



OPEN MEETING

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

Thursday, July 16, 2020 – 1:30 P.M.  
VIRTUAL MEETING  
Laguna Woods Village Community Center

**NOTICE & AGENDA**

1. Call to Order
2. Acknowledgment of Media
3. Approval of the Agenda
4. Approval of the Report from June 18, 2020
5. Chair's Remarks
6. Member 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](mailto: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. By calling (949) 268-2020 beginning one half hour before the meeting begins and throughout the remainder of the meeting. You must provide your name and manor number.
7. Response to Member Comments

Reports:

- |   |                 |
|---|-----------------|
| 8. Occupancy Agreement Update                           | Andre Torng     |
| 9. Compare and Discuss Third Mutual Sales Qualification | Pamela Bashline |
| 10. Guide to Operating Rules Update                     | Francis Gomez   |

Items for Discussion and Consideration:

- |  |             |
|--|-------------|
| 11. Code of Conduct                          | Andre Torng |
| 12. Review Operating Rules Issues & Concerns | Andre Torng |

Concluding Business:

13. Committee Member Comments
14. Future Agenda Items
  - a. Review GRF Donation Policy (Andre Torng)
  - b. Discuss standardizing Village-wide working groups which aren't specific to certain Mutual a uniformed structure and scope of work

United Mutual Governing Documents Committee  
July 16, 2020

- c. Requirements for heirs to become members
  - d. Roles, responsibilities and protocols
  - e. Mission, vision, and strategic directives
  - f. Committee Advisor Qualification Procedure and Policy
  - g. Establish Legal Support Requirement Resolution
  - h. Committee Advisor Qualifications Procedure and Policy
15. Date of next meeting: August 20, 2020
16. Adjournment

Andre Torng, Chair  
Francis Gomez, Staff Officer











## STAFF REPORT

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**DATE:** July 16, 2020  
**FOR:** Governing Documents Review Committee  
**SUBJECT:** Compare and Discuss Third Mutual Sales Qualification

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### **RECOMMENDATION**

Receive and file report.

### **BACKGROUND**

Historically, United Mutual and Third Mutual have adopted financial qualification policies which mirror one another, excepting the minimum income and asset base required to qualify for membership. Third Mutual's policy was last updated in August 2018; United Mutual's policy was updated in September 2019.

### **DISCUSSION**

At present, several Mutual requirements distinguish the two policies.

United Mutual allows a shareholder to own only one membership interest at a time and, therefore, annual income of at least \$40,000 and assets of at least \$125,000 are required after purchase to qualify for membership. Third Mutual permits multiple units to be owned but limits the number of units that can be occupied concurrently to two. Multiple unit owners in Third must satisfy a stepped up income and asset requirement to own more than one unit at a time. The minimum annual income requirement is \$45,000 and assets of at least \$125,000 after the purchase to qualify for one membership. United Mutual

United Mutual requires evidence of aged assets (180 days). Third Mutual does not stipulate this restriction.

United Mutual has no means of permitting applicants to show an increased revenue stream by way of converting qualified retirement accounts to an income stream or "attributable income." Third has established that traditional retirement accounts (not needed to satisfy the asset requirement) may be calculated to reflect "attributable income."

United Mutual has developed a strong guarantor's agreement, providing for a UCC filing naming select guarantor assets. Third Mutual has no such protection for itself in its guarantor agreement. Furthermore, United Mutual has recognized that a guarantor is not a substitute for an applicant, and has identified a reduced income and asset base necessary to qualify in order to obtain a guarantor. In contrast, Third Mutual has not established a reduced income and asset base for those utilizing a guarantor, but has explained it may withhold approval of a guarantor for other reasons.

**FINANCIAL ANALYSIS**

None.

**Prepared By:** Pamerla Bashline, Community Services Manager

**Reviewed By:** Francis Gomez, Operations Manager

**ATTACHMENT(S)**

ATT 1 – United Financial Qualifications Policy, adopted September 10, 2019

ATT 2 – Third Guidelines for Financial Qualifications, adopted August 21, 2018





FINANCIAL QUALIFICATIONS POLICY  
Revised September 10, 2019  
Resolution 01-19-71

Prospective Shareholders of units in United Mutual (United) are required to meet minimum financial requirements for Membership as set forth below. All income and assets claimed must be verified by presenting documentation acceptable to the Mutual Board of Directors.

All applicants shall submit the most recent year's federal income tax return, signed and dated, including Schedules A and B, in addition to other verification documents. If income is derived from an owned business, the appropriate business tax schedules and a profit and loss statement are required.

Where there is more than one prospective Shareholder, income and assets can be calculated collectively, if each is eligible and intends to reside.

Membership applicants to United are required to submit a completed Financial Statement/Credit Information form, together with satisfactory verification of identity, income and assets.

#### ASSET REQUIREMENT

The prospective Shareholder shall submit satisfactory verification of assets equal to the purchase price of the Unit plus \$125,000. Prospective transferees (i.e., outside escrow) are required to demonstrate a minimum asset base of \$125,000 only.

Acceptable assets will be those that are considered to be liquid, marketable or income producing. Only aged accounts (180 days) will be considered. Acceptable assets include, among others:

- Equity in U.S. residential property
- Savings accounts in U.S. financial institutions
- Cash value life insurance
- Certificates of deposit, money market accounts in U.S. financial institutions
- IRA, SEP, 401(k) and Keogh accounts
- US, state or municipal government bonds - valued at current market prices
- American traded investments, (NYSE, Amex, OTC, NASDAQ, etc.) valued at current market prices
- Mortgages and promissory notes, provided that interest is reported on the applicant's tax return
- Equity in U.S. income producing real estate

Excluded from consideration are the following, among others:

- Mobile Homes
- Recreational vehicles, boats and trailers
- Vacant land
- Automobiles
- Artwork, jewelry, furs and collections such as coins, dolls, stamps and other similar items
- Term life insurance
- Annuity funds, which cannot be withdrawn in lump sum
- Anticipated bequests or inheritances
- Promissory Notes whose income is not reported on the prospective transferee tax return
- Community property

## INCOME REQUIREMENTS

Prospective Shareholders shall submit from a recognized Credit Reporting Agency (e.g. Equifax, TransUnion, Experian), a full credit report and FICO score dated within 60 days prior to the application submittal.

Prospective Shareholders and transferees must provide satisfactory verification of income of at least \$40,000 per year at the time of purchase.

1. Acceptable verifications include, among others:

- The most recent Federal Tax returns
- W - 2 Forms or paycheck stubs
- Bank, credit union or investment account statements
- Letters from bankers
- Notices of annuities and Social Security payments
- Pensions
- Trust income
- Disability income
- Residential / commercial property rental income

2. Unacceptable income verifications include, among others:

- Letters from employers, accountants, bookkeepers and attorneys
- Income not reported on Federal income tax returns
- Funds held outside US borders

## GUARANTORS

The Mutual will permit the prospective shareholder who does not meet the financial requirements to have a guarantor. The guarantor in United Mutual shall provide satisfactory verification of annual income of at least **\$90,000 and marketable or income producing assets of at least \$250,000 plus the manor purchase price.**

*Shareholder financial requirements for the occupying shareholder(s) when they have a guarantor:*

- **Minimum annual income of \$24,000**
- **Minimum verifiable liquid, marketable and/or income producing assets of \$75,000 at the close of escrow**

The income and assets of the guarantor are not a substitute for the minimum income and assets needed by the prospective shareholder(s) occupant(s).

In addition to these requirements, the guarantor shall be required, as set forth herein (Exhibit A) to identify assets from which the financial obligation may be satisfied and authorize UCC financing statements to be filed.

Note: Guarantor and assets must be located in California. A guarantor may only guarantee one unit in the Village.

## OWNERSHIP OF MULTIPLE MEMBERSHIPS

United does not permit ownership of more than one cooperative Membership, except under an interim dual Membership agreement which is issued for six months.

## FINANCIAL QUALIFICATION WAIVERS

Shareholders who purchase a replacement Unit do not have to re-qualify financially for Membership, if there is no change to the Membership vesting and the dual interim agreement is in effect.

Current members of one Mutual who wish to purchase in another Mutual are required to meet the financial requirements of the Mutual in which they are purchasing.

A former member may obtain a waiver of financial qualifications if the replacement Membership is purchased within 90 days of the closing of the sale of the previously owned Membership, and vesting in the new Unit is exactly the same as the vesting in the Unit previously owned.

## DISCRETIONARY AUTHORITY

United Board of Directors may, but is not obligated to, deny or approve applications for Membership based on the conditions herein. The Board of Directors, exercising prudent business judgement, may also deny or approve, in its sole and absolute discretion, applications based on other material factors, such as, but not limited to, history of bankruptcy, excess liabilities, or history of non-compliance as a member in United, GRF, or other Mutuals in Laguna Woods Village.

## MEMBERSHIP

Membership in United is created, and starts, with the later occurring of the following:

- Written approval of Membership by the United Mutual Board of Directors;
- Issuance of a Membership Stock Certificate;
- The signing of an Occupancy Agreement; and
- Upon close of escrow.

Upon Membership approval the Occupancy Agreement entitles the Member to occupy the Unit for three years, which is automatically renewed for three-year terms per Article 4 of the Occupancy Agreement, unless terminated by transfer or United's non-renewal or termination by the Board of Directors.



**EXHIBIT A**

**Personal Unconditional Continuing Guaranty and Security Agreement**

**The Parties**

Member(s): \_\_\_\_\_ (collectively, the "Member")  
Property Address: \_\_\_\_\_ (the "Property")  
Guarantor: \_\_\_\_\_ ("Guarantor")

This Personal Unconditional Continuing Guaranty and Security Agreement (hereinafter "Guaranty") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by the undersigned, individually, jointly and severally if more than one (hereinafter individually and collectively the "Guarantor"), whose address(es) appear below their signatures hereon, to and for the benefit of: \_\_\_\_\_ ("Member") and United Laguna Woods Mutual, a California nonprofit mutual benefit corporation (hereinafter "United" or "Corporation").

For purposes of this Guaranty, "Guarantor" is the undersigned who guarantees to pay for the Member's debt and/or obligations if Member should default or otherwise fail to pay a debt and/or obligations to United.

The undersigned Guarantor may only guarantee one unit in the Village. For purposes of this Guaranty, Village means United Laguna Woods, Third Laguna Hills, and The Towers. Guarantor warrants and represents it has not and will not guarantee another unit in the Village. In consideration of the mutual covenants and agreements herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor warrants to, and covenants with, United as follows:

**1. Personal Unconditional Continuing Guaranty**

Guarantor, individually, jointly and severally, unconditionally and absolutely guarantees the due and punctual payment of the Indebtedness, as hereinafter defined (without deduction for any claim, setoff or counterclaim of Guarantor, or for the loss of contribution of a co-guarantor, if any) of Member to United, on demand in lawful money of the United States. The term "Indebtedness" is used herein in its most comprehensive sense and includes the Monthly Carrying Charge payable by the Member to United, all assessments, fines or other monetary charges levied in the name of United pursuant to the applicable Occupancy Agreement, Bylaws or other governing documents of United, and California law, all as now existing or as may be hereafter amended, any and all advances, debts, obligations and liabilities of Member or any one or more of them, now or hereafter made, incurred or created, whether voluntary or involuntary, and however arising, whenever due, and whether absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Member may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter become barred by any statute of limitations, or whether such Indebtedness may be or hereafter becomes otherwise unenforceable.

The obligation of Guarantor is a primary, continuing and unconditional obligation of payment and performance. This Guaranty shall be effective regardless of the solvency or insolvency of Guarantor at any time or the subsequent incorporation, reorganization, merger or consolidation of Guarantor, or any other change in composition, nature, personnel, ownership or location of Guarantor. This Guaranty is non-revocable by Guarantor. Guarantor shall at all times satisfy the minimum financial requirements required by United, which financial requirements may be amended by United's Board of Directors from time to time.

The obligations of Guarantor herein cannot be assigned or transferred in any manner whatever, directly or indirectly, by operation of law or otherwise, without the prior written consent of United, which consent may be withheld in any circumstances. However, Guarantor agrees that this Guaranty shall inure to the benefit of and may be enforced by United and by any subsequent holder or assigned of any and all of the Indebtedness and shall be binding upon and enforceable against Guarantor and Guarantor's executors, administrators, legal representatives, successors and assigns.

The obligations hereunder are joint and several, and independent of the obligations of Member. A separate action or actions may be brought and prosecuted by Corporation against Guarantor whether action is brought against Member or whether Member be joined in any such action or actions; and Guarantor waives the benefit of any statute of limitations affecting their liability hereunder or the enforcement thereof.

Guarantor authorizes Corporation, without notice or demand and without affecting Guarantor's liability hereunder, from time to time to (a) renew, compromise, extend, accelerate, or otherwise change the time for payment of, or otherwise change the terms of the Indebtedness or any part thereof, including increasing or decreasing the rate of interest thereon; (b) take and hold security for the payment of this guaranty or the Indebtedness guaranteed, and exchange, enforce, waive and release any such security; (c) apply such security and direct the order or manner of sale thereof as Corporation in its discretion may determine; and (d) release or substitute any one or more of the endorsers or Guarantor. Corporation may, without notice, assign this Guaranty in whole or part. Without limiting the foregoing, Guarantor hereby waives the rights and benefits under California Civil Code ("CC") Section 2819, and agrees that Guarantor's liability shall continue even if Corporation allows any Indebtedness of Members in any respect or Corporation's remedies or rights against Member are in any way impaired or suspended without United's consent.

Guarantor waives any right to require Corporation to (a) proceed against Member; (b) proceed against or exhaust any security held from Member; or (c) pursue any other remedy in Corporation's power whatsoever. Guarantor waives any defense arising by reason of any disability or other defense of Member or by reason of the cessation from any cause whatsoever of the liability of Members. Until all Indebtedness of Members to Corporation shall have been paid in full, even though such indebtedness is in excess of Guarantor's liability hereunder, Guarantor shall have no right of subrogation, and waives any right to enforce any remedy which Corporation now has or may hereafter have against Member, and waives any benefit of, and any right to participate in any security now or hereafter held by United. Guarantor waives diligence and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty and of the existence, creation, or incurring of new and additional Indebtedness. Notwithstanding, Guarantor will receive copies, at the discretion of United or upon Guarantor's written request, of Member's late payment notices.

Guarantor agrees to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Corporation in the enforcement of this Guaranty or any attempts to collect any of the obligations of Member whether or not Corporation files suit against Member and Guarantor.

In all cases where there is but a single Member or a single Guarantor, then all words used herein in the plural shall be deemed to have been used in the singular where the context and construction so require; and when there is more than one Member named herein, or when this Guaranty is executed by more than one Guarantor, the word "Members" and the word "Guarantors" respectively shall mean all and any one or more of them.

All obligations of Guarantor shall be performed at Laguna Woods, California. At all times herein, Guarantor's primary residence and/or, if an entity, place of business, filing, registration or incorporation shall be in the State of California, and Guarantor's assets shall also be located in California. United may, from time to time, change or modify any obligation between Member and United in any manner it may deem fit and such change shall not affect the liability of Guarantor in any manner.

Guarantor further waives all right to require United to proceed against the Member or any other person, firm or corporation, or to pursue any other remedy available to United. All rights of United herein or otherwise shall be cumulative and no exercise, delay in exercising, or omission to exercise any right of United shall be deemed a waiver and every right of this Corporation may be exercised repeatedly. Any and all property of the undersigned, whether community or separate or otherwise, may be applied to the payment of any obligation arising hereunder.

## **2. Security Interest; Financial Information**

Guarantor hereby grants to United a continuing first priority security interest in and to all Guarantor's assets set forth on the attached Exhibit A ("Secured Collateral"). Guarantor authorizes United to cause UCC financing statements to be filed, UCC financing statement amendments and UCC financing statement continuation statements with respect to the Secured Collateral. The collateral in which a security interest is hereby granted includes all of the rights, titles, and interests of Guarantor in and to the Secured Collateral.

Guarantor hereby authorizes United to cause at any time and from time to time filing in any filing office in any jurisdiction any initial financing statements and/or any amendments thereto required to perfect or continue the perfection in the security interests granted hereby, including financing statements that: (a) indicate the Secured Collateral as being of an equal or lesser scope or with greater detail and (b) provide any other information required by Part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Guarantor is an organization, the type of organization and any organizational identification number issued to Guarantor. Guarantor hereby authorizes United at any time and from time to time to correct or complete, or to cause to be corrected or completed, any financing statements, continuation statements or other such documents as have been filed naming Guarantor as debtor and United as secured party. United is hereby authorized to give notice to any creditor or any other person as may be necessary or desirable under applicable laws to evidence, protect, perfect, or enforce the security interest granted to United in the Secured Collateral.

United may on an annual basis verify Guarantor's financial information provided to United pursuant to this Guaranty.

**3. Requirement of Guaranty**

Guarantor is executing and delivering this Guaranty in order to induce United to enter into an Occupancy Agreement with and accept an application for Membership from Member. Guarantor acknowledges, agrees, represents and warrants that Guarantor benefits from same and that such benefit is sufficient consideration for the entry of Guarantor into this Guaranty.

IN WITNESS WHEREOF, this Guaranty has been duly executed and delivered as of the date first written above.

**Guarantor**

Signature: \_\_\_\_\_ Dated: \_\_\_\_\_

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_ E-Mail: \_\_\_\_\_

**Guarantor**

Signature: \_\_\_\_\_ Dated: \_\_\_\_\_

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_ E-Mail: \_\_\_\_\_

**Accepted**

**United Laguna Woods Mutual**

Signature: \_\_\_\_\_ Dated: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**United Laguna Woods Mutual**

Signature: \_\_\_\_\_ Dated: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_









**RESOLUTION 03-18-131**  
**Guidelines For Financial Qualifications**

**WHEREAS**, Third Laguna Hills Mutual (“Mutual”), acting through its Board of Directors (“Board”), previously adopted operating rules concerning financial qualifications pursuant to the following Board resolutions:

1. Administrative Guidelines for Financial Qualification (Res. No. 03-05-17);
2. Financial Guarantor (Res. No. M3-91-38); and
3. Financial Qualifications Policy (Res. No. 03-16-95).

**WHEREAS**, the forgoing operating rules are collectively referred to herein as the “Financial Resolutions”.

**WHEREAS**, it is in the Mutual’s best interests to protect and preserve its financial integrity, ensure consistency among the provisions of its governing documents (including without limitation, the Financial Resolutions), and promote the uniform application of the provisions of said governing documents.

**NOW, THEREFORE BE IT RESOLVED**, on August 21, 2018, that the Board hereby adopts, and the Financial Resolutions are hereby superseded by, the Guidelines for Financial Qualifications set forth below.

**GUIDELINES FOR FINANCIAL QUALIFICATIONS**

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.

- a. 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.
- b. 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 banks and 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.
- c. 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.**

- a. 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.



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

- a. 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").
- b. 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.

- c. 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.
- d. 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* eighty-thousand dollars (\$80,000) per year.
  5. A credit report.
- e. 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.
- f. 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.

V. **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

July Initial Notification

30-Day notification to comply with Civil Code §4360 has been satisfied.



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**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:

1. Guarantor guarantees unconditionally to be jointly and severally responsible for/liable for all Charges related and charged to the Owner's assessment account.
2. 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.**

1. 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



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

2. 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.
  3. 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.
  4. The Parties waive the right to a jury trial in any such legal action.
  5. 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.
  6. 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.



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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.

\_\_\_\_\_  
Notary Public

