

**A G E N D A**  
**REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS**  
**SEAL BEACH MUTUAL SIXTEEN**  
**October 3, 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  
Carolyn Miller, GRF Finance Director  
Jerry Antisdell, Building Inspector  
Carol Day, Recording Secretary

APPROVAL OF MINUTES – **Regular Meeting of September 5, 2017**

BUILDING INSPECTOR'S REPORT (page 3)

Jerry Antisdell

**GUEST SPEAKER – Presentation of proposed 2018 Budget**

**Carolyn Miller**

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 –

- a. Board Members Code of Ethics and Commitment Pledge (pages 4-6)
- b. Ratify rescinded/posted Policy 7020 – Approval of Escrows (page 7)
- c. Ratify amended/posted Policy 7510.16 – Eligibility Requirements (pages 8-9)
- d. Ratify adopted/posted Policy 7585.16 – Governing Document Compliance Measures and Fines (pages 10-11)
- e. Ratify rescinded/posted Policy 7710.1 – Admittance to Apartments – Public Administrator's Office (page 12)
- f. Discuss rescinding Policy 7710 – Estate Transaction and Creditors' Claims (page 13)

NEW BUSINESS –

- a. Approve the President to sign the NSBN Engagement Letter (pages 14-22)
- b. ID Cards Memo Mutual Presidents and ID Cards Sign Sheet (pages 23-25)
- c. Guest Passes – Number of Additional Passes (page 26)
- d. LA Seismic Survey 2017 – Project Description Leisure World (pages 27-28)
- e. Discuss rescinding Policy 7910 – Regulatory Agreement (pages 29-33)
- e. Discuss Policy further amending 7510.16 -Eligibility Requirements (pages 34-35)

ANNOUNCEMENTS

DIRECTOR(S') COMMENTS

SHAREHOLDER(S') COMMENTS

ADJOURNMENT

EXECUTIVE SESSION (legal, contract, and member issues)

**STAFF WILL TAKE A BREAK BY 11:00 a.m.**  
**STAFF WILL LEAVE THE MEETING BY 12:10 P.M.**

**NEXT MEETING: TUESDAY, NOVEMBER 7, 2017, at 9:30 a.m.**

cd:9/28/17

## INSPECTORS MUTUAL REPORT

MUTUAL: (16) SIXTEEN

INSPECTOR: Jerry Antisdel

MUTUAL BOARD MEETING DATE: OCTOBER 03/2017

### PERMIT ACTIVITY

UNIT #	DESCRIPTION OF WORK	GRF/CITY PERMIT	PERMIT ISSUE	COMP. DATE	CHANGE ORDER	RECENT INSPECTION	CONTRACTOR / COMMENTS
50-B	HEAT PUMP	BOTH	10/06/17	01/06/18	NO	NONE	GREENWOOD
54-B	SHOWER CUT DOWN	BOTH	08/31/17	09/29/17	NO	09/21/17 final	NU KOTE

### ESCROW ACTIVITY

UNIT #	NMI	PLI	NBO	FI	FCOEI	ROF	DOCUMENTS/COMMENTS
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FI = Final Inspection FCOEI = Final COE Inspection ROF = Release of Funds

### CONTRACTS

CONTRACTOR	PROJECT
FENN TERMITE AND PEST CONTROL GOOD UNTIL 2019	

### MUTUAL AND SHAREHOLDER REQUEST

CALLS AND VISITS TO UNITS 19	

Mutual Corporation  
Seal Beach Mutual No. Sixteen  
Board Member Code of Ethics

As a Board member, you need to be aware that more is expected of those in leadership roles. Review the following statements. Signing this Code of Ethics solidifies your commitment to honest Board service for Seal Beach Mutual No. Sixteen Corporation, and its membership.

**As a Member of the Board, I will:**

- Be committed to fulfilling the mission and vision of Seal Beach Mutual No. Sixteen Corporation.
- Keep all confidential Board information, confidential, including business and discussions conducted in the Executive Board meetings.
- Focus my efforts on the Mutual Corporation and its membership and not my personal goals or private agenda.
- Serve on a Mutual committee and/or task force in a leadership capacity.
- Commit to ethical, businesslike, and lawful conduct, including member's proper use of authority and appropriate decorum when acting as directors.
- Refrain from using my service on this Board for my own personal advantage or for the advantage of my friends or associates.
- Maintain my credibility as a Board Member.
- Respect and support the majority decisions of the Board.
- Approach all Board issues with an open mind, prepared to make the best decisions for everyone involved.
- Do nothing to violate the trust of those who elected or appointed me to the Board or those we serve.
- Never exercise authority as a Board Member except when acting in a Board meeting or as I am delegated by the Board or its President.
- Continue to maintain the original Mutual Corporation Board Member candidate qualifications and attitude.
- Consider myself a trustee of this organization and do my best to ensure that it is well maintained, financially secure; growing and always operating within the best interests of those we serve.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_



**Mutual Corporation**  
**Seal Beach Mutual No. Sixteen**  
**Board Member Commitment Pledge**

I recognize the vital responsibility I am undertaking in serving as a member of the Board of Directors of the Seal Beach Mutual No. Sixteen Corporation. I, hereby pledge to carry out in a trustworthy and diligent manner the duties and obligations of my role as a Board member.

**My Role:**

I acknowledge that my primary role as a Board member is (1) to understand, support and ensure fidelity to the Seal Beach Mutual No. Sixteen Corporation's mission and vision, and (2) to carry out the functions of the office of Board Member and/or Officer as stated in the Bylaws.

My role as a Board Member will focus on the development of the board policies (e.g., long term vision, overall financial philosophy, etc.) that govern the implementation of plans and purposes.

**My Commitment:**

**I will exercise the duties and responsibilities of this office with integrity, fidelity and care.**

**I Pledge to:**

- Maintain a good working relationship with other Mutual Sixteen Board Members and support collective decisions.
- Keep up to date on the organization's major programs and services.
- Follow trends and important developments in the Seal Beach Mutual Sixteen Corporation's substantive field of interest. Educate myself about the needs of the constituents I serve.
- Act knowledgeable and prudently when making recommendations.
- Recommend qualified individuals with relevant skills and experience as possible nominees for the Board.
- Prepare for and participate at board and committee meetings.
- Attend and participate in the strategic planning process.
- Willingly volunteer and use my special skills to further the organization's mission and vision.
- Complete all assignments in a timely manner.
- Listen respectfully to other's points of view.

- Take advantage of opportunities to enhance the organization's public image by periodically speaking to leaders in the community about the work of our Mutual Board and their goals.
- Respect the confidentiality of the Board's Executive sessions.
- Speak for the Board or Mutual Sixteen Corporation only when authorized to do so.
- Adhere to my fiduciary responsibilities as a Corporation Director and hereby agree not to commit any Mutual funds for any purpose whatsoever, without prior Board approval.
- Suggest agenda items for future Board and committee meetings.
- Aid and advise the President when my help is requested.
- Avoid burdening the staff with requests for special favors.
- Ensure that any communications with staff below the President does not undermine the relationship between the President and the staff.
- Avoid, in fact and perception, conflicts of interest that might embarrass the Board or organization and disclose to the Board, in a timely manner, any possible conflicts.

If for any reason, I find myself unable to carry out the above duties as best as I can, I agree to resign my position as a Board member/officer.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

**MUTUAL OPERATIONS****RESCIND MUTUAL SIXTEEN****Approval of Escrows – All Mutuals Except Two, Five, Nine, and Ten****RESOLUTION:**

WHEREAS, Article V, Section 2, of the bylaws vests power in the Board of Directors to accept or reject all applications for membership and admission to occupancy of a dwelling unit in the cooperative housing project, and

WHEREAS, a system utilizing questionnaires and a medical examination has been instituted to expedite determination that the potential buyer meets all established criteria, with the responsibility for operation of said system resting on paid employees of the Foundation and Health Care Center, and

WHEREAS, it is necessary that escrow papers be signed in a timely manner but calling special meetings of the Board to accept or reject each application in escrow would prove cumbersome,

NOW, THEREFORE BE IT RESOLVED, THAT

1. The President of this Corporation is appointed and empowered to act in behalf of the Board in signing various document in escrow that are necessary to accept or reject potential members of the Corporations.
2. Should the President be absent or otherwise unable to perform, then any officer of this Corporation shall be empowered to sign such papers on behalf of the Board.

**MUTUAL ADOPTIONS**

ONE	12-07-72	
TWO		(See Policy 7020.2)
THREE	11-20-72	
FOUR	12-04-72	
FIVE	11-15-72	(See Policy 7020.05) Dec 2016
SIX	12-08-72	
SEVEN	11-17-72	
EIGHT	11-27-72	
NINE		(See Policy 7020.9)
TEN	11-30-72	(See Policy 7020.2)
TWELVE	11-09-72	
ELEVEN	11-16-72	
FOURTEEN	11-10-72	
FIFTEEN	11-20-72	
SIXTEEN	12-14-72	

(Dec 16)

**MUTUAL OPERATIONS****AMENDED DRAFT****RESIDENT REGULATIONS****Eligibility Requirements – Mutual Sixteen**

Proposing resident shareholder, seeking approval of the Board of Directors of Seal Beach Mutual No. Sixteen to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the following 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 or sufficient assets that is/are five (5) times or greater than the monthly carrying charges (Regular Assessment plus Property Tax and Fees) at the time of application, and have liquid assets of at least \$50,000. Actual or project retirement income (SS, pension, annuity, etc.) shall be the only income used for qualification.

**ASSETS USED TO PURCHASE UNIT WILL NOT BE INCLUDED IN INCOME CALCULATIONS**

- 1) Verified monthly income will be in the form of the past two years of:
  - a) Tax returns;
  - b) 1099s for interest and dividends;
  - c) 1099-Rs for retirement income from qualified plans and annuities (with a copy of executed payment elections documents and/or beneficiary election forms);
  - d) SSA-1099 Social Security Benefit Statement;
  - e) Brokerage statements and current interim statement.
  - f) Six to 12 months of checking account statements.
- b. Adjusted Gross Income per 1040, 1040A, or 1040EZ minus income and self-employment taxes paid will equal net annual income able to be spent.
- 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

**MUTUAL OPERATIONS****AMENDED DRAFT****RESIDENT REGULATIONS****Eligibility Requirements – Mutual Sixteen**

County District fees divided by 12 for the new projected monthly assessment. This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times five (5) 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.<sup>1</sup>

- 1) Verification shall be done by the Escrow Company and the Stock Transfer Office prior to the new buyer orientation and prior to the close of escrow (the above verification will not be the responsibility of the individual Mutual Directors; Directors will not be required to study or understand the financial requirements).

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 so that resident can take care of normal living needs without calling on other members of the cooperative for an undue amount of assistance.

- 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****AMENDMENTS**

**SIXTEEN:** 04-09-70

09-20-93, 07-21-08, 01-20-14, 08-01-17

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

**MUTUAL OPERATIONS****ADOPT DRAFT****RESIDENT REGULATIONS****GOVERNING DOCUMENT COMPLIANCE**  
**CORRECTIVE MEASURES AND FINES – MUTUAL SIXTEEN ONLY****Basic Compliance Policy:**

The objective of this Compliance Policy shall be to promote and seek voluntary compliance of shareholders for themselves, those qualified to reside with them and the shareholders' visitors including, but not limited to guests, employees and delivery personnel with the Seal Beach Mutual No. Sixteen Occupancy Agreement, Bylaws, 7000 Series Policies, and Rules and Regulations, all as amended and supplemented (collectively, "Governing Documents").

**Reporting Violations:**

Any resident shareholder, including any shareholder serving on the Board, may report violations. Contact Security, Community Administration, or the Board of Directors.

Such reports shall constitute a complaint and will be documented in writing to include the time, date, nature of violation, circumstances, and location and address of person or persons responsible. The complaint will be provided to the Mutual for review and, if necessary, enforcement action.

**Enforcement Procedures:**

The Mutual may, in the Board's discretion, enforce any violation of the "Governing Documents" by pursuing, without limitation any one, or combination of, the remedies described below in paragraphs, One, Two, or Three (1, 2, or 3). Notices described in One and Two below shall include a statement inviting the shareholder to a hearing or their right to request a hearing.

1. Send an initial notice of violation letter to the resident shareholder stating the nature of the alleged violation. In the event that the shareholder does not take corrective action and continues to be non-compliant, the notice will include a reasonable date within which to voluntarily comply.
2. Send a notice of violation and intent to impose a fine. Fines will be imposed in accordance with the Mutual's Violation Fine Schedule.
3. An action in law or in equity to recover the sums due for damages injunctive relief or any other appropriate legal or equitable relief that may be available to the Mutual.

(draft created on 8-31-17 ka)

**MUTUAL OPERATIONS****ADOPT DRAFT****RESIDENT REGULATIONS****GOVERNING DOCUMENT COMPLIANCE  
CORRECTIVE MEASURES AND FINES – MUTUAL SIXTEEN ONLY****FINE SCHEDULE:**

The Fine Schedule may be imposed after or concurrent with notice and opportunity for hearing, and the Board of Directors, or committee appointed by the Board, in its discretion, has determined that a resident shareholder is non-compliant with or has violated the "Governing Documents".

**FINE SCHEDULE**

Notice of Violation: Warning or Fine of \$25.00

Continuing non-compliance will result in further fines of \$25.00 for each day the violation continues.

Invoices for fines are due and payable immediately.

**MUTUAL ADOPTION****AMENDMENT(S)**

SIXTEEN:

(draft created on 8-31-17 ka)

Page 2 of 2

**MUTUAL OPERATIONS****RESCIND MUTUAL SIXTEEN****ADMINISTRATIVE SERVICES****Admittance to Apartments – Public Administrator's Office**

The procedure for admitting deputies from the Public Administrator's Office is as follows:

1. That the deputy produce and deliver a written statement upon letterhead stationery of the Public Administrator's Office advising of the purpose and reason for the Public Administrator's coming into the project and the apartment.
2. The deputy must show the Security Officer his badge and all other identification concerning being a Deputy of the Public Administrator's Office. The badge itself is insufficient. An I.D. card must also be shown.
3. That a representative of the Mutual Corporation be with the deputy in the apartment provided the reason for his being there has been satisfactorily accepted under item one.
4. A clear description must be made of any document or item that is removed from the apartment to be signed by the Deputy of the Public Administrator's Office who is present.

The above instructions are from a letter by William A. Williams, Foundation Attorney, dated 10-16-95.

(Nov 95)

Page 1 of 1



MUTUAL OPERATIONS**RESCIND MUTUAL SIXTEEN****ADMINISTRATIVE SERVICES****Estate Transaction and Creditors' Claims**

Any authorized person transacting estate affairs pertaining to a deceased member (sole owner), such as a relative, heir, etc., should be referred to the Stock Transfer Office. This is to enable the office to maintain the account on a current basis until the estate can be closed.

Creditors' claims are also generated by this office to cover any outstanding debts which may exist and cannot be collected except through final distribution of the estate by the courts.

MUTUAL  
SIXTEEN

RESCIND



September 7, 2017

Linda Stone, GRF Board President  
Golden Rain Foundation  
Post Office Box 2069  
Seal Beach, California 90740

Dear Linda:

We are pleased to confirm our understanding of the services we are to provide for Golden Rain Foundation (the "Company") and the 16 Seal Beach Mutual Corporations (the "Mutual Corporations") for the year ended December 31, 2017.

The Board of Directors of the Company and the Mutual Corporations (the "Boards") have requested that we audit the financial statements of the Company and the Mutual Corporations, which comprise the balance sheets as of December 31, 2017, and the related statements of operations/revenue and expenses, changes in stockholders' equity/changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements. Also, the financial statements we submit to you will include supplementary information about future major repairs and replacements required by the Financial Accounting Standards Board ("FASB"). Although we will apply certain limited procedures with respect to the required supplementary information, we will not audit the information and will not express an opinion on it.

#### **Audit Objective**

The objective of our audits is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the Company's and the Mutual Corporations' accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audits of the Company's and the Mutual Corporations' financial statements. Our reports will be addressed to the Boards and Members of the Company and to each of the Mutual Corporations. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audits or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

### **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. However, our procedures will not determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because such a determination is outside the scope of the engagement. We will also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audits, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audits will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Company and the Mutual Corporations or to acts by management or employees acting on behalf of the Company and the Mutual Corporations.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audits and does not extend to any later periods for which we are not engaged as auditors.

Our audits will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

### **Other Services**

We will prepare the Company's and the Mutual Corporations' 2017 federal and California tax returns for the year ended December 31, 2017 based on information provided by you. We will also assist in preparing the financial statements of the Company and the Mutual Corporations in conformity with U.S. generally accepted accounting principles based on information provided by you.

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

### **Management Responsibilities**

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; for the preparation and fair presentation in the financial statements in conformity with U.S. generally accepted accounting principles; and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence.

Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entities involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entities received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entities comply with applicable laws and regulations. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically, management understands that electronic sites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities for the financial statement preparation services, tax services, and any other non-attest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all confirmations we request and will locate any documents selected by us for testing.

Johnny H. Minassian is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our audit engagement ends on delivery of our audit reports. Any follow-up services required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

As part of our audit process, we will request from management and, when appropriate, from those charged with governance, written confirmation concerning representations made to us in connection with the audits.

We also will issue a written report communicating either Auditor's Communication with Those Charged with Governance or Communicating Internal Control Related Matters Identified in an Audit, upon completion of our audits.

As part of our engagement, we will also prepare the 2017 federal and California tax returns for the year ended December 31, 2017. We will use our professional judgment in preparing your returns. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. In accordance with our professional standards, we will follow whatever position you request, as long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional tax, interest, or penalties.

In the event, however, that you ask us to take a tax position that, in our professional judgment, will not meet the applicable laws and standards as promulgated, we reserve the right to stop work and shall not be liable to you for any damages that occur as a result of ceasing to render services.

Any travel, entertainment and gifts, as well as charitable contributions, must be supported by the necessary records required by the Internal Revenue Code. It is your responsibility to insure that all such documents are properly maintained and that the documents in your possession support the deductions taken on the tax return. We will not audit or otherwise review the information maintained by you to insure the adequacy thereof.

You may have reportable state use tax if the corporation purchased goods outside of California for use, storage, or consumption in California and did not pay California sales or use tax on the purchase. You may now elect to pay use tax with your corporation income tax return, rather than on a separate use tax form filed with the Board of Equalization. Please inform us if management's position on this election has changed from the previous year.

Please note that any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value



exceeding \$10,000 at any time during the calendar year in a foreign country, shall report such a relationship. Although there are some limited exceptions, filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign account(s).

For example, a corporate-owned foreign account would require filings by the corporation *and* by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

If you and/or your entity have a financial interest in, or signature authority over, any foreign accounts, you are responsible for providing our firm with all the information necessary to prepare the Report of Foreign Bank and Financial Accounts (FBAR) required by the U.S. Department of the Treasury in order for the FBAR to be **received by the Department on or before June 30<sup>th</sup>** of each tax year. Effective July 1, 2013, electronic filing of FBAR reports is mandatory using the Bank Secrecy Act (BSA) e-filing system for the Financial Crimes Enforcement Network (FinCEN). If you would like our firm to submit your electronic FBAR report (FinCEN Form 114) on your behalf, we must receive a signed consent form (FinCEN Form 114a) from you prior to submitting the foreign reporting form. If you do not provide our firm with information regarding any interest you may have in a foreign account, or if we do not receive your signed authorization to file your foreign reporting form, we will not be able to prepare and file any of the required disclosure statements.

In addition, the Internal Revenue Service also requires information reporting under applicable Internal Revenue Code sections and related regulations, and the respective IRS tax forms are due when your income tax return is due, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you fall into one of the below categories, or if you have any direct or indirect foreign interests, you may be required to file applicable IRS forms:

- You are an individual or entity with ownership of foreign financial assets and meet the specified criteria (Form 8938);
- You are an officer, director or shareholder with respect to certain foreign corporations (Form 5471);
- You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472);
- You are a U.S. transferor of property to a foreign corporation (Form 926);
- You are a U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A); or
- You are a U.S. person with interests in a foreign partnership (Form 8865).

Failure to timely file the appropriate forms with the U.S. Department of the Treasury and the Internal Revenue Service may result in substantial monetary penalties. By your signature below, you accept responsibility for informing us if you believe that you may have foreign reporting requirements with the U.S. Department of the Treasury and/or Internal Revenue Service and you agree to timely provide us with the information necessary to prepare the appropriate form(s). We assume no liability for penalties associated with the failure to file, or untimely filing, of any of these forms.

The IRS and U.S. Treasury issued final tangible property regulations (TPRs) that govern when taxpayers must capitalize and when they can deduct expenditures for acquiring, producing or improving tangible property. These regulations were fully effective for tax years beginning on or after January 1, 2014. The final regulations created new annual elections, and while certain safe harbors and elections are implemented through filing statements or treatment of an item on a timely filed federal tax return, the IRS considers the remaining provisions to be a change in accounting method, which may require the filing of Form 3115, *Application for Change in Accounting Method*.

If we become aware that you may be using an accounting method not in accordance with the final TPR regulations, our firm may need additional time to analyze your current and prior acquisitions and improvements to properly complete Form 3115. By your signature below, you accept ultimate responsibility for your capitalization analyses and decisions, and you agree to provide us with the information necessary to prepare the appropriate elections and/or method change IRS form(s). Please ask us for advice if you have any questions regarding your company's application of these regulations.

Management is responsible for the design, implementation and administration of applicable policies that may be required under the Affordable Care Act. As NSBN LLP is not rendering any legal services as part of our engagement, we will not be responsible for advising you with respect to the legal or regulatory aspects of your company's compliance with the Affordable Care Act.

Professional standards now require us to electronically file all federal and state income tax returns. Please note that, although e-filing will require both you and our firm to complete additional steps, the same filing deadlines will apply. You must therefore ensure that you complete the additional requirements before the due dates in order for our firm to be able to timely transmit your return. Our firm must transmit your return to the taxing authorities (rather than you). We will provide you with a copy of the income tax returns for your review prior to electronic transmission. After you have reviewed the returns, you must provide us with a signed authorization indicating that you have reviewed the return and that, to the best of your knowledge, you feel it is correct. **We cannot transmit the returns to the taxing authorities until we have your authorization.** Therefore, if you have not provided our firm with your authorization, we will place your return on extension, even though it might already have been completed. In that event, you will be responsible for ensuring that any payment due with the extension is timely sent to the appropriate taxing authorities. You will also be responsible for any additional costs our firm incurs arising from the extension preparation.

Finally, please note that, although our firm will use our best efforts to ensure that your returns are successfully transmitted to the appropriate taxing authorities, we will not be financially responsible for electronic transmission or other errors arising after your return has been successfully submitted from our office.

Our fees for these services will not exceed \$131,000. The fee estimate is based on anticipated cooperation from the Company's and the Mutual Corporations' personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

Your returns, of course, are subject to review by the taxing authorities. Any items which may be resolved against you by the examining agent are subject to certain rights of appeal. In the event of

such government tax examination, we will be available upon request to represent you and will render additional invoices for the time and expenses involved.

If, during the engagement, any extraordinary matters come to our attention for which additional services not specified in this letter are required, we will, of course, consult with you and receive your approval before expanding our services. These services will be billed at the standard billing rates of the personnel performing the services plus any direct costs incurred.

If any dispute arises among the parties, they agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under Rules for Professional Accounting and Related Services Disputes. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Arbitration Rules for Professional Accounting and Related Services Disputes of the AAA. Fees charged by any mediators, arbitrators, or the AAA shall be shared equally by all parties. In agreeing to arbitration, we both acknowledge that, in the event of a dispute charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us in the envelope provided.

Sincerely,

NSBN LLP

NSBN LLP

**Approved by:**

***This letter correctly sets forth the understanding of Golden Rain Foundation***

\_\_\_\_\_  
**Linda Stone, GRF Board President**

**Date:** \_\_\_\_\_





Appendix A

Acknowledgement of services to be performed by NSBN LLP for each Mutual Corporation as documented in the engagement letter dated September 7, 2017:

Mutual 1	<u>Board President</u>	Date: _____
Mutual 2	<u>Board President</u>	Date: _____
Mutual 3	<u>Board President</u>	Date: _____
Mutual 4	<u>Board President</u>	Date: _____
Mutual 5	<u>Board President</u>	Date: _____
Mutual 6	<u>Board President</u>	Date: _____
Mutual 7	<u>Board President</u>	Date: _____
Mutual 8	<u>Board President</u>	Date: _____
Mutual 9	<u>Board President</u>	Date: _____
Mutual 10	<u>Board President</u>	Date: _____

Mutual 11	_____	Date: _____
	<i>Board President</i>	
Mutual 12	_____	Date: _____
	<i>Board President</i>	
Mutual 14	_____	Date: _____
	<i>Board President</i>	
Mutual 15	_____	Date: _____
	<i>Board President</i>	
Mutual 16	_____	Date: _____
	<i>Board President</i>	
Mutual 17	_____	Date: _____
	<i>Board President</i>	



Golden Rain Foundation

Golden Rain Foundation

Leisure World, Seal Beach

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## MEMO

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**TO:** MUTUAL PRESIDENTS  
**FROM:** MUTUAL ADMINISTRATION DEPARTMENT  
**SUBJECT:** ID CARD REPLACEMENT PICK-UP  
**DATE:** SEPTEMBER 13, 2017  
**CC:**

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The ID Card Replacmenet Project was completed on July 15, 2017.

What now? Next Step? Delivery of ID cards for homebound shareholders?

At the August 3, 2017 President's Council meeting a list with the remainder of ID card's that require distribution was provided to each Mutual President.

Each mutual should review the list and advise the shareholders accordingly to pick up their ID card's from the Stock Transfer Officer.

However, for shareholders that are unable to make it to the Stock Transfer Office the Mutual President can send a director to pick-up the ID cards and deliver it to the shareholder's home. The Mutual President must advise Stock Transfer Office prior to the assigned director picks up the ID cards.

The ID Card sign sheet will be used to track the Pick-up of ID Cards, Drop-off of ID Cards and the Return of ID Cards. This will allow staff and the mutual to keep an account of the ID's released to the Directors.

ID Cards that are returned will be shredded. In addition, ID cards belong to deceased shareholders will also be shredded once it has been confirmed that shareholder is deceased.

On or around September an updated list will be provided with ID's cards that still require pick-up.



# ID CARD

Pick- up ID Cards			Drop-off ID Cards		Returned ID Cards	
Date	Name of Director	ID Card Mutual & Unit	Date Delivered	Signature of ID holder	Date	Stock Transfer Staff received

### ID Card Replacement Pickup

RESOLVED, That Mutual 16 will use the ID card sign sheet to track the pickup of ID Cards from the Stock Transfer Office, drop-off the ID Cards to the shareholder, and return the ID Cards to the Stock Transfer office allowing the staff and the Mutual to keep an account of the ID cards released to the Directors.

# Board Resolution

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In accordance with GRF Policy 5536.1-33, up to four (4) additional guest passes may be issued to a Shareholder/Member per Policy terms and conditions. The GRF Executive Director and Mutual Administration Director, as agents for the Mutual Board, do hereby seek approval to issue up to four (4) Guest Passes or a lesser number of Guest Passes, as duly approved by the Mutual Board.

I move to authorize the GRF Executive Director and/or the Mutual Administration Director to issue \_\_\_\_\_ **ADDITIONAL** Guest Passes, in accordance with GRF Policy 5536.1-33. Each Guest pass shall carry a unique identification number with a monthly report provided by the GRF Stock Transfer Office to the Mutual Board of Guest Passes issued noting the Shareholder/Member name as responsible party for the Guest, effective 2017-2018.

Date Board Approved: \_\_\_\_\_, 2017

Signed: \_\_\_\_\_, Print Name: \_\_\_\_\_  
***Board President or Secretary***

Mutual:



## **Seismic Survey 2017 Leisure World Project Description**

### **General Overview**

Geologic mapping is a highly-interpretive, scientific process which produces a range of map products for many different uses. A key component in the construction of geologic maps is the acquisition of seismic data. Data created by this project will allow for scientific studies on the behavior of geological strata in the area. This data plays an important role in creating a clear picture of the subsurface. The density of sensors (nodes) will also allow us to look at the microseismicity on how deformation is taking place on a small-scale and how it changes with time.

This particular project, 'Seismic Survey 2017' is being performed over a larger area than any previous subsurface geological surveys in the LA Basin. The Survey Area will encompass a large portion of Long Beach, Seal Beach, Rossmoor, Los Alamitos and the Seal Beach Naval Weapons Station.

Breakthroughs in technology have revolutionized the analysis of the data to make this map the clearest picture ever made in this very important area of the LA Basin.

### **How is the Survey Performed?**

Imaging of subsurface strata is accomplished by using state of the art technology to input acoustical energy into the ground by using specialized trucks and very sensitive passive wireless GPS listening devices called nodes. Nodes record the reflections of sound bouncing off layers of rock strata. The recorded data is downloaded and processed by highly-dimensional image of the earth's layers.

Small holes about 8 inches in diameter by 11 inches in depth are dug, in which the nodes are buried to record data; in fact, they cannot be seen at all during operations. The nodes are completely passive and emit no energy. They strictly record and store data. Upon project completion, the nodes are removed, and any disturbed areas will be restored to their previous condition or better. Survey trucks are used during this project to create a minor surface vibration which will emit acoustical energy into the ground. The energy levels are very similar to recycling trucks. Technicians monitor surface ground vibration levels with digital recording meters at every location. Survey trucks will be at any one location between 3 and 5 minutes.

### **Leisure World Request**

LA Seismic is requesting permission from the Leisure World Master Association and the 16 Mutuels to place the nodes in Leisure World common areas. More detailed information will be presented by LA Seismic at the September 7, 2017 meeting

## LA Seismic Survey

RESOLVED, That Mutual 16 will permit LA Seismic to place the nodes in Mutual \_\_\_\_\_ common areas.



**MUTUAL OPERATIONS****RESCIND MUTUAL SIXTEEN****CONTRACTUAL OBLIGATIONS****Regulatory Agreement****A. Legal Basis**

The Regulatory Agreement (FHA Form 3225) is an agreement between a Mutual (Mortgagor) and the Federal Housing Commissioner. In order to obtain mortgage insurance pursuant to Section 213 of Title II of the National Housing Act, and obtain the endorsement of Commissioner on the note, a Mortgagor must consent to be regulated and restricted by the terms of a Regulatory Agreement.

**B. Basic Terms**

1. Mutual to make all mortgage payments promptly.
2. Mutual to maintain a fund for replacements (see Replacement Fund).
3. Mutual to establish and maintain a General Operating Reserve (see Operating Reserve).
4. Mutual to establish and collect monthly carrying charges in accordance with a schedule filed with and approved by FHA.
5. Prior written approval of FHA required for Mutual to:
  - a. Sell, assign, transfer, dispose of or encumber any real or personal property.
  - b. Remodel, reconstruct, demolish or subtract from the premises.
  - c. Permit occupancy of any dwelling except at charges fixed by the schedule of charges.
  - d. Permit occupancy of a dwelling except by members of the corporation.
  - e. Consolidate, merge or go into voluntary liquidation.
  - f. Fail to establish and maintain the Replacement and General Operating Fund.
  - g. Incur liabilities which will at any time exceed 1% of the insured mortgage amount.
  - h. Fail to provide for the management in a manner approved by the Commissioner.

**MUTUAL OPERATIONS****RESCIND MUTUAL SIXTEEN****CONTRACTUAL OBLIGATIONS****Regulatory Agreement**

- i. Invest any funds of the corporation in any property, real, personal or mixed, except obligations of, or fully guaranteed as to principal by, the United States of America.
6. Mutual shall not pay any compensation to its officers, directors or stockholders. No officer, director, stockholder, agent, or employee of the Mortgagor shall in any manner become indebted to the Mortgagor, except on account of approved occupancy charges.
7. Mortgagor shall maintain its project, the grounds, buildings, and equipment appurtenant thereto, in good repair and in such condition as will preserve the health and safety of its occupants.
8. The Mortgagor, its property, equipment, buildings, plans, office, apparatus, devices, books, contracts, records, documents and papers shall be subject to inspection and examination by the Commissioner or his duly authorized agent at all reasonable times.
9. The books and accounts of the Mortgagor shall be kept in accordance with the Uniform System of Accounting prescribed by the Commissioner. The Mortgagor shall file with the Commissioner and the Mortgagee the following reports verified by the signature of such officers of the Mortgagor as may be designated and in such form as may be prescribed by the Commissioner:
  - a. Monthly or quarterly operating reports when required by the Commissioner.
  - b. Semi-annual financial statement within 60 days after the semi-annual period when required by the Commissioner.
  - c. Annual reports prepared by a certified public accountant or other person acceptable to the Commissioner within 60 days after the end of each fiscal year.
  - d. Specific answers to questions upon which information is desired from time to time relative to the operation and condition of the property and the status of the Mortgage.
  - e. Copies of minutes of all stockholders' meetings certified by the secretary of the Mortgagor within 30 days after such meetings, and when required by the Commissioner, copies of minutes of directors' meetings.

**MUTUAL OPERATIONS****RESCIND MUTUAL SIXTEEN****CONTRACTUAL OBLIGATIONS****Regulatory Agreement**

10. The Mortgagor shall not execute or file for record any instrument which imposes a restriction upon the sale, leasing or occupancy of the property subject to the insured mortgage, or any part thereof, on the basis of race, color or creed.
11. No litigation seeking the recovery of a sum in excess of \$3,000 nor any action for specific performance or other equitable relief shall be instituted nor shall any claim for a sum in excess of \$3,000 be settled or compromised by the Mortgagor unless prior written consent thereto has been obtained from the Commissioner. Such consent may be subject to such terms and conditions as the Commissioner may prescribe.
12. The Mortgagor agrees to observe and perform each and every one of the covenants and provisions required to be observed and performed under or pursuant to the terms of the Mortgage.
13. The Mortgagor shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors, or permit an adjudication in bankruptcy, or the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale.
14. Upon a violation of any of the above provisions of this Agreement by the Mortgagor, the Commissioner may give written notice thereof to the Mortgagor, by registered or certified mail, addressed to the addressees stated in this Agreement. If such violation is not corrected to the satisfaction of the Commissioner within 15 days after the date such notice is mailed, or within such additional period of time as is set forth in the notice, or where the Mortgagor proceeds immediately and diligently, within such further time as the Commissioner determines is necessary to correct the violation, without further notice the Commissioner may declare a default under this Agreement.
15. As security for the payment due under this Agreement for the Reserve Fund for Replacements, and to secure the Commissioner because of his liability under the endorsement of the Note for insurance, and as security for the other obligations under this Agreement, the Mortgagor assigns, pledges and mortgages to the Commissioner its rights to the rents, profits, income and charges of whatever sort which it may receive or be entitled to receive from the operation of the mortgaged property, subject,

**MUTUAL OPERATIONS****RESCIND MUTUAL SIXTEEN****CONTRACTUAL OBLIGATIONS****Regulatory Agreement**

however, to any assignment of rents in the insured mortgage referred to herein; provided, however, that permission is granted to the Mortgagor to collect and retain under the provisions of this Agreement the rent, profits, income and charges, during any such period or periods of time for which the Commissioner has not declared a default. Upon declaration by the Commissioner of a default, the said permission is terminated and shall not be deemed to be reinstated until the Commissioner has declared the default to be cured.

16. Mortgagor agrees that there shall be full compliance with the provisions of (1) any state or local laws prohibiting discrimination in housing on the basis of race, color, creed or national origin, and (2) with the Regulations of the Federal Housing Administration providing for non-discrimination and equal opportunity in housing. It is understood and agreed that failure or refusal to comply with any such provisions shall be a proper basis for the Commissioner to take any corrective action he may deem necessary including, but not limited to, the rejection of future applications for FHA mortgage insurance and the refusal to enter into future contracts of any kind with which the Mortgagor is identified, and further, if the Mortgagor is a corporation or any other type of business association or organization which may fail or refuse to comply with the aforementioned provisions, the Commissioner shall have a similar right of corrective action (1) with respect to any individuals who are officers, directors, trustees, managers, partners, associates, or stockholders of the Mortgagor, and (2) with respect to any corporation or any other type of business association or organization with which the officers, directors, trustees, managers, partners, associates or stockholders of the Mortgagor may be identified.
17. The covenants and agreements herein set out shall be deemed to run with the land herein described so long as there is a mortgage on said property insured or owned by the Commissioner and to bind any future purchasers of the real property or any part thereof.
18. This instrument shall bind, and the benefits shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in office or interest, and assigns.
19. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of any the remaining portions thereof.

**MUTUAL OPERATIONS****RESCIND MUTUAL SIXTEEN****CONTRACTUAL OBLIGATIONS****Regulatory Agreement**

20. The Mortgagor agrees and assumes the obligation to have this Agreement recorded in the appropriate land records in the jurisdiction in which the real property herein described is situated; and in the event of failure to do so, it is agreed that the Commissioner may have the same recorded at the expense of the Mortgagor.
21. It is specifically agreed between the parties hereto that the breach of any of the terms of this Agreement by the Mortgagor will substantially damage and injure the Commissioner in the proper performance of his duties under the provisions of the Act, and will impede and injure the proper operations intended under such Act; that such damage will be irrespective of and in addition to any damage to the security of the mortgaged premises or to any financial damage the Commissioner may suffer as insurer; that, except for the agreements herein contained, the Commissioner would not issue and would not be authorized to issue his Contract of Mortgage Insurance, and that the Mortgagee would not lend the sum above-mentioned on the security of the said Mortgage unless the same were insured by the Commissioner.

MUTUAL OPERATIONS**AMENDED DRAFT****RESIDENT REGULATIONS****Eligibility Requirements – Mutual Sixteen**

Proposing resident shareholder, seeking approval of the Board of Directors of Seal Beach Mutual No. Sixteen to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the following 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 or sufficient assets that is/are five (5) 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 \$50,000. Actual or project retirement income (SS, pension, annuity, etc.) shall be the only income used for qualification.

**ASSETS USED TO PURCHASE UNIT WILL NOT BE INCLUDED IN INCOME CALCULATIONS**

- 1) Verified monthly income will be in the form of the past two years of:

- a) Tax returns;
- b) 1099s for interest and dividends;
- c) 1099-Rs for retirement income from qualified plans and annuities (with a copy of executed payment elections documents and/or beneficiary election forms);
- d) SSA-1099 Social Security Benefit Statement;
- e) Brokerage statements and current interim statement.
- f) Six to 12 months of checking account statements.
- g) A credit check will be performed by the escrow company, with the results included in the financial package.**

- b. Adjusted Gross Income per 1040, 1040A, or 1040EZ minus income and self-employment taxes paid will equal net annual income able to be spent.



**MUTUAL OPERATIONS****AMENDED DRAFT****RESIDENT REGULATIONS****Eligibility Requirements – Mutual Sixteen**

- 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 12 for the new projected monthly assessment. This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times five (5) 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.<sup>1</sup>
- 1) Verification shall be done by the Escrow Company and the Stock Transfer Office prior to the new buyer orientation and prior to the close of escrow (the above verification will not be the responsibility of the individual Mutual Directors; Directors will not be required to study or understand the financial requirements).
- d. Only the residential shareholder's income shall be considered for qualifying.

**3. Health**

Have reasonably good health for a person of his/her age so that resident can take care of normal living needs without calling on other members of the cooperative for an undue amount of assistance.

- 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**

**SIXTEEN:** 04-09-70

**AMENDMENTS**

09-20-93, 07-21-08, 01-20-14, 08-01-17

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