



REGULAR MEETING OF THE FINANCE COMMITTEE

**Tuesday, May 3, 2022 – 1:30 p.m.
Laguna Woods Village Board Room/Virtual
24351 El Toro Road
Laguna Woods, CA 92637**

NOTICE and AGENDA

1. Call to Order
2. Acknowledgment of Media
3. Approval of the Agenda
4. Approval of Meeting Report for April 5, 2022
5. Chair Remarks
6. Member Comments (Items Not on the Agenda)

At this time Members only may address the Committee regarding items not on the agenda and within the jurisdiction of this Committee. The Committee reserves the right to limit the total amount of time allotted for the Open Forum. Members can attend the meeting by joining the Zoom link <https://us06web.zoom.us/j/81161366511> or by calling (669) 900-6833 and enter the meeting ID 81161366511# or email meeting@vmsinc.org to request to speak.

7. Department Head Update

Reports

8. Preliminary Financial Statements dated March 31, 2022

Items for Discussion and Consideration

9. Endorsements from Standing Committee
 - a) Resident Policy and Compliance Committee – Resale Policy: Equity of Non-U.S Property; Foreign Pension; and Require U.S. Federal Tax Returns

Future Agenda Items

Concluding Business:

11. Committee Member Comments
12. Date of Next Meeting – Tuesday, June 7, 2022 at 1:30 p.m.
13. Recess to Closed Session

Craig Wayne, Chair (Alternate for Donna Rane-Szostak)
Steve Hormuth, Staff Officer
Telephone: 949-597-4201



FINANCE COMMITTEE MEETING REPORT OF THE REGULAR OPEN SESSION

Tuesday, April 5, 2022 – 1:30 p.m.
Virtual Meeting

DIRECTORS PRESENT: Donna Rane-Szostak – Chair, Robert Mutchnick, Ralph Engdahl, Jim Cook, John Frankel, Annie McCary, Lynn Jarrett, Craig Wayne, Ira Lewis, Cush Bhada

DIRECTORS ABSENT: Mark Laws (excused)

ADVISORS PRESENT: Wei-Ming Tao, John Hess

STAFF PRESENT: Steve Hormuth, Jose Campos, Erika Hernandez

Call to Order

Director Donna Rane-Szostak chaired and called the meeting to order at 1:32pm.

Acknowledgement of Media

The meeting was streamed through Granicus and made available via Zoom for members of the community to participate virtually.

Approval of Meeting Agenda

A motion was made and carried unanimously to approve the amended agenda with the following addition:

- Agenda Item # 8a – General Review of the 2021 Audit Report

Approval of Meeting Report for March 1, 2022

A motion was made and carried with 9 in favor and one abstention to approve the committee report as presented.

Chair Remarks

Director Rane-Szostak presented the guiding principles of the Third Laguna Hills Mutual Investment Policy and their consistency with Davis-Stirling Civil Code 5380, Management of Association Funds.

Member Comments (Items Not on the Agenda)

None.

Department Head Update

Steve Hormuth, Director of Financial Services, provided an update on the 2021 financial statement audit. He noted KPMG presented the results of the audit to the Third board on April 4, 2022 and each corporation adopted their respective audit report into corporate record. He also shared that the insurance Crime Policy was extended into October 1, 2022 and the Property

Insurance will be due for renewal on June 1, 2022. Dates of recent budget workshops were shared with the committee and upcoming meeting dates were communicated.

Director Rane-Szostak mentioned the upcoming Board meeting will have an informative presentation on the budget processing.

Preliminary Financial Statements dated February 28, 2022

Jose Campos, Assistant Director of Financial Services, presented the Preliminary Financial Statements dated February 28, 2022 and informed the committee of the possibility of joining insurance policies with United Laguna Woods Mutual. Questions were addressed. Steve Hormuth pointed out that Unrealized gain/(loss) found on Statement of Revenues & Expenses line item # 7 will not have activity in 2022 due to the sale of the previous investment portfolio and the purchase of treasury bills. Questions were addressed.

General Review of the 2021 Audit Report

Steve Hormuth provided explanations to the committee for items listed under “Other changes” on the audited financial statements. It was also shared that the auditor gave a clean opinion on the financial statements.

Future Agenda Items

None.

Committee Member Comments

None.

Date of Next Meeting

Tuesday, May 3, 2022 at 1:30 p.m.

Recess to Closed Session

The meeting recessed at 2:25 p.m.



Donna Rane-Szostak, Chair



MEMORANDUM

To: Third Finance Committee
 From: Steve Hormuth, Director of Financial Services
 Date: May 3, 2022
 Re: Department Head Update

Financial Highlights

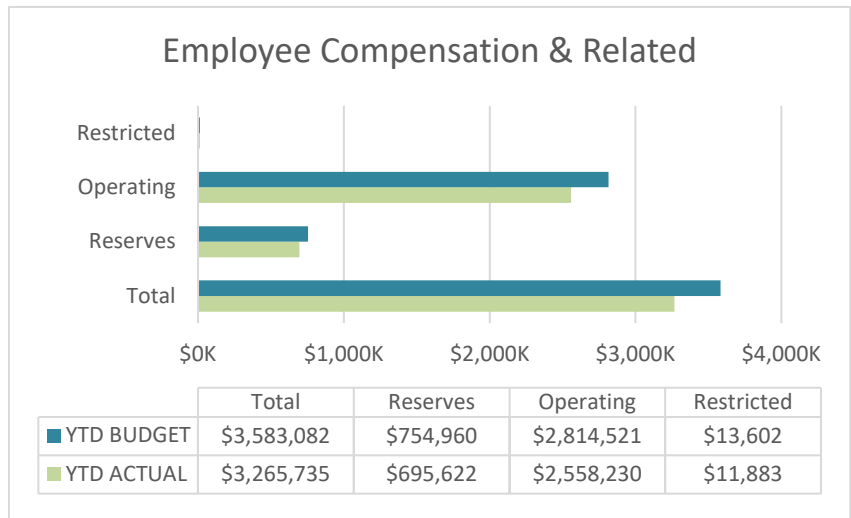
▪ **SUMMARY:**

For the year-to-date period ending March 31, 2022, Third Laguna Hills Mutual was better than budget by \$1,844K primarily due to late start of programs due to COVID-19 pandemic, affecting the areas of outside services, compensation, and materials.

INCOME STATEMENT (in Thousands)			
	Actual	Budget	Variance
Assessment Revenues	\$10,353	\$10,354	(\$1)
Other Revenues	448	520	(\$72)
Expenses	\$7,690	\$9,607	\$1,917
Revenue/(Expense)	\$3,111	\$1,267	\$1,844

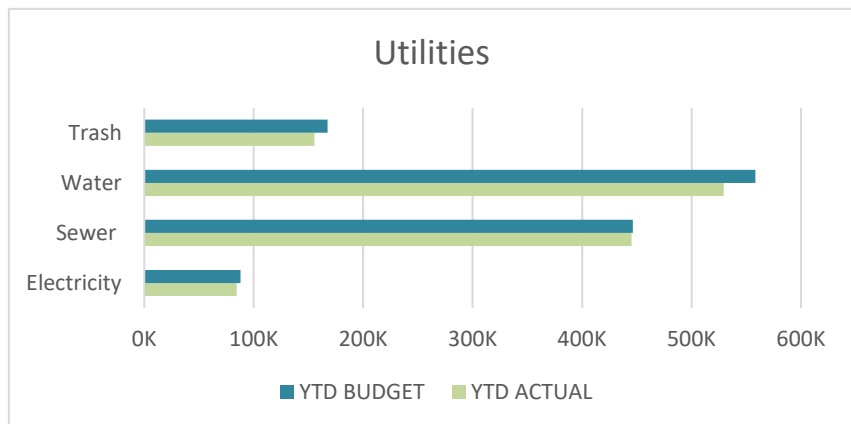
▪ **COMPENSATION:**

Actual compensation and related costs came in at \$3,266K with \$2,558K in operations, \$696K in reserves, and \$12K in restricted. Combined, this category is 8.9% favorable to budget. For Third, the most significant savings were due to outsourcing of 8 Landscape staff and open positions in Maintenance & Constructions.



▪ **UTILITIES:**

In total, this category was favorable to budget by \$46K mainly due to water coming in lower than budget. Budget was based on a five-year average of water consumption, which was 7.1% over the budgeted usage. The variance was partially offset by a lower rate than anticipated at the time of budget preparation.



Discussions

Purchasing Policy Review: The Purchasing Task Force met in April to discuss an updated Purchasing Policy. During discussion, minor revisions were suggested to add clarification to the policy. Once revisions are finished, an updated purchasing policy will be submitted to each Board for adoption.

2021 Audit Update: KPMG completed the audit and issued a favorable opinion. The audit committee (Select Audit Task Force) held several hybrid update meetings with KPMG in March and April. The audit report was accepted into corporate records by the Board on April 4, 2022. A summary version of the audited financials will be mailed to members by the end of April and the full audit report is available now on the Laguna Woods Village website.

2023 Business Plan: Third kicked off the 2023 Business Plan development in March by holding a meeting to review 2022 service levels. Staff is currently in the budget development portion of the planning process. Once budgets are compiled, staff will conduct an internal review of each department. Third will conduct Landscape and Maintenance reviews on June 2 and June 3.

Calendar

The following scheduled meetings will be held remotely during COVID-19 stay home orders:

- May 3, 2022 @ 1:30 p.m. Third Finance Committee Meeting (April Financials)
- May 6, 2022 @ 9:30 a.m. Third Board Agenda Prep Meeting
- May 17, 2022 @ 9:30 a.m. Third Board Meeting
- Jun 7, 2022 @ 1:30 p.m. Third Finance Committee Meeting (May Financials)

May 2022							June 2022							July 2022						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7				1	2	3	4						1	2
8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
29	30	31					26	27	28	29	30			24	25	26	27	28	29	30
														31						

Third Laguna Hills Mutual
Statement of Revenues & Expenses - Preliminary
3/31/2022
(\$ IN THOUSANDS)

	CURRENT MONTH			YEAR TO DATE			PRIOR YEAR ACTUAL	TOTAL BUDGET	
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE			
Revenues:									
Assessments:									
1	Operating	\$2,384	\$2,384	\$7,151	\$7,151		\$5,242	\$28,603	
2	Additions to restricted funds	1,068	1,068	3,203	3,203		3,408	12,811	
3	Total assessments	<u>3,451</u>	<u>3,451</u>	<u>10,353</u>	<u>10,354</u>		<u>8,650</u>	<u>41,415</u>	
Non-assessment revenues:									
4	Fees and charges for services to residents	93	79	14	203	236	(32)	173	960
5	Laundry	17	18		56	53	4	49	210
6	Investment income	19	20	(2)	24	61	(37)	58	244
7	Unrealized gain/(loss) on AFS investments						(554)		
8	Miscellaneous	55	57	(2)	164	171	(7)	131	683
9	Total non-assessment revenue	<u>184</u>	<u>174</u>	<u>11</u>	<u>448</u>	<u>520</u>	<u>(72)</u>	<u>(142)</u>	<u>2,097</u>
10	Total revenue	<u>3,635</u>	<u>3,625</u>	<u>10</u>	<u>10,801</u>	<u>10,874</u>	<u>(72)</u>	<u>8,507</u>	<u>43,512</u>
Expenses:									
11	Employee compensation and related	1,177	1,224	47	3,266	3,583	317	3,029	14,324
12	Materials and supplies	145	115	(30)	336	347	12	320	1,411
13	Utilities and telephone	456	418	(38)	1,214	1,260	46	1,385	5,968
14	Legal fees	11	44	33	21	119	99	129	527
15	Professional fees	2	39	37	11	54	43	37	155
16	Equipment rental	3	4	1	3	11	8	15	45
17	Outside services	98	526	428	466	1,413	947	544	8,624
18	Repairs and maintenance	24	29	5	71	87	16	72	349
19	Other Operating Expense	12	22	10	19	51	32	20	193
20	Insurance	649	754	105	1,879	2,262	383	1,295	9,049
21	Investment expense		2	2		5	5	4	21
22	Uncollectible Accounts	(13)	5	18	15	16	1	(14)	65
23	(Gain)/loss on sale or trade	4		(4)	4		(4)		
24	Depreciation and amortization	11	11		34	34		34	134
25	Net allocation to mutuals	137	123	(14)	352	363	11	324	1,449
26	Total expenses	<u>2,718</u>	<u>3,317</u>	<u>598</u>	<u>7,690</u>	<u>9,607</u>	<u>1,917</u>	<u>7,194</u>	<u>42,314</u>
27	Excess of revenues over expenses	<u>\$917</u>	<u>\$308</u>	<u>\$609</u>	<u>\$3,111</u>	<u>\$1,267</u>	<u>\$1,844</u>	<u>\$1,313</u>	<u>\$1,198</u>

Third Laguna Hills Mutual
Statement of Revenues & Expenses - By Fund Type - Preliminary
3/31/2022
(\$ IN THOUSANDS)

	OPERATING YEAR TO DATE			RESERVE: YEAR TO DATE			RESTRICTED: YEAR TO DATE			COMBINED: YEAR TO DATE			
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	
Revenues:													
Assessments:													
1	Operating	\$7,151	\$7,151							\$7,151	\$7,151		
2	Additions to restricted funds			2,783	2,783		420	420		3,203	3,203		
3	Total assessments	7,151	7,151	2,783	2,783		420	420		10,353	10,354		
Non-assessment revenues:													
4	Fees and charges for services to residents	203	236	(32)						203	236	(32)	
5	Laundry	56	53	4						56	53	4	
6	Investment income				18	35	(17)	7	26	(20)	24	(37)	
7	Unrealized gain/(loss) on AFS investments												
8	Miscellaneous	164	171	(7)						164	171	(7)	
9	Total non-assessment revenue	423	459	(36)	18	35	(17)	7	26	(20)	448	(72)	
10	Total revenue	7,574	7,610	(36)	2,800	2,817	(17)	427	447	(20)	10,801	(72)	
Expenses:													
11	Employee compensation and related	2,558	2,815	256	696	755	59	12	14	2	3,266	3,583	317
12	Materials and supplies	212	193	(19)	123	151	29	1	3	2	336	347	12
13	Utilities and telephone	1,212	1,256	44	2	4	1				1,214	1,260	46
14	Legal fees	21	119	99							21	119	99
15	Professional fees	9	54	46	2		(2)				11	54	43
16	Equipment rental	1	2	1	2	9	7				3	11	8
17	Outside services	216	168	(49)	408	970	562	(158)	275	433	466	1,413	947
18	Repairs and maintenance	70	86	15	1	1	1				71	87	16
19	Other Operating Expense	15	45	30	4	6	3				19	51	32
20	Insurance	1,879	2,262	383							1,879	2,262	383
21	Investment expense					3	3		2	2		5	5
22	Uncollectible Accounts	15	16	1							15	16	1
23	(Gain)/loss on sale or trade				3		(3)	1		(1)	4		(4)
24	Depreciation and amortization	34	34								34	34	
25	Net allocation to mutuals	292	306	14	59	57	(3)	1	1		352	363	11
26	Total expenses	6,534	7,355	821	1,299	1,956	657	(143)	295	438	7,690	9,607	1,917
27	Excess of revenues over expenses	\$1,040	\$255	\$785	\$1,501	\$861	\$640	\$570	\$151	\$419	\$3,111	\$1,267	\$1,844

**Third Laguna Hills Mutual
Operating Statement
3/31/2022
THIRD LAGUNA HILLS MUTUAL**

	Actual	YEAR TO DATE Budget	VAR\$ B/(W)	VAR% B/(W)	TOTAL BUDGET
Revenues:					
Assessments:					
Operating					
41001000 - Monthly Assessments	\$7,150,534	\$7,150,873	(\$340)	0.00%	\$28,603,493
Total Operating	7,150,534	7,150,873	(340)	0.00%	28,603,493
Additions To Restricted Funds					
41002000 - Monthly Assessments - Disaster Fund	397,972	397,973	0	0.00%	1,591,890
41003500 - Monthly Assessments - Replacement Fund	2,672,676	2,672,676	0	0.00%	10,690,704
41004000 - Monthly Assessments - Elevator Replacement Fund	91,530	91,530	0	0.00%	366,120
41004500 - Monthly Assessments - Laundry Replacement Fund	18,306	18,306	0	0.00%	73,224
41006000 - Monthly Assessments - Garden Villa Recreation Room Fund	22,356	22,356	0	0.00%	89,424
Total Additions To Restricted Funds	3,202,840	3,202,841	0	0.00%	12,811,362
Total Assessments	10,353,374	10,353,714	(340)	0.00%	41,414,855
Non-Assessment Revenues:					
Fees and Charges for Services to Residents					
46501000 - Permit Fee	64,850	59,555	5,295	8.89%	238,222
46501500 - Inspection Fee	23,656	18,384	5,272	28.68%	73,537
46502000 - Resident Maintenance Fee	114,842	157,657	(42,815)	(27.16%)	648,636
Total Fees and Charges for Services to Residents	203,348	235,596	(32,248)	(13.69%)	960,396
Laundry					
46005000 - Coin Op Laundry Machine	56,341	52,500	3,841	7.32%	210,000
Total Laundry	56,341	52,500	3,841	7.32%	210,000
Investment Income					
49001000 - Investment Income - Nondiscretionary	0	998	(998)	(100.00%)	4,000
49002000 - Investment Income - Discretionary	24,448	60,000	(35,552)	(59.25%)	240,000
Investment Interest Income	24,448	60,998	(36,550)	(59.92%)	244,000
Miscellaneous					
46004500 - Resident Violations	200	13,549	(13,349)	(98.52%)	54,198
44501000 - Additional Occupant Fee	(200)	0	(200)	0.00%	0
44501510 - Lease Processing Fee - Third	63,590	64,866	(1,276)	(1.97%)	259,475
44502000 - Variance Processing Fee	0	3,971	(3,971)	(100.00%)	15,888
44502500 - Non-Sale Transfer Fee - Third	750	414	336	81.16%	1,666
44503520 - Resale Processing Fee - Third	50,448	47,934	2,514	5.24%	191,740
44505500 - Hoa Certification Fee	4,190	3,000	1,190	39.67%	12,000
44507000 - Golf Cart Electric Fee	14,232	17,499	(3,267)	(18.67%)	70,000
44507200 - Electric Vehicle Plug-In Fee	3,829	2,751	1,078	39.18%	11,000
44507500 - Cartport/Carport Space Rental Fee	840	1,101	(261)	(23.71%)	4,400
47001500 - Late Fee Revenue	24,668	12,750	11,918	93.47%	51,000
47002020 - Collection Administrative Fee - Third	0	675	(675)	(100.00%)	2,700
47002500 - Collection Interest Revenue	(413)	1,251	(1,664)	(133.03%)	5,000
47501000 - Recycling	1,521	999	522	52.25%	4,000
49009000 - Miscellaneous Revenue	8	0	8	0.00%	0
Total Miscellaneous	163,662	170,759	(7,097)	(4.16%)	683,067
Total Non-Assessment Revenue	447,798	519,853	(72,055)	(13.86%)	2,097,463
Total Revenue	10,801,172	10,873,567	(72,395)	(0.67%)	43,512,318
Expenses:					
Employee Compensation					
51011000 - Salaries & Wages - Regular	668,996	781,354	112,357	14.38%	3,188,996
51021000 - Union Wages - Regular	1,129,486	1,376,346	246,859	17.94%	5,581,847
51041000 - Wages - Overtime	10,057	6,305	(3,752)	(59.51%)	25,234
51051000 - Union Wages - Overtime	20,567	12,520	(8,047)	(64.27%)	50,106
51061000 - Holiday & Vacation	223,689	182,196	(41,493)	(22.77%)	740,584
51071000 - Sick	72,045	74,317	2,272	3.06%	302,080
51091000 - Missed Meal Penalty	1,258	885	(373)	(42.11%)	3,572
51101000 - Temporary Help	14,104	27,399	13,296	48.52%	109,606

**Third Laguna Hills Mutual
Operating Statement
3/31/2022**

THIRD LAGUNA HILLS MUTUAL

	YEAR TO DATE				TOTAL BUDGET
	Actual	Budget	VAR\$ B/(W)	VAR% B/(W)	
51981000 - Compensation Accrual	142,666	0	(142,666)	0.00%	0
Total Employee Compensation	2,282,868	2,461,322	178,453	7.25%	10,002,024
Compensation Related					
52411000 - F.I.C.A.	160,089	184,687	24,598	13.32%	742,748
52421000 - F.U.I.	7,101	10,220	3,120	30.52%	10,220
52431000 - S.U.I.	31,954	51,947	19,993	38.49%	51,947
52441000 - Union Medical	439,960	476,593	36,633	7.69%	1,906,370
52451000 - Workers' Compensation Insurance	108,824	130,698	21,874	16.74%	530,688
52461000 - Non Union Medical & Life Insurance	89,779	108,262	18,483	17.07%	432,813
52471000 - Union Retirement Plan	107,872	125,104	17,233	13.77%	507,367
52481000 - Non-Union Retirement Plan	18,000	34,248	16,248	47.44%	139,778
52981000 - Compensation Related Accrual	19,289	0	(19,289)	0.00%	0
Total Compensation Related	982,867	1,121,760	138,893	12.38%	4,321,933
Materials and Supplies					
53001000 - Materials & Supplies	123,232	125,737	2,505	1.99%	503,088
53003000 - Materials Direct	211,822	220,069	8,247	3.75%	902,417
53004000 - Freight	543	1,399	857	61.21%	5,630
Total Materials and Supplies	335,598	347,205	11,608	3.34%	1,411,135
Utilities and Telephone					
53301000 - Electricity	84,306	87,961	3,655	4.16%	372,829
53301500 - Sewer	445,233	446,400	1,167	0.26%	1,829,400
53302000 - Water	529,367	558,158	28,791	5.16%	3,095,794
53302500 - Trash	155,556	167,498	11,942	7.13%	669,993
Total Utilities and Telephone	1,214,461	1,260,017	45,556	3.62%	5,968,016
Legal Fees					
53401500 - Legal Fees	91,484	119,443	27,959	23.41%	526,652
53401550 - Legal Fees Contra	(70,655)	0	70,655	0.00%	0
Total Legal Fees	20,829	119,443	98,614	82.56%	526,652
Professional Fees					
53402020 - Audit & Tax Preparation Fees - Third	0	31,055	31,055	100.00%	47,670
53403500 - Consulting Fees	7,431	2,700	(4,731)	(175.23%)	13,597
53403520 - Consulting Fees - Third	3,279	20,369	17,090	83.90%	93,500
Total Professional Fees	10,710	54,124	43,414	80.21%	154,767
Equipment Rental					
53501500 - Equipment Rental/Lease Fees	3,382	11,268	7,886	69.99%	45,077
Total Equipment Rental	3,382	11,268	7,886	69.99%	45,077
Outside Services					
53601000 - Bank Fees	9,496	10,579	1,083	10.24%	42,322
53601500 - Credit Card Transaction Fees	3,099	0	(3,099)	0.00%	0
53604500 - Marketing Expense	0	1,251	1,251	100.00%	5,000
54603500 - Outside Services Cost Collection	418,296	1,386,580	968,284	69.83%	8,470,258
53704000 - Outside Services	35,194	14,709	(20,485)	(139.27%)	106,430
Total Outside Services	466,086	1,413,119	947,033	67.02%	8,624,010
Repairs and Maintenance					
53701000 - Equipment Repair & Maint	1,400	3,078	1,678	54.53%	12,340
53703000 - Elevator /Lift Maintenance	69,682	83,799	14,117	16.85%	336,584
Total Repairs and Maintenance	71,082	86,877	15,795	18.18%	348,924
Other Operating Expense					
53801000 - Mileage & Meal Allowance	724	2,630	1,906	72.47%	10,540
53801500 - Travel & Lodging	9	627	618	98.50%	2,511
53802000 - Uniforms	11,188	23,056	11,868	51.47%	89,998
53802500 - Dues & Memberships	279	748	468	62.63%	2,683
53803000 - Subscriptions & Books	2	480	479	99.65%	1,931
53803500 - Training & Education	351	5,071	4,720	93.09%	21,162
53903000 - Safety	87	371	284	76.56%	1,489
54001020 - Board Relations - Third	304	1,881	1,577	83.85%	7,525
54002000 - Postage	5,679	16,228	10,550	65.01%	54,488
54002500 - Filing Fees / Permits	196	124	(72)	(57.69%)	510

**Third Laguna Hills Mutual
Operating Statement
3/31/2022**
THIRD LAGUNA HILLS MUTUAL

	Actual	YEAR TO DATE Budget	VAR\$ B/(W) VAR\$ B/(W)	VAR% B/(W)	TOTAL BUDGET
Total Other Operating Expense	18,819	51,217	32,398	63.26%	192,837
Insurance					
54401000 - Hazard & Liability Insurance	193,221	213,440	20,219	9.47%	853,762
54401500 - D&O Liability	21,514	22,189	675	3.04%	88,758
54402000 - Property Insurance	1,662,636	2,024,878	362,242	17.89%	8,099,520
54403000 - General Liability Insurance	1,878	1,798	(80)	(4.47%)	7,190
Total Insurance	1,879,249	2,262,305	383,056	16.93%	9,049,230
Investment Expense					
54201000 - Investment Expense	30	5,280	5,250	99.43%	21,120
Total Investment Expense	30	5,280	5,250	99.43%	21,120
Uncollectible Accounts					
54602000 - Bad Debt Expense	15,051	16,251	1,200	7.39%	65,000
Total Uncollectible Accounts	15,051	16,251	1,200	7.39%	65,000
(Gain)/Loss on Sale or Trade					
54101500 - (Gain)/Loss On Investments	3,699	0	(3,699)	0.00%	0
Total (Gain)/Loss on Sale or Trade	3,699	0	(3,699)	0.00%	0
Depreciation and Amortization					
55001000 - Depreciation And Amortization	33,624	33,624	0	0.00%	134,496
Total Depreciation and Amortization	33,624	33,624	0	0.00%	134,496
Net Allocation to Mutuals					
54602500 - Allocated Expenses	351,597	362,702	11,105	3.06%	1,449,122
Total Net Allocation to Mutuals	351,597	362,702	11,105	3.06%	1,449,122
Total Expenses	7,689,950	9,606,513	1,916,563	19.95%	42,314,341
Excess of Revenues Over Expenses	\$3,111,222	\$1,267,053	\$1,844,168	145.55%	\$1,197,976

**Third Laguna Hills Mutual
Balance Sheet - Preliminary
3/31/2022**

		<u>Current Month End</u>	<u>Prior Year December 31</u>
Assets			
1	Cash and cash equivalents	\$2,513,960	\$3,967,068
2	Non-discretionary investments	3,999,245	
3	Discretionary investments	25,182,483	25,180,400
4	Receivable/(Payable) from mutuals	1,172,041	532,799
5	Accounts receivable and interest receivable	185,542	218,076
6	Prepaid expenses and deposits	1,393,054	2,818,713
7	Property and equipment	141,239	141,239
8	Accumulated depreciation property and equipment	(141,239)	(141,239)
9	Beneficial interest in GRF of Laguna Hills Trust	5,021,516	5,055,140
10	Non-controlling interest in GRF	39,594,122	39,594,122
11	Total Assets	<u>\$79,061,963</u>	<u>\$77,366,317</u>
Liabilities and Fund Balances			
Liabilities:			
12	Accounts payable and accrued expenses	\$1,941,814	\$3,429,790
13	Accrued compensation and related costs	596,103	596,103
14	Deferred income	809,575	737,176
15	Income tax payable	(26,005)	(26,005)
16	Total liabilities	<u>\$3,321,488</u>	<u>\$4,737,064</u>
Fund balances:			
17	Fund balance prior years	72,629,254	74,218,083
18	Change in fund balance - current year	3,111,222	(1,588,830)
19	Net fund balances	<u>75,740,475</u>	<u>72,629,254</u>
20	Total fund balances	<u>75,740,475</u>	<u>72,629,254</u>
21	Total Liabilities and Fund Balances	<u>\$79,061,963</u>	<u>\$77,366,317</u>

**Third Laguna Hills Mutual
Fund Balance Sheet - Preliminary
3/31/2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Elevator Replacement Fund</u>	<u>Laundry Replacement Fund</u>	<u>Garden Villa Rec Room Fund</u>	<u>Disaster Fund</u>	<u>Unappropriated Expenditures Fund</u>	<u>Total</u>	
Assets									
1	Cash and cash equivalents	\$953,427	\$23,317	\$227,746	\$18,888	\$50,849	\$80,602	\$1,159,130	\$2,513,960
2	Non-discretionary investments		2,544,680	304,773	57,575	11,297	782,225	298,694	3,999,245
3	Discretionary investments		15,961,697	1,916,571	282,032	71,062	4,850,302	2,100,819	25,182,483
4	Receivable/(Payable) from mutuals	1,172,041							1,172,041
5	Accounts receivable and interest receivable	185,542							185,542
6	Prepaid expenses and deposits	814,253							1,393,054
7	Property and equipment	141,239					289,401	289,401	141,239
8	Accumulated depreciation property and equipment	(141,239)							(141,239)
9	Beneficial interest in GRF of Laguna Hills Trust	5,021,516							5,021,516
10	Non-controlling interest in GRF	39,594,122							39,594,122
11	Total Assets	<u>\$47,740,901</u>	<u>\$18,529,695</u>	<u>\$2,449,091</u>	<u>\$358,495</u>	<u>\$133,208</u>	<u>\$6,002,529</u>	<u>\$3,848,044</u>	<u>\$79,061,963</u>
Liabilities and Fund Balances									
Liabilities:									
12	Accounts payable and accrued expenses	\$1,153,747	\$767,053			\$12,650	\$8,365		\$1,941,815
13	Accrued compensation and related costs	596,103							596,103
14	Deferred income	809,575							809,575
15	Income tax payable	(26,005)							(26,005)
16	Total liabilities	<u>\$2,533,421</u>	<u>\$767,053</u>			<u>\$12,650</u>	<u>\$8,365</u>		<u>\$3,321,488</u>
Fund balances:									
17	Fund balance prior years	44,167,517	16,348,615	2,355,983	364,571	104,231	5,441,633	3,846,704	72,629,254
18	Change in fund balance - current year	1,039,963	1,414,027	93,109	(6,075)	16,327	552,531	1,340	3,111,222
19	Net fund balances	<u>45,207,480</u>	<u>17,762,642</u>	<u>2,449,091</u>	<u>358,495</u>	<u>120,558</u>	<u>5,994,165</u>	<u>3,848,044</u>	<u>75,740,475</u>
20	Total fund balances	<u>45,207,480</u>	<u>17,762,642</u>	<u>2,449,091</u>	<u>358,495</u>	<u>120,558</u>	<u>5,994,165</u>	<u>3,848,044</u>	<u>75,740,475</u>
21	Total Liabilities and Fund Balances	<u>\$47,740,901</u>	<u>\$18,529,695</u>	<u>\$2,449,091</u>	<u>\$358,495</u>	<u>\$133,208</u>	<u>\$6,002,529</u>	<u>\$3,848,044</u>	<u>\$79,061,963</u>

**Third Laguna Hills Mutual
Changes in Fund Balances - Preliminary
3/31/2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Elevator Replacement Fund</u>	<u>Laundry Replacement Fund</u>	<u>Garden Villa Rec Room Fund</u>	<u>Disaster Fund</u>	<u>Unappropriated Expenditures Fund</u>	<u>Total</u>
Revenues:								
Assessments:								
1	\$7,150,534							\$7,150,534
2		2,672,676	91,530	18,306	22,356	397,972		3,202,840
3	<u>7,150,534</u>	<u>2,672,676</u>	<u>91,530</u>	<u>18,306</u>	<u>22,356</u>	<u>397,972</u>		<u>10,353,374</u>
Non-assessment revenues:								
4	203,348							203,348
5	56,341							56,341
6		15,553	1,863	352	69	4,785	1,826	24,448
7	163,662							163,662
8	<u>423,350</u>	<u>15,553</u>	<u>1,863</u>	<u>352</u>	<u>69</u>	<u>4,785</u>	<u>1,826</u>	<u>447,798</u>
9	<u>7,573,884</u>	<u>2,688,229</u>	<u>93,393</u>	<u>18,658</u>	<u>22,425</u>	<u>402,757</u>	<u>1,826</u>	<u>10,801,172</u>
Expenses:								
10	2,558,230	689,268		6,354	5,331	6,552		3,265,736
11	211,956	104,707		17,850	437	647		335,598
12	1,212,133	2,261			11	56		1,214,461
13	20,829							20,829
14	8,506	1,954				250		10,710
15	839	2,497			13	32		3,382
16	216,361	407,871			1	(158,355)	207	466,086
17	70,393	684			4	1		71,082
18	14,937	3,755		56	38	33		18,819
19	1,879,249							1,879,249
20		19	2			6	2	30
21	15,051							15,051
22		2,354	282	53	10	723	276	3,699
23	33,624							33,624
24	291,813	58,833		420	251	280		351,597
25	<u>6,533,921</u>	<u>1,274,202</u>	<u>284</u>	<u>24,733</u>	<u>6,098</u>	<u>(149,774)</u>	<u>486</u>	<u>7,689,950</u>
26	<u>\$1,039,963</u>	<u>\$1,414,027</u>	<u>\$93,109</u>	<u>(\$6,075)</u>	<u>\$16,327</u>	<u>\$552,531</u>	<u>\$1,340</u>	<u>\$3,111,222</u>
27	<u>\$1,073,587</u>	<u>\$1,414,027</u>	<u>\$93,109</u>	<u>(\$6,075)</u>	<u>\$16,327</u>	<u>\$552,531</u>	<u>\$1,340</u>	<u>\$3,144,846</u>

**THIRD LAGUNA WOODS MUTUAL
NON-DISCRETIONARY ACCOUNT HELD BY BANK OF AMERICA
SCHEDULE OF INVESTMENTS
3/31/22**

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECT. YIELD	ORIGINAL COST	ANNUALIZED YTD YIELD *	BOOK VALUE	3/31/2022	
										MARKET VALUE	UNREALIZED GAIN/(LOSS)
	U.S. TREASURY BILL	0.00%	03-31-22	04-14-22	\$1,000,000.00	0.030%	\$999,989.17		\$999,989.17	\$999,989.17	\$0.00
	U.S. TREASURY BILL	0.00%	03-31-22	05-03-22	\$1,000,000.00	0.050%	\$999,955.56		\$999,955.56	\$999,955.56	\$0.00
	U.S. TREASURY BILL	0.00%	03-31-22	06-02-22	\$2,000,000.00	0.200%	\$1,999,300.00		\$1,999,300.00	\$1,998,864.00	(\$436.00)
TOTAL FOR NON-DISCRETIONARY INVESTMENTS					\$ 4,000,000.00		\$ 3,999,244.73	0.00%	3,999,244.73	3,998,808.73	(436.00)

*Yield is based on all investments held during the year

**THIRD LAGUNA WOODS MUTUAL
DISCRETIONARY ACCOUNT - SAGEVIEW/FIDELITY & SUNWEST
SCHEDULE OF INVESTMENTS
3/31/22**

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECT. YIELD	ORIGINAL COST	ANNUALIZED YTD YIELD *	BOOK VALUE	3/31/2022	
										MARKET VALUE	UNREALIZED GAIN/(LOSS)
					\$ -		\$ -		\$ -	\$ -	\$0.00
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,100.00		\$991,841.63	\$987,153.00	(\$4,688.63)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,100.00		\$991,841.63	\$987,153.00	(\$4,688.63)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,100.00		\$991,841.63	\$987,153.00	(\$4,688.63)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,100.00		\$991,841.63	\$987,153.00	(\$4,688.63)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,175.00		\$991,910.38	\$987,153.00	(\$4,757.38)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,175.00		\$991,910.38	\$987,153.00	(\$4,757.38)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,175.00		\$991,910.38	\$987,153.00	(\$4,757.38)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,175.00		\$991,910.38	\$987,153.00	(\$4,757.38)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$1,000,000.00	0.910%	\$991,175.00		\$991,910.38	\$987,153.00	(\$4,757.38)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$15,000,000.00	0.910%	\$14,867,625.00		\$14,878,656.25	\$14,807,295.00	(\$71,361.25)
	U.S. TREASURY BILL	0.00%	03-04-22	2/23/2023	\$407,000.00	0.910%	\$403,408.23		\$403,707.59	\$401,771.27	(\$1,936.32)
TOTALS FOR DISCRETIONARY INVESTMENTS					25,407,000.00		25,182,483.23	0.39%	\$25,201,192.64	\$25,080,596.27	(\$120,596.37)
TOTAL INVESTMENTS					\$29,407,000.00		\$ 29,181,727.96	0.33%	\$ 29,200,437.37	\$ 29,079,405.00	

*Yield is based on all investments held during the year

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF MARCH 31, 2022**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET *	% EXPENDED	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET			\$	%
OPERATING FUND - MAINTENANCE & CONSTRUCTION								
APPLIANCE REPAIRS	\$7,786	\$7,919	\$21,497	\$23,313	\$93,270	23%	\$1,817	8%
CARPENTRY SERVICE	39,814	43,278	105,931	127,501	510,004	21%	21,570	17%
ELECTRICAL SERVICE	9,690	9,859	29,489	28,983	115,944	25%	(506)	(2%)
FIRE PROTECTION	827	10,459	3,454	19,650	144,380	2%	16,195	82%
MISC REPAIRS BY OUTSIDE SERVICE	0	4,888	(8,677)	14,664	458,664	-2%	23,341	159%
PEST CONTROL	1,930	5,645	2,180	16,935	174,633	1%	14,755	87%
PLUMBING SERVICE	45,256	59,668	137,116	176,121	704,474	19%	39,005	22%
SOLAR MAINTENANCE	1,787	2,083	1,787	6,249	25,000	7%	4,462	71%
TOTAL	\$107,089	\$143,798	\$292,777	\$413,416	\$2,226,369	13%	\$120,639	29%
OPERATING FUND - GENERAL SERVICES								
CONCRETE REPAIR/REPLACEMENT	\$33,636	\$31,372	\$84,772	\$92,474	\$369,462	23%	\$7,703	8%
JANITORIAL SERVICE	88,072	83,436	247,518	245,524	977,822	25%	(1,995)	(1%)
GUTTER CLEANING	9,941	10,537	27,257	30,982	160,758	17%	3,725	12%
TRAFFIC CONTROL	1,741	1,878	4,774	5,525	22,074	22%	751	14%
WELDING	9,261	10,731	25,344	31,626	126,349	20%	6,282	20%
TOTAL	\$142,651	\$137,955	\$389,665	\$406,131	\$1,656,465	24%	\$16,466	4%
OPERATING FUND - LANDSCAPE SERVICES								
LANDSCAPE ADMINISTRATION	\$35,750	\$29,249	\$87,613	\$84,743	\$341,287	26%	(\$2,869)	(3%)
NURSERY & COMPOSTING	23,038	24,711	61,134	72,890	290,925	21%	11,756	16%
GROUNDS MAINTENANCE	307,220	273,958	791,082	806,363	3,211,030	25%	15,281	2%
IRRIGATION	106,501	88,314	273,862	260,551	1,040,845	26%	(13,311)	(5%)
SMALL EQUIPMENT REPAIR	23,931	19,274	50,569	56,813	227,135	22%	6,244	11%
PEST CONTROL	48,817	32,567	110,547	95,816	383,391	29%	(14,730)	(15%)
TOTAL	\$545,256	\$468,072	\$1,374,807	\$1,377,177	\$5,494,612	25%	\$2,370	0%

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF MARCH 31, 2022**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET *	% EXPENDED	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET			\$	%
REPLACEMENT FUND - MAINTENANCE & CONSTRUCTION								
BUILDING NUMBERS	\$0	\$0	\$0	\$0	\$0	0%	\$0	0%
BUILDING STRUCTURES	239,503	191,586	297,657	572,990	2,502,042	12%	275,332	48%
ELECTRICAL SYSTEMS	0	1,000	0	3,000	30,000	0%	3,000	100%
ENERGY PROJECTS	0	0	0	0	0	0%	(1)	0%
EXTERIOR LIGHTING	788	2,082	1,555	6,246	25,000	6%	4,691	75%
FENCING	5,658	5,425	13,873	15,998	63,996	22%	2,125	13%
GARDEN VILLA LOBBY	0	0	0	0	12,000	0%	0	0%
GARDEN VILLA MAILROOM	27	35	73	102	412	18%	29	29%
GARDEN VILLA RECESSED AREA	0	0	0	0	0	0%	0	0%
GV REC ROOM WATER HEATER/HEAT PUMP	523	250	827	745	2,984	28%	(82)	(11%)
GUTTER REPLACEMENTS	2,604	6,622	7,270	19,727	78,926	9%	12,457	63%
MAILBOXES	240	767	649	2,285	9,143	7%	1,636	72%
PAINT PROGRAM - EXTERIOR	129,824	134,676	348,709	396,876	1,586,079	22%	48,167	12%
PRIOR TO PAINT	83,588	94,929	228,645	279,598	1,166,430	20%	50,952	18%
PAVING	0	0	0	0	433,960	0%	0	0%
ROOF REPLACEMENTS	21,844	86,432	144,043	106,932	1,461,792	10%	(37,111)	(35%)
SUPPLEMENTAL APPROPRIATIONS	0	0	0	0	0	0%	0	0%
WALL REPLACEMENTS	0	0	0	0	35,000	0%	0	0%
WASTE LINE REMEDIATION	35,641	23,334	35,699	70,000	700,000	5%	34,301	49%
WATER LINES - COPPER PIPE REMEDIATION	0	0	0	0	500,000	0%	0	0%
TOTAL	\$520,240	\$547,137	\$1,079,000	\$1,474,498	\$8,607,764	13%	\$395,498	27%
REPLACEMENT FUND - GENERAL SERVICES								
PRIOR TO PAINT	\$996	\$1,082	\$2,733	\$3,182	\$12,712	21%	\$450	14%
PAVING	7,666	5,750	19,477	16,921	67,606	29%	(2,555)	(15%)
EXTERIOR WALLS	0	2,012	0	6,036	24,150	0%	6,036	100%
TOTAL	\$8,663	\$8,844	\$22,209	\$26,139	\$104,469	21%	\$3,930	15%
REPLACEMENT FUND - LANDSCAPE SERVICES								
LANDSCAPE MODIFICATION	\$859	\$43,655	\$2,156	\$130,924	\$523,702	0%	\$353,769	270%
IMPROVEMENT & RESTORATION	15,372	11,004	39,709	32,266	129,214	31%	(7,443)	(23%)
TREE MAINTENANCE	40,728	79,356	128,755	235,903	943,424	14%	107,148	45%
TOTAL	\$56,959	\$134,015	\$170,620	\$399,093	\$1,596,339	11%	\$228,473	57%
ELEVATOR REPLACEMENT FUND								
ELEVATOR REPLACEMENT	\$0	\$8,750	\$0	\$26,250	\$105,000	0%	\$26,250	100%
TOTAL	\$0	\$8,750	\$0	\$26,250	\$105,000	0%	\$26,250	100%

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF MARCH 31, 2022**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET *	% EXPENDED	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET			\$	%
LAUNDRY REPLACEMENT FUND								
LAUNDRY APPLIANCES	\$4,506	\$7,837	\$21,231	\$23,423	\$93,712	23%	\$2,192	9%
LAUNDRY COUNTERTOP/FLOOR/TILE REPAIRS	1,292	1,364	3,449	4,007	16,028	22%	559	14%
SUPPLEMENTAL APPROPRIATIONS	0	0	0	0	0	0%	0	0%
TOTAL	\$5,798	\$9,201	\$24,679	\$27,430	\$109,740	22%	\$2,751	10%

DISASTER FUND - MAINTENANCE & CONSTRUCTION

MOISTURE INTRUSION - RAIN LEAKS	\$4,251	\$19,792	\$18,307	\$59,376	\$237,513	8%	\$41,069	69%
MOISTURE INTRUSION - PLUMBING LEAKS	(250,337)	33,333	(215,875)	99,999	400,000	-54%	315,874	316%
MOISTURE INTRUSION - PLUMBING STOPPAGES	6,816	4,166	12,170	12,498	50,000	24%	328	3%
MOISTURE INTRUSION - MISCELLANEOUS	3,666	3,879	13,671	11,637	46,548	29%	(2,034)	(17%)
DAMAGE RESTORATION SERVICES	(13,035)	15,970	6,051	47,729	190,935	3%	41,678	87%
TOTAL	(\$248,638)	\$77,140	(\$165,676)	\$231,239	\$924,996	-18%	\$396,915	172%

DISASTER FUND - LANDSCAPE SERVICES

RISK FIRE MANAGEMENT	\$14,922	\$15,000	\$15,172	\$45,000	\$180,000	8%	\$29,828	66%
SUPPLEMENTAL APPROPRIATIONS	0	0	0	0	0	0%	0	0%
TOTAL	\$14,922	\$15,000	\$15,172	\$45,000	\$180,000	8%	\$29,828	66%

**THIRD LAGUNA HILLS
MUTUAL MAINTENANCE PROGRAMS EXPENDITURES
REPORT AS OF MARCH 31, 2022**

DESCRIPTION	YTD TOTAL EXPENDITURES	LABOR	MATERIALS	OUTSIDE SERVICES
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OPERATING FUND - MAINTENANCE & CONSTRUCTION

APPLIANCE REPAIRS	\$21,497	\$18,703	\$2,794	\$0
CARPENTRY SERVICE	105,931	97,142	8,790	0
ELECTRICAL SERVICE	29,489	25,903	2,895	690
FIRE PROTECTION	3,454	1,178	646	1,630
MISC REPAIRS BY OUTSIDE SERVICE	(8,677)	0	0	(8,677)
PEST CONTROL	2,180	0	0	2,180
PLUMBING SERVICE	137,116	119,254	11,914	5,948
SOLAR MAINTENANCE	1,787	0	0	1,787
TOTAL	\$292,777	\$262,180	\$27,039	\$3,558

OPERATING FUND - GENERAL SERVICES

CONCRETE REPAIR/REPLACEMENT	\$84,772	\$75,902	\$8,870	\$0
JANITORIAL SERVICE	247,518	239,108	8,410	0
GUTTER CLEANING	27,257	27,257	0	0
TRAFFIC CONTROL	4,774	4,774	0	0
WELDING	25,344	24,524	820	0
TOTAL	\$389,665	\$371,565	\$18,100	\$0

OPERATING EXPENDITURES - LANDSCAPE SERVICES

LANDSCAPE ADMINISTRATION	\$87,613	\$87,613	\$0	\$0
NURSERY & COMPOSTING	61,134	61,134	0	0
GROUNDS MAINTENANCE	791,082	694,820	0	96,263
IRRIGATION	273,862	230,874	42,989	0
SMALL EQUIPMENT REPAIR	50,569	50,569	0	0
PEST CONTROL	110,547	110,547	0	0
TOTAL	\$1,374,807	\$1,235,556	\$42,989	\$96,263

OPERATING - CHARGEABLE SERVICES

CHARGEABLE SERVICES	\$147,516	\$33,320	\$45,092	\$69,103
TOTAL	\$147,516	\$33,320	\$45,092	\$69,103

RESERVE FUND - MAINTENANCE & CONSTRUCTION

BUILDING NUMBERS	\$0	\$0	\$0	\$0
BUILDING STRUCTURES	297,657	75,609	12,338	209,709
ELECTRICAL SYSTEMS	0	0	0	0
EXTERIOR LIGHTING	1,555	0	0	1,555
FENCING	13,873	11,526	2,346	0
GARDEN VILLA LOBBY	0	0	0	0
GARDEN VILLA MAILROOM	73	73	0	0
GARDEN VILLA RECESSED AREA	0	0	0	0
GV REC ROOM WATER HEATER/HEAT PUMP	827	216	611	0
GUTTER REPLACEMENTS	7,270	5,763	1,507	0
MAILBOXES	649	649	0	0
PAINT PROGRAM - EXTERIOR	348,709	321,419	27,291	0
PRIOR TO PAINT	228,645	215,675	12,970	0
PAVING	0	0	0	0
ROOF REPLACEMENTS	144,043	0	0	144,043
WALL REPLACEMENTS	0	0	0	0
WASTE LINE REMEDIATION	35,699	0	0	35,699
WATER LINES - COPPER PIPE REMEDIATION	0	0	0	0
TOTAL	\$1,079,000	\$630,931	\$57,063	\$391,006

**THIRD LAGUNA HILLS
MUTUAL MAINTENANCE PROGRAMS EXPENDITURES
REPORT AS OF MARCH 31, 2022**

DESCRIPTION	YTD TOTAL EXPENDITURES	LABOR	MATERIALS	OUTSIDE SERVICES
<i>RESERVE FUND - GENERAL SERVICES</i>				
PRIOR TO PAINT	\$2,733	\$2,733	\$0	\$0
PAVING	19,477	14,285	5,192	0
EXTERIOR WALLS	0	0	0	0
TOTAL	\$22,209	\$17,017	\$5,192	\$0

RESERVE FUND - LANDSCAPE

LANDSCAPE MODIFICATION	\$2,156	\$2,156	\$0	\$0
IMPROVEMENT & RESTORATION	39,709	39,709	0	0
TREE MAINTENANCE	128,755	112,237	0	16,518
TOTAL	\$170,620	\$154,102	\$0	\$16,518

RESERVE FUND - ELEVATOR

ELEVATOR REPLACEMENT	\$0	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0	\$0

RESERVE FUND - LAUNDRY

LAUNDRY APPLIANCES	\$21,231	\$3,666	\$17,565	\$0
LAUNDRY COUNTERTOP/FLOOR/TILE REPAIRS	3,449	3,449	0	0
TOTAL	\$24,679	\$7,114	\$17,565	\$0

DISASTER FUND - MAINTENANCE & CONSTRUCTION

MOISTURE INTRUSION - RAIN LEAKS	\$18,307	\$0	\$0	\$18,307
MOISTURE INTRUSION - PLUMBING LEAKS	(215,875)	0	0	(215,875)
MOISTURE INTRUSION - PLUMBING STOPPAGES	12,170	0	0	12,170
MOISTURE INTRUSION - MISCELLANEOUS	13,671	0	0	13,671
DAMAGE RESTORATION SERVICES	6,051	7,549	56	(1,553)
TOTAL	(\$165,676)	\$7,549	\$56	(\$173,281)

DISASTER FUND - LANDSCAPE SERVICES

RISK FIRE MANAGEMENT	\$15,172	\$250	\$0	\$14,922
SUPPLEMENTAL APPROPRIATIONS	\$0	\$0	\$0	\$0
TOTAL	\$15,172	\$250	\$0	\$14,922

**THIRD LAGUNA HILLS
MUTUAL MAINTENANCE PROGRAMS EXPENDITURES
REPORT AS OF MARCH 31, 2022**

DESCRIPTION	OS Actuals	OS Budget	OS Variance
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OPERATING FUND - MAINTENANCE & CONSTRUCTION

APPLIANCE REPAIRS	\$0	\$0	\$0
CARPENTRY SERVICE	0	4,374	4,374
ELECTRICAL SERVICE	690	624	(66)
FIRE PROTECTION	1,630	18,093	16,463
MISC REPAIRS BY OUTSIDE SERVICE	(8,677)	14,664	23,341
PEST CONTROL	2,180	16,935	14,755
PLUMBING SERVICE	5,948	23,748	17,801
SOLAR MAINTENANCE	1,787	6,249	4,462
TOTAL	\$3,558	\$84,687	\$81,130

OPERATING FUND - GENERAL SERVICES

CONCRETE REPAIR/REPLACEMENT	\$0	\$0	\$0
JANITORIAL SERVICE	0	0	0
GUTTER CLEANING	0	0	(0)
TRAFFIC CONTROL	0	0	0
WELDING	0	3,750	3,750
TOTAL	\$0	\$3,750	\$3,750

OPERATING EXPENDITURES - LANDSCAPE SERVICES

LANDSCAPE ADMINISTRATION	\$0	\$0	\$0
NURSERY & COMPOSTING	0	0	0
GROUNDS MAINTENANCE	96,263	0	(96,263)
IRRIGATION	0	0	0
SMALL EQUIPMENT REPAIR	0	0	0
PEST CONTROL	0	0	0
TOTAL	\$96,263	\$0	(\$96,263)

OPERATING - CHARGEABLE SERVICES

CHARGEABLE SERVICES	\$69,103	\$54,393	(14,710)
TOTAL	\$69,103	\$54,393	(14,710)

OPERATING - SECURITY SERVICES

Smoke Detector Services	\$0	\$0	0
TOTAL	\$0	\$0	0

**THIRD LAGUNA HILLS
MUTUAL MAINTENANCE PROGRAMS EXPENDITURES
REPORT AS OF MARCH 31, 2022**

DESCRIPTION	OS Actuals	OS Budget	OS Variance
RESERVE FUND - MAINTENANCE & CONSTRUCTION			
BUILDING NUMBERS	\$0	\$0	\$0
BUILDING STRUCTURES	209,709	462,374	252,665
ELECTRICAL SYSTEMS	0	3,000	3,000
ENERGY PROJECTS	0	0	0
EXTERIOR LIGHTING	1,555	6,246	4,691
FENCING	0	0	0
GARDEN VILLA LOBBY	0	0	0
GARDEN VILLA MAILROOM	0	0	0
GARDEN VILLA RECESSED AREA	0	0	0
GV REC ROOM WATER HEATER/HEAT PUMP	0	0	0
GUTTER REPLACEMENTS	0	12,498	12,498
MAILBOXES	0	0	0
PAINT PROGRAM - EXTERIOR	0	14,370	14,370
PRIOR TO PAINT	0	5,500	5,500
PAVING	0	0	0
ROOF REPLACEMENTS	144,043	106,932	(37,111)
SUPPLEMENTAL APPROPRIATIONS	0	0	0
WALL REPLACEMENTS	0	0	0
WASTE LINE REMEDIATION	35,699	70,000	34,301
WATER LINES - COPPER PIPE REMEDIATION	0	0	0
TOTAL	\$391,006	\$680,920	\$289,914

RESERVE FUND - GENERAL SERVICES

PRIOR TO PAINT	\$0	\$0	\$0
PAVING	0	0	0
EXTERIOR WALLS	0	6,036	6,036
TOTAL	\$0	\$6,036	\$6,036

RESERVE FUND - LANDSCAPE

LANDSCAPE MODIFICATION	\$0	\$128,787	\$128,787
IMPROVEMENT & RESTORATION	0	0	0
TREE MAINTENANCE	16,518	125,778	109,260
TOTAL	\$16,518	\$254,565	\$238,047

RESERVE FUND - ELEVATOR

ELEVATOR REPLACEMENT	\$0	\$26,250	\$26,250
TOTAL	\$0	\$26,250	\$26,250

RESERVE FUND - LAUNDRY

LAUNDRY APPLIANCES	\$0	\$699	\$699
LAUNDRY COUNTERTOP/FLOOR/TILE REPAIRS	0	0	0
TOTAL	\$0	\$699	\$699

**THIRD LAGUNA HILLS
MUTUAL MAINTENANCE PROGRAMS EXPENDITURES
REPORT AS OF MARCH 31, 2022**

DESCRIPTION	OS Actuals	OS Budget	OS Variance
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DISASTER FUND - MAINTENANCE & CONSTRUCTION

MOISTURE INTRUSION - RAIN LEAKS	\$18,307	\$59,376	\$41,069
MOISTURE INTRUSION - PLUMBING LEAKS	(215,875)	99,999	315,874
MOISTURE INTRUSION - PLUMBING STOPPAGES	12,170	12,498	328
MOISTURE INTRUSION - MISCELLANEOUS	13,671	11,637	(2,034)
DAMAGE RESTORATION SERVICES	(1,553)	38,748	40,301
TOTAL	(\$173,281)	\$222,258	\$395,539

DISASTER FUND - LANDSCAPE SERVICES

RISK FIRE MANAGEMENT	\$14,922	\$45,000	\$30,078
SUPPLEMENTAL APPROPRIATIONS	\$0	\$0	\$0
TOTAL	\$14,922	\$45,000	\$30,078

DISASTER FUND - FINANCIAL SERVICES

INSURANCE PREMIUMS	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0

GARDEN VILLA REC ROOM FUND - MAINTENANCE & CONSTRUCTION

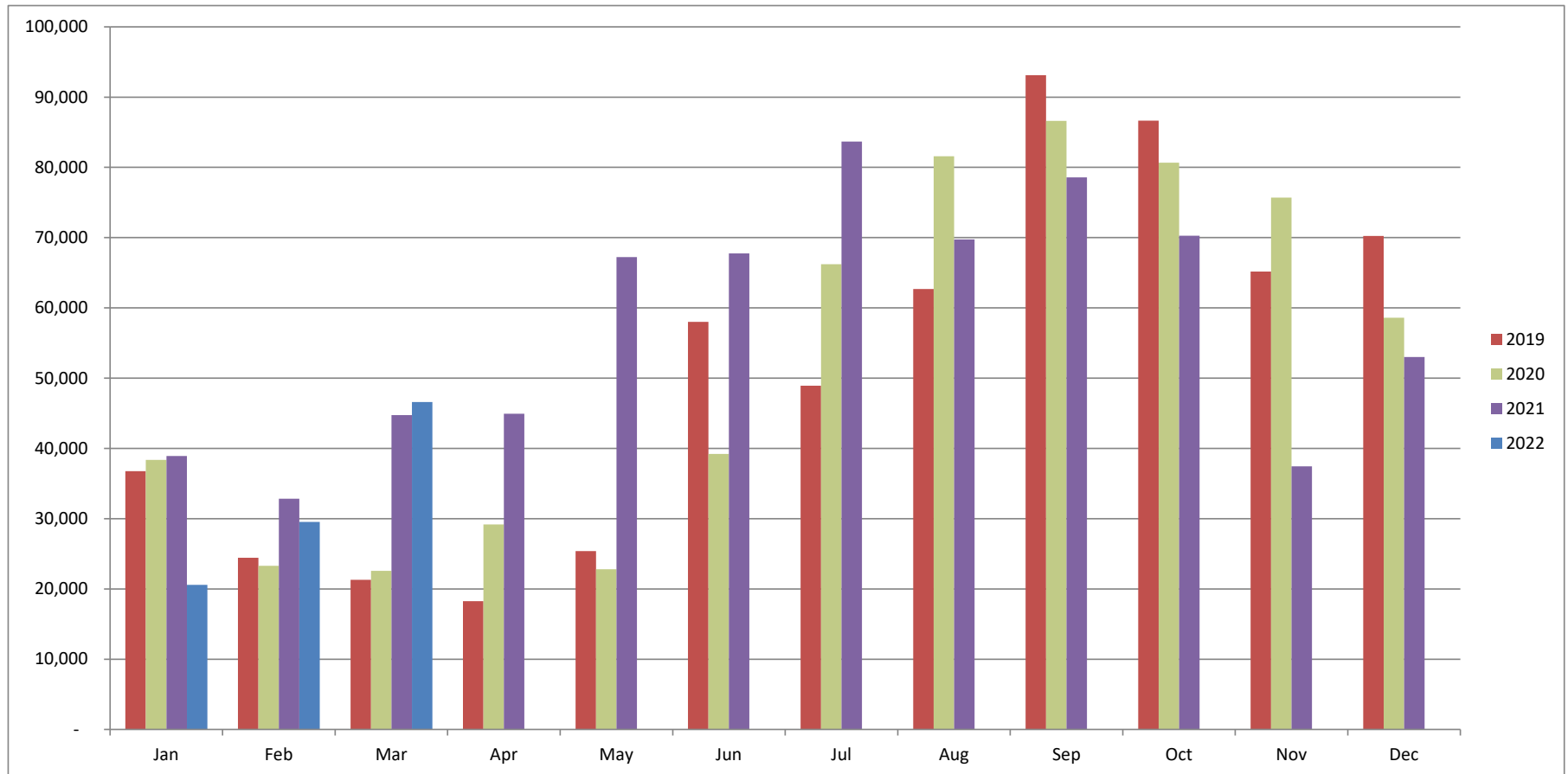
GARDEN VILLA RECREATION ROOMS	\$0	\$8,022	\$8,022
TOTAL	\$0	\$8,022	\$8,022

**RESERVE EXPENDITURES COMPARED TO RESERVE STUDY
AS PRESENTED IN THE 2022 BUSINESS PLAN
AS OF MARCH 31, 2022**

	Estimated Replacement Cost in 2022	2022 YTD Actual	2022 YTD Budget	2022 Annual Budget	1/1/2022 Fully Funded Balance	Remaining Bal. to be Funded
Paved Surfaces	\$9,176,000	\$19,477	\$16,921	\$501,566	\$5,005,390	\$6,973,130
Roofing & Gutters	\$57,835,400	\$151,313	\$126,659	\$1,540,718	\$29,479,165	\$51,954,395
Building Structures	\$8,206,200	\$297,657	\$572,990	\$2,502,043	\$3,169,810	\$5,494,900
Decking Projects	\$1,310,700	\$83,431	\$105,359	\$436,454	\$436,500	\$874,200
Prior to Painting & Painting Projects	\$4,795,200	\$496,656	\$574,297	\$2,328,768	\$2,329,000	\$2,466,200
Elevators	\$5,784,900	\$0	\$26,250	\$105,000	\$3,223,133	\$5,277,807
Garden Villas	\$879,600	\$900	\$847	\$15,396	\$191,880	\$814,300
Lighting Replacement Projects	\$75,000	\$1,555	\$6,246	\$25,000	\$25,000	\$50,000
Walls, Fencing, and Railings	\$268,200	\$13,873	\$22,733	\$125,952	\$123,200	\$145,000
Laundry Facilities	\$315,300	\$24,679	\$26,731	\$106,934	\$182,987	\$157,165
Sewer Lines, Water Lines and Elect	\$1,540,300	\$35,699	\$73,000	\$1,230,000	\$1,230,000	\$310,300
Grounds & Miscellaneous	\$9,200	\$649	\$2,285	\$9,143	\$9,200	\$0
Landscape Projects	\$1,846,500	\$170,620	\$399,093	\$1,596,339	\$1,596,500	\$250,000
Total	\$92,042,500	\$1,296,509	\$1,953,410	\$10,523,313	\$47,001,765	\$74,767,397

Third Mutual Water Usage in 100 cubic feet units

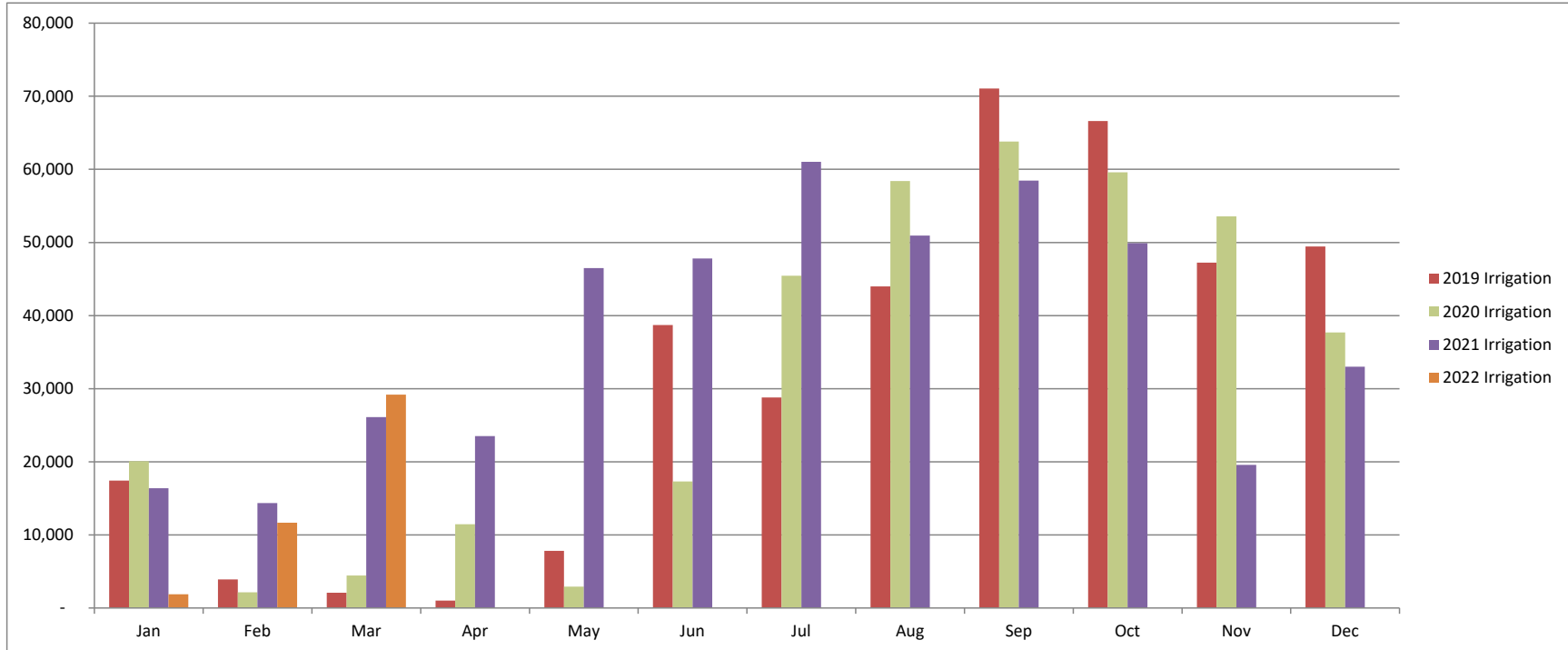
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2019	36,777	24,432	21,298	18,269	25,378	58,015	48,914	62,672	93,135	86,655	65,159	70,254	82,507	610,958
2020	38,350	23,285	22,570	29,169	22,804	39,197	66,203	81,581	86,612	80,664	75,700	58,608	84,205	624,743
2021	38,929	32,844	44,745	44,946	67,232	67,759	83,660	69,752	78,563	70,259	37,446	53,014	116,518	689,149
2022	20,573	29,523	46,594	-	-	-	-	-	-	-	-	-	96,690	96,690



Third Mutual

Irrigation Water Usage in 100 cubic feet units

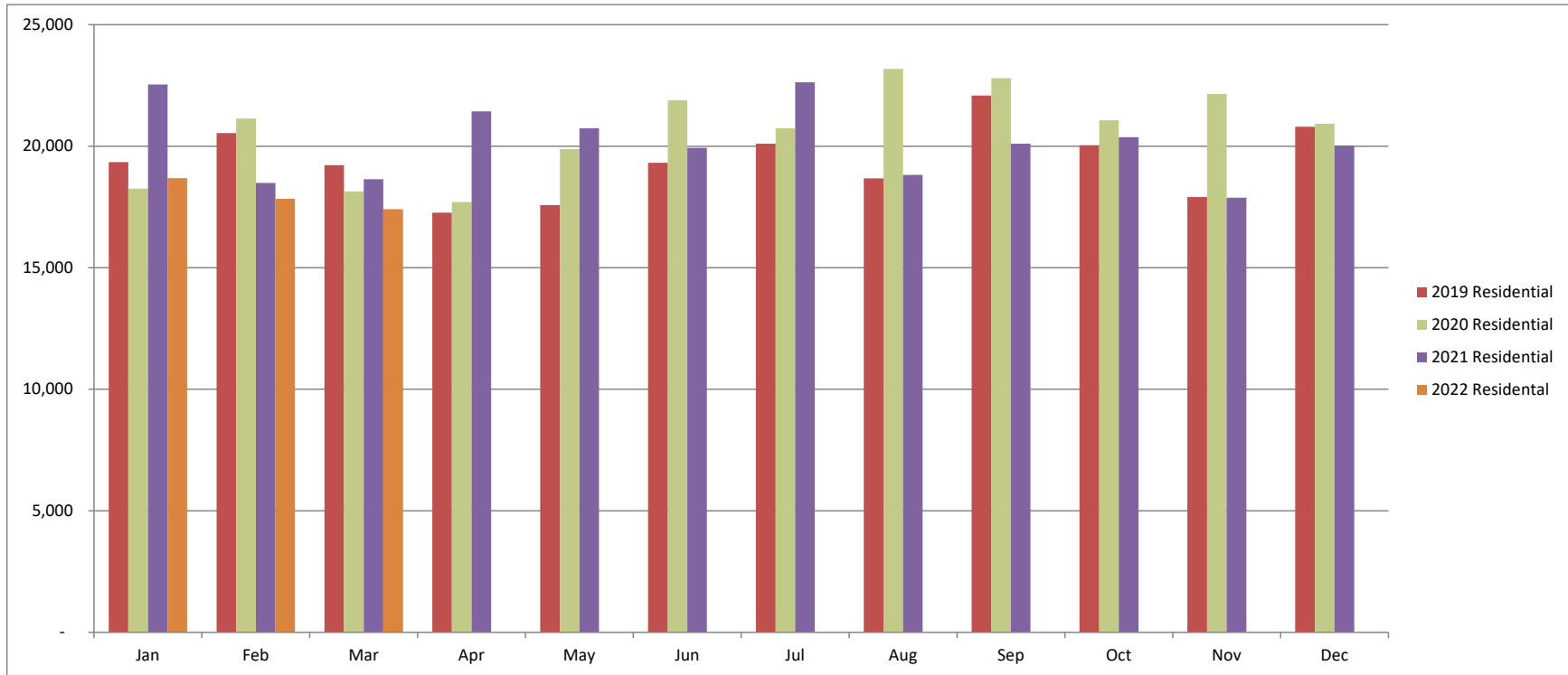
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2019 Irrigation	17,434	3,892	2,081	1,000	7,803	38,696	28,811	43,994	71,052	66,612	47,254	49,451	23,407	378,080
2020 Irrigation	20,096	2,146	4,430	11,464	2,923	17,310	45,463	58,399	63,816	59,592	53,554	37,681	26,672	376,874
2021 Irrigation	16,390	14,356	26,104	23,513	46,497	47,822	61,029	50,929	58,456	49,890	19,563	32,992	56,850	447,541
2022 Irrigation	1,884	11,681	29,185	-	-	-	-	-	-	-	-	-	42,750	42,750



Third Mutual

Residential Water Usage in 100 cubic feet units

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2019 Residential	19,343	20,540	19,217	17,269	17,575	19,319	20,103	18,678	22,083	20,043	17,905	20,803	59,100	232,878
2020 Residential	18,254	21,139	18,140	17,705	19,881	21,887	20,740	23,182	22,796	21,072	22,146	20,927	57,533	247,869
2021 Residential	22,539	18,488	18,641	21,433	20,735	19,937	22,631	18,823	20,107	20,369	17,883	20,022	59,668	241,608
2022 Residential	18,689	17,842	17,409	-	-	-	-	-	-	-	-	-	53,940	53,940





STAFF REPORT

DATE: May 3, 2022
FOR: Finance Committee
SUBJECT: Guidelines for Financial Qualifications
Requirement for U.S. Federal Tax Returns

RECOMMENDATION

Staff requests committee advisement as to whether any consideration must be made for prospective buyers who do not file U.S. federal income tax returns.

BACKGROUND

Third Laguna Hills Mutual (Third) established its Guidelines for Financial Qualification (ATT 1) which were last amended on August 17, 2021 by way of Resolution 03-21-50. The purpose of the policy is to protect the corporation's financial integrity and ensure that prospective members meet a minimum income and asset base in order to qualify for membership.

DISCUSSION

The General Application Requirements, reflects the following conditions: "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..." Further, Section III, Income Requirements, sub-section j, states '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; and
6. Credit reports.

Lastly, Section III, sub-section d 2 provides that "unacceptable income verifications, include, without limitation any income not reported on federal income tax returns."

While the above criterion has not been challenged by any Applicant as of this writing, members of the Resident Policy and Compliance Committee would like the topic of federal income tax returns to be discussed by the Finance Committee. Essentially, the Committee's question is whether any consideration must be made for prospective buyers who do not file federal income tax returns.

FINANCIAL ANALYSIS

None.

Prepared By: Pamela Bashline, Community Services Manager

Reviewed By: Steve Hormuth, Director of Finance

ATTACHMENT(S)

Attachment 1 – Guidelines for Financial Qualifications



Guidelines For Financial Qualifications

Resolution 03-21-50
Adopted August 17, 2021

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, held by an owner in the Mutual, unless such rights are suspended by the Board of Directors.
- 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.

- e. 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. NOTE: Applicants owning other properties having mortgage obligations shall provide satisfactory evidence of additional assets sufficient to offset the total mortgage balance(s).
- f. 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 U.S. banks and U.S. credit unions.
 - 3. Cash value life insurance.
 - 4. Certificates of deposit and money market accounts.
 - 5. IRA, SEP, 401(k), Profit Sharing and Keogh accounts.
 - 6. Federal, state, or municipal government bonds.
 - 7. U.S. traded investments (e.g., NYSE, Amex, OTC, Nasdaq, etc.) valued at current market prices.
 - 8. Mortgages and promissory notes; provided that the interest in such mortgages or promissory notes is reported on the Applicant's tax return.
- g. 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.

- h. 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.
- i. 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:

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

- k. 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").
- l. 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.
- m. 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.
- n. 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* \$150,000 per year.
 - 5. A credit report.
- o. 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.
- p. 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.

II. **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

EXHIBIT "A"

**THIRD LAGUNA HILLS MUTUAL
A California Non-Profit Mutual Benefit Corporation
(the "Mutual")**

ASSESSMENT/CHARGES GUARANTOR OBLIGATION FORM

A. The Parties

Owner(s): _____ (collectively, the "Owner")

Property Address: _____ (the "Property")

Guarantor: _____ ("Guarantor")

B. Guarantee Payment. Guarantor hereby guarantees unconditionally to the Mutual and the Mutual's agents as follows:

- a. Guarantor guarantees unconditionally to be jointly and severally responsible for/liable for all Charges related and charged to the Owner's assessment account.
- b. Guarantor guarantees unconditionally to promptly pay for all HOA assessments, regular or special, compliance assessments, reimbursable assessments, chargeable services etc., late charges, interest, costs, trustee fees, attorney fees, or any other amount charged by the Mutual to the HOA assessment account for the Property, including fines, after a noticed hearing before the Board, reimbursement assessments, special assessments, chargeable services etc. (collectively, the "Charges".)

C. Waiver of Right to Demand Enforcement. Because the Guarantor is jointly and severally liable for the Charges, Guarantor guarantees unconditionally to waive any right to require the Mutual or the Mutual's agents to proceed against the Owner for any default occurring under the Governing Documents before seeking to enforce this Assessment/Charges Guarantor Obligation Form.

D. Broad Interpretation. This Assessment/Charges Guarantor Obligation Form shall be construed as a general, absolute, and unconditional Guaranty of payment and shall continue in perpetuity and said guarantees shall apply to all amounts charged by the Mutual to the Owner's account during the time which the Owner is a title/record owner of the Property. If any of the provisions of this Assessment/Charges Guarantor Obligation Form shall be determined to be invalid or unenforceable under applicable law, such provision shall, insofar as possible, be construed or applied in such manner as will permit enforcement.

E. Enforcement.

- a. The Mutual may enforce this Assessment/Charges Guarantor Obligation Form without being obligated to resort first to any security or any other remedy against the Owner, and

Guarantor hereby waives any notice of default and/or any right to cure same and there shall be no presentment or dishonor hereunder.

- b. This Assessment/Charges Guarantor Obligation Form is general and shall inure to, and may be relied upon and enforced by, any successor or assign of the Mutual.

- c. This Assessment/Charges Guarantor Obligation Form shall be governed by the laws of the State of California and the parties specifically agree that any legal action brought under this Assessment/Charges Guarantor Obligation Form or any underlying lease shall be brought only in Orange County, California, which Court is agreed to have jurisdiction over the parties.
- d. The Parties waive the right to a jury trial in any such legal action.
- e. If the Guarantor breaches this Assessment/Charges Guarantor Obligation Form, the Mutual shall be entitled to a full award of attorney fees, costs and expenses relative to any enforcement efforts taken, including any litigation pursued to enforce this Assessment/Charges Guarantor Obligation Form. Guarantor agrees to pay the Mutual's actual attorney fees, costs, and expenses in the enforcement of the Governing Documents and this Assessment/Charges Guarantor Obligation Form, whether before the lawsuit/proceeding is filed, after the lawsuit/proceeding is filed, or in any and all trial and appellate tribunals, whether suit be brought or not, if, after default, counsel shall be employed by the Mutual.
- f. All amounts due to the Mutual hereunder shall bear interest at the highest rate allowed by law from the date of default.

F. Modification. Alteration, Modification or Revocation of this Assessment/Charges Guarantor Obligation Form is not permitted unless otherwise agreed to and signed by the Parties in writing.

G. No Strict Performance Required. Failure of the Mutual to insist upon strict performance or observance of any of the terms of the Governing Documents or to exercise any right held by the Mutual will not diminish the enforceability of this Assessment/Charges Guarantor Obligation Form. Guarantor agrees that the foregoing obligations shall in no way be terminated, affected, or impaired by reason of any action which the Mutual may take, or fail to take against the Owner, or by reason of any waiver of, or failure to enforce, any of the rights or remedies to the Mutual in the Governing Documents and all amendments thereto.

H. Binding on Successors. The obligations of Guarantor shall be binding upon Guarantor and his/her/their successors and assigns.

I. Effective Immediately Upon Signature. Guarantor fully understands this Assessment/Charges Guarantor Obligation Form is neither a reference, credit check, nor application, that the Mutual has relied on Guarantor's representations and warranties contained herein and it is fully effective upon Guarantor's signature.

IN WITNESS WHEREOF, this Assessment/Charges Guarantor Obligation Form is executed this ____ day of _____, 20____.

By:_____

Dated:_____

Print Name:_____

Address:_____

Phone Number:_____

E-Mail:_____

ACKNOWLEDGMENT

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

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

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

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

WITNESS my hand and official seal.
