

**PLEASE DO NOT DROP INTO THE MAIL SLOTS**

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

**October 19, 2022**

The Regular Monthly Meeting of the Board of Directors of Seal Beach Mutual Five was called to order by President DeRungs on Wednesday, October 19, 2022 at 9:00 a.m. followed by the Pledge of Allegiance led by President DeRungs via Zoom/Video Conference Call and Conference Room B.

**ROLL CALL**

Present: President DeRungs, Vice President Murphy, Chief Financial Officer Cude, Secretary Gardner, Director Gould, and Director Powell (all directors via zoom).

Absent: Director Shannon

GRF Representative: Mr. Thompson (via zoom)

Guests: Three Mutual Five Shareholders (via zoom)

Staff: Mr. Meza, Building Inspector  
Ms. Vasquez, Acting Portfolio Specialist  
Ms. Barua, Portfolio Specialist (via zoom)  
Ms. Equite Assistant Portfolio Specialist

**SHAREHOLDER COMMENTS**

No shareholders made a comment.

**MINUTES**

The Regular Meeting Minutes of September 21, 2022 were approved by general consent of the board to stand as presented.

The Special Meeting Minutes of September 21, 2022 were approved by general consent of the board to stand as presented.

**GRF REPRESENTATIVE'S REPORT**

GRF Representative Thompson provided updates.

Following questions, Mr. Thompson left the meeting at 9:14 a.m.

**BUILDING INSPECTOR'S REPORT**

Building Inspector Meza presented his report (attached).

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

RESOLVED to approve the open seating area for Unit 117G. Work to be done at the shareholder's expense.

The MOTION passed unanimously with ROLL CALL vote.

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

RESOLVED to approve MP Construction proposal for the replacement of Zinsco Electrical Panels in Mutual Five units, at a cost of \$1,550 per panel, funding to come from Infrastructure Reserves. Authorize the President to sign necessary transfers of funds in accordance with provisions of Civil Code Section 5502.

The MOTION passed unanimously with ROLL CALL vote.

Following questions, Mr. Meza left the meeting at 9:26 a.m.

**UNFINISHED BUSINESS**

No Unfinished Business.

**NEW BUSINESS**

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

RESOLVED to acknowledge, per the requirements of the Civil Code Section 5500(a)-(f), a review of the reconciliations of the operating and reserve accounts, operating revenues and expenses compared to the current year's budget, statements prepared by the financial institutions where the Mutual has its operating and reserve accounts, an income and expense statement for the Mutual's operating and reserve accounts, the check registers, monthly general ledger, and delinquent assessment receivable reports for the month of September 2022.

The MOTION passed unanimously with ROLL CALL vote.

**BOARD OF DIRECTORS  
MUTUAL FIVE**

**October 19, 2022**

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

RESOLVED to ratify the resolution dated on September 21, 2022, "RESOLVED to approve the Master Bulk Service Agreement between Interact Technologies, LLC and Leisure World Seal Beach Mutual 5 and authorize the President to sign the agreement."

The MOTION passed unanimously with ROLL CALL vote.

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

RESOLVED to approve the purchase of brokered CDs through US Bancorp totaling \$300,000 of Reserve Funds, with terms ranging from twelve (12) to eighteen (18) months at the prevailing interest rates at the time of purchase and at the discretion of the financial advisor.

The MOTION passed unanimously with ROLL CALL vote.

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

RESOLVED to propose a rule change by amending Rule 05-7510-01 – Eligibility Requirements on a preliminary basis until the 28-day posting period is completed. A decision on the rule changes by the Board of Directors will be made at the next scheduled monthly meeting after consideration of all shareholder comments.

The MOTION passed unanimously with ROLL CALL vote.

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

RESOLVED to propose a policy change by rescinding Policy 7585.05 - Protocol for Enforcing Governing Documents on a preliminary basis until the 28-day posting period is completed. A decision on the policy change by the Board of Directors will be made at the next scheduled monthly meeting after consideration of all shareholder comments.

The MOTION passed unanimously with ROLL CALL vote.



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

RESOLVED to propose a rule change by adopting Rule 05-7585-01-Protocol for Enforcing Governing Documents prepared by mutual attorney and on a preliminary basis until the 28-day posting period is completed. A decision on the rule change by the Board of Directors will be made at the next scheduled monthly meeting after consideration of all shareholder comments.

The MOTION passed unanimously with ROLL CALL vote.

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

RESOLVED to cancel Mutual Five December's Monthly Board Meeting on Wednesday, December 21, 2022.

The MOTION passed unanimously with ROLL CALL vote.

**SECRETARY / CORRESPONDENCE**

No correspondence received.

**CHIEF FINANCIAL OFFICER'S REPORT**

Chief Financial Officer Cude presented his report (attached).

**PRESIDENT'S REPORT**

President DeRungs provided an update.

**PORTFOLIO SPECIALIST'S REPORT**

Acting Portfolio Specialist Vasquez presented her report (attached).

**ANNOUNCEMENTS**

**NEXT MEETING:** Wednesday, November 16, 2022, at 9:00 a.m. via Zoom/Video Conference Call and Conference Room B.

**COMMITTEE REPORTS**

Landscape

President DeRungs provided updates on Director Shannon's behalf.

Physical Property

No report was presented.

Laundry Rooms/Emergency Information

No report was presented.

**DIRECTORS' COMMENTS**

Several Directors made comments.

**ADJOURNMENT**

President DeRungs adjourned the meeting at 10:33 a.m. and announced that there would be an Executive Session following the meeting to discuss members issues.

**EXECUTIVE SESSION SUMMARY**

The Board met in Executive Session on Wednesday, October 19, 2022, at 10:50 a.m., and took the following actions:

The board approved the Executive Session Minutes of September 21, 2022.

1. Legal Matters
  - a. No legal matter was discussed.
2. Contracts
  - a. No contracts were discussed.
3. Assessments / Delinquencies
  - a. Several letters were drafted.
  - b. Several accounts to monitor.
  - c. Several accounts were closed.
4. Disciplinary Hearings
  - a. No disciplinary hearing occurred.

The Executive Session was adjourned at 11:54 a.m.



Attest, Laura Gardner, Secretary  
SEAL BEACH MUTUAL FIVE  
DE/KV 10/20/22  
Attachments

## INSPECTOR MONTHLY MUTUAL REPORT

<b>MUTUAL: (05) FIVE</b>		<b>INSPECTOR: Mike Meza</b>
<b>MUTUAL BOARD MEETING DATE:</b>	<b>October, 2022</b>	

### PERMIT ACTIVITY

UNIT #	DESCRIPTION OF WORK	GRF/CITY PERMIT	PERMIT ISSUE	COMP. DATE	Improvement Values	RECENT INSPECTION	CONTRACTOR
117-J	UNIT REMODEL	BOTH	07/05/21	02/20/22	\$135,200	FINAL 04/11/22	JC KRESS
121-G	NEW PATIO	GRF	08/30/21	02/20/22	\$0	FINAL 02/09/22	MP CONSTRUCTION
121-G	UNIT REMODEL	BOTH	08/30/21	01/30/21	\$165,000	FINAL 02/09/22	MP CONSTRUCTION
103-I	KITCHEN REMODEL/WALL	BOTH	11/15/21	01/20/22	\$41,250	FINAL 02/15/22	LOS AL BUILDER
91-F	FLOORING THRU OUT	GRF	12/08/21	01/08/22	\$8,630	FINAL 02/09/22	FAMILY FLOOR
109-E	PATIO FLOORING	GRF	12/13/21	01/30/22	\$875	FINAL 02/03/22	LW DÉCOR
115-J	SOLA TUBE/ WINDOWS	BOTH	12/13/21	03/30/22	\$13,500	FINAL 03/30/22	MP CONSTRUCTION
126-K	HEAT PUMP	BOTH	12/15/21	03/15/22	\$3,800	FINAL 02/09/22	GREENWOOD
117-C	FLOORING	GRF	12/30/21	01/30/22	\$800	FINAL 05/11/22	KARYS CARPET
91-A	CEILING FAN	GRF	01/11/22	01/18/22	\$0	FINAL 02/18/22	BERGIN ELECTRIC
98-D	HEAT PUMP	BOTH	01/19/22	04/19/22	\$4,050	FINAL 03/03/22	GREENWOOD
96-L	ICE MAKER LINE	GRF	01/19/22	01/22/22	\$200	FINAL 05/11/22	OGAN CONSTRUCTION
105-D	RETRACTABLE SCREEN	GRF	01/27/22	02/27/22	\$750	FINAL 02/18/22	NATIONWIDE
117-G	CARPET FLOORING	GRF	01/30/22	03/01/22	\$1,400	FINAL 02/03/22	KARYS CARPET
113-H	PATIO CARPET	GRF	02/01/22	03/01/22	\$1,400	FINAL 02/28/22	KARYS CARPET
115-J	ENTRY DOOR	GRF	02/01/22	05/31/22	\$600	FINAL 07/01/22	LW DÉCOR
120-K	SHOWER CUT DOWN	BOTH	02/07/21	03/07/22	\$2,815	FINAL 03/03/22	NUKOTE
112-D	SHOWER CUT DOWN	BOTH	02/09/21	03/09/22	\$3,695	FINAL 03/04/22	NUKOTE
123-K	UNIT REMODEL	BOTH	02/10/22	08/10/22	\$50,000	FINAL 06/28/22	NATIONWIDE
115-I	HEAT PUMP	BOTH	02/14/22	05/14/22	\$3,800	FINAL 04/05/22	GREENWOOD
108-C	SHOWER CUT DOWN	BOTH	02/14/21	03/14/22	\$2,815	FINAL 05/11/22	NUKOTE
119-J	MICROWAVE	BOTH	02/14/22	02/28/22	\$745	FINAL 03/28/22	OGAN CONSTRUCTION
91-A	WASHER/DRYER FLOORING	BOTH	02/15/22	05/30/22	\$10,550	FINAL 09/22/22	BA CONSTRUCTION
107-E	FLOORING	GRF	02/15/22	03/30/22	\$3,700	FINAL 03/01/22	KARYS CARPET
117-D	WASHER/DRYER FLOORING	BOTH	02/18/22	04/30/22	\$8,080	FINAL 04/11/22	LOS AL BUILDER
109-D	ELECTRICAL OUTLETR	BOTH	02/21/22	05/30/22	\$250	FINAL 07/01/22	MP CONSTRUCTION
102-F	ENTRY WALK WAY	GRF	02/22/22	03/31/22	\$1,025	FINAL 03/31/22	BERGKVIST
115-D	PORCH FLOORING	GRF	02/28/22	03/30/22	\$3,000	FINAL 03/07/22	KARYS CARPET
117-L	FLOORING THRU OUT	GRF	02/28/22	04/30/22	\$7,600	FINAL 04/30/22	KARYS CARPET
93-A	CEILING FAN CUT OUT	GRF	03/05/22	04/05/22	\$750	FINAL 04/05/22	UNIVERSAL ABATEMENT
123-K	UNIT ASBESTOS REMOVAL	GRF	03/08/22	03/31/22	\$3,200	FINAL 03/31/22	SIRRIS ABATEMENT
72-G	PATIO ELECTRICAL OUTLET	BOTH	03/10/22	05/10/22	\$350	FINAL 07/01/22	LW DÉCOR
103-G	KITCHEN REMODEL	BOTH	03/12/22	05/30/22	\$28,540	FINAL 05/17/22	LOS AL BUILDER
111-L	SHOWER VALVE	BOTH	03/10/22	03/17/22	\$1,685	FINAL 03/20/22	A-1 TOTAL SERVICE
103-H	HEAT PUMP	BOTH	03/14/22	06/14/22	\$3,600	FINAL 04/05/22	GREENWOOD
103-H	FLOORING THRU OUT	GRF	03/15/22	04/30/22	\$3,750	FINAL 04/30/22	KARYS CARPET
92-C	HEAT PUMP	BOTH	03/22/22	06/22/22	\$11,123	FINAL 04/05/22	GREENWOOD
103-L	CENTRAL AIR SYSTEM	BOTH	03/25/22	06/25/22	\$7,548	FINAL 06/08/22	GREENWOOD
90-J	HEAT PUMP	BOTH	03/31/22	06/30/22	\$4,100	FINAL 04/11/22	GREENWOOD
110-F	ADDED 3/4 BATH	BOTH	04/01/22	08/31/22	\$15,900		BA CONSTRUCTION
118-D	FLOORING	GRF	04/11/22	05/31/22	\$3,295	FINAL 07/01/22	B&B CARPET
101-K	ADDED SHOWER	BOTH	04/11/22	05/11/22	\$15,104	FINAL 09/23/22	REBORN CABINETS
93-I	PORCH ELECT. OUTLET	BOTH	04/12/22	06/30/21	\$600	FINAL 05/10/22	MP CONSTRUCTION
111-F	FLOORING THRU OUT	GRF	04/20/22	05/20/22	\$8,000	FINAL 04/26/22	KARYS CARPET
115-J	SLIDING DOOR	BOTH	04/20/22	07/30/22	\$2,150	FINAL 06/23/22	LW DÉCOR
125-C	HEAT PUMP	BOTH	04/25/22	07/25/22	\$3,750	FINAL 05/26/22	GREENWOOD
111-F	HEAT PUMP	BOTH	04/28/22	06/15/22	\$9,700	FINAL 05/17/22	SWIFT HEATING & AIR
102-I	COUNTER TOP	BOTH	05/01/22	07/30/22	\$6,000	FINAL 06/27/22	LW DÉCOR
104-B	PATIO FLOORING	GRF	05/01/22	06/01/22	\$3,000	FINAL 05/23/22	KARYS CARPET
109-K	FLOORING THRU OUT	GRF	05/09/22	06/30/22	\$6,390	FINAL 06/30/22	B&B CARPET
122-B	WINDOWS, DOORS, ELEC	BOTH	05/16/22	06/20/22	\$17,130	FINAL 05/25/22	OGAN CONSTRUCTION
112-G	PATIO FLOORING	GRF	05/16/22	07/08/22	\$3,283	FINAL 06/22/22	BERGKVIST
119-J	COUNTER TOP AND SINK	BOTH	05/20/22	06/30/22	\$6,400	FINAL 06/23/22	MP CONSTRUCTION
100-A	KITCHEN REM, WAS/DRYER	BOTH	06/10/22	11/30/22	\$35,500		BA CONSTRUCTION
122-B	FLOORING	GRF	06/15/22	07/15/22	\$4,725	FINAL 06/28/22	KARYS CARPET

## INSPECTOR MONTHLY MUTUAL REPORT

MUTUAL: <b>(05) FIVE</b>		INSPECTOR: <b>Mike Meza</b>					
MUTUAL BOARD MEETING DATE:		<b>October, 2022</b>					
70-F	COUNTERTOP KIT, BATH	BOTH	06/15/22	08/30/22	\$9,600	FINAL 07/29/22	MP CONSTRUCTION
113-A	WASHER/DRYER	BOTH	06/20/22	07/29/22	\$8,175	FINAL 08/02/22	VICKERS CONSTRUCTION
113-H	WINDOWS	BOTH	06/27/22	07/27/22	\$9,900	FINAL 07/27/22	VICKERS CONSTRUCTION
122-B	PATIO TILE	GRF	06/30/22	07/30/22	\$3,000	FINAL 08/10/22	KARYS CARPET
71-A	WINDOWS, SLIDER	BOTH	07/13/22	09/30/22	\$4,000		MP CONSTRUCTION
70-F	FLOORING	GRF	07/15/22	08/30/22	\$8,600		KARYS CARPET
100-D	HEAT PUMP	BOTH	07/21/22	08/21/22	\$4,800		ALPINE HEATING & AIR
95-L	BATHROOM FLOORING	GRF	07/22/22	08/30/22	\$9,500	FINAL 09/06/22	JC KRESS
114-B	FLOORING	GRF	07/25/22	08/30/22	\$1,700	FINAL 07/26/22	KARYS CARPET
109-K	WASHER AND DRYER	BOTH	07/25/22	08/26/22	\$8,000	FINAL 09/26/22	MARCO CONSTRUCTION
126-A	FLOORING	GRF	07/30/22	08/30/22	\$5,118		KARYS CARPET
113-A	NEW SKYLIGHT	BOTH	08/01/22	09/30/22	\$3,635		M&M SKYLIGHTS
101-I	CENTRAL AIR SYSTEM	BOTH	08/09/22	09/09/22	\$10,400		ALPINE HEATING & AIR
110-A	ADDED ELECTRICAL	BOTH	08/24/22	11/30/22	\$875	FINAL 09/27/22	JULIAN AGUILAR ELECTRIC
108-A	FLOORING	GRF	08/29/22	09/16/22	\$5,648	FINAL 09/26/22	CARROLL'S FLOORING
71-H	DRYWALL/ FLOORING	BOTH	09/01/22	12/31/02	\$7,150		MAMUSCIA CONSTRUCTION
110-A	SKYLIGHT FLARE	BOTH	09/07/22	11/07/22	\$6,475		VICKERS CONSTRUCTION
98-H	UNIT ASBESTOS REMOVAL	GRF	09/14/22	11/30/22			SIRRIS ABATEMENT
98-H	KITCHEN REMODEL	BOTH	09/14/22	11/30/22	\$31,240		LOS AL BUILDER
119-L	LOWER CARPORT STORAG	GRF	09/15/22	09/30/22	\$800		MJ JURADO
101-G	SOLA TUBE	BOTH	09/24/22	10/28/22	\$2,358		SOLATUBE HOME
101-I	SHOWER CUT DOWN	BOTH	09/27/22	10/28/22	\$5,116		NUKOTE
90-K	FLOORING	GRF	10/12/22	12/20/22	\$2,330		BIXBY CARPET
95-G	UNIT REMODEL	BOTH	11/20/22	03/15/23	\$138,700		JC KRESS
108-A	SHOWER CUT DOWN	BOTH	10/25/22	11/25/22	\$3,540		NUKOTE
70-F	LOWER CARPORT STORAG	GRF	11/01/22	11/15/22	\$950		MJ JURADO
97-C	SLIDING DOOR	BOTH	12/31/22	02/28/22	\$7,800		VICKERS CONSTRUCTION

ESCROW ACTIVITY							
Unit #	NMI	PLI	NBO	FI	FCOEI	ROF	ACTIVE, CLOSING, CLOSED
70-F		08/01/22	09/15/22	09/23/22	10/03/22		9 5 21
71-A		11/02/21	03/01/22	03/04/22	03/18/22	04/05/22	
71-H		04/15/22	06/07/22	06/09/22	06/23/22	07/25/22	
91-A		11/08/21	12/28/21	12/28/21	01/12/22	02/12/22	
93-A		12/10/20					
94-J		03/03/22	04/13/22	04/20/22	05/04/22	05/31/22	
96-E		05/03/22	05/26/22	06/01/22	06/15/22	06/29/22	
98-H		06/01/22	07/08/22	07/11/22	07/25/22	09/01/22	
101-B		06/21/22					
101-I		07/09/21	03/10/22	03/10/22	03/21/22	05/01/22	
103-G		08/24/21					
103-H		05/13/22	5/25/22	05/25/22	06/09/22	06/28/22	
103-L		10/01/21	03/17/22	03/21/22	04/01/22	05/23/22	
105-D		09/30/20					
106-E		09/06/22					
107-E		11/19/21	01/24/22	01/25/22	02/07/22	03/22/22	
108-A		06/21/22	07/21/22	07/26/22	08/09/22		
109-H		10/21/21	12/20/21	12/23/21	01/10/22	02/16/22	
109-K		05/17/22	06/28/22	06/28/22	07/28/22	08/24/22	
110-A		03/15/22	05/24/22	06/01/22	06/13/22	07/25/22	
110-C		10/27/20					
110-I	03/31/22						
111-F		11/05/21	02/10/22	02/10/22	02/23/22	03/09/22	
112-C		10/03/22					
113-A		04/19/22	05/04/22	05/11/22	05/25/22	06/10/22	

## INSPECTOR MONTHLY MUTUAL REPORT

<b>MUTUAL: (05) FIVE</b>		<b>INSPECTOR: Mike Meza</b>					
<b>MUTUAL BOARD MEETING DATE:</b>		<b>October, 2022</b>					
113-H		02/23/22	03/22/22	04/07/22	04/21/22	06/23/22	
114B		07/26/22					
114-L		07/09/20	09/12/22	09/12/22	09/26/22		
115-I		01/05/22	02/09/20	02/09/20	02/24/22	03/22/22	
115-J		10/01/21	10/18/21	10/18/21	11/01/21		
116-K		02/18/22	04/14/22	04/14/22	04/27/22	05/27/22	
116-G		09/17/21	11/03/21	11/03/21	11/18/21		
117-G		02/18/22	03/09/22	03/14/22	3/28/22	05/27/22	
117-L		04/19/22	05/10/22	05/13/22	05/27/22	06/13/22	
118-D		04/26/22	07/01/22	07/11/22	07/25/22	08/11/22	
121-K		01/25/22	02/02/22	02/02/22	02/15/22	03/09/22	
123-K		10/21/21	10/26/21	11/03/21	11/18/21		
124-I		09/06/22					

SHADED AREAS HAVE BEEN SIGNED OFF

FI = Final Inspection    FCOEI = Final COE Inspection    ROF = Release of Funds

### CONTRACTS

CONTRACTOR	PROJECT
J&J LANDSCAPE      AUGUST 8th 2025	Landscaping & Irrigation
EMPIRE PIPE      DECEMBER 31st 2022	Annual inspection
FENN      MAY 31st 2023	Pest and rodent control services
ROOFING PROJECT	Buildings 70, 100, 101, 113, 120 Roofing suspended for 30 days
MP CONSTRUCTION	Electrical panels (pending BOB approval)

### SPECIAL PROJECTS

Contractor	Discription of Work
J&J LANDSCAPE	117-G Sitting area

### SHAREHOLDER AND MUTUAL REQUEST

113-J    Leak in bathroom	Inspect mutual sidewalks
101-G    Dryer vent not working	
115-F    Inspect shower leak	
101-I    Inspect porch ceiling fan	





Line No. **SEPTEMBER Highlights:** [Please refer to the Monthly Financial Statement (MFS) for more details and page Nos.]

1 For the month of September, Mutual 5 was over budget with Excess Expenses of (\$2,766). For the year to date, Mutual 5 is in a favorable financial position (under budget) with excess income of \$5,874 as shown on page 5 of the MFS. This reflects the GRF refund received in April of \$16,270 of excess income for the year 2021 (page 3 of MFS).

2 The main reason for the over-budget is a combination of operating expenses being over-budget by (\$2,118) and operating income being less than expected by (\$8,836). Maintenance Replacements, was above the average for the year at \$6,563, leaving a Reserve Fund balance of \$22,885.72 (page 10 of MFS). Our goal is to have a balance of at least \$43,014 at year end to lead into to the 2023 Budget. All of the Reserve Accounts and the SRO Reports are monitored very closely each month for budget performance.

Water expenses are under budget by \$993 for the month and over budget (\$2,382) for YTD (page 3 of MFS). Water cost for September went up 7% from August.

**We all need to do our part by continuing to use water SUPER efficiently.  
Please Use Water Wisely! The More WATER We Save, The More MONEY We Save!**

3 Investment Portfolio: please see page 21 (hand written number at the bottom of page) of the MFS to see how the reserve Funds are invested. All of our available cash are in money-market accounts with a 0.005% interest rate.

**ENDING BALANCE BANK ACCOUNTS**

4	RESTRICTED RESERVES (acct ending...9690)	1,703,785.30
5	NON-RESTRICTED RESERVES (acct ending...3364)	316,294.68
6	CHECKING ACCOUNT (acct ending...3181) adjusted for outstanding checks	26,305.93

**ENDING BALANCE OF MAJOR RESERVES**

Types	Ending Balance	S/H Contribution		MFS Page No.
		Monthly	per unit	
7 ROOFING After Project Commitments for 2022 ReRoofs	503,744.79	44,317.50	90.08	14
8 APPLIANCES	22,885.72	4,758.08	9.67	9
9 PAINTING	316,204.27	686.67	1.40	11
10 INFRASTRUCTURE	192,194.39	13,795.83	28.04	18
11 CONTINENCY OPERATING FUNDS	65,519.68	-	-	12
12 EMERGENCY RESERVES	82,032.09	-	-	16
	1,182,580.94	63,558.08	129.18	

**INCOME AND EXPENSES**

From Monthly Financial Statement Pages 4, 5, 22	September Actual	September Budget	September Variance	2022 YTD Actual	2022 YTD Budget	MFS Page No.
13 MUTUAL TOTAL INCOME	206,248	209,776	(3,528)	1,879,698	1,887,984	5, 22
14 CONTRIBUTION TO RESERVES	63,558	63,559	(1)	572,023	572,031	4, 5, 22
15 EXPENSES *	60,816	61,581	765	556,347	554,229	4
16 EXCESS INCOME over(under) EXPENSES	(2,766)			5,874		5, 22

\* Operating Expenses Do Not include reserve funded projects or GRF Carrying Charges Transfer.

# 2

## CONCRETE PROJECTS - (Jurado or SM or JJ) 2022

9/30/2022

Line #	Date of Work	Location	Project Cost	Date of Payments	Remarks
16					
17	Dec. 2021	Carports 60, 61,62,63 - Pavement	121,275.00	11/17/21	1/12/22 (2nd payment)
18	Dec. 2021	Carport 63 Change Order - Pavement	5,643.75	1/12/22	
19	Mar. 2022	Concrete Walks: Bldgs. 102 to 112 *	96,055.00	6/6/22	Also Includes Bldgs. 108,109,110,111
20	Sept 2022	Concrete Walks: Bldg. 100F *	11,682.00	9/14/22	
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33			* Infrastructure Reserves for Concrete Walks/Drains for 2022		
34		Total to Date:	<b>107,737.00</b>	2022 Budget: \$100,000; \$7,737 charged to 2023 Budget	

	Fees Collected	Monthly Budget	Sep '22	Aug '22	Jul '22	Jun '22	May '22	Apr '22	Mar '21	Feb '22
35	Buyer's Premium	2,500	2250	1,500	750	3,000	3,000	3,000	3,750	2,250
36	Inspection Fees	4,700	1200	2,400	4,800	3,600	3,600	3,600	1,200	6,000
37	Transfer Fee		250	250						

### ROOFING PROJECTS 2020 Budget Year (Construction in February- March, 2021)

	Building No. and Type	Roof Type	Roof SQ	Cost (\$) per SQ	Contract Cost (\$)
38	69 2 Bedroom	Low Slope	153	798	122,094
39	71 Laundry Room - 2 Bedrooms	Low Slope	158	798	126,084
40	99 1 and 2 Bedrooms	Low Slope	123	798	98,154
41	102 Laundry Room - 2 Bedrooms	Low Slope	158	840	132,720
42	TOTAL				479,052

Avg Cost/Apt = \$9,980

### ROOFING PROJECTS 2021 and 22 Budget Year (Start date: September 13, 2022 | Finish 11-6-22)

	Building No. and Type	Roof Type	Roof SQ	Cost (\$) per SQ	Contract Cost (\$)
44	113 2 Bedrooms (5) (Order of construction)	Low Slope	153	941	143,973
45	120 1 and 2 Bedrooms (3)	Low Slope	123	941	115,743
46	100 2 Bedrooms (4)	Low Slope	153	941	143,973
47	101 2 Bedrooms (2)	Low Slope	153	941	143,973
48	70 2 Bedrooms (1)	Low Slope	153	941	143,973
49	TOTAL			11,527.25	691,635

Avg Cost/Apt = \$11,527

Increase in cost/aprt from 2020 to 2022 = 17.9%

# SUMMARY FOR REFERENCE—2022 OPERATING BUDGET

Line #

- 50 **EXPECTED MONTHLY M5 HOA Income: \$117,425.64** (\$238.67/month X 492 UNITS)
- 51 **M5 HOA Cost per month per unit \$238.67** (increase of \$12.43) for year 2022
- 52 **GRF HOA Cost per month per unit \$172.03** (increase of \$6.98) for year 2022

## 2022 OPERATING BUDGET

	Monthly-Average \$ per Unit	Yearly-Total \$ for 492 Units	Total \$ Change From 2021 to 2022
53 <b>OPERATING EXPENSES</b>	125.16	738,945	38,915
54 <b>OPERATING INCOME</b>	15.67	92,515	23,498
55 <b>NET OPERATING COST</b>	109.49	646,430	34,480
56 <b>RESERVE FUNDING</b>	129.18	762,697	38,915

## 2022 RESERVE FUNDING DISTRIBUTION

	Project	Monthly-Average \$ per Unit	Yearly-Total \$ for 492 Units	Total Dollar Change
				Per Unit per Month
				From 2021 to 2022
57	<b>APPLIANCE</b>	9.67	57,097	(2.25)
58	<b>PAINTING</b>	1.40	8,240	1.40
59	<b>ROOFING</b>	90.08	531,810	2.63
60	<b>INFRASTRUCTURE</b>	28.04	165,550	6.18
61	TOTAL	129.18	762,697	6.59

\*See Appendix B of M5 Budget

## 2022 LANDSCAPING BUDGET

	Monthly-Average \$ per Unit	Yearly-Total \$ for 492 Units	Total \$ Change From 2021 to 2022
62 <b>LANDSCAPE-CONTRACT</b>	29.70	175,349	5,432
63 <b>LANDSCAPE-EXTRAS</b>	3.39	20,015	(59)
64 <b>LANDSCAPE-TREES</b>	3.05	18,007	0
65 TOTAL	36.14	213,371	5,373

## 2022 SERVICE REQUEST ORDERS (SRO) BUDGET

	Average Monthly per Unit	Yearly Total for 492 Units	Total Dollar Change From 2021 to 2022
66 <b>STANDARD SERVICE</b>	\$18.12	\$106,980	\$3,955



P.O. Box 2069  
Seal Beach CA 90740

Sep Actual	Sep Budget		2022 Y-T-D Actual	2022 Y-T-D Budget
138,506	138,508	Carrying Charges	1,246,557	1,246,572
63,558	63,559	Reserve Funding	572,023	572,031
<b>202,064</b>	<b>202,067</b>	<b>Total Regular Assessments</b>	<b>1,818,580</b>	<b>1,818,603</b>
133	54	Financial Income	1,059	486
4,050	7,655	Other Income	60,059	68,895
<b>4,183</b>	<b>7,709</b>	<b>Total Other Income</b>	<b>61,118</b>	<b>69,381</b>
<b>206,248</b>	<b>209,776</b>	<b>Total Mutual Income</b>	<b>1,879,698</b>	<b>1,887,984</b>
84,639	84,639	GRF Trust Maintenance Fee	745,481	761,751
14,692	15,267	Utilities	142,971	137,403
368	694	Professional Fees	15,548	6,246
0	84	Office Supplies	279	756
29,722	31,341	Outside Services	252,816	282,069
16,034	14,195	Taxes & Insurance	144,732	127,755
63,558	63,559	Contributions to Reserves	572,023	572,031
<b>209,013</b>	<b>209,779</b>	<b>Total Expenses Before Off-Budget</b>	<b>1,873,851</b>	<b>1,888,011</b>
<b>(2,766)</b>	<b>(3)</b>	<b>Excess Inc/(Exp) Before Off-Budget</b>	<b>5,847</b>	<b>(27)</b>
14,122	0	Depreciation Expense	125,584	0
<b>(16,887)</b>	<b>(3)</b>	<b>Excess Inc/(Exp) After Off-Budget</b>	<b>(119,737)</b>	<b>(27)</b>
		<b>Restricted Reserves</b>		
(1,805)	0	Appliance Reserve Equity	22,886	0
687	0	Painting Reserve	316,204	0
0	0	Contingency Operating Equity	65,520	0
44,318	0	Roofing Reserve	503,745	0
(2,200)	0	Emergency Reserve Equity	82,032	0
2,114	0	Infrastructure Reserve	192,194	0
<b>43,113</b>	<b>0</b>	<b>Total Restricted Reserves</b>	<b>1,182,581</b>	<b>0</b>

# PORTFOLIO SPECIALIST REPORT

## OCTOBER 2022

### Candle Fire Safety

#### DON'T LET THIS



With the holiday season rapidly arriving and with cooler fall temperatures here, many of us enjoy the warmth and light offered by a candle. Candles are decorative, come in many pleasing aromas, and can offer ready and simple light during power outages and emergencies. BUT the use of candles has also resulted in the following statistics (as provided by the U.S. Fire Administration):

- ❖ On average, 42 home candle fires are reported every day.
- ❖ More than half of all candle fires start when something that could burn, such as furniture, mattresses or bedding, curtains, or decorations too close to the candle.
- ❖ Over one-third (36%) of home candle fires begin in the bedroom.
- ❖ Young children and older adults have the highest death risk from candle fires.

#### TURN INTO THIS



#### If you use a candle, please make sure to follow the following candle safety tips:

- ❖ Consider using battery-operated or electric flameless candles and fragrance warmers, which can look, smell, and feel like real candles – without the flame.
- ❖ Avoid using candles in bedrooms and sleeping areas.
- ❖ Extinguish candles after use and before going to bed.
- ❖ Keep candles at least 12 inches from anything that can burn.
- ❖ Keep candles out of the reach of children and pets.
- ❖ Never use a candle where medical oxygen is being used. The two can combine to create a large, unexpected fire.
- ❖ Always use a flashlight – not a candle – for emergency lighting.



**NEVER leave burning candles unattended!**

**Remember! Candle fires are PREVENTABLE.  
The top six days for home candle fires are:**

- Halloween
- Thanksgiving
- December 23
- Christmas Eve
- Christmas Day
- New Year's Day

In the event of a fire, remember time is the biggest enemy and every second counts!

Escape first, and then call 911 for help. Develop a home fire escape plan and practice it frequently, and do not forget about that important emergency “grab-and-go bag”. Never stand up in a fire, always crawl low under the smoke, and try to keep your mouth covered. Never return to a burning building for any reason: it may cost you your life.

**SEAL BEACH MUTUAL NUMBER FIVE**

**RESIDENT REGULATIONS**

**AMEND**

**Eligibility Requirements**

1 1. All persons seeking approval of the Board of Directors of Seal Beach Mutual No. Five  
2 to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the  
3 following eligibility criteria:

4  
5 1.1. Apply for and be accepted as a member of the Golden Rain Foundation, Seal  
6 Beach, California.

7  
8 2. Meet the Mutual eligibility criteria as follows:

9  
10 2.1. AGE

11  
12 2.1.1 Minimum of 55 years, as confirmed by a birth certificate, California  
13 Driver's license or passport.

14  
15 3. FINANCIAL ABILITY

16  
17 3.1.1. Verified net monthly income that is at least four (4) times or greater  
18 than the monthly carrying charge (Regular Assessment plus  
19 Property Tax and Fees) at the time of application and have a  
20 combination of liquid assets of at least \$25,000 **\$35,000** and  
21 sufficient other assets equal to the purchase price of the Unit.  
22 Verified monthly income/assets may be in the form of the past two  
23 years of the information below:

24  
25 4. INCOME REQUIREMENTS

26  
27 4.1 Acceptable verification includes, among others:

28 4.2 The most recent Federal Tax returns; including but not limited to:

- 29 4.2.1 1099s for interest and dividends;
- 30 4.2.2 1099-Rs for retirement income from qualified plans and annuities;
- 31 4.2.3 SSA-1099 Social Security Benefit Statement;
- 32 4.2.4 W-2 forms or paycheck stubs
- 33 4.2.5 Brokerage statements and current interim statement.
- 34 4.2.6 Six to twelve months of checking/savings account statements.
- 35 4.2.7 Current income: bank, credit union or brokerage statements
- 36 4.2.8 Letters from bankers
- 37 4.2.9 Notices of annuities
- 38 4.2.10 Pensions
- 39 4.2.11 Trust Income





**SEAL BEACH MUTUAL NUMBER FIVE**

**RESIDENT REGULATIONS**

**AMEND**

**Eligibility Requirements**

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  - 107
- 7.1** Adjusted Gross Income from Federal Tax Forms 1040, 1040A, or 1040EZ; plus, that portion of Social Security, IRA distributions, and pensions and annuities not included in adjusted gross income; plus tax exempt interest; all divided by twelve (12) and,
- 7.2** The sum of all Acceptable Assets from Paragraph 6.1, above, less the assets equal to the purchase price of the unit, divided by the difference between the Actuarial Life Expectancy <sup>1</sup> minus the actual age of each applicant <sup>2</sup> divided by 12 (please see attached example).
- 8.** 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%<sup>3</sup> of the sales price plus Orange County District fees divided by twelve (12) for the new projected monthly assessment. This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times four (4) will be the monthly income required. These calculations will be verified by the escrow company and the Stock Transfer Office. Between the two, Stock Transfer shall have the final say in establishing verifiable income/assets.
- Verification shall be done by the Escrow Company and the Stock Transfer Office prior to the new buyer interview and prior to the close of escrow (the above verification need not be done by the individual Mutual Directors; Directors are not required to study or understand the financial requirements).
- 9.** The resident shareholder’s income shall be considered for qualifying. Where there is more than one prospective shareholder, income and assets shall be calculated collectively. Co-owners shall be calculated for their proportional share of the HOA payment. Either one half in the case of two co-owners or one third in the case of three co-owners. Married couple income shall be considered one income.

<sup>1</sup> The Actuarial Life Expectancy is obtained from the Social Security Retirement & Survivors Benefit: Life Expectancy Calculator, website <https://www.ssa.gov/OACT/population/longevity.html>

<sup>2</sup> The difference between the Life Expectancy value from SSA Life Expectancy Calculator: 78.5 years and the buyer’s actual age: 70.3

<sup>3</sup> If major remodeling, expansion, or addition of a bathroom is being considered, the increase in taxes over the 1.2% of the purchase price must be taken into consideration.

**SEAL BEACH MUTUAL NUMBER FIVE****RESIDENT REGULATIONS****AMEND****Eligibility Requirements**

- 108     **10.**    If moving within Leisure World, or if there are any additions/changes to the Stock  
109            Certificate, the proposed shareholder(s) must meet these eligibility requirements.
- 110     **11.**    If moving within Mutual 5 from one unit to another, if the Shareholder has maintained  
111            payment of their carrying charges for at least one year, they are exempt from the  
112            requirement to show ~~\$25,000~~ **\$35,000** in assets.
- 113
- 114     **12.**    HEALTH
- 115
- 116            **12.1.**    Have reasonably good health for a person of his/her age, so that shareholder  
117            can take care of normal living needs without calling on other members for an  
118            undue amount of assistance. Leisure World is not an assisted living or skilled  
119            nursing home facility.
- 120            **12.2.**    Assume, in writing, the obligations of the "Occupancy Agreement" in use by  
121            the Mutual Corporation.  
122            Officers or Committees if the Board of Directors designated to approve new  
123            applicants are responsible that criteria of the corporation is equitably applied  
124            to all applicants. Approval or disapproval of buyer(s) must be received by the  
125            Stock Transfer Office at least ten (10) working days prior to the close of  
126            escrow.
- 127            **12.3.**    The Board may appoint a review committee to hear disputed applications. The  
128            decision of the Board will be final.
- 129
- 130     **13.**    SHAREHOLDER BUYER PREMIUM FEE
- 131
- 132            13.1    Prospective Mutual 5 shareholders will be assessed a non-refundable  
133            Shareholder Buyer Premium Fee of \$750.
- 134

**Document History****Adopted: 20 Oct 2021****Amended:****16 Feb 2022   19 Oct 2022****Keywords:** Mutual Five    Eligibility    Requirements

135

**SEAL BEACH MUTUAL NUMBER FIVE****RESIDENT REGULATIONS****AMEND****Eligibility Requirements**

136 *EXAMPLE:*  
 137 A buyer, single female, born July 1, 1948 has a portfolio of \$500,000 and a fully-paid-for house  
 138 she is selling for \$600,000 and she is buying a unit in M-5 for \$350,000. She has a Social  
 139 Security Income of \$1,500 per month. Does she qualify in M-5?  
 140

141 *Financial Ability Section 3.1.1.: Verified Net Monthly Income states that is at least four (4) times*  
 142 *or greater than the monthly carrying charge (Regular Assessment plus Property Tax and Fees)*  
 143 *at the time of application; and, have a combination of liquid assets of at least ~~\$25,000~~ **\$35,000***  
 144 *and sufficient other assets equal to the purchase price of the Unit.*  
 145

146 M-5 Regular Assessment for 2018 is \$360.96 which includes M-5 monthly carrying charge,  
 147 GRF monthly carrying charge and OC User Fee.  
 148

149 Projected Property Taxes according to Section 8, is the amount \$350,000 times 1.2% and is  
 150 equal to \$4,200 per year or \$350 per month.

151 Therefore: The Regular Assessment plus Property Tax and Fees is \$360.96 plus \$350 or  
 152 \$710.96; and, 4 times that amount is \$2,843.84 which is the BENCHMARK required in Section  
 153 3.1.1. Applicant's Net Monthly Income must be higher than that amount.  
 154

155 Section 7 defines NET MONTHLY INCOME. For this example it includes:  
 156

157 Social Security Income of: \$1,500 per month  
 158

159 Assets: \$500,000 Portfolio  
 160 Plus \$600,000 Value of home  
 161 Less \$350,000 Price of M-5 Unit  
 162 = \$750,000 Remaining Assets

163 Divided by: 17.2 years (87.5 minus 70.3) <sup>2</sup>  
 164 = \$43,605 per year divided by 12: \$3,634 per month.

165 Total Net Monthly Income: \$5,134 per month  
 166

167 NET MONTHLY INCOME IS GREATER THAN BENCHMARK, THEREFORE APPLICANT IS  
 168 QUALIFIED.  
 169  
 170  
 171

---

<sup>2</sup> The difference between the Life Expectancy value from SSA Life Expectancy Calculator: 87.5 years and the buyer's actual age: 70.3



**SEAL BEACH MUTUAL NUMBER FIVE**

**RESIDENT REGULATIONS**

**AMEND**

**Eligibility Requirements**

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**I have read and understood what is required for eligibility consideration in the above named Mutual, including necessary documentation.**

\_\_\_\_\_  
**Prospective Buyer**

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

\_\_\_\_\_  
**Prospective Buyer**

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

\_\_\_\_\_  
**Prospective Buyer**

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

\_\_\_\_\_  
**Prospective Buyer**

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

# RESCIND

MUTUAL OPERATIONS

7585.05

PROTOCOL FOR ENFORCING GOVERNING DOCUMENTS

## TABLE OF CONTENTS

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NOTICE OF INTENT TO IMPOSE DISCIPLINE.....	5
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Any activity, situation instance or circumstance that is an alleged violation of the governing documents will generally be processed according to the procedures outlined herein.

In the event any member of the Board of Directors or a Shareholder of Mutual 5 files an Alleged Violation Report form with the Board, the following steps will be taken:

~~Step No. 1 — Director Complainant: Director shall make the complaint via email or letter to the President. The information to be included: Name (if known), Unit #, Nature of the violation, Policy violated (if known), Picture (if possible), any other supporting documents or complete the Alleged Violation Report. Shareholder Complainant: Shareholder shall complete the Alleged Violation Report.~~

~~Step No. 2. — If it is determined that the alleged violation has potential merit, proceed with Step No. 3.~~

~~Step No. 3 — Warning to Correct The President shall arrange for Mutual Administration to send a “Warning to correct” letter, which shall include:~~

- ~~\_\_\_\_\_ a) nature of the alleged Violation,~~
- ~~\_\_\_\_\_ b) specific governing document violated (Policy Number, Occupancy Agreement, Bylaws, etc.) and~~
- ~~\_\_\_\_\_ c) the notice to “immediately correct but in no event later than 30 days.” If the alleged violation is not one that is “correctible”, Step No. 4 will be followed.~~

~~**Step No. 4 — Notice of Intent to Impose Discipline (see attached form) When an alleged violation has not been corrected by the 30<sup>th</sup> day: (or fewer days if so warned,) or if the alleged violation is not “correctible”, send the “Notice of Intent to Impose Discipline” to the shareholder stating the nature of the alleged violation and the member’s right to appear before the Board of Directors at a hearing in executive session on at least 10 days’ notice by**~~

~~first class mail or by personal delivery, concerning the potential imposition of monetary fine and/or any other discipline.~~

~~**Step No. 5.** A hearing with the Board of Directors will be held, at the shareholder's option, so that the member may be heard and may present pertinent evidence, along with the testimony and evidence of interested persons.~~

~~**Step No. 6.** If the shareholder is found to be in violation of the Association's governing documents, the Board may exercise any of the following options:~~

~~\_\_\_\_\_ (a) choose to correct (or cause to be corrected) the violation and assess the shareholder for the costs and expenses of doing so, including attorney's fees; and/or~~

~~\_\_\_\_\_ (b) impose and assess monetary fine(s) against the shareholder pursuant to the Fine Schedule;~~

~~\_\_\_\_\_ (c) suspend the shareholder's voting or other privileges (if applicable).~~

~~\_\_\_\_\_ (d) seek a remedy in the legal system, including, without limitation, the imposition of a lien and/or foreclosure on the shareholder's property, where allowed by law;~~

~~**Step No. 7.** The shareholder will be notified as to any disciplinary action rendered by the Board of Directors within 15 days after such action.~~

~~**NOTE:** The governing documents are defined as the Bylaws, the Occupancy Agreement and the Policies.~~

**ALLEGED VIOLATION REPORT**

DATED: \_\_\_\_\_

I. \_\_\_\_\_ PERSON MAKING REPORT  
\_\_\_\_\_(Complainant)

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE NUMBER: \_\_\_\_\_

II. \_\_\_\_\_ Time, Place & Nature of Alleged Violation (fill in as completely as possible)

DATE: \_\_\_\_\_ TIME: \_\_\_\_\_

LOCATION: \_\_\_\_\_

NATURE OF VIOLATION: \_\_\_\_\_  
\_\_\_\_\_

III. \_\_\_\_\_ VIOLATOR'S INFORMATION:  
\_\_\_\_\_(Respondent)

NAME: \_\_\_\_\_

PHONE NO.: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

IV. \_\_\_\_\_ ADDITIONAL WITNESSES:

NAME: \_\_\_\_\_

ADDRESS/PHONE: \_\_\_\_\_

NAME: \_\_\_\_\_

ADDRESS/PHONE: \_\_\_\_\_

V. \_\_\_\_\_ OTHER EVIDENCE (PHOTOGRAPHS, DOCUMENTS, ETC.) SUPPORTING  
THE ALLEGED VIOLATION: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

VI. \_\_\_\_\_ SPECIFIC GOVERNING DOCUMENT VIOLATED (Cite exact provision of  
Declaration of Covenants, ByLaws, Rules or Regulations violated):  
\_\_\_\_\_

VII. \_\_\_\_\_ ORIGINAL COMPLAINANT:

The original complainant (person making this complaint) acknowledges that he or she must agree to appear as a witness at any formal hearing hereon or the Board may refuse to consider the alleged violation.

It is so acknowledged: \_\_\_\_\_  
\_\_\_\_\_ (Signature of Complainant)

DRAFT

**NOTICE OF INTENT TO IMPOSE DISCIPLINE**

To Shareholder:

\_\_\_\_\_

Please be advised that you are hereby given notice that the Board of Directors will hold a hearing on:

\_\_\_\_\_ (Date)

\_\_\_\_\_ (Time)

\_\_\_\_\_ (Place)

to consider the imposition of a formal warning or a monetary fine or other disciplinary measure against you concerning an alleged violation of the Association's governing documents, that is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

You have the right to attend the hearing and address the Board of Directors and to present any pertinent evidence on your behalf.

Please acknowledge your receipt of this notice and indicate, by checking the appropriate box (1) if you will contest the alleged violation and if so (2) if you desire the hearing to be held in executive session.

\_\_\_\_\_  
Very truly yours,

\_\_\_\_\_  
BOARD OF DIRECTORS

I hereby acknowledge my receipt of this notice and:

will not oppose the alleged violation or

will oppose the alleged violation and

desire a hearing in executive session.

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_



**PROCEDURE FOR SHAREHOLDER HEARING**

- ~~1. Statement of alleged violation(s) by acting chairperson.~~
- ~~2. Shareholder in alleged violation decides to hold hearing in executive session or not.~~
- ~~3. (a) Each party will be entitled to make an opening statement, starting with the complainant's case;~~
  - ~~(b) Each party will be entitled to produce documentary evidence and testimony and to cross-examine the opposing party and the opposing party's witnesses;~~
  - ~~(c) Each party will be entitled to make a closing statement;~~
  - ~~(d) Formal rules of evidence will not apply and all relevant evidence should be admitted, although hearsay evidence, by itself, will not be sufficient to support a finding;~~
  - ~~(e) Any party will be permitted to waive the right to exercise his or her rights in any part of the hearing process, and the Board will be entitled to exercise its reasonable discretion in specifying the rules by which the hearing will be conducted, as long as the alleged violator is given an opportunity to confront and to cross-examine the evidence introduced by the opposing party and to be heard in his or her own defense.~~
- ~~4. Alleged violator, complainant and witnesses are excused.~~
- ~~5. Discussion and decision by the Board, or, that the matter will be taken under submission with a determination within 35 days after the hearing. Notice to shareholder given within 15 days of the imposition of disciplinary action, if any.~~
- ~~6. Adjournment.~~

**DOCUMENTATION**

Name of Shareholder: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Address: \_\_\_\_\_

Factual Findings on Issues:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Board ruling on any discipline to be imposed:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Additional Comments:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

By: \_\_\_\_\_

\_\_\_\_\_  
SIGNATURE OF CHAIRPERSON

## FINE SCHEDULE

1. ~~If a member does not oppose the alleged violation or if the result of the hearing is a decision that a violation of the governing documents existed, a fine of \$100.00 may be imposed for each separate violation of the governing documents, subject to the following:~~
  - ~~(a) If the violation is of a continuous nature and necessitates remedial action, the failure of the member to remedy the underlying situation or circumstance within 60 days of the imposition of the first monetary fine, will constitute a new and separate violation, subject to an additional fine of \$200.00. The failure of the member to correct the **violation** within 120 days of the imposition of the first monetary fine will constitute a third separate violation, subject to an additional fine of \$400.00.~~
  - ~~(b) If a member violates the same provision of the governing document on two separate occasions within any 12 month period of time, the fine for the second offense will be \$200.00. If the member violates the same provision three or more times within any 12 month time period, the fine for the third and subsequent violations will be \$400.00 each.~~
2. ~~At any point, the Board may choose to use the legal system or cause a correction of a violation to effect a remedy or cure, and the member may be assessed the costs and expenses incurred by the Mutual, including attorney's fees.~~
3. ~~Should a violation occur which causes the Mutual to incur a financial obligation or expense, then the member responsible for the violation shall be assessed the amount of the obligation or expense incurred by the Mutual. For example, if a member damages any common property, the repair and replacement costs will be assessed to the member.~~
4. ~~The Mutual may also, under appropriate circumstances, suspend voting privileges.~~

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ENFORCEMENT AND FINE POLICIES  
 SEAL BEACH MUTUAL NO. 5  
 a California nonprofit corporation

These policies are Operating Rules as defined in the Davis-Stirling Common Interest Development Act and, to the extent they conflict with any previous Operating Rules, supersede and prevail over such previous rules. All Operating Rules, whether characterized as rules, policies, procedures and otherwise are subject to the provisions of the Bylaws currently in effect for this Association and are of equal hierarchy to the Occupancy Agreement.

ARTICLE 1: ENFORCEMENT AND FINE POLICIES

1.1 Enforcement Procedure.

a. Report Violation: Any Resident, Member, Director, manager or rules enforcement personnel claiming a violation occurred must complete, sign, and submit an Alleged Violation Report (Exhibit A to these Rules) to the

Board of Directors at a Board meeting, or to the Association's manager during regular business hours. No anonymous Alleged Violation Reports will be considered unless the information can be independently verified.

b. Determination of Merit: The Board must determine, in an executive session meeting, if there is alleged violation has merit and, if so, give notice as provided in the next paragraph. If the Board does not find merit it must indicate why action was not taken in the executive session minutes.

c. Give Notice of Alleged Violation: Following a determination of merit as specified above, the Association will send a Notice of Intent to Impose Discipline to the Member (Exhibit B to these Rules) stating the nature of the alleged violation(s), the provision(s) of the governing documents violated and the Member's right to appear before the Board of Directors at a hearing in executive session on at least 10 days' notice by any means authorized under Civil Code §4040 for individual delivery, before imposing a monetary penalty (fine) and/or any other discipline. No courtesy notice or warning is required.

d. Conduct Hearing in Executive Session: All disciplinary hearings with the Board of Directors will be held in executive session. The Member responsible for the alleged violation may be heard, orally or in writing, and may present evidence, including witness testimony and documents.

## 1.2 Disciplinary Hearing Procedure.

a. Statement of Violations. The acting chairperson of the meeting will make a statement of the alleged violation(s).

b. Presentation of Evidence.

- i. Each party (including the Board where appropriate) may make an opening statement, orally or in writing, starting with the complaining party's case.
- ii. In turn, beginning with the complaining party, each party may produce documentary evidence and testimony. Each party may then question the opposing party and the opposing party's witnesses. Witnesses providing testimony (orally or in writing) must appear and be subject to questioning. Each witness (but not the alleged violator or complaining party) must testify outside the presence of other witnesses.
- iii. Each party may make a final statement, orally or in writing, after hearing all evidence.
- iv. Formal rules of evidence will not apply, and, subject to any other requirements in these rules, all evidence properly submitted should be considered. The Board will give whatever weight it feels is appropriate to each piece of evidence.

c. Failure to Exercise Rights. Any party may choose not to exercise any rights during the hearing process (e.g. not give an opening statement). Even if a complaining party chooses not to attend the hearing and/or be subjected to questioning, the Board may not automatically find the alleged violator to be in violation. The complaining party, including the Board, must still present or possess sufficient proof of the violation. A non-attending alleged violator may present other evidence or witnesses to support their case.

d. Additional Hearing Rules. The Board may specify other reasonable rules for the hearing, provided the alleged violator can (1) confront and question the complaining party and any witnesses (if their personal knowledge is

necessary to prove the claim), (2) review any other corroborating evidence of the violation, and (3) testify and present evidence in their own defense.

e. Preparation for Deliberation. After receiving all evidence, the alleged violator, complaining party and witnesses are excused. If the complaining party is a director, with no personal stake in the dispute, such director may remain.

f. Deliberation. The Board will discuss, deliberate and decide what action to take, if any, or if the matter should be taken under submission.

g. Take Matter Under Submission. After considering the evidence presented at the hearing and during deliberation, the Board may take the matter under submission to allow (1) the presentation and consideration of additional documentary or other evidence, (2) further investigation to be conducted, and/or (3) additional time for deliberation by the Board. If taken under submission, the Board must schedule another executive session meeting within 35 days after the original hearing at which the Board will resume deliberation.

h. Take Action: If the Member is found to have violated the governing documents, the Board may take any appropriate action allowed under the governing documents or the law, such as:

- i. Sending a “cease and desist” letter;
- ii. Imposing one or more monetary penalties (fines);
- iii. Allowing the Member a reasonable period of time to correct any ongoing violations, such as architectural or nuisance violations, and, in the Board’s discretion, imposing daily fines which may automatically begin, without further notice or hearing, if the Member does not (1) comply within the time allowed or (2) request and be granted additional time to comply;
- iv. Correcting (or causing to be corrected) the violation. Then, after a further notice and hearing, imposing a reimbursement assessment upon the Member for the costs and expenses of doing so, including attorneys’ fees, when allowed by law;
- v. Suspending membership privileges, such as recreational common area use rights (but not member voting rights), effective no sooner than five (5) days after the notice of disciplinary action required by Civil Code §5855 (c) or any successor statute;
- vi. Initiating Internal Dispute Resolution and/or Alternative Dispute Resolution in the manner provided by the Association’s governing documents and the law;
- vii. Seeking any legal remedy, including, without limitation, seeking a restraining order and/or injunctive relief, or imposing a lien and/or foreclosing on the Member’s property, where allowed by law;
- viii. Taking no disciplinary action when circumstances warrant. The justification for taking no action in response to a violation must be noted in the executive minutes and the Member’s disciplinary file, if any.

i. Give Notice of Decision: The Member, but not the complaining party, must be notified of any disciplinary action taken by the Board of Directors within 15 days following the action. If no disciplinary action is taken, no

notice to any party is required, but such notice may be given to any party if circumstances warrant and doing so does not violate the privacy of the alleged violator.

1.3 Monetary Penalty (Fine) Schedule and Policies. If the Board finds a violation of the governing documents, a monetary penalty (fine) of up to \$200 may be imposed for each separate violation of that provision, subject to the following additional provisions:

a. For violations which are not continuous:

- i. If a Member violates the same provision of the governing documents on two separate occasions within any 12-month period, the Member will be subject to a monetary penalty (fine) of up to \$400 for the second violation.
- ii. If the Member violates the same provision three or more times within any 12-month period, the Member will be subject to monetary penalties (fines) for the third and subsequent violations of up to \$600 each.

b. For continuous violations, such as architectural, ongoing nuisance, rental violations, or otherwise:

- i. Continuous violations will be considered a violation every day from the first day of the violation until remedied in full for at least 30 days.
- ii. Continuous violations are subject to a monetary penalty (fine) of up to \$100 per day for every day of the violation, whether consecutive or not, until the violation is remedied, subject to a maximum monetary penalty (fine) of \$3,000 per calendar month.
- iii. Continuous Violation Example 1: A homeowner engages in short-term rentals in violation of the governing documents and the Association imposes a continuous fine of \$100 per day after notice and a hearing. The homeowner continues the violation the following week by renting over four-day periods once per week for four consecutive weeks in a single calendar month. The short-term rental violation occurred on 16 nonconsecutive days in a single calendar month and the Association may properly impose, without further notice or hearing, monetary penalties of \$1,600 upon confirmation of the violations.
- iv. Continuous Violation Example 2: A homeowner smokes on his/her patio in violation of the governing documents and the Association imposes a continuous fine of \$100 per day. The homeowner stops smoking for a week, but the resumes five days per week for three weeks for a calendar month. Then the homeowner goes on vacation for 30 days before returning and resuming smoking. The smoking violation occurred on 15 non- Policies consecutive days for which the Association may impose, without further notice or hearing, monetary penalties of \$1,500 upon confirmation of the violations. However, after the 30-day lapse in violations, the matter is deemed fully remedied and a new notice and hearing must be given for any subsequent violations.

c. Multiple violations, whether non-continuous or continuous, may be addressed in one or more Notice(s) of Intent to Impose Discipline to the owner and may be the subject of and heard at one or more executive session hearing(s).



d. All monetary penalties (fines) and reimbursement assessments are due upon notice given and are delinquent 15 days after they become due.

1.4 Remedies. Unless prohibited by other governing documents, and when permitted by law, the Association may take legal action or correct, remedy or cure a violation, and seek a reimbursement assessment against the Member, or file a memorandum of costs or motion for attorneys' fees, to recover costs, expenses and attorneys' fees incurred by the Association.

1.5 Reimbursement Assessment. If a violation is found which causes the Association to incur a financial obligation or expense, then the Member responsible for the violation will be subject to a reimbursement assessment in the amount of the obligation or expense incurred by the Association after proper notice and a hearing to the extent allowed by law.

1.6 Liens on Fines; Prohibition Against Non-Judicial Foreclosure. A monetary penalty (fine) imposed by the Association as a disciplinary measure for failure of a Member to comply with the governing documents, may be treated as and is hereby an assessment that may become a lien against the Member's separate interest, but such lien may not be enforced by the sale of the interest under Sections 2924, 2924b, and 2924c (non-judicial foreclosure).

ALLEGED VIOLATION REPORT

Date of Report: \_\_\_\_\_

Person Making Report

Name: \_\_\_\_\_ (Complainant Address: \_\_\_\_\_ Phone No: \_\_\_\_\_

2. Time, place and nature of alleged violation (to the extent known) Date: \_\_\_\_\_ Time: \_\_\_\_\_ Location: \_\_\_\_\_ Nature of Violation: \_\_\_\_\_

3. Description of Alleged Violator (if known) Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Address: \_\_\_\_\_

4. Additional Witnesses (continue on back as needed) Name: \_\_\_\_\_ Address/Phone: \_\_\_\_\_ Name: \_\_\_\_\_ Address/Phone: \_\_\_\_\_

5. Other Evidence (Photographs, Documents, Etc.) Supporting the Violation (continue on back as needed)

6. Specific Governing Document Violated (Cite exact provision(s) of Occupancy Agreement, Bylaws, Rules or Regulations violated) \_\_\_\_\_ 7. Original Complainant

The person making this complaint acknowledges that he or she must appear as a witness at any formal hearing or the Board may refuse to consider the alleged violation, unless the violation can be independently corroborated. \_\_\_\_\_ (Signature) Exhibit A to

Enforcement and Fine Policies Adopted on \_\_\_\_\_. Page 7 Enforcement and Fine Policies NOTICE OF INTENTION TO IMPOSE DISCIPLINE To Member:

\_\_\_\_\_ Please be advised that you are given notice that the Board of Directors will hold a hearing on: \_\_\_\_\_ (Date) \_\_\_\_\_ (Time) \_\_\_\_\_ (Place)

\_\_\_\_\_ to consider the imposition of a monetary penalty (fine), suspension of membership privileges, such as the right to use recreational common area, but not member voting rights, or other permissible discipline or action against you concerning an alleged violation of the Association's governing documents, that is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ You may attend the hearing and be heard orally or in writing before the Board of Directors and to present any witnesses or other evidence on your behalf. For any written statement to be considered, the author must be present to testify and be questioned about the statement. The hearing will be held in executive session whether you are present or not and whether you contest the alleged violation or not. Please acknowledge your receipt of this notice and indicate, by checking the box indicating whether you will contest the alleged violation or not. Very truly yours, BOARD OF DIRECTORS I acknowledge receipt of this notice and:  I do not oppose the alleged violation.  I oppose the alleged violation. Exhibit B to Enforcement and Fine Policies