

UNITED LAGUNA WOODS MUTUAL
Procedure for Designation of a Building as “Smoke-Free”

Summary Statement

United Laguna Woods Mutual (“**United**”) is the corporation formed to administer, manage and operate the business and affairs of the stock cooperative common interest development commonly known as United Laguna Woods Mutual located at Laguna Woods Village in Laguna Woods, California (the “**Development**”). The Development is comprised of 6,323 separate dwelling units (collectively, the “**Manors**”). Each occupant of a Manor is either a “**Member**”, “**Qualifying Resident**”, “**Co-occupant**” or “**Lessee**”, as such terms are defined in United’s By-Laws (as may be amended from time to time, the “**Bylaws**”).

The Manors are located within 1124 multi-dwelling unit buildings (each, a “**Building**”) at the Development. Effective as of September 30, 2011, pursuant to Resolution 01-11-181 of United’s Board of Directors (the “**Board**”), and Resolution 01-14-117, Buildings can be designated as non-smoking on a permanent, irrevocable going forward basis (the “**Designation**”). Designation of a Building may occur upon the collective and unanimous written consent of all of the existing Members at that time who have the right to occupy and use the Manors in a Building subject to a valid “**Occupancy Agreement**” (as such term is defined in United’s Bylaws), in accordance with the procedures described below.

Process for Designation of a Building

(1) *Petition, Petition Agreement Form, and Amendment to Occupancy Agreement*

Any Member may petition United for a Designation for the Building in which his/her Manor is located (the “**Petitioner**”), by completing the United form titled “Petition for Designation as a Smoke-Free Building,” which includes the “Petition Agreement Form” (as may be amended from time to time, the “**Petition**”). The “Petition Agreement Form” attached to the Petition must be signed by each and every Member, or the Member’s legal agent, including without limitation a valid power of attorney, provided valid evidence of same is submitted with the Petition, subject to an Occupancy Agreement for the Building proposed for Designation at the time the completed Petition is submitted to United (the “**Applicable Members**”). The Petition Agreement Form must also be signed by the Petitioner in his/her capacity as an Applicable Member. If the Petition is not signed by all Applicable Members in front of a notary public, then the Petition will be deemed incomplete and returned to the Petitioner. By signing the Petition, the Applicable Members agree to be bound by the terms of the Petition and to execute the form “Smoke-Free Amendment to Occupancy Agreement” (as may be amended from time to time, the “**Amendment**”), which is an amendment to the Applicable Members’ Occupancy Agreements, and a “Covenant to Run with the Land Regarding Designation of a Building as Smoke-Free,” and further agree to bear the cost of recordation of same.

An Amendment must be signed by each Applicable Member, and all Amendments must be submitted with the Petition. If the Petition is approved, the designated United Board member will also sign the Amendment to the Occupancy Agreement as set forth herein.

Additionally, a \$150 fee per Manor is required to be submitted at the time the Petition is submitted. Each Applicable Member shall send a check payable to United Mutual c/o Village Management Services (VMS), P.O. Box 2220, Laguna Hills, CA 92654. This fee must be received before the scheduled Hearing (discussed below) and this fee shall cover the expense of preparing the necessary legal documents, as well as the recordation costs associated with recording the Covenant.

(2) Verification by Board and Hearing

When a completed Petition and original executed Amendments signed by all Applicable Members are submitted and verified as complete and accurate by United (the "**Verification**"), the Board will schedule a hearing with the Applicable Members to confirm that none of them oppose the Designation of their Building (the "**Hearing**"). The Hearing will be held in an open session meeting of the Board, at which all Applicable Members are encouraged to attend, within sixty (60) days of the Verification. At the Hearing, the Applicable Members will have an opportunity to be heard and address the Board regarding the Petition, Designation and, if any, his/her opposition to same. Notice of the Hearing will be sent by United to the Applicable Members' mailing address(es) on record with United, via first class mail at least twenty-one (21) days prior to the Hearing. Enclosed with the Notice of Hearing will be a "Covenant to Run with the Land Regarding Designation of a Building as Smoke-Free," which must be reviewed, signed before a notary and returned to United for recordation with the Orange County Clerk-Recorder ("Covenant"). Applicable Members must return the Covenant within 30 days of mailing of same. If any Applicable Member fails to return a signed, notarized Covenant, the Conversion Date may be postponed until same is received and United may, through legal counsel, follow up with the Member regarding the Covenant.

(3) Results of Hearing

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

If no Applicable Member opposes the Petition at the Hearing, then the Board may approve the Petition. The Applicable Members will be advised of the Designation approval via first class mail within fifteen (15) days after the Hearing (the "**Approval Notification**").

(4) Designation Effective Date

The Designation will be effective forty-five (45) days after the Hearing, provided a signed, notarized Covenant is received from each and every Applicable Member (the “**Conversion Date**”).

Conversion to a Non-Smoking Building

After the Approval Notification but before the Conversion Date:

1. The Board will execute all of the Amendments for the Manors in the Building receiving the Designation, and return a fully executed copy of each Amendment to the appropriate Applicable Member.
2. Copies of the fully executed Amendments will be placed in United’s corporate records for each of the Manors in the Building, and provided to the employees and/or contractors of United and/or United’s managing agent (e.g. persons or parties managing membership, real estate, Manor maintenance and escrow matters for United) who are responsible for providing information regarding the Manors to Members, prospective Members (through the current Member, and/or through the current Member’s real estate broker or agent, as applicable) and lenders of either.
3. Within ten (10) days of receiving copies of the recorded Covenants from the County Recorder’s Office, which may take thirty (30) days or longer, United will provide the Applicable Members with a copy of the recorded Covenant (“Formal Notice”). Note, receipt of recorded Covenants from the Recorder’s Office may be after the Conversion Date.
4. A “Smoke-Free Building” book compiled and maintained by United will be updated to reflect that the Building is subject to Designation and the effective date of the Designation.
5. The “Smoke Free Building” webpage on the Community’s website will be updated to reflect that the Building is subject to Designation and the effective date of the Designation.
6. United will post signs containing the language “No Smoking Anywhere in Building” (the “**Signs**”) at the main/common entrances to each building (both at the exterior and interior entrances), if any, as well as in at least two (2) prominent places within common hallways/walkways on the floor of each Building, as may be applicable. The Signs shall be of a design, material and size to be determined by the Board, and should conform with the architectural aesthetics of the Building. As may be practical, United will try to use the same or similar Signs for different Buildings subject to a Designation.

At the end of the Conversion Period, the Building will be deemed to have received a permanent Designation as a non-smoking Building, unless a Covenant is not received from each and every Applicable Member as provided herein. All Applicable Members, all future Members subject to a future Occupancy Agreement to a Manor in the Building and all current and future Qualifying Residents, Co-occupants and Lessees residing in a Manor in the Building, and the family members, guests and invitees of each of them, shall be prohibited from smoking anywhere in the Building as of the Conversion Date. Further, all new Occupancy Agreements and renewals of existing Occupancy Agreements for Manors at the Building will include an article prohibiting smoking of any substances anywhere within the applicable Manor and the other portions of the Building.

Violation of the Designation

Once a Designation is effective for the Building, no smoking of any products or items of any kind shall be allowed within the Building. Smoking within a Manor of a Building receiving a Designation shall be a violation of the Occupancy Agreement applicable to the smoker (the “**Violation**”). If an alleged Violation is reported to United, United will investigate the alleged Violation, and, as appropriate, call an offending Member to a hearing before the Board regarding the violation, in accordance with the disciplinary proceeding requirements under the Bylaws and applicable state statute. In the event of a verified Violation, the offending Member shall be subject to the rights and remedies of United with respect to such Violation (in the same manner as any other violation of the Occupancy Agreement), as described in the Occupancy Agreement, the Bylaws, the other governing documents of United and at law, including, without limitation, the imposition of monetary penalties and/or the cancellation of the Member’s membership in United, termination of the Occupancy Agreement and its amendments and eviction from the Member’s Manor.

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

United shall not be liable for any injury to any person or damage to any property of any kind resulting from an alleged or actual Violation.