

**Statement from Jerry Storage, General Manager,
Regarding the Third Laguna Hills Mutual Board Legal
Action**

(as read by Rob Merritt on June 14, 2010 TV6 newscast)

PCM Inc., long standing property management agent for Laguna Woods Village for nearly 40 years, has been notified of legal action taken against it by the current Third Laguna Hills Mutual Board of Directors regarding an historic incentive plan that was utilized for over a decade with prior Boards' knowledge and full disclosure.

PCM serves the Village boards for in total and is responsible for carrying out policies and financial business plans approved by the boards including compensation parameters that are approved by the governing boards.

The incentive plan in question was part of the compensation package that was historically always reviewed and approved by these boards of directors on a regular basis. The genesis of the incentive plan was at the encouragement of the various boards of directors in place at Laguna Woods Village over a decade ago.

The board and staff utilized a nationally renowned firm specializing in the creation and management of compensation and employee benefit programs, Watson Wyatt Worldwide. The plan developed by Watson Wyatt was presented and disclosed and was based on the concept of rewarding staff for innovative solutions and programs that would bring to the Village substantial on-going savings by department.

Staff person responsible for service improvements and savings would receive a one-time bonus in the first year of

the savings only. The Village would reap the larger percentage of savings in the first year and all benefit for years thereafter.

PCM, as agent for the boards, operated the incentive plan with reporting to the boards until 2008 at which time PCM discontinued the plan even though Third Mutual Board and other boards had insisted that language be added to the managing contract that PCM was to have an incentive plan for its Village staff. Though the incentive plan has brought millions of dollars in savings to the Village over the life of the plan, PCM notified the boards that the plan was discontinued due to client feedback.

PCM continues as managing agent for the Village and is committed to excellence in service and implementation of the policies of the boards of directors. As a leader in the industry and as a contributor to industry standards, statewide and nationally, PCM has always adhered to board directives and policies and provides the highest in professional ethics. This has always been and will remain the case.