

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS AND  
GOLDEN RAIN FOUNDATION OF LAGUNA HILLS TRUST

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

(1) General

**Golden Rain Foundation of Laguna Woods (the Foundation)**, a nonprofit mutual benefit corporation, operates and maintains certain community and corporate facilities within Laguna Woods Villiage, Laguna Woods, California (the Village ) a housing development consisting of **12,736** residential units (manors) and various community facilities. Some operations of the Foundation are regulated by the Federal Housing Administration (HUD) which insured the original financing instruments. There are **three (3) corporation members** of the **Foundation; United laguna Hills Mutual, Third Laguna Hills Mutuels and Laguna Woods Mutual No. Fifty**, collectively the Laguna Woods Villiage housing mutuels (the **Mutuals**). The individual Mutuals members have a right to the use of the facilities owned by the Foundation (GRF) appurtenant to their membership in the Mutual . The Foundation(GRF) receives monthly assessments from the Mutuals for certain services. It charges the individual owners directly for other specific services.

**Golden Rain Foundation of Laguna Hills Trust (the Trust)** was established to **hold title** to various community facilities for the benefit of the **Mutuals**. Each Mutual **owns** an **undivided interest** in the **Trust** in proportion to the amount originally contributed to the Trust by the Mutual (**Trusteed sums**) . United Laguna Hills Mutual financed its contribution to the Trust and the cost of other properties principally out of funds obtained from **FHA insured loans, collateralized** by **deeds of trust** on the related properties, and has assigned its beneficial interest in the Trust as additional collateral for its loans. The **Foundation (GRF)** is the **trustee** for the **Trust** and operates and maintains the community facilities **held** by the **Trust**.

**Professional Community Management (PCM)**, an **unaffiliated** California corporation, received a **management fee** of **\$1.80** and **\$1.19 per manor per month** from the **Foundation (GRF)** in **2007** and **2006**, respectively, **PCM** also received **\$1.80** and **\$1.19 per manor per month** collectively from the **Mutuals** in **2007** and **2006**, respectively. The **total management fee** of **\$3.60** and **\$2.38 per manor per month** received by **PCM** in **2007** and **2006**, respectively is provided by and included in **member monthly assessments**. **Total Management fees paid** to **PCM** by the **Foundation** amount to **\$275,098** and **\$181,870** in **2007** and **2006**, respectively.