

PLEASE DO NOT DROP INTO THE MAIL SLOTS

**MINUTES OF THE REGULAR MONTHLY MEETING
BOARD OF DIRECTORS
SEAL BEACH MUTUAL FIVE**

October 19, 2016

The Regular Monthly Meeting of the Board of Directors of Seal Beach Mutual Five was called to order by President Coven on Wednesday, October 19, 2016, at 9:00 a.m. in Building Five, Conference Room B, followed by the *Pledge of Allegiance*.

ROLL CALL

Present: President Coven, Vice President Trembly, Secretary Boryta, and Directors Powell, and Gould

Absent: Director Tran

GRF Representative: Mr. Hood

Guests: Seven shareholders of Mutual Five

Staff: Ms. Hopkins, Mutual Administration Director
Ms. Miller, Finance Director (9:36 a.m.)
Mr. Guerrero, Security Chief (9:10 a.m.)
Mr. Kranda, Building Inspector
Ms. Day, Recording Secretary

SHAREHOLDERS' COMMENTS

There were no comments from attending shareholders.

PRESIDENT'S ANNOUNCEMENTS

President Coven presented a resignation letter from Gladys Sumners resigning from the Board of Directors. Upon a MOTION duly made by Director Gould and seconded by Vice President Trembly, it was

RESOLVED, To regretfully accept the resignation of Gladys Sumners from the Board of Directors of Mutual Five.

The MOTION passed.

MINUTES

President Coven asked if there were any corrections on the September 21, 2016, Regular Meeting minutes. There being no corrections, the minutes were approved by acclamation.

BUILDING INSPECTOR'S REPORT

Inspector Kranda presented his summary report (attached).

Inspector Kranda left the meeting at 9:12 a.m.

GRF REPRESENTATIVE'S REPORT

GRF Representative Hood discussed GRF activity.

CORRESPONDENCE

Secretary Boryta reviewed correspondence from three shareholders.

GUEST SPEAKER – Mr. Guerrero

Mr. Guerrero discussed Policy 7582 – Towing Vehicles and how the Board will handle the towing of vehicles in the Mutual. It was the consensus of the Board to postpone action for further review of the policy.

Mr. Guerrero left the meeting at 9:35 a.m.

CHIEF FINANCIAL OFFICER'S REPORT

President Coven presented the Mutual financial statement (attached).

Following a discussion, and upon a MOTION duly made by President Coven and seconded by Director Gould, it was

RESOLVED, To move \$76,036 from the Appliance Reserve Fund to the Operating Fund.

The MOTION passed.

GUEST SPEAKER – Ms. Miller

Ms. Miller presented the proposed Mutual 2017 budget.

Following a discussion, and upon a MOTION duly made by President Coven and seconded by Vice President Trembly, it was

RESOLVED, To accept the 2017 Operating Budget for Mutual Five of \$1,913,014, resulting in a regular monthly assessment of \$324.02 per apartment per month, for an increase of \$8.90 per month over the total regular assessment of 2016, as presented, and to adopt this budget forthwith.

The MOTION passed.

GUEST SPEAKER – Ms. Miller (continued)

Following a discussion, and upon a MOTION duly made by President Coven and seconded by Secretary Boryta, it was

RESOLVED, To authorize the Finance Department to open a new money market account at US Bank and transfer Restricted Reserve funds to the new account for Mutual Five.

The MOTION passed.

Following a discussion, and upon a MOTION duly made by Secretary Boryta and seconded by Director Powell, it was

RESOLVED, To accept the NSBN Management Letter from the 2015 audit.

The MOTION passed.

Ms. Miller left the meeting at 10:20 a.m.

President Coven called a break at 10:20 a.m. to 10:35 a.m.

UNFINISHED BUSINESS

President Coven asked for a motion to ratify Policy 7491.5 – Roof Access. Following a discussion, it was the consensus of the Board members to postpone action for further review of the policy.

Following a discussion, it was the consensus of the Board members to postpone action on Policy 7403.G – Skylights & Sola Tubes for further review of the policy.

President Coven reported that the SmartBurner Project installations are moving along. Director Gould updated the Board on roofing, and Director Powell discussed the laundry room signs.

NEW BUSINESS

Vice President Trembly discussed the Andre Landscape Services 2017 Pruning Maintenance proposal. Upon a MOTION duly made by Vice President Trembly and seconded by Director Gould, it was

RESOLVED, To approve the Andre Landscape Services 2017 Pruning Maintenance proposal of Mutual trees, at a cost of \$22,000.

The MOTION passed.

NEW BUSINESS (continued)

The Board members discussed adopting Policy 7731.5 – Internal Dispute Resolution (attached). Upon a MOTION duly made by Director Gould and seconded by Secretary Boryta, it was

RESOLVED, To adopt Policy 7731.5 – Internal Dispute Resolution on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed rescinding Policy 7331.1 – Interest on Impound Accounts (attached). Upon a MOTION duly made by Director Gould and seconded by Secretary Boryta, it was

RESOLVED, To rescind Policy 7331.1 – Interest on Impound Accounts on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed rescinding Policy 7331.2 – Impound Account Agreement (attached). Upon a MOTION duly made by Secretary Boryta and seconded by Director Gould, it was

RESOLVED, To rescind Policy 7331.2 – Impound Account Agreement on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed rescinding Policy 7334 – Investment Records (attached). Upon a MOTION duly made by Secretary Boryta and seconded by Director Gould, it was

RESOLVED, To rescind Policy 7334 – Investment Records on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed adopting Policy 7020.5 – Approval of Escrows and rescinding Policy 7020 – Approval of Escrows (attached). Upon a MOTION duly made by Director Gould and seconded by Secretary Boryta, it was

NEW BUSINESS (continued)

RESOLVED, To adopt Policy 7020.5 – Approval of Escrows and rescind Policy 7020 – Approval of Escrows on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed amending Policy 7304 – Financing Capital Projects. It was the consensus of the Board to postpone action for further review of the policy.

The Board members discussed rescinding Policy 7340 – Accounts Receivable (attached). Upon a MOTION duly made by Director Gould and seconded by Vice President Trembly, it was

RESOLVED, To rescind Policy 7340 – Accounts Receivable on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed rescinding Policy 7301 – Audit Expense (attached). Upon a MOTION duly made by Secretary Boryta and seconded by Director Gould, it was

RESOLVED, To rescind Policy 7301 – Audit Expense on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed rescinding Policy 7310 – Mutual Budgets (attached). Upon a MOTION duly made by Director Gould and seconded by Secretary Boryta, it was

RESOLVED, To rescind Policy 7310 – Mutual Budgets on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed rescinding Policy 7320 – Patronage Refunds (attached). Upon a MOTION duly made by Director Gould and seconded by Director Powell, it was

NEW BUSINESS (continued)

RESOLVED, To rescind Policy 7320 – Patronage Refunds on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed rescinding Policy 7331 – Impounds (attached). Upon a MOTION duly made by Director Gould and seconded by Director Powell, it was

RESOLVED, To rescind Policy 7331 – Impounds on a preliminary basis until the 30-day posting period is completed.

The MOTION passed.

The Board members discussed adopting Policy 7335.5 – Cash Disbursements. It was the consensus of the Board to postpone action for further review of the policy.

COMMITTEE APPOINTMENTS

Following a discussion, and upon a MOTION duly made by Vice President Trembly and seconded by Secretary Boryta, it was

RESOLVED, To appoint Debbie Tran as the Chief Financial Officer for Mutual Five for the remaining 2016/2017 term of office.

The MOTION passed.

Following a discussion, it was the consensus of the Board members to appoint CFO Tran to the Finance Committee, Director Gould and Secretary Boryta Co-Chairs of the Emergency Preparedness Committee, Director Gould to chair the Building Captains Committee, and remove CFO Tran from the Emergency Preparedness Committee.

COMMITTEES

Carports

Secretary Boryta discussed the Mutual carports.

Emergency Preparedness

Secretary Boryta discussed emergency preparedness.

COMMITTEES (continued)

Landscaping

Vice President Trembly discussed landscaping.

Laundry Rooms

Director Powell discussed the Mutual laundry rooms.

Physical Properties

Director Gould discussed projects in the Mutual.

Following a discussion, and upon a MOTION duly made by Director Gould and seconded by Secretary Boryta, it was

RESOLVED, To change the start date of the Roofing Project from January 2, 2017, to December 5, 2016.

The MOTION passed.

Following a discussion, and upon a MOTION duly made by Director Gould and seconded by Secretary Boryta, it was

RESOLVED, To change the specification of the roofing materials from Owens-Corning Roofing System to GAF Roofing System. The cost to remain the same.

The MOTION passed.

MUTUAL ADMINISTRATION DIRECTOR

Ms. Hopkins discussed Mutual Administration activity.

SHAREHOLDER(S') COMMENTS

No comments were made.

DIRECTOR'S COMMENT

No comments were made.

**RESOLUTIONS IN THE REGULAR
MONTHLY MEETING OCTOBER 19, 2016**

10/19/16 RESOLVED, To regretfully accept the resignation of Gladys Sumners from the Board of Directors of Mutual Five.

RESOLVED, To move \$76,036 from the Appliance Reserve Fund to the Operating Fund.

RESOLVED, To accept the 2017 Operating Budget for Mutual Five of \$1,913,014, resulting in a regular monthly assessment of \$324.02 per apartment per month, for an increase of \$8.90 per month over the total regular assessment of 2016, as presented, and to adopt this budget forthwith.

RESOLVED, To authorize the Finance Department to open a new money market account at US Bank and transfer Restricted Reserve funds to the new account for Mutual Five.

RESOLVED, To accept the NSBN Management Letter from the 2015 audit.

RESOLVED, To approve the Andre Landscape Services 2017 Pruning Maintenance proposal of Mutual trees, at a cost of \$22,000.

RESOLVED, To adopt Policy 7731.5 – Internal Dispute Resolution on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To rescind Policy 7331.1 – Interest on Impound Accounts on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To rescind Policy 7331.2 – Impound Account Agreement on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To rescind Policy 7334 – Investment Records on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To adopt Policy 7020.5 – Approval of Escrows and rescind Policy 7020 – Approval of Escrows on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To rescind Policy 7340 – Accounts Receivable on a preliminary basis until the 30-day posting period is completed.

ADJOURNMENT

There being no further business to conduct, President Coven adjourned the meeting at 11:58 a.m.


Attest, Joan Boryta, Secretary
SEAL BEACH MUTUAL FIVE

cd:10/24/16
Attachments

STAFF WILL LEAVE THE MEETING BY 12:10 P.M.

**NEXT MEETING: Wednesday, NOVEMBER 16, 2016, at 9:00 a.m.
BUILDING 5, CONFERENCE ROOM B**

RESOLVED, To rescind Policy 7301 – Audit Expense on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To rescind Policy 7310 – Mutual Budgets on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To rescind Policy 7320 – Patronage Refunds on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To rescind Policy 7331 – Impounds on a preliminary basis until the 30-day posting period is completed.

RESOLVED, To appoint Debbie Tran as the Chief Financial Officer for Mutual Five for the remaining 2016/2017 term of office.

RESOLVED, To change the start date of the Roofing Project from January 2, 2017, to December 5, 2016.

RESOLVED, To change the specification of the roofing materials from Owens-Corning Roofing System to GAF Roofing System. The cost to remain the same.

INSPECTOR MONTHLY MUTUAL REPORT

MUTUAL: (05) FIVE

INSPECTOR: Eric Kranda

MUTUAL BOARD MEETING DATE: October 19,2016

PERMIT ACTIVITY

UNIT #	DESCRIPTION OF WORK	GRF/CITY PERMIT	PERMIT ISSUE	COMP. DATE	CHANGE ORDER	RECENT INSPECTION	CONTRACTOR / COMMENTS
71a	remodel	yes		07/29/16		final	hadi
91g	ac	yes		08/16/16		open	yes
91g	remodel	yes		12/16/16		stucco	alpha master
92c	refinish	yes		06/16/16		open	nukote
102d	remodel	yes		10/16/16		nailing	ogan
106g	remodel	yes		12/16/16		underground	bergkvist
108L	remodel	yes		07/16/16		nailing	mte
114L	ac	yes		08/16/16		final	yes
117b	windows	yes		10/16/16		open	seaport
117d	remodel	yes		10/16/16		open	lw décor
120g	remodel	yes		11/16/16		footings	ogan
122c	windows	yes		10/16/16		open	bj
123a	remodel	yes		01/16/16		nailing	los al
124g	remodel	yes		10/16/16		footings	los al
125a	remodel	yes		06/16/16		nailing	los al

p 3

Mutual Five
CFO Report
October 19, 2016

In addition to the Financial Statement Recap attached to this report I am adding information about some selected items that you might be interested in knowing. For example, among our expenses there are items where we are comfortably below budget and one item that deserves an explanation.

Selected	YTD	Budget
<u>Expenses</u>	<u>Actual</u>	<u>Variance</u>
Electricity	13122	1134
Water	55557	6705
Legal Fees	1173	7819
Lsp Trees	16063	9198
Serv. Maintenance	171674	-100430

That last item is way over budget, for the most part, due to the cost of the Smart Burners. That sum needs to be moved from one account to another. You should know that we have seven different bank accounts – it gets complicated. An adjustment is being proposed today to reimburse the Operating account from the Appliance Reserve account.

Income

On the other hand . . . we re-invested \$345,000 in two FDIC insured CDs. \$175,000 will come due January 15, 2018 at .95% and \$170,000 to come due October 19, 2018 at 1.15%. These two CDs provide \$3,320 in interest per year. Added to our current interest income we will be getting \$43,867 in interest which will help us defray our costs.

Respectfully submitted,

BettyCoven Ph.D Mutual5
President/Acting CFO

P.O. Box 2069
 Seal Beach CA 90740

Sep Actual	Sep Budget		2016 Y-T-D Actual	2016 Y-T-D Budget
117,470	117,470	Carrying Charges	1,057,230	1,057,230
37,569	37,570	Reserve Funding	338,122	338,130
155,039	155,040	Total Regular Assessments	1,395,351	1,395,360
0	0	Service Income	35	0
2,606	2,494	Financial Income	23,654	22,446
1,130	2,593	Other Income	25,072	23,337
3,735	5,087	Total Other Income	48,761	45,783
158,775	160,127	Total Mutual Income	1,444,112	1,441,143
70,922	70,922	GRF Trust Maintenance Fee	638,298	638,298
15,535	12,409	Utilities	103,489	111,681
(495)	1,275	Professional Fees	3,648	11,475
0	39	Office Supplies	242	351
19,193	27,084	Outside Services	318,977	243,756
12,890	10,829	Taxes & Insurance	116,010	97,461
37,569	37,570	Contributions to Reserves	338,122	338,130
155,614	160,128	Total Expenses Before Off-Budget	1,518,784	1,441,152
3,161	(1)	Excess Inc/(Exp) Before Off-Budget	(74,672)	(9)
0	0	Depreciation Expense	382	0
3,161	(1)	Excess Inc/(Exp) After Off-Budget	(75,054)	(9)
		Restricted Reserves		
5,065	0	Appliance Reserve Equity	82,643	0
4,975	0	Painting Reserve	165,325	0
0	0	Operating Reserve Equity	50,706	0
23,210	0	Roofing Reserve	1,763,009	0
(387)	0	Emergency Reserve Equity	125,265	0
1,057	0	Infrastructure Reserve	200,150	0
33,919	0	Total Restricted Reserves	2,387,098	0

ADOPTION DRAFT POLICY

MUTUAL ADMINISTRATION

Internal Dispute Resolution – IDR – Mutual Five

California Civil Code §5910 and §5915 provides that the Mutual Boards shall provide a “fair, reasonable and expeditious” procedure for resolving disputes between the Mutual and its members shareholders without charging a fee to the member shareholder participating in the process. The process is referred to as “Internal Dispute Resolution” (IDR) or “Meet and Confer.”

- (1) The member shareholder may request the Mutual Board to meet and confer in an effort to resolve a dispute. The request shall be in writing.
- (2) A member shareholders may refuse a request to meet and confer with the Board of Directors. The Board of Directors may not refuse a request to meet and confer with the members shareholders.
- (3) The Board of Directors shall designate a minimum of two (2) Board Directors to meet and confer with the member shareholder. The member shareholder may bring another person and/or legal representative to the meet and confer.
- (4) The parties shall meet promptly at a mutually convenient time and place to explain their positions to each other in an effort to resolve and the dispute.
- (5) Any proposed resolution of the dispute shall be memorialized in writing and brought to the next Mutual Monthly Meeting for the Board’s consideration and final approval.
- (6) All such IDRs are considered to be confidential and may only be discussed in Executive Session.
- (7) Any final agreement between the Board of Directors and the member shareholders shall be in writing and signed by all parties.

MUTUAL ADOPTION

FIVE: *date after 30 day posting period*

MUTUAL OPERATIONS**ACCOUNTING AND FISCAL****RESCIND – MUTUAL FIVE****Interest on Impound Accounts - Mutuals One through Eight and Ten and Eleven**

WHEREAS, It is the desire of the Mutuals to earn interest on funds required to be deposited into Impound Accounts with the Mortgagee, and

WHEREAS, A proposed contract which would accomplish this aim has been negotiated by the Foundation attorney and the Mortgagee for use by Mutuals One through Eleven as a group,

NOW, THEREFORE, BE RESOLVED, That Golden Rain Foundation, as agent for this Mutual, is authorized and directed to sign the aforementioned contract with Metmore Financial, Incorporated, said contract to provide for a schedule of payment of interest to the Mutual on its Impound Account, and a schedule of fees on transactions for its Replacement Reserve Account.

Mutual No. 7 Only (Effective 11-21-00) Replaces Paragraph Three

NOW, THEREFORE, BE RESOLVED, That Golden Rain Foundation, as agent for this Mutual, is authorized and directed to sign the aforementioned contract with Mortgagor, said contract to provide for a schedule of payment of interest to the Mutual on its Impound Account, and a schedule of fees on transactions for its Replacement Reserve Account.

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

ONE	03-22-73		
TWO	03-15-73		
THREE	03-19-73		
FOUR	03-05-73		
FIVE	02-21-73		<u>*date approved*</u>
SIX	03-23-73		
SEVEN	03-16-73	11-21-00	
EIGHT	03-26-73		
NINE	03-12-73		07-10-06
TEN	03-22-73		
ELEVEN	03-15-73		

MUTUAL OPERATIONS**ACCOUNTING AND FISCAL****RESCIND – MUTUAL FIVE****Impound Account Agreement – All Mutuals Except Two and Nine**

THIS AGREEMENT entered into this 21st day of February 1974 between Seal Beach Mutual Corporations Nos. One through Eleven, (except Mutual No. Nine, effective 07-10-06) hereinafter called Trustors, and Western Mortgage Corporation, a division of Unionamerica, Inc., a Delaware corporation, hereinafter called Servicer.

WITNESSETH:

WHEREAS, Metropolitan Life Insurance Company, a New York corporation, hereinafter called the Beneficiary, now holds deed of trust notes secured by deeds of trust on properties in Seal Beach Leisure World owned by Trustors, which notes represent loans insured by the Federal Housing Administration, hereinafter called FHA, and

WHEREAS, the Beneficiary has appointed Servicer as its correspondent and servicing agent to make collections and to fulfill the obligations of the Beneficiary in the servicing of FHA loans in accordance with the requirements of FHA, and

WHEREAS, the Beneficiary has directed Servicer as its agent to pay interest to Trustors on impound accounts held on the subject FHA loans, and

WHEREAS, the Beneficiary has directed Servicer as its agent to assume the administration of the Reserve Fund for Replacements to the mortgage properties, hereinafter called the Reserve Fund, which Reserve Fund is required by FHA to be maintained under the control of the Beneficiary, and

WHEREAS, the Beneficiary has further directed Servicer to invest such Reserve Fund and pay earnings to the Trustors, and

WHEREAS, the Beneficiary and FHA have agreed that Servicer may collect a reasonable fee from Trustors for the services to be provided under this Agreement, and

NOW, THEREFORE, it is mutually agreed by and between the parties hereto as follows:

1. The Trustors shall continue to make regular monthly payments in cash to the Servicer in accordance with the terms of the deed of trust notes. A portion of such regular monthly payments shall be held by Servicer in impound accounts in amounts as required for the payment of taxes, insurance and M.M.I., as set forth in the impound analysis delivered to Trustors during the first month of each

(Created on 10/13/16 jl)

RESCIND – MUTUAL FIVE

Impound Account Agreement – All Mutuals Except Two and Nine

year. Another portion of such regular monthly payments shall be held by Servicer in said reserve und for replacements in amounts as required by the FHA and provided for in the Agreement for the Reserve Fund on such FHA loans.

2. On or before the 30th day of each month, Servicer agrees to deposit the monthly impound collections received through the 20th day of that month into regular savings accounts in an institution insured by an agency of the Federal Government yielding the highest available interest rate with out the requirement of any fixed time period. Such savings accounts for the impounds shall be maintained as Trust or Custodial accounts in the name of Western Mortgage Corporation, as custodian for the Beneficiary. Servicer shall make withdrawals on such impound accounts as required for payments of taxes, insurance and M. I.
3. Servicer agrees to provide monthly accounting reports to Trustors and the Beneficiary on or before the fifth day of each month that will reflect all savings account transactions under this Agreement as of the 20th day of the preceding month. These reports will include a Cash Flow Statement reflecting for each loan account total impound collections for the month, deposits of impound funds into the custodial savings account, any authorized disbursement, and a reconciliation to the balance outstanding in such savings accounts as of the 20th day of each month.
4. Payments to the Trustors of interest earned on the savings accounts shall be made on a calendar quarterly basis, less 1/5th of the earned interest on such savings accounts. The parties hereto agree that such 1/5th of the earned interest to be retained by Servicer is a reasonable charge for the services performed by Servicer in the investment of the impound funds and payment of earnings to Trustors.
5. Servicer agrees to assume the duties and responsibilities of the Beneficiary in the administration of the portfolio of United States Government Bonds in which the Reserve Fund has been invested under certain agreements between Trustors and Beneficiary. Provided the loan is not in default, at the end of each calendar quarter, the Servicer agrees to accept United States Government Bearer Bonds in substitution for the amounts accumulated in the Reserve Fund from collections during the preceding quarter, provided the accumulated

ACCOUNTING AND FISCAL

RESCIND – MUTUAL FIVE

Impound Account Agreement – All Mutuals Except Two and Nine

amounts are not needed for repairs of payment or other items required under the Agreement for the Reserve Fund. It is understood that if, at any time, the market value of the Bonds falls below the equivalent amount of cash for which they were exchanged, the Servicer, at its option, may require the Trustors to make up the deficiency. It is understood that the Servicer and/or Beneficiary assumes no liability resulting from the fluctuation in the market value of the Bonds.

6. It is understood that the Trustors, after ascertaining the dollar amount for which Bonds may be substituted, will purchase the Bonds and deliver them to the Servicer. The Servicer will then refund to the Trustors an amount equal to the actual cost of the Bonds excluding commissions or the par value of the Bonds, whichever is less, but in no event in excess of the amount of the cash on hand. At the Trustors request, Servicer or its agent will detach the interest coupons for redemption and forward the proceeds to the Trustors.
7. Servicer will provide a calendar quarterly report to Trustors and the Beneficiary on or before the 20th day of the month following each quarter which will reflect any changes in the status of the Reserve Fund and the portfolio of United States Government Bonds being administered by Servicer for each Mutual corporation.
8. The Trustors agree to pay Servicer \$25.00 per transaction affecting the portfolio of United States Government Bonds in which the Reserve fund has been invested. "Transaction" for the purpose of such compensation to Servicer includes the sale, purchase, maturity or redemption of Bonds in the portfolio being maintained for coupons on such Bonds. In addition, Trustors agree to pay Servicer \$25.00 per calendar quarter for each Mutual corporation which has investments included in the portfolio being administered by Servicer. The calendar quarterly report on changes in the Bond portfolio submitted by Servicer to Trustees and Beneficiary in accordance with the provisions of paragraph 7 will be accompanied by a quarterly billing summarizing the number of transactions and the amounts owing to Servicer which shall be paid by Trustors within fifteen days of receipt; provided, however, that the compensation payable by Trustors to Servicer for the services provided in the administration of the bond portfolio shall not, in the aggregate in any one year, be less than \$4,000, nor more than \$10,000. The parties hereto agree that the compensation provided for in this paragraph for the administration of the

MUTUAL OPERATIONS**ACCOUNTING AND FISCAL****RESCIND – MUTUAL FIVE****Impound Account Agreement – All Mutuals Except Two and Nine**

Reserve Fund and the portfolio of United States Government Bonds in which the Reserve Fun has been invested, is a reasonable charge for the services performed by Servicer in connection therewith.

9. Servicer agrees to use due diligence in the performance of its duties and the exercise of its fiduciary responsibilities under this Agreement, and Trustors agree that Servicer and the Beneficiary shall not be responsible for any loss or damage suffered by Trustors in the execution of this Agreement that may be caused by circumstances beyond Servicer's control.
10. The parties agree that this Agreement shall be for a term of three years from the date of execution and will be automatically renewed on a year-to-year basis except upon 90 days advance written notice of termination given by either party prior to the expiration of the original term or any renewal period. The parties further understand and agree that the execution and implementation of this Agreement will be subject to the approval of the Beneficiary and the FHA; that this Agreement to pay interest on impound accounts to Trustors on Seal Beach Leisure World FHA loans is entered into on a voluntary basis by the Beneficiary and Servicer, and is not presently required by any law or governmental regulation; and further that any subsequent agreement between the parties to modify, amend or replace this Agreement shall be subject to the approval of the Beneficiary and the FHA.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers, duly authorized the day and year first above written.

MUTUAL ADOPTION**RESCINDED**

ALL MUTUALS: Feb 1974

TWO:

02-17-11

NINE:

07-10-06

FIVE:

date approved

MUTUAL OPERATIONS**ACCOUNTING AND FISCAL****RESCIND – MUTUAL FIVE****Investment Records – All Mutuals**

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

(Created on 10/13/16 jl)

ADOPTION DRAFT POLICY

Approval of Escrows – Mutual Five

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 ADOPTION

AMENDMENT(S)

FIVE: *date ratified*

MUTUAL OPERATIONS**RESCIND – MUTUAL FIVE****Approval of Escrows (All Mutuals Except Mutual 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	NINE	See Policy 7020.9
TWO	See Policy 7020.2	TEN	11-30-72 (See Policy 7020.2)
THREE	11-20-72	ELEVEN	11-16-72
FOUR	12-04-72	TWELVE	11-09-72
FIVE	11-15-72(See Policy 7020.5)	FOURTEEN	11-10-72
SIX	12-08-72	FIFTEEN	11-20-72
SEVEN	11-17-72	SIXTEEN	12-14-72
EIGHT	11-27-72		

(Jan 15)

MUTUAL OPERATIONS

7340

RESCIND POLICY – MUTUAL FIVE

ACCOUNTING AND FISCAL

Accounts Receivable

This position is responsible for maintaining tenant Accounts Receivable records, including Golden Rain Foundation annual dues, on a current basis. All inquiries regarding tenant delinquencies should be referred to this office.

MUTUAL ADOPTIONS:

AMENDMENT(S)

RESCINDED

ALL MUTUALS
FIVE:

ratified date

(Created on 10/13/16 jl)
(This policy has no recorded date)

MUTUAL OPERATIONS

RESCIND POLICY - MUTUAL FIVE

ACCOUNTING AND FISCAL

Audit Expense

WHEREAS, in the past the audit expense has been charged to the year when the expense was billed and not for the year for which the audit was made

THEREFORE, BE IT RESOLVED that the audit expense be hereafter charged to the expenses for the year for which the audit was made. The audit expense for 1969 shall be charged to 1969 expenses.

MUTUAL ADOPTION:

ONE	04-30-70	
TWO	04-16-70	
THREE	04-20-70	
FOUR	04-06-70	
FIVE	04-03-70	- Rescinded (date ratified _____)
SIX	04-24-70	
SEVEN	05-15-70	
EIGHT	04-09-70	
NINE	05-20-70	
TEN	03-30-70	
ELEVEN	04-02-70	
TWELVE	03-30-70	
FOURTEEN	03-26-70	
FIFTEEN	04-02-70	- Rescinded 07-21-14
SIXTEEN	04-09-70	
SEVENTEEN	N/A	

MUTUAL OPERATIONS

RESCIND MUTUAL FIVE

ACCOUNTING AND FISCAL

Mutual Budgets – All Mutuals Except Nine

I. LEGAL BASIS

The Regulatory Agreement between the Mortgager (Mutual) and the Department of Housing and Urban Development (HUD) requires, under Section 4, that an Operating Budget shall be prepared and submitted to HUD sixty (60) days prior to the beginning of each fiscal year.

Civil Code 1365 requires distribution of the Operating Budget to the all members/stockholders annually 45 to 60 days before the beginning of the fiscal year. In addition, a summary of the association’s reserves, whether special assessments will be needed for repairs or to replenish reserves , and a statement of the procedures used for the calculation of the reserves must be included.

The Management Agreement between the Mutuals and the Golden Rain Foundation requires, under paragraph Fourth, subparagraph (k), that the Foundation shall prepare a budget for adoption by the Mutuals for those items covered by the Agreement.

II. METHOD OF PREPARATION

Since the Management Agreement between the Mutual and the Foundation requires the Foundation to prepare a budget with respect to the items contained in the Agreement, and since these items become a portion of the budget of the Mutual Corporations, the following procedure is used in preparing and presenting budgets for adoption:

- A. The Golden Rain portion of the budget is prepared and adopted by the Board of Directors during July and August for the fiscal year following.

The portions of the budget covered by this adoption are:

- | | |
|---------------------|---|
| Administration | Property Management |
| Recreation | Grounds Maintenance (Community Facilities) |
| Transportation | Community Facilities Maintenance |
| Security | Service Maintenance (all phases except Mutual Other |
| Janitorial Services | Improvements) |

- B. After the adoption of the Golden Rain Foundation budget, the costs of this budget are allocated to the Mutual for use in their budget preparation.

- C. The Golden Rain Foundation is responsible for furnishing information to the Mutual Corporations regarding those budget items which are not covered by the Foundation

(Aug 00)

MUTUAL OPERATIONS

RESCIND MUTUAL FIVE

ACCOUNTING AND FISCAL

Mutual Budgets – All Mutuals Except Nine

budget. These costs fall into two groups:

- 1. The items that are either required by contract or set up by governmental agencies are:

Real Estate Taxes	Hazard Insurance
State Franchise Tax	Mortgage Insurance
FHA Mortgage Insurance Premium	Mortgage Principal
Replacement Reserve	General Operating Reserve
Water and Sewer	

- 2. The items which must be determined by the Mutual Board individually are:

Audit Fee	Vacancy and Collection Losses
Electricity	Rubbish Removal*
Grounds Maintenance – other improvements	Service Maintenance – other improvements
Misc. Maintenance and Repairs	Painting Reserve
Supplemental Replacement Reserve	Special Contingency Funds

*Arranged cooperatively through the Golden Rain Foundation

- D. Recommendations by the Golden Rain Foundation concerning the Mutual budget, together with estimates of income, expenses, and monthly carrying charges, should be available to the Mutual Corporations four (4) working days period to their September Board Meeting. This will enable the Mutual Corporations to have a period of time for study, evaluation, adjustment, and adoption of their budget prior to October 1.

Approximately three (3) weeks are needed after Mutual adoption to complete the clerical work in the Controller's Office for preparing the documentation and required reports for submission to HUD by November 1, and the required distribution to the members/stockholders between November 1 and November 15.

III. OTHER INFORMATION

- A. The administrative staff is always ready and available to discuss proposed budget actions, and to make budget presentations when requested by the Mutual Board.

- B. The action by the Mutual Board is the final action on the budget subject to HUD (Aug 00)

RESCIND MUTUAL FIVE

ACCOUNTING AND FISCAL

Mutual Budgets – All Mutuals Except Nine

- approval, and is the determining factor in the monthly carrying charge for all residents.
- C. In order to keep all Directors informed of the procedures on the budget, the following other information is furnished:
1. The Presidents and Chief Financial Officers of the Mutual Boards are furnished pertinent budget information at the same time as the Golden Rain Board.
 - a) All Mutual Directors are furnished complete information on the Golden Rain budget when it is adopted, together with complete information on the Mutual budget recommendations.
- D. Normally, the first or second week in September is used for study meetings between the Mutual President and CFO/Treasurer and the staff so that complete information is available for determining budget factors.

Procedure

Amended: Jul 88, Aug 00

**Executive Director
Golden Rain Foundation**

(Aug 00)

RESCIND MUTUAL FIVE

ACCOUNTING AND FISCAL

Patronage Refunds

I. Legal Basis

The Articles of Incorporation provide, under Article II for Mutuals 1 through 5, and Article III for Mutuals 6 through 16, that the Board of Directions may make refunds to stockholders as provided by the Bylaws and Occupancy Agreement. The Occupancy Agreement, under Article 3, provides that the corporation agrees that it will refund or credit to the member at the end of each fiscal year his proportionate share of such sums as have been collected in anticipation of expenses which are in excess of the amount needed for expense of all kinds, including reserves, in the discretion of the Board of Directors. The procedure recommended by FHA for such refund is stated in Section 2.

II. Refund Procedure

1. Mutual Boards should consider patronage refunds only at the close of a fiscal year.
2. A standard form of the resolution to be adopted by the Board is available for use.
3. The payment of any refund should be subject to two contingencies:
 - a. Completion of the audit, showing that the funds are available for payment.
 - b. The resolution, together with the statement of the auditors that the funds are available, should be submitted to FHA for approval prior to the payment of the refund.

III. Suggestions

Questions concerning the form to be used and the processing for FHA approval should be directed to the Executive Director.

Revised: 20 July 77

(Jul 77)

RESCIND POLICY - MUTUAL FIVE

ACCOUNTING AND FISCAL

Impounds – All Mutuals

Budget for impounds is based on advice from mortgagee, and equal monthly payments made to the mortgagee are based on the budget. The mortgagee makes disbursements to payee and advises Mutuals the amounts disbursed. Types of impounds are as follows:

a. Hazard Insurance

Fire and lightning, windstorm, hail, explosions, smoke, riot, aircraft and motor vehicles, vandalism and malicious mischief.

b. Tax Reserve

Assessments by county assessor's office based on parcel or loan area within Mutual.

c. Mortgage Insurance

Based on one-half of 1% unpaid principal balance at the beginning of each year.