-case basis, and is under no obligation to grant payment plan requests. Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans do not impede the Mutual's ability to record a lien on the Member's Manor to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Member is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Mutual may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan. The Mutual reserves the right to impose reasonable conditions on any approvals for a payment plan and request that the delinquent Member provide disclosure of certain identifying information and other assets that may be used as additional security for the debt owed. The Mutual may, in its discretion, enter into an agreement with an owner providing for payments to be applied in a different order and/or manner than required by Civil Code Section 5655, such agreement shall be controlling.

13. Foreclosure/ADR

After the expiration of thirty (30) days following the recording of a lien created pursuant to California Civil Code Section 5675, the lien may be enforced in any manner permitted by law. Once the amount of delinquent assessments (not including any accelerated assessments, 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.

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

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

If any "meet and confer" session or ADR is engaged in by and between the Member and the Mutual (or any neutral third parties, as the case may be), and these efforts do not result in a payment plan, then, assuming the statutory minimum as to the delinquent amount or duration of the delinquency has been met, a proceeding may be commenced to foreclose the lien against the Member's Manor and

sell the Manor at a private sale or by a judicial sale. If this occurs, the Member may lose his/her/their/its Manor.

14. Board Decision to Initiate Foreclosure

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.

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

In the event of a non-judicial foreclosure, personal service on the owner(s) of the Manor of the Notice of Default must be effected.

15. Non-Judicial Foreclosure/Right of Redemption

A non-judicial foreclosure by the Mutual to collect upon a debt for delinquent assessments is subject to a statutory right of redemption. The redemption period within which the Manor may be redeemed

from a foreclosure sale ends ninety (90) days after the sale, per 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 and/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.

16. Member's Right to Certain Mutual Records.

Upon an owner's written demand, the Mutual shall make specified Mutual records available for inspection and copying pursuant to Civil Code Sections 5200-5240.

17. Application of Payments

In accordance with state law, unless otherwise waived in writing by the Member, payments received on delinquent assessments shall be applied to the Member's account in the following order of priority: first, to the assessments owed; then to accrued interest, late charges, attorney's fees, and/or other Costs of Collection. Payments of the assessments shall be applied so that the oldest delinquent assessments are paid first. Interest shall continue to accrue on unpaid balances of assessments, and other costs and charges imposed in accordance with Civil Code section 5655.

18. Secondary Address

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

19. 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 from the Mutual to the Member.

20. 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.

21. 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.

22. 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

23. Rights Reserved by Mutual

Although the matters set forth above summarize the policies and practices ordinarily employed to collect delinquent assessments, the Mutual reserves the right to employ other or additional policies and

practices as may be necessary or appropriate when the uniqueness of the circumstances or habitualness of the delinquency so requires.

24. Attachments

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

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

BOARD OF DIRECTORS

THIRD LAGUNA HILLS MUTUAL

ATTACHMENT "A"

NOTICE OF ASSESSMENTS AND FORECLOSURE

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

NOTICE ASSESSMENTS AND FORECLOSURE

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

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 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)

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ATTACHMENT "B"

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

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

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