

A G E N D A
REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS
SEAL BEACH MUTUAL SIXTEEN

June 6, 2017

9:30 a.m.

CALL TO ORDER, *PLEDGE ALLEGIANCE*

Al Grenrock

**“WELCOME TO THE REGULARLY SCHEDULED MONTHLY MEETING OF THE
BOARD OF DIRECTORS OF MUTUAL SIXTEEN.”**

ROLL CALL

Carol Day

INTRODUCTION OF SHAREHOLDER(S'), GUEST(S'), AND STAFF:

Suzanne Fekjar, GRF Representative
Jodi Hopkins, Mutual Administration Director
Jerry Antisdell, Building Inspector
Carol Day, Recording Secretary

APPROVAL OF MINUTES – **Regular Meeting of April 4, 2017**
Organizational Meeting of May 24, 2017

BUILDING INSPECTOR'S REPORT (page 2)

Jerry Antisdell

GRF REPRESENTATIVE'S REPORT

Suzanne Fekjar

PRESIDENT'S REPORT

Al Grenrock

VICE PRESIDENT / GROUNDS REPORT

Signe Merrifield

CHIEF FINANCIAL OFFICER'S REPORT

Al Grenrock

SECRETARY'S REPORT / CORRESPONDENCE

Marcia Clawson

MUTUAL ADMINISTRATION DIRECTOR'S REPORT

Jodi Hopkins

OLD BUSINESS –

NEW BUSINESS –

- a. Discuss Fenn Termite & Pest Control contract
- b. Resolution to maintain procedure per Policy 7510 and the Stock Transfer Office (page 3)
- c. Review new draft Policy 7510 – Eligibility Requirements (pages 4-6)
- d. Amend Policy 7525 – Withdrawal Inspection Process Fee (page 7)
- e. Adopt Policy 7549 – Lockout Procedures (pages 8-9)
- f. Rescind the following non-valid policies for Mutual Sixteen:
 1. Policy 7302 – Capital Accounts (page 10)
 2. Policy 7304 – Financing Capital Projects (pages 11-13)
 3. Policy 7332 – Billings to Mutuals (page 14)
 4. Policy 7333 – Income Items and Their Distribution (page 15)
 5. Policy 7334 – Investment Records (page 16)
 6. Policy 7337 – Financial Reports (page 17)
- g. Reschedule July 4 Regular Meeting due to the holiday
- h. Appoint Advisory Directors

ANNOUNCEMENTS

DIRECTOR(S') COMMENTS

SHAREHOLDER(S') COMMENTS

ADJOURNMENT

EXECUTIVE SESSION (legal, contract, and member issues)

STAFF WILL LEAVE THE MEETING BY 12:10 P.M.
NEXT MEETING: TUESDAY, JUNE 6, 2017, at 9:30 a.m.

cd:5/31/17

INSPECTORS MUTUAL REPORT

MUTUA (16) SIXTEEN

INSPECTOR: Jerry Antisdal

DATE:

JUNE 6TH 2017

PERMIT ACTIVITY							
UNIT #	DESCRIPTION OF WORK	GRF/CITY PERMIT	PERMIT ISSUE	COMP. DATE	CHANGE ORDER	RECENT INSPECTION	CONTRACTOR / COMMENTS
52-G	CARPORT CABINET	GRF	03/21/17	06/30/17	NO	04/24/17 FINAL	CGR CONST.
52-I	TILE/GATE AT PATIO	GRF	06/10/17	08/10/17	NO	NONE	MAMUSCIA
54-H	HEAT PUMP	BOTH	04/10/17	07/10/17	NO	NONE	GREENWOOD
54-D	WINDOWS	BOTH	05/12/17	06/12/17	NO	NONE	SWENMAN

ESCROW ACTIVITY							
UNIT #	NMI	PLI	NBO	FI	FCOEI	ROF	DOCUMENTS/COMMENTS
53-C		04/14/17	05/26/17	06/02/17	06/16/17		
51-C		09/13/16	12/06/16	12/07/16	12/21/16	03/10/17	

NMI = New Member Inspection PLI = Pre-Listing Inspection NRO = New Ruler Orientation
FI = Final Inspection FCOEI = Final COE Inspection ROF = Release of Funds

CONTRACTS	
CONTRACTOR	PROJECT
FENN TERMITE AND PEST CONTROL	
NU-KOTE SHOWER REPAIRS ARE ALL DONE	

MUTUAL AND SHAREHOLDER REQUEST	
CALLS AND VISITS TO UNITS 29	
PERMITS FOR FLOORING INSIDE OF UNIT AND IF PATIO TILE IS INSTALLED SIDEWALK SHALL BE RAISED TO MATCH TILE AT PATIO	

RESOLUTION TO BE ON JUNE AND JULY AGENDAS

MOTION:

RESOLVED, That according to Policy 7510.____, if there is a question of financial eligibility, Mutual _____ is NOT to be contacted by the Stock Transfer Office in the event of a non-qualifying financial issue.

MUTUAL OPERATIONS RESIDENT REGULATIONS

Eligibility Requirements

All/each ~~proposing persons~~ **Resident Shareholder** seeking approval of the Board of Directors of Seal Beach Mutual No. _____ to purchase a share of stock in the Mutual, and to reside in the Mutual, shall **individually** meet the following **income** eligibility criteria:

A. Apply for and be accepted as a member of the Golden Rain Foundation, Seal Beach, California.

B. Meet the Mutual eligibility criteria as follows:

1. Age

Minimum of 55 years, as confirmed by a birth certificate or passport. A driver's license is not acceptable as proof of age.

2. Financial Ability

a. Verified monthly **net** income that is at least four (4) times or greater **than** the monthly carrying charge (Regular Assessment plus Property Tax and Fees) at the time of application **and have liquid assets of at least \$25,000. \$50,000. Actual or projected retirement income** (SS, pension, annuity, etc.) **shall be the only income used for qualification.** Verified monthly income/assets may be in the form of the past two years of:

1. Tax returns;

2. 1099s for interest and dividends **(assets used to purchase unit will not be included in income calculations);**

3. 1099-Rs for retirement income from qualified plans and annuities **(with copy of executed payment election documents and/or beneficiary election forms);**

4. SSA-1099 Social Security Benefit Statement;

5. Brokerage statements and current interim statement **(assets used to purchase unit will not be included in income calculations).**

6. Six to twelve months of checking/savings account statements **(assets used to purchase unit will not be included in income calculations).**

b. Adjusted Gross Income per 1040, 1040A, or 1040EZ; plus that portion of Social Security, IRA distributions, and pensions and annuities not

included in adjusted gross income; plus tax exempt interest; (assets used to purchase unit will not be included in income calculations) minus income tax, Social Security, Medicare, and self-employment taxes paid; and minus Medicare, medical insurance and prescription drug premiums; all divided by twelve (12) will equal net monthly income to be used in Paragraph 2.a. above.

c. Projected assessments will be the previous year's assessment (total of carrying charge less any cable charge, less Orange County Property Taxes and Fees), and the addition of the new property tax at 1.2% of the sales price plus Orange County District fees divided by twelve (12) for the new projected monthly assessment. This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times four (4) will be the monthly income required. This will be verified by the escrow company and the Stock Transfer Office. Stock Transfer shall have the final say in establishing verifiable income/assets. (Note 1)

Verification shall be done by the escrow company and the Stock Transfer Office for each proposed shareholder prior to the new buyer interview orientation and prior to the close of escrow (the above verification will not be done by the individual Mutual Directors; Directors will not be required to study or understand the financial requirements). Two officers of the Mutual must sign the Financial Qualification Worksheet.

d. Only the resident shareholder's income shall be considered for qualifying.

e. If moving within Leisure World, or if there are any additions/changes to the title, the proposed shareholder(s) must meet these eligibility requirements.

3. Health

Have reasonably good health for a person of his/her age, as evidenced by a letter from his/her physician, so that shareholder can take care of normal living needs without calling on other members of the cooperative for an undue amount of assistance.

4. Character

Have a reputation for good character in his/her present community.

(Note 1): If major remodeling, expansion, or addition of a bathroom is being considered, the increase in taxes over the 1.2% of the purchase price must be taken into consideration.

C. Assume, in writing, the obligations of the "Occupancy Agreement" in use by the Mutual Corporation.

Officers or Committees of the Board of Directors designated to approve new applicants are responsible that the eligibility criteria of this corporation is equitably applied to all applicants. Approval or disapproval of buyer(s) must be received by the Stock Transfer Office at least ten (10) working days prior to the close of escrow.

MUTUAL ADOPTION

MUTUAL OPERATIONS**SHAREHOLDER REGULATIONS****Withdrawal Inspection Process Fee****RESOLUTION:**

That Mutual No. _____ will charge a fee (**refer to table below**) for the inspection process when a share of stock is listed for sale, effective _____ (**see below**).

<u>MUTUAL AND ADOPTION</u>		<u>AMENDED/AMT</u>	<u>EFFECTIVE DATE</u>
ONE:	01 Aug 89	09-22-16/\$1,000	09-22-16
TWO:	01 Aug 89		
THREE:	01 Aug 89	04-12-13/\$1,000	05-01-13
FOUR:	01 Aug 89	09-14-16/\$1,000	09-14-16
FIVE:	01 Aug 89	08-19-15/\$1,000	08-19-15
SIX:	01 Aug 89		
SEVEN:	01 Aug 89	11-16-16/\$1,200	11-16-16
EIGHT:	01 Aug 89	07-22-13/\$1,000	07-23-13
NINE:	01 Aug 89	03-13-13/\$1,000	04-01-13
TEN:	01 Aug 89	08-27-14/\$1,000	08-27-14
ELEVEN:	01 Aug 89	09-17-15/\$1,000	09-17-15
TWELVE:	01 Aug 89	11-12-15/\$1,000	11-12-15
FOURTEEN:	01 Aug 89	11-17-15/\$1,200	11-17-15
FIFTEEN:	01 Aug 89	04-15-13/\$1,000	05-01-13
SIXTEEN:	01 Aug 89	03-18-13/\$1,000	04-01-13
SEVENTEEN:	Not Applicable		

MUTUAL OPERATIONS**DRAFT 2-25-17****SHAREHOLDER REGULATIONS****Lockout Procedures**

The following will be in effect for units after the death of a shareholder/owner:

1. Death with Surviving Shareholder/Owner Living in the Unit

If the death of the shareholder/owner occurred at the unit and a surviving shareholder/owner is living in the unit at the time, a Bereavement Book will be left at the unit by Security.

If the death of the shareholder/owner occurred outside the unit and a surviving shareholder/owner is living in the unit at the time, a Bereavement Book will be provided by Foundation personnel at the time the death is reported.

2. Death of Sole Owner

a. Unattended Death

If death is unattended and the unit is sealed per law enforcement or coroner's order, then no one may access the unit until official next-of-kin determination is made by the coroner's office. Security will leave a Bereavement Book at the unit and place a knob lock on the door. If the door cannot accommodate a knob lock, a plywood sheet shall be affixed over the door. If someone comes forward as Trustee, non-resident co-owner or with other legal authority, Foundation personnel must check with the coroner's office before permitting access to the unit.

b. Attended Death

Security will identify on the DOA report those present at the time of death, including family members, hospice workers, caregivers, and other individuals. A Bereavement Book will be left at the unit. If someone present is identified as legal authority of the unit and can provide evidence of same, Security will instruct them to visit the Stock Transfer Office as soon as possible. Security will inform all persons present that no one may stay in the unit overnight without Mutual permission, unless they are a registered caregiver or co-occupant.

If legal authority is not established at the unit via documentary evidence, all persons present will be asked to leave the unit until legal authority is established at the Stock Transfer Office. From there, the unit will be knob locked or a plywood sheet shall be affixed to the door. The exception to this is if a registered co-occupant or caregiver lives at the unit, or if Mutual permission is obtained.

MUTUAL OPERATIONS**DRAFT 2-25-17****SHAREHOLDER REGULATIONS****Lockout Procedures****3. Reporting of Death to Mutual President**

Shareholder/owner deaths shall be reported to the Mutual President within one (1) to two (2) business days with the following information:

- a. Name of decedent
- b. Date and location of death
- c. Identification of persons present at unit (if any)
- d. Name, relationship and contact information of surviving shareholder/owner (if any)
- e. Name, relationship and contact information of decedent's emergency contacts (if no surviving shareholder/owner is present at the unit)
- f. If legal authority has been established
- g. If/how the unit was secured
- h. If there are any registered co-occupants, caregivers or pets at the unit

MUTUAL ADOPTION

Mutual: _____ **date**

MUTUAL OPERATIONS**RESCIND MUTUAL SIXTEEN****ACCOUNTING AND FISCAL****Capital Accounts**

Legal opinion from Attorney W. A. Williams in letter dated 28 Oct 70 to the Controller:

"One of the unfortunate aspects of each Mutual at Leisure World is the fact that it was set up as a general corporation in its inception. This, of course, requires it to be controlled by the general corporation laws for the State of California.

With respect first to dividends, it would be unlawful for the declaration of any kind of dividend out of these funds as, in my opinion, they constitute a paid-in surplus. Paid-in surpluses cannot be used for the payment of dividends except to shares entitled to preferential dividends. None of the shares in the Mutual Corporations qualify as shares entitled to preferential dividends. I would disagree with the position that the funds are available for patronage dividends. The only funds that I would view as available for patronage dividends are those funds paid in by the members as payments in excess of the budget and remaining at the end of the year. A liability can attach to the director and the shareholder receiving those payments if they are not authorized by law. California Corporation Code holds a liability of shareholders for receipt of an unauthorized dividend in Corporation Code 1510. Illegal declaration of dividends can constitute a misdemeanor in the State as set forth in the Penal Code for the State of California.

The only source of dividends that can be made is from earned surplus or out of net profits earned during the preceding accounting period which is not to be less than six months or more than one year. In this latter instance, such dividends can be declared despite the fact that the next assets of the corporation may be less than the stated capital unless there are liquidation preferences on some share, a problem which we do not have.

The fact that these funds, however, cannot be used for dividends does not prevent their use for proper corporate purposes, particularly the establishment of reserve accounts, and I see no reason why the funds cannot be used for reserve account needs or as you have indicated, by transfer within the capital accounts. However, these funds must be clearly designated in that the original stated capital must be set forth and the paid-in surplus must be also clearly identified. It cannot be shown as an earned surplus at any time. Actually, an earned surplus could occur if the payments of the resident exceed the budget requirement set forth at the beginning of the year.

The Board of Directors will have the power to take the necessary steps for transfer of capital funds so long as those steps are within the framework of the restrictions I have indicated."

(Oct 70)

MUTUAL OPERATIONS**RESCIND MUTUAL SIXTEEN****ACCOUNTING AND FISCAL****Financing Capital Projects**

WHEREAS, Seal Beach Mutual No. _____ (all except Mutual No. Nine) recognizes the need for continuing development and improvement of the trust property of Seal Beach Leisure World for the benefit of all stockowners, and

WHEREAS, it is the desire of the Mutual Corporation to assist in the financing of capital improvements to the trust,

NOW, THEREFORE, BE IT RESOLVED that for any refund owing to the Mutual Corporation from the Golden Rain Foundation for the fiscal year 1972, this Corporation does hereby instruct the Golden Rain Foundation as their agent to:

1. Deposit to the credit of the trust fund of Seal Beach Leisure World which is held by the Golden Rain Foundation as trustee for the benefit of the Seal Beach Mutual Corporations any portion of the refund due this Corporation from the Golden Rain Foundation that is the proceeds in excess of the first \$50,000 of refund derived from the operation of the Golden Rain Foundation.
2. It is the intent of this resolution that the Golden Rain Foundation shall refund in the normal manner the first \$50,000 for the fiscal year 1972 and apply any refund in excess of \$50,000 to the capital funds of the trust in the same proportion that the original contributions were made to the trust.

BE IT FURTHER RESOLVED, that this resolution will become effective only in the event that all other Seal Beach Mutuals adopt a similar resolution.

Mutual No.5 (11-18-16) & Mutual No. 7 Only (Effective 11-21-00):

WHEREAS, Seal Beach Mutual No. _____ recognizes the need for continuing development and improvement of the trust property of Seal Beach Leisure World for the benefit of all stockowners, and

WHEREAS, it is the desire of the Mutual Corporation to assist in the financing of capital improvements to the trust,

NOW, THEREFORE, IT BE RESOLVED, that for any refund owing to the Mutual

Mutual No.5 (Effective 11-18-16) & Mutual No. 7 Only (Effective 11-21-00) (Cont'd.):

(Nov 16)

MUTUAL OPERATIONS**RESCIND MUTUAL SIXTEEN****ACCOUNTING AND FISCAL****Financing Capital Projects**

Corporation from the Golden Rain Foundation for the fiscal year 1972 and following fiscal years, this Corporation does hereby instruct the Golden Rain Foundation as their agent to:

1. Deposit to the credit of the trust fund of Seal Beach Leisure World which is held by the Golden Rain Foundation as trustee for the benefit of the Seal Beach Mutual Corporations any portion of the refund due this Corporation from the Golden Rain Foundation that is the proceeds in excess of the first \$50,000 of refund derived from the operation of the Golden Rain Foundation.
2. It is the intent of this resolution that the Golden Rain Foundation shall refund in the normal manner the first \$50,000 for the fiscal year 1972 and the following fiscal years and apply any refund in excess of \$50,000 to the capital funds of the trust in the same proportion that the original contributions were made to the trust.

BE IT FURTHER RESOLVED, that this resolution will become effective only in the event that all other Seal Beach Mutuals adopt a similar resolution.

MUTUAL ADOPTION**AMENDED****RESCINDED**

ONE			
TWO	11-16-72		
THREE	11-20-72		
FOUR	01-08-73		
FIVE	12-20-72	11-18-16	
SIX	12-08-72		
SEVEN	01-19-73	11-21-00	
EIGHT			
NINE	11-13-72		07-11-11
TEN	11-30-72		
ELEVEN	12-21-72		
TWELVE	11-09-72		
FOURTEEN	11-09-72		

(Nov 16)

MUTUAL OPERATIONS

ACCOUNTING AND FISCAL

Financing Capital Projects

FIFTEEN	11-10-72
SIXTEEN	12-14-72

RESCIND MUTUAL SIXTEEN

(Nov 16)

MUTUAL OPERATIONS**RESCIND MUTUAL SIXTEEN****ACCOUNTING AND FISCAL****Billings to Mutuals**

1. Billings to the Mutuals are generated by the Golden Rain Foundation. Any profit or loss is allocated back to the Mutuals at the year's end. There are basically three types of billings:
 - A. SROs or service repair orders issued by the Service Maintenance Department for the Mutuals' maintenance needs and all community facility-related service costs.

Maintenance persons bill their work time to a corresponding area. Rates per hour charged by these departments are computed on a basis intended to recover wages, employer's taxes, depreciation of equipment, supplies, and other expenses. These rates are subject to periodic studies. Changes in rates result when increased costs exceed budgeted income.
 - B. Administration, recreation, and maintenance of common areas and facilities not charged in item 1, warehouse facilities, property management, transportation, security, and shop repair, are billed to the Mutuals on a pro-rata basis according to the number of apartments. Each month, the Mutual receives a billing covering one-twelfth (1/12) of its budgeted expense.
 - C. Billings for expenses paid by Golden Rain Foundation on behalf of the Mutuals and shared expenses:
 - a. If it is a bill from an outside vendor specifying more than one Mutual, the Golden Rain Foundation pays it and bills the Mutuals.
 - b. Shared expense, such as water charges and street lighting.
2. Mutuals are billed directly by outside vendors for their individual expenses.

Amended: Jul 87
Amended: Aug 00

Aug 00)

MUTUAL OPERATIONS**RESCIND MUTUAL SIXTEEN****ACCOUNTING AND FISCAL****Income Items and Their Distribution – All Mutuals Except Five & Nine**

Income is derived from the monthly apartment payments, plus other miscellaneous income received from laundry facilities, interest on reserves, inspection fees on apartment resales, late charges, and carport rentals.

A substantial part of the income is used for retirement of principal and interest on the mortgage. The remainder is divided between impounds, reserves, Golden Rain Foundation operations and individual Mutual maintenance and operation expenses.

See Policy 7333.5 for Mutual Five (Feb 16)

See Policy 7333.9 for Mutual Nine (Oct 06)

Revised: Sep 88

Revised: Aug 00

Revised: Feb 09

(Feb 16)

MUTUAL OPERATIONS**RESCIND MUTUAL SIXTEEN****ACCOUNTING AND FISCAL****Investment Records**

Records of investments, time certificates of deposit and bank pass books and/or reconciliations are available for inspection at any time by the Mutual Directors. Mutual Directors desiring general information should call the Mutual Accountant for an appointment. No appointment is necessary, of course, if an unannounced audit is made.

Reissued Jul 87

RESCIND

FIVE: 11-18-16

(Nov 16)

Page 1 of 1

MUTUAL OPERATIONS**RESCIND MUTUAL SIXTEEN****ACCOUNTING AND FISCAL****Financial Reports****I. Monthly Reports**

The Accounting Department, under the direction of the Golden Rain Foundation Controller, prepares and distributes monthly financial reports to each Mutual Director. These reports consist of a balance sheet, an operating statement, which compares income and expenses to budget, detailed balances of the various reserve accounts, reconciliations of bank accounts, and the statements of cash receipts and disbursements of both the agency and the general accounts.

2. Annual Financial Statement

The Controller's Department prepares and distributes a preliminary year-end statement. Any necessary adjustments to this statement are made on completion of the audit. A copy of the annual statement is sent to each Mutual Director.

3. Inquiries About Financial Statements

The Controller is very willing to answer all questions pertaining to either the monthly financial statements or the published annual financial statements. However, it should be realized that the Controller's schedule is heavy, and that the established regulatory procedure is to request an appointment through the Chief Financial Officer or Treasurer of each individual Mutual corporation.

Reissued Jul 87

(Jul 87)