

Third Laguna Hills Mutual
P.O. Box 2220
Laguna Hills, CA 92654-2220

****NEWS RELEASE****

FOR IMMEDIATE RELEASE
June 11, 2010

CONTACT: Katie Coates Ageson
714-747-0997 (cell)

Laguna Woods, CA – Third Laguna Hills Mutual (“Third Mutual”) has filed a lawsuit against Professional Community Management, Inc. (PCM) with the Orange County Superior Court, asserting claims for breach of contract, fraud by concealment, breach of fiduciary duty, violations of the Unfair Practices Act (Business & Professions Code Section 17000, et seq.) and the Elder Abuse Act, and negligence.

“The Board members of Third Mutual appreciate and respect the work done by the many fine employees who are clearly dedicated to the performance of their duties in a respectful and honest way,” said Director Kathryn Freshley, Treasurer of Third Mutual, “However, directors have the fiduciary duty of inquiry whenever there's a concern. The board agreed to perform that duty, and that's what led us to this action.”

The lawsuit, filed on Thursday in Orange County’s Superior Court by Cohon & Pollak, LLP, claims that PCM put in place unwritten, undisclosed policies which resulted in PCM paying itself at least \$424, 233, without informing the residents or the Board of Directors of Third Mutual. PCM is the management company which has managed Third Mutual’s financial affairs, common areas, grounds, and most buildings for more than 40 years.

When the issue of the incentive plan surfaced, Carol Moore, President of Third Mutual’s Board, promised that the members of the board would investigate any allegations of potential wrongdoing.

“We did that by investigating this issue and believe that we must now act in the interest of the community,” Moore said, “The goal of this lawsuit is to shine a light on PCM’s conduct, and second, to seek the return of the money taken by PCM.”

The complaint asserts that, in addition to awarding themselves money that was not rightfully theirs, the defendants hid information from the individuals whose job it was to safeguard the interests of Third Mutual.

“Maybe even worse than the actual fraud they committed, the defendants counted on mental confusion, memory lapses, and foreshortened life spans of Board members to count in their favor,” said Stanley Feldstein, a member of the Third Mutual Board. “They relied on the fact that there would be no one who could connect the dots over the years to find out about the hidden plan, and how much money they awarded themselves.”

###