

July 9, 2007

Office of the Attorney General
of the State of California
Charitable Trusts Section
300 South Spring Street, Room 1702
Los Angeles, CA 90013

Re: Laguna Woods Village

Dear Sir or Madam:

We represent certain residents of Laguna Woods Village, a large senior community formerly known as Leisure World, which is located in Laguna Woods, Orange County, California. Laguna Woods Village is operated by a series of non-profit corporations, including the Golden Rain Foundation ("GRF") (which hold tens of millions of dollars of real estate and other property in trust for the benefit of my clients and other members), Third Laguna Hills Mutual, and United Laguna Hills Mutual. The management company for these entities is, and has for decades been, Professional Community Management, Inc. ("PCM").

GRF, the Mutuals, and PCM are operating the community in a way which is contrary to the GRF and Mutual governing documents, including a Trust Agreement, CC&Rs, and other agreements, and California law. Indeed, GRF and United Mutual deny that they even have CC&Rs, although we have obtained a report from Stewart Title certifying their existence. A copy of Stewart Title's report is enclosed. Without regard for the governing documents, GRF, the Mutuals, and PCM have in recent years sold property and are currently engaged in preparation of a plan to sell and/or redevelop substantial parts of Laguna Woods Village, to mention but a few of the issues.

As another example, members have discovered that PCM, which acts as the managing agent for the community, has used credit cards paid for by the community to incur in excess of \$100,000 in questionable charges during just the past two years. These charges have been the subject of two articles in the *Orange County Register*. See:

http://www.ocregister.com/ocregister/homepage/abox/article_1751502.php
http://www.ocregister.com/ocregister/homepage/abox/article_1753092.php

While the Boards of the corporations purport to be looking into the matter, it remains that, without truly independent oversight, it is unlikely that an impartial

investigation will actually occur. Rather, as the above articles suggest, the Boards, which are under the control of PCM, will probably simply sweep the matter under the rug and hope that the controversy dies down, with the end result being no redress, no change, and a perpetuation of the problem. Additional information has come to light suggesting that the suspect use of funds may also extend to the use of corporate expense reports.

The residents believe that these problems are merely the tip of the iceberg, but my clients and the other members lack the resources to fund an adequate investigation of the community themselves. However, there is cause to justify a public investigation by your office. I urge you to protect the interests of the community's senior citizens by using your powers to perform a comprehensive investigation of the corporations' accounting, their use and disposition of trust and corporate assets, and other affairs, and to hold those responsible for any wrongdoing accountable. My clients and I are available to meet with you to provide additional information and documents.

Thank you for your attention.

Very truly yours,



Steven P. Rice

cc. Barbara Copley
Corkey Eley
Noni Eley
June Todd

July 9, 2007

Office of the District Attorney
County of Orange
Main Office
401 Civic Center Drive
Santa Ana, CA 92701

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Page 2

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