

PLEASE ADVISE THIS MEETING HAS CHANGED
FROM "CLOSED" TO "OPEN".



OPEN MEETING

REGULAR MEETING OF THE UNITED LAGUNA WOODS MUTUAL
GOVERNING DOCUMENTS REVIEW COMMITTEE

Thursday, January 19, 2023 – 1:30 P.M.
BOARD ROOM/VIRTUAL MEETING
Laguna Woods Village Community Center

NOTICE & AGENDA

- | | |
|--|------------------|
| 1. Call to Order | Maggie Blackwell |
| 2. Approval of the Agenda | Maggie Blackwell |
| 3. Approval of Report from November 17, 2022 | Maggie Blackwell |
| 4. Chair's Remarks | Maggie Blackwell |
| 5. Member's Comments (Items Not on the Agenda) | |
- Laguna Woods Village owner/residents are welcome to participate in committee meetings and submit comments or questions regarding virtual committee meetings using one of two options:
- a. Via email to meeting@vmsinc.org any time before the meeting is scheduled to begin or during the meeting. Please use the name of the committee in the subject line of the email. Name and manor number must be included.
 - b. Join the Committee meeting via Zoom at: <https://us06web.zoom.us/j/99710468599> or by dialing 669-900-6833 Access Code: 997 1046 8599

Items for Discussion and Consideration:

- | | |
|--|-----------------|
| 6. Loans in United Laguna Woods Mutual | Pamela Bashline |
| 7. Clutter Policy | Jacob Huanosto |

Concluding Business:

- 8. Committee Member Comments
- 9. Future Agenda Items
- 10. Adjournment

Maggie Blackwell, Chair
Jacob Huanosto, Interim Staff Officer
(949) 268-2407



OPEN MEETING

**REGULAR MEETING OF THE UNITED LAGUNA WOODS MUTUAL
GOVERNING DOCUMENTS REVIEW COMMITTEE**

Thursday, November 17, 2022 – 1:30
P.M. BOARD ROOM/ VIRTUAL MEETING
Laguna Woods Village Community Center
24351 El Toro Road, Laguna Woods, CA 92637

MEMBERS PRESENT: Maggie Blackwell – Chair, Azar Asghari and Mary Simon

MEMBERS ABSENT: None

ADVISORS PRESENT: Juanita Skillman, Mary Stone and Dick Rader

ADVISORS ABSENT: None

STAFF PRESENT: Francis Gomez, Pamela Bashline, Jeff Spies and Ruby Rojas

CALL TO ORDER

Maggie Blackwell, Chair, called the meeting to order at 1:37 p.m.

APPROVAL OF THE AGENDA

Chair Blackwell made a motion to approve the agenda as presented.

Without objection the agenda was approved as presented.

APPROVAL OF MEETING REPORTS

Chair Blackwell made a motion to approve the meeting report from the October 20, 2022 meeting. Chair Simon seconded the motion.

By unanimous consent, the motion carried.

CHAIR'S REMARKS

None

MEMBER COMMENTS

Director Liberatore suggested that a private Credit Union be considered for reverse mortgages for members.

Director Ross discussed a realtor package on the MLS website, reassess income and assets requirements, as well as providing a refinancing service for loans via federal insurance and recognition agreements with outside vendors.

ITEMS FOR DISCUSSION AND CONSIDERATION

Discuss and select regulations and information for inclusion in a presentation/ package for Realtors.

Ms. Pamela Bashline, Community Services Manager, presented the existing information available to realtors and took suggestions to implement further resources to members and their realtors.

The Committee members made comments and asked questions.

The Committee did not make changes.

CONCLUDING BUSINESS:

Committee Member Comments

Provide a Staff directive to create a Resident Orientation video to be posted to the company's website.

Date of Next Meeting

The next meeting is scheduled for Thursday, December 15, 2022 at 1:30 p.m. in the Board Room.

Adjournment

With no further business before the Committee, the Chair adjourned the meeting at 2:52 p.m.

MABlackwell

MABlackwell (Dec 5, 2022 18:36 PST)

Maggie Blackwell, Chair
United Laguna Woods Mutual



STAFF REPORT

DATE: January 19, 2023
FOR: Governing Documents Review Committee
SUBJECT: Loans in United Laguna Woods Mutual

RECOMMENDATION

Staff recommends that United Laguna Woods Mutual's (Mutual) committee structure, perhaps involving multiple committees with divergent disciplines and expertise, be engaged simultaneously to research the pros and cons of lending in the common interest development.

BACKGROUND

Membership in United is not tied to real property ownership, and thus a mechanism was necessary to permit a lender to secure its loan with collateral owned by the Corporation. United developed a Recognition Agreement to protect the financial integrity and solvency of the Corporation. Since 1988, 21 different bodies have executed United's Recognition Agreement (Agreement). A list of those financial institutions with existing share loans has been reduced to 15 lenders (ATT 1).

United has authorized multiple financial institutions as well as individual lenders to make loans to members of the Corporation by way of signing United's Recognition Agreement (ATT 2; 3) and recording the Agreement with the Orange County Recorder's Office. The benefit to United was that the lender was able to initiate foreclosure proceedings when a Member defaulted on the loan; the Agreement further provided that the lender must make monthly assessment payments in timely fashion until the membership was either terminated, returned to good standing and/or was re-sold. Additionally, the lender was obligated to facilitate the pursuit of select non-monetary defaults arising from the Member's failure to comply with the terms and conditions of either the Occupancy Agreement or the Mutual's Bylaws. The strict terms and conditions of the Agreement were more favorable to United than to commercial banks. Accordingly, over the years, National Cooperative Bank (NCB) was the lone remaining financial institution willing to adhere to the Agreement.

In November 2016, United adopted Resolution 01-16-107 (ATT 4), discontinuing the use of individual recognition agreements because of abuses by some individuals.

In 2019, a third-party consultant caused a re-evaluation of United's assets which increased the Corporation's property value from millions to billions of dollars. Simultaneously wildfires and a host of other natural disasters across the country resulted in significantly higher insurance premiums; full replacement insurance coverage for United became unaffordable. Without insurance for the full replacement value of the units, NCB was unable to continue to make loans insured by Fannie Mae and was left no choice but to cease making new loans after August 2021.

DISCUSSION

There are five types of private lenders in the private commercial real estate lending industry: 1) a private individual, 2) a private equity fund or firm, 3) a family office, 4) a hedge fund and lastly, 5) a self-funded specialty finance company. Unlike banks and other traditional lending institutions, private lenders are asset-based. That means when considering a loan, they focus less on buyer credentials and more on the property's value and cash flow potential. Interest on private money loans reportedly tends to be higher than loans from licensed lenders.

A multi-committee examination of the pros and cons of lending in United may result in the best responses and/or solutions to questions of lending in United. Such examination could and should look into questions of who regulates private lenders, annual percentage rates by financial institutions compared to private lenders, and risk and liability to United when comparing loans from financial institutions to private loans, etc. Nonetheless, research performed by established United committees, each with divergent interests, could provide United with the best course of action, now and in the future.

FINANCIAL ANALYSIS

None.

Prepared By: Pamela Bashline, Community Services Manager

Reviewed By: Jeff Spies, Community Services Supervisor

ATTACHMENT(S)

ATT 1 – Existing United Lenders
ATT 2 – Recognition Agreement for Financial Institutions
ATT 3 – Recognition Agreement for Individual Lenders
ATT 4 – Resolution 01-16-107



United Lenders

California Bank & Trust

El Dorado Bank

Financial Freedom Bank

NCB Bank

Wells Fargo Bank

Quaker City Federal S & L

Loan Link Financial

Financial Freedom

Trust One Mortgage Corp

PHH Mortgage Services

Cendant Mortgage

PNC Mortgage

National City Mortgage

VA Desert Pacific Fed CU

First Interstate Bank

When recorded return to:

Community Services Department
Village Management Services, Inc. ("VMS")
P. O. Box 2220
Laguna Hills, California 92654

RECOGNITION AGREEMENT

This Recognition Agreement (the "Agreement") is made this ____ day of _____(month), _____(year), by and between UNITED LAGUNA WOODS MUTUAL, a California nonprofit mutual benefit corporation (the "Mutual") and _____("Lender"). The Mutual and Lender may collectively be referred to herein as the "Parties" and, sometimes, singularly as a "Party."

RECITALS:

- A. The Mutual is the owner of certain dwelling units located at Laguna Woods, California (the "Project"), more particularly described in Exhibit A to this document.
- B. Each member of the Mutual (the "Member") owns a membership in the Mutual and the Golden Rain Foundation of Laguna Woods (collectively, the "Membership") and the "right to occupy" a specified unit owned by the Mutual. The "right to occupy" a unit is subject to the terms of an Occupancy Agreement (the "Occupancy Agreement") entered into between the Mutual and the Member.
- C. Lender desires to continue to make secured loans to qualified Members. The loans are to be secured by a pledge to Lender of the Member's Membership, the Member's membership certificate in the Mutual and the Member's membership

certificate in Golden Rain Foundation of Laguna Woods, together with the Member's rights and interest under the Occupancy Agreement (collectively, "Member's Interest"). For the purposes of this document, the term "pledge" shall include either or both an assignment and an encumbrance as security for repayment of a loan.

D. The Parties intend that this Agreement shall replace and supersede in its entirety that certain recognition agreement previously executed on behalf of _____(Lender) and recorded on _____as Instrument No. 94-0706813.

E. A Member's Interest may not be pledged to Lender without the consent of the Mutual.

F. In order to avoid the administrative expenses to the Mutual and the Lender arising from Lender's submission to the Mutual of requests on an individual basis for approval of the pledge to Lender of a Member's Interest as security for a loan from Lender to the Member, the Mutual and Lender desire to set forth the terms and conditions under which the Mutual consents to all such pledges by Members to Lender.

TERMS

1. Mutual Protection. Lender, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under any obligation entered into with any Member shall be in accordance with all terms and conditions of this Agreement (a "share loan") and shall be subordinate and subject to rights of the Mutual to collect monthly assessments, which are in turn utilized to fulfill the Mutual's responsibilities to State, County or local authorities to pay any and all taxes and similar expenses assessed against the Project, for which the Mutual as owner of the underlying property is responsible. Moreover, in the event the Mutual acquires the Member's Interest based

on the foreclosure process pursuant to the Davis-Stirling Common Interest Development Act and in accordance with the Mutual's governing documents (whether under judicial foreclosure or nonjudicial foreclosure), the Lender's lien or any interest in the Project that the Lender had shall automatically terminate, subject to the conditions hereinafter described. The Lender may cure the Member's default to the Mutual prior to any such foreclosure action.

The Mutual shall give written notice to the Lender of a proposed tender of the Member's Interest in the event that: (1) the Mutual proceeds to record a Notice of Default; or (2) the Mutual decides to accept the Member's Interest in lieu of foreclosure. The Mutual will give such written notice if the Lender provides a written request for such written notice and the opportunity to cure any Member's default to the Mutual. The Lender shall have thirty (30) days to cure the default after the notice of the Member's default to the Mutual or notice of the Mutual's intent to accept the Member's Interest in lieu of foreclosure is mailed.

2. Conditions of Applicability. Although this Agreement provides a general structure for the relationship between Lender and the Mutual, it shall apply only in cases where the affected Member specifically consents in writing to subordinate the Member's rights under his Occupancy Agreement and the Bylaws of the Mutual to those of the Lender set forth in this document.

3. Consent to Pledge. Until termination of this Agreement as provided in Paragraph 19 below, the Mutual hereby irrevocably consents to the pledge of the following to Lender by any Member as security for any loan from Lender to the Member:

- (a) The Member's Membership;

- (b) The Member's Certificate; and,
- (c) All of the Member's rights and interest under the Occupancy

Agreement between the Member and the Mutual.

Notwithstanding the Member's pledge to the Lender, the Member shall retain all rights, privileges, and obligations of membership (specifically including the right to occupy and use the dwelling unit and community facilities, the right to vote, and the obligation to comply with the Occupancy Agreement and Bylaws of the Mutual) until and unless the Occupancy Agreement and membership rights are terminated under the provisions of the Occupancy Agreement and the Mutual's Bylaws or the pledged collateral is foreclosed or accepted in lieu of foreclosure by the Lender under the terms of the lending relationship between the Lender and the Member.

4. Notification of Pledges. From time to time, Lender may furnish in writing to Mutual, a list of all Members who have made pledges to Lender of the items listed in Paragraph 3(a), 3(b) and 3(c) above. The most current such list is hereinafter called the "List."

5. Notices by Mutual to Lender. The Mutual agrees to furnish Lender written notification of the name of each Member on the List (a) who is in default (monetary or otherwise) for more than thirty (30) days under the terms of either the Occupancy Agreement between the Mutual and the Member or the Mutual's Bylaws or (b) who actually or constructively gives the Mutual notice of an intention to leave the Project, as provided in Article III, Section 4 of the Mutual's Bylaws or in any other fashion that indicates an intent to surrender the Member's right to occupy the dwelling unit, the Membership and the Certificate.

6. Right to Cure in the Event of Default. The Mutual agrees that it will not commence action to terminate the Occupancy Agreement or Membership of any Member on the List for a default under the terms of the Member's Occupancy Agreement or the Mutual's Bylaws without giving Lender prior written notice and the opportunity to cure said default or acquire such Member's Membership, Certificate and Occupancy Agreement in accordance with the following:

(a) Monetary Default. If the default arises from the Member's failure to make any payment due the Mutual (including late charges, interest and any other cost associated with the delinquency), and Lender or the Member cures said default within thirty (30) days after Lender's receipt of the Mutual's notice furnished pursuant to Paragraph 5 above, the Mutual shall not commence action to terminate the Member's Occupancy Agreement or membership. The Mutual's acceptance of any amounts paid by Lender to cure a Member's monetary default shall not constitute a waiver of the Mutual's rights under the Mutual's Bylaws concerning the occupancy and use of the Member's dwelling unit or the transfer of the Member's membership in the Mutual.

(b) Nonmonetary Default. If the default arises from the Member's failure to comply with a term or condition of either the Occupancy Agreement or the Mutual's Bylaws which does not require a payment of money to the Mutual and all amounts due under the terms of the Occupancy Agreement are kept current, the Mutual will not commence action to terminate the Member's Occupancy Agreement or Membership provided either the Lender causes the Member to cure such default within sixty (60) days of Lender's receipt of Mutual's

notice furnished pursuant to Paragraph 5 above or the Lender provides the Mutual with a photocopy of a document commencing foreclosure of the pledge within such sixty (60) day period and continues with reasonable diligence to foreclose Lender's pledge by nonjudicial or judicial foreclosure.

Nothing in this Agreement shall make Lender a guarantor of any Member on the List, nor obligate Lender to cure a monetary default, to cause a Member to cure a nonmonetary default, to diligently foreclose its pledge or to pay any amount due under an Occupancy Agreement.

7. Mutual's Transfer of Memberships and Termination of Occupancy Agreements in the Event of Default or Surrender. The Mutual retains its right to terminate and transfer the membership and terminate the Member's rights under the Occupancy Agreement of any Member on the List in accordance with Section 5 of Article III of the Mutual's Bylaws if:

- (a) Lender consents to the transfer and termination by reconveyance of Lender's deed of trust or otherwise; or,
- (b) The Member's monetary default is not cured within the thirty (30) day period for which provision is made in Paragraph 6(a) above; or,
- (c) The Member's nonmonetary default is not cured within the sixty (60) day period for which provision is made in Paragraph 6(b) above or the Lender does not (1) provide the Mutual a photocopy of a document commencing foreclosure of the pledge within said sixty (60) day period and (2) diligently pursue the foreclosure of its pledge.

In the event there is a nonmonetary default and, before it is cured, a monetary default occurs also, the Mutual may terminate the Member's Membership and transfer the Member's Membership and terminate the Member's rights under the Occupancy Agreement wherever it is entitled to do so under the provisions of any of subparagraphs (a), (b) or (c).

If Lender pays the Mutual all amounts which become due the Mutual from the defaulting Member and Lender furnishes Mutual with evidence of Lender's having acquired Member's rights and interest under the Occupancy Agreement, the Certificate, and Member's Membership prior to the Mutual's termination of the Member's Membership and the Member's rights under the Occupancy Agreement, the Mutual will issue a new Certificate and enter into a new Occupancy Agreement with a designee of Lender approved by the Mutual (as provided in Paragraph 8 below) as soon as reasonably possible after such termination or surrender.

Notwithstanding the provisions of the Mutual's Bylaws and any failure by Lender diligently to foreclose its pledge, the Mutual shall deliver to Lender (instead of the Member) any amount that may become due the Member under either Section 4 or Section 5 of the Article III of the bylaws of the Mutual, up to the amount due Lender under the provisions of its note and pledge, as provided in Paragraph 8 below.

8. Lender's Right to Proceeds or to Designate Transferee If Mutual Redeems or Accepts Surrender of Membership. If the Mutual exercises its option to purchase the Membership of any Member on the List in accordance with Section 4 of Article III of Mutual's bylaws upon a Member's actual or constructive notice of an intention to leave the Project, Mutual shall pay Lender from the funds otherwise payable to the Member

an amount not exceeding the Member's indebtedness to Lender. In the event the amount otherwise payable to the Member is less than the Member's indebtedness to Lender, then if Lender pays Mutual all amounts owed to the Mutual by the Member under the provisions of Section 4 of Article III and any other provision of the Mutual's bylaws or Occupancy Agreement within 30 days after the Mutual exercises its option to purchase the Membership or after the Mutual accepts a surrender of the Member's Membership, right to occupy, and Certificate, the Mutual will issue a new Certificate and enter into a new Occupancy Agreement with a designee of Lender approved by the Mutual (as provided in Paragraph 9 below) as soon as reasonably possible after all payments due are received by the Mutual.

9. Approval of Transferee. If Lender forecloses its pledge or accepts an assignment of the Occupancy Agreement encumbered by the deed of trust, the Membership, and the Certificate in lieu of foreclosure. Lender will use its best efforts to sell the membership (or lease the dwelling unit as allowed by Paragraph 11 below) as rapidly as reasonably possible. When Lender seeks the Mutual's approval of a designee pursuant to Paragraph 7 or Paragraph 8 above, the Mutual will not unreasonably withhold its approval of such designee who meets the Mutual's customary requirements. The Mutual shall review the qualifications of the designee in the same manner as it reviews the qualifications of a prospective purchaser of a Certificate from any Member, and the Mutual's requirements or standards for membership shall not be applied capriciously or arbitrarily. (During the period between Lender's foreclosure or acceptance of an assignment in lieu of foreclosure and the sale of the Membership to a designee approved by the Mutual, Lender shall not be considered a member, *per se*,

and shall have no right to occupy or use the dwelling unit or common facilities or to vote. Lender's rights shall be limited to those specified in this Agreement. However, during this period Lender shall have the same duties and responsibilities under the Mutual's bylaws and the former Member's Occupancy Agreement as the former Member had — specifically including the former Member's obligation to pay the monthly carrying charges promptly. Moreover, the Mutual shall have the same remedies against Lender in the event of default that it had against the former Member.)

10. Indemnification of the Mutual. Lender shall indemnify the Mutual against, and hold the Mutual free and harmless from, any loss, liability or expense (including reasonable attorneys' fees and the cost of litigation) incurred by the Mutual in connection with any claim by a Member or the Member's successors in interest which arises out of Lender's representations or actions pursuant to this Agreement.

11. Lender's Right to Lease or Sublease. Lender shall have the same right to lease or sublease the dwelling unit of a Member whose Membership, Certificate, and right to occupy are obtained by Lender through foreclosure or assigned to Lender in lieu of foreclosure to the same extent and on the same terms and conditions as the Member otherwise would have.

12. Amendment to Occupancy Agreement and Bylaws. The Mutual agrees that it will not consent to or make any amendment that is materially detrimental to Lender's rights under this Agreement to any Occupancy Agreement between the Mutual and any Member on the List or to the Mutual's Bylaws without obtaining Lender's prior written consent, which consent shall not be withheld unreasonably.

13. Estoppel Statement. Within ten (10) days after receipt of a request for an estoppel statement, either Party shall deliver to the other a written statement of the magnitude and nature of any amounts which the Party alleges is due from a Member on the List. Such statement shall be binding upon the Party providing the statement as of the date of the statement. The party providing the statement shall have the right to require the Party requesting the statement to pay a reasonable fee for the provider's cost to prepare and reproduce such statement.

14. Inspection Rights. Lender shall have the same rights of inspection of the books and records of the Mutual as are granted to a Member by the Bylaws of the Mutual and the California Corporations Code.

15. Fire and Casualty Insurance. The Mutual warrants that it has and will maintain until the termination of this Agreement fire and casualty insurance with extended coverage of all buildings containing a dwelling unit which is the subject of an Occupancy Agreement with a Member on the List in an amount as near as reasonably possible to the full replacement value of such buildings (including, without limitation, all portions of such dwelling unit consisting of built-in or set-in appliances and cabinets, as initially installed or replacements thereof, or as installed by or at the expense of the Member), without deduction for depreciation. To the extent reasonably possible, each such policy of fire and casualty insurance shall provide for waiver of subrogation of claims against residents of Laguna Woods Village.

16. Casualty Losses. The Mutual hereby waives and releases all claims against Lender resulting from an insured or uninsured casualty to the extent of the insurance proceeds available plus any deductible under insurance coverage, whether or

not the damage or injury is caused by the Member's negligence, fault or misuse.

Notwithstanding any provision of the bylaws or of the Occupancy Agreement with a Member on the List, the Mutual shall repair or replace the dwelling unit subject to the Occupancy Agreement with a Member on the List that is damaged or destroyed as a result of an insured casualty in a manner that restores the dwelling unit to substantially its condition and value prior to the damage or destruction if the cost of doing so does not exceed the insurance proceeds plus the deductible under the insurance coverage.

If the cost of repairing or replacing such damaged dwelling unit in a manner that restores it to substantially its condition and value prior to the damage is greater than the insurance proceeds available to the Mutual for such purpose plus the deductible under the insurance coverage and the Mutual elects not to repair and replace it, then the Mutual shall pay Lender from funds otherwise payable to the Member an amount not exceeding the Member's indebtedness to Lender prior to paying any portion of such insurance proceeds to such Member or using any portion of such proceeds for any purpose other than to satisfy any amounts owed by such Member to the Mutual.

17. Condemnation Awards. If the Mutual receives an award for condemnation or taking of all or any portion of a dwelling unit which is subject to an Occupancy Agreement in favor of a Member on the List or any other award for condemnation or taking a portion of which is allocable to a Member on the List, the Mutual shall pay Lender from the funds otherwise payable to the Member an amount not exceeding the Member's indebtedness to Lender prior to paying any portion of the condemnation or taking award to the Member or using any portion of such proceeds for any purpose other than to satisfy any amounts owed by such Member to the Mutual.

18. Further Blanket Encumbrances. The Mutual agrees that it will not consent to any further blanket lien or blanket deed of trust encumbering real property which is subject to Occupancy Agreements owned by Members on the List without giving Lender sixty (60) days prior written notice.

19. Termination. This Agreement may be terminated at any time by either party by giving sixty (60) days prior written notice of said termination to the other party; provided, however, that following any such termination, the terms and provisions of this Agreement shall remain in effect as to all Memberships, Certificates, and Occupancy Agreements then transferred or pledged to Lender as of the date of such termination, until (a) such time as the obligations secured by such transferred or pledged Memberships, Certificates, and Occupancy Agreements have been satisfied or (b) Lender has acquired such Memberships, Certificates, and Occupancy Agreements pursuant to its right of foreclosure or assignment in lieu of foreclosure and such Memberships, Certificates, and Occupancy Agreements have been transferred to eligible Members approved by the Mutual, whichever occurs first.

20. Recording of Memorandum of Occupancy Agreement. Upon Lender's request, the Mutual shall execute, acknowledge and deliver to Lender a Memorandum of Occupancy Agreement in a form that will permit recordation of such Memorandum of Occupancy Agreement in the Official Records of Orange County, California.

21. Notices. Any notice or consent required pursuant to the terms hereof shall be deemed given when personally delivered to an authorized representative of a party or if mailed, it shall be deemed given five (5) days after mailed by registered or certified mail, postage prepaid, addressed as follows:

If to Mutual:

UNITED LAGUNA WOODS MUTUAL
c/o Community Services Office
24351 El Toro Road
P. O. Box 2220
Laguna Hills, California 92653

If to Lender:

_____(Lender)
Attn:
Street Address
City, State and Zip Code

With Copy to: (if applicable)

_____(Lender)
Attn:
Street Address
City, State and Zip Code

or to such other address as a party may specify from time to time.

23. Superseding and Replacing Existing Agreement. As set forth in the Recitals above, the parties expressly intend and agree that this Agreement shall replace and supersede in its entirety that certain earlier Recognition Agreement executed by _____(Lender Representative) on behalf of _____(Lender), which was recorded on _____(Date) as **Instrument No. 94-0706813**.

24. Successors and Assigns. The provisions of this Agreement shall bind and inure to the benefit of the respective successors and assigns of the Parties. As used herein, the term "Lender" includes, in addition to the lender named herein, (1) any other lender; (2) any investor of any type which has then succeeded to the Lender's right and interest in all or any part of the loans subject to this Agreement; (3) any person or institution which may service the loans for such institutional lender or investor; and,

(4) any institutional insurer or institutional guarantor of all or any part of any loan to a Member of the Mutual that is subject to this Agreement. The Mutual shall have an obligation to notify any person or institution other than the Lender named herein only if that person or institution has provided written notice of its interest in a specified dwelling unit as provided in Paragraph 21 above.

24. Miscellaneous. As used herein, words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa. In Witness herewith this Agreement as been executed as of the date set forth above.

Lender:

_____(Lender)

Mutual:

UNITED LAGUNA WOODS MUTUAL,
a California nonprofit mutual benefit
corporation

By: _____
Signature

Type

Its: _____

By: _____
Signature

Type

Its: _____

By: _____
Signature

Typed

Its: _____

By: _____
Signature

Typed

Its: President

By: _____
Signature

Typed

Its: Secretary

By: _____
Signature

Typed

Its: Treasurer

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)
County of Orange)

On _____, before me, _____, Notary Public,
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 foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

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)
County of Orange)

On _____, before me, _____, Notary Public,
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 foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

Exhibit "A"

PARCEL 1:

LOTS 1 AND 2 OF TRACT NO. 4920, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 223 PAGE(S) 43 TO 46 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOTS 4, 9, 10, 11, 12 AND 13 OF TRACT NO. 5041, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 183, PAGE(S) 4 TO 8 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOTS 1, 2, 3, 4, 5, 6, 7, 8 AND 9 OF TRACT 5093, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 192, PAGE(S) 21 TO 31 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOTS 1, 2, AND 5 OF TRACT NO. 5094, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 201, PAGE(S) 9 TO 13 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

LOTS 1, 2, 3, 4 AND 5 OF TRACT NO. 5095, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 203, PAGE(S) 37 TO 40 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 6:

LOTS 1, 2, 3, 4 AND 5 OF TRACT NO. 5096, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 204, PAGE(S) 42 TO 48 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 7:

LOTS 1, 2, 3, 4 AND 5 OF TRACT NO. 5097, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 207, PAGE(S) 1 TO 6 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 8:

LOTS 1, 2, 3, 4 AND 5 OF TRACT NO. 5098, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 218, PAGE(S) 30 TO 34 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 9:

LOTS 1, 2 AND 3 OF TRACT NO. 5099, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 215, PAGE(S) 31 TO 35 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 10:

LOTS 1, 2 AND 3 OF TRACT NO. 6033, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 222, PAGE(S) 18 TO 20 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 11:

LOTS 1 AND 2 OF TRACT NO. 6034, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 222, PAGE(S) 44 TO 46 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 12:

LOTS 4 OF TRACT NO. 6157, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 231, PAGE(S) 41 TO 45 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 13:

LOTS 2 AND 3 OF TRACT NO. 6204, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 229, PAGE(S) 10 TO 12 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 14:

LOTS 2 AND 3 OF TRACT NO. 6306, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 230, PAGE(S) 10 TO 12 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 15:

LOTS 1 AND 2 OF TRACT NO. 6319, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 232, PAGE(S) 23 TO 25 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Recoding requested by and
when recorded, return to:
Laguna Woods Village
Community Services Department
PO Box 2220
Laguna Hills, CA 92654-2220

RECOGNITION AGREEMENT
(For Use with an Individual Lender)

This Agreement is made this _____ day of _____, 20____, by and between UNITED LAGUNA WOODS MUTUAL, formally known as United Laguna Hills Mutual, a California nonprofit mutual benefit corporation (hereinafter called the "Mutual") and _____ (hereinafter called the "Lender"). The Mutual and the Lender may collectively be referred to herein as the "Parties" and sometimes singularly as a "Party".

RECITALS:

- A. The Mutual is the owner of certain dwelling units (each, a "Unit") located in Laguna Woods Village, Laguna Woods, California (hereinafter sometimes called the "Project", more particularly described in Exhibit "A", attached hereto and incorporated herein by this reference.
- B. _____, as a member of the Mutual (hereinafter called the "Member") the Member owns a membership in the Mutual, as evidenced by a Membership Certificate in the Mutual's corporation and the exclusive right to occupy a specified Unit in and owned by United located in the Project. The "right to occupy" a Unit is subject to the terms of an Occupancy Agreement (hereinafter called the "Occupancy Agreement") entered into between the Mutual and the Member. Members are collectively referred to as, the "Membership"). The member also obtains by its Membership an automatic membership in the Golden Rain Foundation of Laguna Hills (hereinafter referred to as "GRF").
- C. Lender desires to make a secured loan to the Member evidenced by a promissory note dated the same date as this Recognition Agreement (the "Loan"). The Loan is to be secured by a pledge to Lender of the Member's Membership, as evidenced by the Membership Certificate in the Mutual (the "Certificate"), together with a deed of trust covering the Member's right, title and interest under the Occupancy Agreement all of which, if applicable, are included, by reference in the terms of this Recognition Agreement (Recognition Agreement). For the purposes of this document, the term "pledge" shall include either or both an assignment and an encumbrance as security for repayment of the Loan to Lender.
- D. The Member's Membership, as evidenced by the Membership Certificate and the Member's right, title and interest under the Member's Occupancy Agreement may not be pledged to Lender without the prior written consent of the Mutual.

TERMS

1. Project Lender Protection. Lender, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under any pledge, loan, obligation, deed of trust or mortgage entered into pursuant to this Recognition Agreement (collectively defined as a "Unit Shared Loan or "Unit Deed of Trust") are subordinate and subject to rights of the Project Lender or the Mutual, if applicable, if any, now or in the future. A Unit Deed of Trust is evidenced by the holding of a security interest in the real property owned by the Mutual as identified by the

Mutual by notice as referenced below and the security agreement executed concurrently with the Unit Deeds of Trust, if applicable. As applicable, the Mutual will give written notice if, at the time of recording the subordinate lien (which is the Unit Deed of Trust), the Mutual receives notification that (1) the Unit Deed of Trust has been recorded; and (2) an acknowledgement that the Mutual shall give notice to the Parties of any proposed resolution of the Board to foreclose on such recorded lien. Such notice shall be given at the address specified below or such other address as may subsequently, upon written notice by the Project Lender or Mutual, as applicable and, designated by the holder of the Unit Deed of Trust as its legal business address. The holder of the Unit Deed of Trust shall have ninety days (90) days to cure the default after the sale of the applicable Unit Deed of Trust. The Mutual shall give written notice to the Lender of a proposed tender of the Member's Interest, giving the Lender the opportunity to cure the Member's default, in the event that: (1) the Mutual proceeds to record a Notice of Default; or (2) the Mutual decides to accept the Member's Interest in lieu of foreclosure. Notwithstanding the foregoing, if the Mutual decides to accept the Member's Interest in lieu of foreclosure, in no event shall the Mutual be liable to or responsible for the Member's pledge or loan obligations to the Lender. The Mutual will give such written notice if the Lender provides a written request for such written notice and the opportunity to cure any Member's default to the Mutual. The Lender shall have thirty (30) days to cure the default after the notice of the Member's default to the Mutual or notice of the Mutual's intent to accept the Member's Interest in lieu of foreclosure is mailed to the Lender.

2. **Consent to Pledge.** The Mutual hereby irrevocably consents to the pledge of the following to Lender by the Member as security for the loan from Lender to the Member.
 - (a) The Member's Membership in the Mutual, the Property and its share of stock in the Mutual corporation;
 - (b) The Member's Certificate providing evidence of same; and
 - (c) All of the Member's right, title and interest under the Occupancy Agreement between the Member and the Mutual.

Notwithstanding the foregoing and the Member's pledge to the Lender, the Member shall retain all rights, privileges and obligations of membership (specifically including the right to occupy and use the designated Unit and community facilities, the right to vote in Mutual elections, and the obligation to comply with the Occupancy Agreement and Bylaws of the Mutual) until and unless the rights referenced above are suspended by the Mutual in a manner consistent with the Mutual's authority under its governing documents and state statute. Similarly, the Member shall retain all rights, privileges and obligations unless the Occupancy Agreement and membership rights are terminated under the provisions of the Occupancy Agreement and the Mutual's Bylaws or the pledged collateral is foreclosed or accepted in lieu of foreclosure by the Lender under the terms of the lending relationship between the Lender and the Member.

3. **Notice by Mutual to Lender.** The Mutual agrees to furnish Lender written notification (a) if the Member is in default (monetary or otherwise) for more than thirty (30) days, unless the Mutual's Collection Policy provides a longer period of time before the Member is deemed to be in default, under the terms of either the Occupancy Agreement between the Mutual and the Member or the Mutual's Bylaws or (b) if the Member actually or constructively gives the Mutual notice of an intention to leave the Project, as provided in Article III, Section 4 of the Mutual's Bylaws, which indicates an intent to surrender the Member's right to occupy the Unit, the Membership and the Membership Certificate.
4. **Right to Cure in the Event of Default.** The Mutual agrees that it will not commence action to terminate the Occupancy Agreement or Membership of the Member for a default under the terms of the Member's Occupancy Agreement or Mutual's Bylaws without giving Lender prior written notice and the opportunity to cure said default or acquire the Member's Membership, as evidenced by the Membership Certificate and assignment of the Member's Occupancy Agreement in accordance with the following:
 - (a) **Monetary Default.** If the default arises from the Member's failure to make any payment due the Mutual for assessments and/or chargeable services, money judgments and/or any other money owed by the Member to the Mutual (including late charges, interest and any other cost associated with the delinquency), and Lender or the Member cures said default within thirty (30) days after the Mutual's notice furnished to Lender pursuant to Paragraph 2 above, the Mutual shall not commence action to terminate the Member's Occupancy Agreement or Membership. The Mutual's acceptance of any

amounts paid by Lender to cure a Member's monetary default shall not constitute a waiver of the Mutual's right under the Mutual's Bylaws concerning the occupancy and use of the Member's Unit or the transfer of the Member's Membership in the Mutual.

- (b) **Non-Monetary Default:** If the default arises from the Member's failure to comply with a term or condition of either the Occupancy Agreement, the Mutual's Bylaws and/or any Rule or Regulation promulgated by the Mutual that requires compliance by the Members but which does not require a payment of money to the Mutual and all amounts due to the Mutual by the Member under the terms of the Occupancy Agreement are kept current, the Mutual will not commence action to terminate the Member's Occupancy Agreement or Membership provided either the Lender causes the Member to cure such default within sixty (60) days of Lender's receipt of Mutual's notice furnished pursuant to Paragraph 2 above or the Lender provides the Mutual with proof that the Lender has commenced foreclosure of the pledge within such sixty (60) day period and continues with reasonable diligence to foreclose Lender's pledge by non judicial or judicial foreclosure.

5. **Mutual's Transfer of Membership and Termination of Occupancy Agreement in the Event of Default or Surrender.** The Mutual retains its right to terminate and transfer the Member's Membership and terminate the Member's rights under the Occupancy Agreement of the Member in accordance with Section 5 of Article III of Mutual's Bylaws if:

- (a) Lender consents to the transfer and termination by reconveyance of Lender's deed of trust or otherwise; or
- (b) The Member's monetary default is not cured within the thirty (30) day period for which provision is made in Paragraph 4(a) above; or
- (c) The Member's non monetary default is not cured within the sixty (60) day period for which provision is made in Paragraph 4(b) above or the Lender does not (1) provide the Mutual proof that the Lender commenced the foreclosure of the pledge within said sixty (60) day period and (2) diligently pursues the foreclosure of its pledge.

In the event there is a non monetary default and, before it is cured, a monetary default occurs also, the Mutual may terminate the Member's Membership and transfer the Member's Membership and Membership Certificate and terminate the Member's rights under the Occupancy Agreement wherever it is entitled to do so under the provisions of any of Subparagraphs of Section 4 (a), (b) or (c) herein.

If Lender pays the Mutual all amounts which become due the Mutual from the defaulting Member and Lender furnishes Mutual with evidence of Lender's having acquired Member's right, title and interest under the Occupancy Agreement as evidenced by the Membership Certificate, and Member's Membership prior to the Mutual's termination of the Member's Membership and the Member's rights under the Occupancy Agreement, the Mutual will issue a new Membership Certificate and enter into a new Occupancy Agreement with a designee of Lender if approved, in advance, in writing, by the Mutual (as provided in Paragraph 6 below) as soon as reasonably possible after such termination or surrender.

Notwithstanding the provisions of the Mutual's Bylaws and any failure by Lender to diligently foreclose its pledge, if the Mutual forecloses on the Member's interest and a third party makes payment for same, the Mutual, after recouping all monies due to the Mutual from the Member, shall deliver to Lender (instead of the Member) any amount that may become due to Member under either Section 4 or Section 5 of Article III of the Bylaws of the Mutual, up to the amount due Lender under the provisions of its note and pledge, as provided in Paragraph 6 below.

Should the Mutual comply with the provisions of the foregoing paragraph, without limiting the Lender's other obligations to the Mutual, the Lender agrees to indemnify and hold harmless the Mutual, its Board of Directors,

agents and employees (collectively referred to as the "Indemnified Parties"), from any claim or lawsuit brought against the Indemnified Parties resulting from same.

6. **Lender's Right to Proceeds or to Designate Transferee if Mutual Redeems or Accepts Surrender of Membership.** If the Mutual exercises its option to purchase the Member's Membership as evidenced by the Membership Certificate, in accordance with Section 4 of Article III of the Mutual's Bylaws upon the Member's actual or constructive notice of an intention to leave the project and abandon the Member's Unit, the Mutual shall pay Lender from the funds otherwise payable to the Member an amount not exceeding the Member's indebtedness to Lender. In the event the amount otherwise payable to the Member is less than the Member's indebtedness to Lender, Lender shall be obligated to pay to the Mutual all amounts owed to the Mutual by the Member under the provisions of Section 4 of Article III of the By-laws and any other provision of the Mutual's Bylaws or Occupancy Agreement or any other Mutual Governing Document within thirty (30) days after the Mutual exercises its option to purchase the Membership or after Mutual accepts a surrender of the Member's Membership, right to occupy, and Membership Certificate. Upon payment by the Lender to the Mutual for all of the Members financial obligations to the Mutual, the Mutual will issue a new Membership Certificate and enter into a new Occupancy Agreement with a designee of Lender approved in advance, in writing, by the Mutual (as provided in Paragraph 7 below) as soon as reasonably possible after all payments due from the Member, including, without limitation, costs of collection, are received by the Mutual.
7. **Approval of Transferee.** If Lender forecloses its pledge or accepts an assignment of the Occupancy Agreement encumbered by the deed of trust, the Membership, and the Membership Certificate in lieu of foreclosure, Lender will use its best efforts to sell the Membership (or lease the Unit as allowed by Paragraph 9 below) as rapidly as reasonably possible. When Lender seeks the Mutual's approval of a designee pursuant to Paragraph 5 or Paragraph 6 above, the Mutual will not unreasonably withhold its approval of such designee so long as the designee meets the Mutual's customary approval requirements. The Mutual shall review the qualifications of the designee in the same manner as it reviews the qualifications of a prospective purchaser of a Certificate from any prospective Member, and the Mutual's requirements or standards for Membership shall not be applied capriciously or arbitrarily. During the period between Lender's foreclosure or acceptance of an assignment in lieu of foreclosure and the sale of the Membership to a designee approved by the Mutual, Lender shall not be considered a Member, *per se*, and shall have no right to occupy or use the Unit or common facilities or to vote on Mutual matters. Notwithstanding the rights of a Member, the Mutual's governing documents or as provided by state statute, Lender's rights shall be limited to those specified in this Agreement. However, during this period of ownership, Lender shall have the same duties and responsibilities under the Mutual's Bylaws and the former Member's Occupancy Agreement as the former Member had – specifically including, without limitation, the former Member's obligation to promptly pay the monthly assessments, and in no event later than the due date. Moreover, the Mutual shall have the same remedies against Lender in the event of default that it had against the former Member.
8. **Indemnification of the Mutual.** Lender shall indemnify the Indemnified Parties against, and hold the Indemnified Parties free and harmless from, any loss, liability or expense (including reasonable attorneys' fees and the cost of litigation) incurred by the Indemnified Parties in connection with any claim by the Member or the Member's successors in interest which arises out of Lender's representations, violation of or actions or inactions pursuant to this Recognition Agreement and as required pursuant to the terms of the Occupancy Agreement to which the former Member was bound.
9. **Lender's Right to Lease or Sublease.** Lender shall have the same right to lease or sublease the Unit of the Member if the Member's Membership, Membership Certificate, and right to occupy are obtained by Lender through foreclosure or assigned to Lender in lieu of foreclosure to the same extent and on the same terms and conditions as the Member otherwise would have. Notwithstanding the foregoing, in no event shall Lender lease or sublease a Unit without prior written consent of the Mutual.
10. **Amendment to Occupancy Agreement and Bylaws.** The Mutual agrees that it will not consent to or make any amendment that is materially detrimental to Lender's rights under this Recognition Agreement to the Occupancy Agreement between the Mutual and any Member or to the Mutual's By-laws without obtaining Lender's prior written consent, which consent shall not be unreasonably withheld.

11. **Estoppel Statement.** Within ten (10) days after receipt of a request for an estoppel statement, either Party shall deliver to the other a written statement of the amounts of money which the Party alleges is due from a Member of the Mutual. Such statement shall be binding upon the Party providing the statement as of the date of the statement. The Party providing the statement shall have the right to require the Party requesting the statement to pay a reasonable fee for the provider's cost to prepare and reproduce such statement.
12. **Inspection Rights.** Lender shall have the same rights of inspection of the books and records of the Mutual as are granted to a Member pursuant to the Bylaws of the Mutual and state statute.
13. **Fire and Casualty Insurance.** The Mutual warrants that it has and will maintain until the termination of this Recognition Agreement fire and casualty insurance with extended coverage of the building containing the Member's Unit in an amount as near as reasonably practicable, if commercially feasible and economically viable, for the full replacement value of such building (including, without limitation, all portions of such Unit consisting of built-in or set-in appliances and cabinets, as initially installed or replacements thereof), with deduction for depreciation unless same is not depreciated by the Fire and Casualty Insurance carrier. To the extent reasonably possible, each such policy of fire and casualty insurance shall provide for waiver of subrogation of claims against residents of Laguna Woods Village, Laguna Woods, California. Notwithstanding anything to the contrary contained herein, if the Mutual's governing documents do not require the Mutual to be responsible for the Members' Unit, betterments and/or improvements, as such insurance term is used in the Common Interest Development industry, then the Mutual shall not be responsible to the Lender for same.
14. **Casualty Losses.** The Mutual hereby waives and releases all claims against Lender resulting from an insured or uninsured casualty to the extent of the insurance proceeds available plus any deductible under insurance coverage, whether or not the damage or injury is caused by the Member's negligence, fault or misuse so long as such insurance was obtained by the Lender and, at the time it was purchased, provided coverage equal to the covered loss. Consistent with the Mutual's By-laws and/or Occupancy Agreement with the Member, the Mutual shall repair or replace the Unit if it is damaged or destroyed as a result of the insured casualty in a manner that restores the Unit to substantially its condition and value prior to the damage or destruction if the cost of doing so does not exceed the insurance proceeds plus the deductible under the insurance policy. If the cost of repairing or replacing such damaged Unit in a manner that restores it to substantially its condition and value prior to the damage is greater than the insurance proceeds available to the Mutual for such purpose plus the deductible under the insurance coverage and the Mutual elects not to repair or replace it, then the Mutual shall pay Lender from funds otherwise payable to the Member an amount not exceeding the Member's indebtedness to Lender prior to paying any portion of such insurance proceeds to the Member or using any portion of such proceeds for any purpose other than to satisfy any amounts owed by the Member to the Mutual.
15. **Condemnation Awards.** If the Mutual receives an award for condemnation or taking of all or any portion of the Member's Unit or any other award for condemnation or taking a portion of which is allocable to the Member, the Mutual shall pay Lender from the funds otherwise payable to the Member an amount not exceeding the Member's indebtedness to Lender prior to paying any portion of the condemnation or taking award to the Member or using any portion of such proceeds for any purpose other than to satisfy any amounts owed by the Member to the Mutual.
16. **Further Blanket Encumbrances.** The Mutual agrees that it will not consent to any further blanket lien or blanket deed of trust encumbering real property which is subject to the Member's Occupancy Agreement without giving Lender sixty (60) days prior written notice.
17. **Termination.** This Agreement shall terminate: (1) when Lender reconveys its deed of trust and returns the pledged Membership Certificate; (2) when Lender specifically agrees in writing to termination; or (3) when Lender has acquired Member's Membership Certificate, and Occupancy Agreement pursuant to its right of foreclosure or by deed or assignment in lieu of foreclosure and such Membership, Membership Certificate, and Occupancy Agreement have been transferred to an eligible Member approved, in advance, in writing, by the Mutual, whichever occurs first.
18. **Recording of Memorandum of Occupancy Agreement.** Upon Lender's request, the Mutual shall execute, acknowledge and deliver to Lender a Memorandum of Occupancy Agreement in a form that will permit

recordation of such Memorandum of Occupancy Agreement in the Official Records of Orange County, California.

19. **Notices.** Any notice or consent required pursuant to the terms of the Agreement hereof shall be deemed given when personally delivered to an authorized representative of a party or if mailed, it shall be deemed given five (5) days after mailed by registered or certified mail, postage prepaid, addressed as follows:

If to the Mutual:

UNITED LAGUNA WOODS MUTUAL
c/o Community Services Department
24351 El Toro Road
P. O. Box 2220
Laguna Hills, California 92654

If to Lender:

or to such other address as a party may specify from time to time.

20. **Successors and Assigns.** The provisions of this Agreement shall bind and inure to the benefit of the respective successors and assigns of the Parties. As used herein, the term "Lender" includes, in addition to the Lender named herein, (1) any other lender; (2) any investor of any type which has then succeeded to the Lender's right, title and interest in all or any part of the loan or which is subject to this Agreement; (3) any person or institution which may service the loan; and, (4) any institutional insurer or guarantor of all or any part of the loan to Member. The Mutual shall have an obligation to notify any person or institution other than the Lender named herein only if that person or institution has provided written notice of its interest in a specified Unit as provided in Paragraph 19 above.
21. **Miscellaneous.** As used herein, words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and visa versa.

"Lender"

By: _____

Name: _____

Its: _____

UNITED LAGUNA WOODS MUTUAL,
A California nonprofit mutual benefit corporation

By: _____

Name: _____

Its: _____

CONSENT OF MEMBER

I have received and reviewed this Recognition Agreement, and I specifically consent to subordinate my rights under my Occupancy Agreement and the Bylaws of United Laguna Woods Mutual to those of the Lender set forth in this document. By way of illustration (and not to the exclusion of other rights), I agree that the Lender's consent may be required to transfer my Unit and that the Lender may be entitled to receive money I otherwise would receive from proceeds of sale or in the event of redemption or surrender of my Membership, casualty loss, or condemnation.

DATED: _____

Member

Member

Member

Member

EXHIBIT "A"

PARCEL 1:

LOTS 1 AND 2 OF TRACT NO. 4920, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 223 PAGE(S) 43 TO 46 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOTS 4, 9, 10, 11, 12 AND 13 OF TRACT NO. 5041, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 183, PAGE(S) 4 TO 8 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOTS 1, 2, 3, 4, 5, 6, 7, 8 AND 9 OF TRACT 5093, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 192, PAGE(S) 21 TO 31 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOTS 1, 2 AND 5 OF TRACT NO. 5094, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 201, PAGE(S) 9 TO 13 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

LOTS 1, 2, 3, 4, AND 5 OF TRACT NO. 5095, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 203 PAGE(S) 37 TO 40 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 6:

LOTS 1, 2, 3, 4 AND 5 OF TRACT NO. 5096, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 204 PAGE(S) 42 TO 48 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 7:

LOTS 1, 2, 3, 4 AND 5 OF TRACT NO. 5097, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 207 PAGE(S) 1 TO 6 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 8:

LOTS 1, 2, 3, 4 AND 5 OF TRACT NO. 5098, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 218 PAGE(S) 30 TO 34 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 9:

LOTS 1, 2 AND 3 OF TRACT NO. 5099, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 215 PAGE(S) 31 TO 35 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 10:

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PARCEL 12:

LOT 4 OF TRACT NO. 6157 , IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 231 PAGE(S) 41 TO 45 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

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LOTS 2 AND 3 OF TRACT NO. 6204 , IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 229 PAGE(S) 10 TO 12 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 14:

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PARCEL 15:

LOTS 1 AND 2 OF TRACT NO. 6319 , IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 232 PAGE(S) 23 TO 25 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

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)
County of Orange)

On _____, before me, _____, Notary Public, 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 foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

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)
County of Orange)

On _____, before me, _____, Notary Public, 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 foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

**Resolution 01-16-107
Discontinued Use of Individual Recognition Agreements**

WHEREAS, the United Laguna Woods Mutual Board of Directors is aware of its fiduciary duty to protect the financial well-being of the Corporation; and

WHEREAS, United Laguna Woods Mutual Bylaws, Article III, Section 1 provides that prospective members unable to satisfy financial requirements may be approved for Membership if another financially qualified person enters into an Agreement with the Corporation to become financially responsible for expenses associated with such membership and that other person meets the financial requirements established by the Corporation; and

WHEREAS, a Guarantor Agreement has been developed to comport with the Article III, Section 1 of the Bylaws and has been in use for many years; and

WHEREAS, no financial qualifications were ever developed for individual (private) lenders and, historically, Individual Recognition Agreements have not been honored and/or have been subject to abuse; and

WHEREAS, prospective members currently have ~~three~~ **two** avenues available to satisfy United Laguna Woods Mutual financial requirements: 1. they may qualify financially on their own merits; ~~2. they may obtain~~ **with or without a** loan from a ~~recognized~~ qualified financial institution who ~~have~~ has entered into an individual recognition agreement with the Corporation ~~such as NCB; or~~ **2.** they may obtain a Guarantor who meets the financial qualifications established by United Laguna Woods Mutual from time to time; and

NOWHEREFORE BE IT RESOLVED, November 8, 2016, that United Laguna Woods Mutual hereby discontinues the practice of entering into Individual Recognition Agreements with individual (private) lenders; 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.