**PRELIMINARY ANALYSIS**

**Bond as Defendant adv. HOA**

Prepared By

Michael Kushner

October 13, 2022

# SHORT SUMMARY OF CASE

Cum sociis natoque penatibus et magnis dis parturient. Ac feugiat sed lectus vestibulum mattis. Lacus vel facilisis volutpat est velit. Ligula ullamcorper malesuada proin libero nunc. Vestibulum mattis ullamcorper velit sed ullamcorper morbi tincidunt. Volutpat sed cras ornare arcu dui vivamus arcu felis. Massa placerat duis ultricies lacus sed. Ultricies mi eget mauris pharetra et ultrices. Quis imperdiet massa tincidunt nunc pulvinar sapien. Bibendum at varius vel pharetra vel turpis. Fermentum posuere urna nec tincidunt praesent semper feugiat nibh sed. Dui ut ornare lectus sit. Neque convallis a cras semper.Eget magna fermentum iaculis eu non diam phasellus vestibulum. Laoreet sit amet cursus sit amet dictum sit amet. Augue interdum velit euismod in pellentesque massa placerat. Ac ut consequat semper viverra nam libero justo laoreet sit. Donec massa sapien faucibus et molestie ac. Pharetra diam sit amet nisl suscipit adipiscing. Commodo odio aenean sed adipiscing. Semper viverra nam libero justo. Elit duis tristique sollicitudin nibh sit amet commodo. Vestibulum rhoncus est pellentesque elit.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Parties / Significant Figures

|  |  |
| --- | --- |
| **Name of Party** | **Significance to Underlying Matter/Dispute** |
| James Bond (“Client”) | Client / HOA Member |
| Party Pooper HOA | HOA |

This table may be amended from time to time as new information/evidence comes in regarding new “parties” and/or witnesses.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Statement of Facts / Evidentiary Support

|  |  |  |
| --- | --- | --- |
| **Date / NA** | **Fact** | **Evidence Supporting That Fact** |
| 4/19/19 | THIS IS AN EXAMPLE. REPLACE IT WITH ACTUAL DATA.  Client closed escrow on the property. | Client Timeline |
| N/A | THIS IS AN EXAMPLE. REPLACE IT WITH ACTUAL DATA.  Client notified HOA of sprinkler leak into Client’s unit. | Email from Client to Mgmt. Co. |
| N/A | REMEMBER TO DELETE ANY EXCESS ROWS IN THE TABLE BY DRAGGING YOUR MOUSE OVER THE ROWS TO BE DELETED AND THEN PRESSING **BACKSPACE** and then pressing **DELETE ENTIRE ROW**. | \*\* |
| \* | \*\* | \*\* |
| \* | \*\* | \*\* |
| \* | \*\* | \*\* |
| \* | \*\* | \*\* |
| \* | \*\* | \*\* |
| \* | \*\* | \*\* |
| \* | \*\* | \*\* |

This table may be amended from time to time as new information/evidence comes in that require significant revisions to Client’s pre-litigation strategy.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Notable Provisions of the Governing Documents

|  |  |
| --- | --- |
| **Document**  **Article / Section No.** | **Text of the Selected Article/Sections No.**  **(if none, put “N/A”; delete rows that you didn’t use; maintain formatting)** |
| CC&Rs  Section 6.01 | THIS IS AN EXAMPLE. REPLACE IT WITH ACTUAL DATA.  The HOA shall paint, maintain, repair and make necessary improvements to the common areas, as well as the exteriors of the garage, deck, and balcony elements of the Units, in good condition and repair. |
| Operating Rules  P. 20 | THIS IS AN EXAMPLE. REPLACE IT WITH ACTUAL DATA.  [I]n the event of any water damage, mold infestation, or related damage arising from an owner’s negligence, or arising from any pipe leak or similar failure for which this owner has the maintenance responsibility, the owner shall be responsible for all repairs and resulting damage. |
| N/A | REMEMBER TO DELETE ANY EXCESS ROWS IN THE TABLE BY DRAGGING YOUR MOUSE OVER THE ROWS TO BE DELETED AND THEN PRESSING **BACKSPACE** and then pressing **DELETE ENTIRE ROW**. |
| \* | \*\* |
| \* | \*\* |
| \* | \*\* |
| \* | \*\* |
| \* | \*\* |
| \* | \*\* |
| \* | \*\* |

The table may or may not contain all the significant provisions of Client’s governing documents. Its sole purpose, in fact, is to help make the Firm’s analysis of Client’s pre-litigation case more convenient. The provisions contained in the table, therefore, should neither be viewed as an exhaustive list of key provisions/evidence, nor be used as a measure of what provisions of the governing documents might strengthen (or weaken) Client’s pre-litigation case.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Additional Information/Clarification Needed From Client

At this time, the Firm does not need Client to provide any additional information or clarification. This section of the Preliminary Analysis may, however, be amended from time to time as new information/questions arise.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Additional Documents Needed From Client

None at the moment.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Potential Affirmative Defenses

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Based upon the allegations made against Client thus far, and based upon the facts and evidence provided by Client and/or reflected in the documents the Firm has received and reviewed, the affirmative defenses discussed below appear to be applicable.

## BJR (Lamden)

Affirmative Defense—Business Judgment Rule.

— The business judgment rule (“BJR”) is a court-made doctrine of judicial deference granted to boards of directors. In general terms, under the BJR, courts presume that directors have based their decisions on sound business judgment, and therefore interference by the court with a board’s decisions is something to be avoided. The BJR applies as long as the director’s decision was made in good faith and in the absence of a conflict of interest. (Corp. Code, §§ 309, 7231; *Berg & Berg Enterprises, LLC v. Boyle* (2009) 178 Cal.App.4th 1020, 1045.)

— The BJR was formally applied to boards in HOA cases by a famous case called *Lamden v. La Jolla Shores Clubdominium Homeowners Assn.* (1999) 21 Cal.4th 249.[[1]](#footnote-2)

— This presumption granted under the BJR, however, can be overcome—i.e., directors won’t be shielded from personal liability—if the directors’ business decisions were made without reasonable inquiry, with improper motives, or as a result of a conflict of interest. (*Berg & Berg Enterprises, LLC v. Boyle*, *supra*, 178 Cal.App.4th at 1045.) In other words, to defeat the *Lamden* rule of judicial deference, a plaintiff will need to show that the board either acted in bad faith, failed to investigate, acted with self-interest, or acted outside the scope of its authority. In fact, notwithstanding the expansion of the BJR under *Lamden* referenced in the footnote below, other courts in California have limited *Lamden* in a variety of ways.

• In *Affan v. Portofino Cove Homeowners Assn.* (2010) 189 Cal.App.4th 930, the court recognized *Lamden’s* narrow scope and noted that while it was certainly a rule of deference in favor of HOA boards, it did NOT create “blanket immunity” for all board decisions. (*Id*., at 940.)

• In *Ekstrom v. Marquesa at Monarch Beach Homeowners Assn.* (2008) 168 Cal.App.4th 1111, the court described Lamden’s BJR as being in the nature of an affirmative defense (and held that a defense of good faith is necessarily factual in nature). Thus, under *Lamden*, that court reasoned that “judicial deference [was] owed only when it ha[d] been shown the Association acted after reasonable investigation, in good faith and with regard for the best interests of the community association and its members.” (*Id*., at 1122-1123.)

• The BJR under *Lamden* does *not* extend to legal questions that may involve the interpretation of an HOA’s CC&Rs—i.e., courts, not HOAs, decide *legal* questions. An association’s Board is afforded deference in determining how to make necessary repairs to common areas, it cannot substitute its discretion for that of a court deciding whether the association has an obligation to make repairs to common areas based upon statutory and contractual language. (*Dover Village Assn. v. Jennison* (2010) 191 Cal.App.4th 123.) *In other words, a board is offered protection under the BJR when it makes a choice, not when it ignores problems.*

## Laches

— A plaintiff’s claim is barred under the doctrine of laches if: (i) the plaintiff delayed in bringing his or her claim; (ii) the delay was unreasonable or inexcusable; and (iii) the defendant is prejudiced because of the delay. (*In re Marriage of Parker* (2017) 14 Cal.App.5th 681, 688.)

## Waiver

— As an affirmative defense, waiver is a type of estoppel. It prevents a plaintiff from relying on a right (typically contractual) that the plaintiff would otherwise have no problem being able to enforce. Often, such a waiver exists because the plaintiff did or said something that made the defendant believe that the provision in question was no longer in effect, and defendant relied upon that action/statement. (*Wind Dancer Production Group v. Walt Disney Pictures* (2017) 10 Cal.App.5th 56, 78.)

## Justification

— Because of the defendant’s legally protected interest, the defendant’s appropriate conduct was justified in protecting that interest. (*Richardson v. La Rancherita* (1979) 98 Cal.App.3d 73.) How this affirmative defense is applied, however, depends upon the nature of the claims alleged. For example, in response to an invasion of privacy claim, a defendant may be justified in violating a plaintiff’s privacy interest if the reason for the invasion outweighs the plaintiff’s privacy interest. (*Lewis v. Superior Court* (2017) 3 Cal.5th 561, 573.) In an assault case, however, justification means that the defendant’s force was necessary to protect the defendant or others from wrongful injury. (Civ. Code, § 50.)

## Consent

— The defendant is not liable for the plaintiff’s harm if the plaintiff consented to the conduct prior to the harm-producing conduct’s occurrence. (Civ. Code, §§ 3515, 3516; *Austin B. v. Escondido Union School Dist.* (2007) 149 Cal.App.4th 860, 875; *Royer v. Steinberg* (1979) 90 Cal.App.3d 490, 498.)

This section of the Preliminary Analysis may be amended from time to time if new information/evidence comes to light that supports additional affirmative defenses.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Strategic Considerations

## Applicability of Davis-Stirling Act

The Davis-Stirling Act applies to the facts of this dispute.

## Attorneys’ Fees and Costs

If this dispute is adjudicated, the prevailing party will be entitled to attorneys’ fees and costs under the Davis-Stirling Act. In addition, the prevailing part in any such litigation will also be entitled to their attorneys’ fees and costs under Section 34.56 of the CC&Rs.

## Jurisdiction and Venue

Since there is no binding arbitration provision in the CC&Rs, any litigation related to the dispute must take place in superior court of the county in which Client’s property is located.

## Standing

Based upon the information/evidence that Client has provided thus far, it appears that the opposing party has standing to pursue each of the claims alleged against Client.

## Secondary Conflicts Check

No new potential or actual conflict of interest between the parties and/or significant figures came to light during the Firm’s preparation of this Preliminary Analysis.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Final Thoughts / Issues / Concerns / Comments

None at this time.

This section of the Preliminary Analysis might be amended from time to time to reflect new information, strategies, or concerns that arise during the course of the litigation.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Although the *Lamden* court narrowed its holding to *maintenance-*related decisions*,* over the last two decades,others courts in California have applied the *Lamden* rule to non-maintenance decisions made by HOA boards/committees. (See, e.g., *Dolan-King v. Rancho Santa Fe Ass’n* (2000) 81 Cal.App.4th 965 [reviews of architectural applications given deference]; *Healy v. Casa del Rey Homeowners Ass’n* (2007) 153 Cal.App.4th 863 [board decision as to how and when to enforce governing documents given deference]; *Harvey v. Landing Homeowners Assn.* (2008) 162 CalApp.4th 809 [whether owners should be granted exclusive use of common areas given deference].) [↑](#footnote-ref-2)