

A G E N D A
REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS
SEAL BEACH MUTUAL TWO
Administration Building Conference Room A, at 9:00 a.m.
October 19, 2017

1. CALL TO ORDER, *Pledge of Allegiance*
2. ROLL CALL
3. GRF REPRESENTATIVES, GUEST(S), AND STAFF INTRODUCTION:
Ms. Snowden, GRF Representative / Mr. Pratt, GRF Representative
Ms. Hopkins, Mutual Administration Director
Mr. Alvarez, Building Inspector
Ms. Day, Recording Secretary
4. APPROVAL OF MINUTES: **Regular Monthly Meeting of September 21, 2017**
Special Meeting of October 9, 2017 (page 2)
5. SHAREHOLDER COMMENTS (2-3 minute limit)
6. BUILDING INSPECTOR'S REPORT (pages 3-4) Mr. Alvarez
7. GRF REPRESENTATIVE'S Ms. Snowden, Mr. Pratt
8. MUTUAL ADMINISTRATION DIRECTOR (pages 5-6) Ms. Hopkins
9. UNFINISHED BUSINESS –
 - a. Sprinkler Controller Mtg./Vendors Mrs. Esslinger
10. NEW BUSINESS –
 - a. Number of Guest Passes for 2018 (pages 7-8) Mr. Knebel
 - b. Ratify Building Capt./Laundry Rm. Cmte., Peggy, Holly & 2 shareholders (page 9) Ms. Baker
 - c. Amend Policy 7425.02 – Landscape Areas, Trees and Shrubs Part 1 (pages 10-15) Mrs. Esslinger
 - d. Grading and clean wall – Buildings 69 to 72 – \$15,750 (page 16) Mr. Moore
 - e. AQMD Monitor Request Motion (page 17) Ms. Baker
 - f. Prices to demolish short walls @ Building 67 – fill and reseed (page 18) Mrs. Esslinger
 - g. GRF Parking Policy 1927.01-37 to Mutual Two Policy 1927.01-37.02 (pages 19-21) Mrs. Esslinger
 - h. Rescind permit for carport storage (page 22) Mrs. Esslinger
 - i. Rescind permit for carport parking (page 23) Mrs. Esslinger
 - j. Standard Operating Protocol (pages 24-27) Mr. Brooks
 - k. Code of Conduct (pages 28-32) Mr. Brooks
 - l. Pricing for sewer sleeving from Building 32 (page 33) Ms. Baker
 - m. Resolution to accept NSBN Engagement Letter (pages 34-43) Ms. Baker
 - n. Rescind Policies 7010 – Merger of Mutuals, 7170 – Parcel Representation,
7401.1 – Licensed and Insured Contractors List, 7402 – Working Hours – Contractors,
and 7493 – Patio Roof Covers (pages 44-50)

STAFF BREAK (TIME TO BE DETERMINED BY PRESIDENT)

11. CHIEF FINANCIAL OFFICER'S REPORT Mr. Brooks
12. DIRECTOR(S)' COMMENTS Board
13. ADJOURNMENT
14. EXECUTIVE SESSION (legal, member, shareholder issues as required)

(STAFF WILL LEAVE THE MEETING BY 12:10 p.m.)

NEXT MEETING: November 16, 2017

MINUTES OF A SPECIAL MEETING OF THE
BOARD OF DIRECTORS
SEAL BEACH MUTUAL TWO
10/9/2017


In accordance with the Corporation Bylaws, and pursuant to posted due notice to the Directors, a special Meeting of the Board of Directors of Seal Beach Mutual Two was called to order by President Baker at 9:00 a.m. in Board Room B Meeting Room.

Those Directors present were: President Baker, VP Esslinger, Secretary Knebel, CFO Brooks, Directors MacLaren and Moore. Directors Naret, Keller, and Sporcich were absent.

The purpose of the meeting was to prepare the agenda for the October 19, 2017 regular monthly meeting.

No votes were taken at this meeting.

The meeting was adjourned at 10:23 a.m.


Attest Ken Knebel, Secretary
SEAL BEACH MUTUAL TWO

INSPECTOR MONTHLY MUTUAL REPORT

MUTUAL (02) TWO

INSPECTOR: BRUNO ALVAREZ

DATE:

OCTOBER 19 2017

Print Date: 10/12/17

PERMIT ACTIVITY							
UNIT #	DESCRIPTION OF WORK	GRF/CITY PERMIT	PERMIT ISSUE	COMP. DATE	CHANGE ORDER	RECENT INSPECTION	CONTRACTOR / COMMENTS
1-E	CARPET INSTALL	NO	09/19/17	11/28/17	NO	NONE	BIXBY PLAZA CARPETS
2-J	WINDOWS	BOTH	09/05/17	10/20/17	NO	NONE	AMERICAN VISION WIND.
7-A	REMODEL	BOTH	05/11/17	09/25/17	NO	08/16/17 DRYWALL NAIL	GAMBOA CONSTRUCTION
3-G	CART PAD	GRF	08/14/17	09/22/17	NO	NONE	JOHNS LANDSCAPE
13-K	HEAT PUMP	BOTH	06/26/17	08/06/17	NO	NONE	ALPINE
14-A	PATIO REPLACE	BOTH	05/25/17	06/25/17	NO	NONE	MJ JURADO
15-A	EZ ACCESS TUBE	BOTH	05/18/17	07/19/17	NO	NONE	NUKOTE
15-I	EZ ACCESS TUBE	BOTH	09/07/17	10/27/17	NO	NONE	NUKOTE
16-C	FLOORING	GRF	07/11/17	08/24/17	NO	NONE	NATIONWIDE PAINTING
17-D	FRONT DOOR	BOTH	10/02/17	11/10/17	NO	NONE	SWENMAN
17-E	EZ ACCESS TUBE	BOTH	08/31/17	10/07/17	NO	NONE	NUKOTE
18-H	FLOORING	GRF	07/14/17	08/25/17	NO	NONE	FAMILY FLOOR
20-D	HEAT PUMP	BOTH	06/12/17	09/30/17	NO	NONE	GREENWOOD
24-F	REMODEL	BOTH	08/21/17	03/12/18	NO	ROUGH 09/29/17	JC KRESS
24-J	REPLACE WASH/DRY	BOTH	08/10/17	09/10/17	NO	NONE	NORWALK/LM PLUMBING
24-K	REMOVE ASBESTOSS	BOTH	06/13/17	07/25/17	NO	NONE	UNIVERSAL ABATEMENT
24-K	COUNTER TOP	BOTH	10/09/17	11/22/17	NO	NONE	OGAN
29-G	INSTAL WASH/DRYER	BOTH	08/10/17	09/10/17	NO	NONE	NORWALK/LM PLUMBING
30-H	WASHER/DRYER	BOTH	04/20/17	10/15/17	NO	R. PLUMBING 05/10/17	L.W. DÉCOR
30-H	MICROWAVE	BOTH	02/25/17	06/30/17	NO	NONE	RDF
30-K	CARPORT CABINET	GRF	08/13/17	10/20/17	NO	FINAL 10/10/17	HANDIMAN
31-G	INSTALL CARPET	GRF	08/14/17	09/14/17	NO	NONE	BIXBY PLAZA CARPETS
31-I	HEAT PUMP	BOTH	08/10/17	10/12/17	NO	FINAL 09/11/17	GREENWOOD
31-I	WASHER/DRYER	BOTH	06/10/17	08/10/17	NO	NONE	AC&R
32-E	REMODEL	BOTH	06/12/17	09/30/17	NO	NONE	BJ+CO
33-D	FLOORING	BOTH	06/13/17	07/22/17	NO	NONE	MAMUSCIA CONSTRUCTION
33-D	INSTALL DOOR	BOTH	05/25/17	07/25/17	NO	NONE	MAMUSCIA CONSTRUCTION
35-K	CARPORT CABINET	GRF	08/30/17	09/30/17	NO	NONE	HANDIMAN
37-G	REMODEL	BOTH	03/20/17	11/30/17	NO	09/13/17 DRYWALL NAIL	ALPHA MASTER BLDRS
38-E	WINDOW/PATIO	BOTH	08/21/17	10/30/17	NO	NONE	KANGS CONST
39-G	FLOORING ENTIRE/UNI	BOTH	08/24/17	10/15/17	NO	FINAL 09/20/17	NATIONWIDE PAINT
40-B	CARPET INSTALL	GRF	60/10/17	07/10/17	NO	NONE	LACEYS CARPETS
40-F	WINDOW REPLACEM.	BOTH	10/10/17	11/20/17	NO	NONE	BODIES GLASS
40-F	FLOORING	GRF	10/02/17	11/09/17	NO	NONE	BIXBY PLAZA FLOORING
41-K	EZ ACCESS TUB	GRF	04/11/17	05/11/17	NO	NONE	NUKOTE
43-B	BATH REMODEL	BOTH	08/21/17	09/28/17	NO	FINAL 09/20/17	GAMBOA CONSTRUCTION
45-I	KITCH. REMD.ADD BAT	BOTH	08/14/17	11/03/17	YES	ROUGH 8/28/17	PENA CONSTRUCTION
46-A	ASBESTOS ABATEMEN	GRF	07/31/17	09/22/17	NO	NONE	UNIVERSAL ABATEMENT
46-A	WINDOWS	GRF	08/10/17	09/10/17	NO	NONE	SWENMAN
46-E	HEAT PUMP	BOTH	10/11/17	02/28/18	NO	NONE	GREENWOOD
46-G	HEAT PUMP	BOTH	08/14/17	10/20/17	NO	FINAL 09/11/17	GREENWOOD
47-B	WASHER/DRYER	BOTH	10/10/17	11/20/17	NO	NONE	JC KRESS
48-A	WINDOW REPLACEM.	BOTH	09/28/17	12/09/17	NO	NONE	BODIES GLASS
48-F	HEAT PUMP	BOTH	09/13/17	11/11/17	NO	NONE	ALPINE
49-H	HEAT PUMP	BOTH	09/11/17	12/28/17	NO	NONE	GREENWOOD
51-F	HEAT PUMP	BOTH	09/28/17	12/05/17	NO	NONE	GREENLEAF HEAT&AIR
52-F	WINDOW REPLACEM.	BOTH	08/28/17	09/28/17	NO	NONE	BODIES GLASS
55-I	HEAT PUMP	BOTH	07/27/17	08/27/17	NO	NONE	ALPINE
56-H	WINDOW REPLACEM.	GRF	05/30/17	06/30/17	NO	NONE	SWENMAN
57-A	CUONTER TOP KIT.	BOTH	10/10/17	12/05/17	NO	NONE	WESTBY4HOMES
57-I	CARPORT CABINET	GRF	08/15/17	09/15/17	NO	NONE	HANDIMAN
59-L	REMODEL	BOTH	07/12/17	11/10/17	NO	ROUGH 9/29/17	LOS AL
60-A	FLOORING	GRF	09/11/17	10/20/17	NO	NONE	KARYS CARPETS
60-J	HVAC	BOTH	09/05/17	12/18/17	NO	NONE	GREENWOOD
60-J	REMOVE DECO BLOCK	GRF	06/13/17	08/11/17	NO	NONE	BERGKIST
61-D	BATH REMODEL	BOTH	09/19/17	12/30/17	NO	NONE	ALPHA MASTER BLDRS
61-J	INSTALL GATE	GRF	04/25/17	05/20/17	NO	NONE	MJ JURADO
62-A	HEAT PUMP	BOTH	10/10/17	12/30/17	NO	NONE	YES REMODELING
62-A	REMODEL	BOTH	07/28/17	02/02/18	NO	ROUGH PLM 09/19/17	ALPHA MASTER
64-B	WATER DAMAGE REP.	GRF	06/10/17	06/25/17	NO	NONE	LW DÉCOR
64-B	HEAT PUMP	BOTH	06/12/17	09/30/17	NO	NONE	GREENWOOD
64-D	EZ ACCESS TUBE	BOTH	08/16/17	09/16/17	NO	NONE	NUKOTE
64-F	SOLAR TUBE	BOTH	05/25/17	06/25/17	NO	NONE	BRIGHTER CONCEPTS
65-G	HEAT PUMP	BOTH	07/11/17	08/18/17	NO	NONE	YES REMODELING
67-B	WINDOW REPLACEM.	BOTH	09/25/17	12/06/17	NO	NONE	BODIES GLASS
67-B	BLOCK WALL	GRF	08/05/17	08/25/17	NO	NONE	HANDIMAN
67-B	FILL DECOBLOCK	GRF	07/10/17	08/31/17	NO	NONE	HANDIMAN
67-B	SIDE WALK	GRF	06/23/17	08/16/17	NO	NONE	HANDIMAN
67-H	WASHER/DRYER	BOTH	03/23/17	05/20/17	NO	NONE	PENA CONSTRUCTION
71-J	HEAT PUMP	BOTH	05/22/17	08/22/17	NO	NONE	GREENWOOD

INSPECTOR MONTHLY MUTUAL REPORT

MUTUAL (02) TWO

INSPECTOR: BRUNO ALVAREZ

DATE: **OCTOBER 19 2017**

Print Date: 10/12/17

ESCROW ACTIVITY							
UNIT #	NMI	PLI	NBO	FI	FCEI	ROF	DOCUMENTS/COMMENTS
1-D		05/09/17	06/22/17	06/22/17	07/07/17	08/21/17	
2-G		10/05/17					
2-L		07/03/17	07/03/17	08/09/17	08/23/17		
3-D		03/28/16	08/10/17	08/14/17	08/28/17	09/21/17	
6-H		07/17/17	09/01/17	09/01/17	09/18/17		
10-B		10/05/17					
10-I		10/01/15					
12-F		01/23/17	08/04/17	08/07/17	08/21/17	08/21/17	
13-F		09/03/15					
15-E		07/13/17	09/28/17	09/28/17	10/12/17		
15-F							
17-D			05/23/17	05/25/17	06/09/17		
20-B		05/12/17		07/06/17	07/20/17		
20-D		10/05/17					
24-F		06/19/17		08/02/17	08/16/17		
26-J		08/31/17					
27-J		07/03/17		07/06/17	07/20/17	08/25/17	
31-G		07/18/17	07/03/17	08/01/17	08/15/17	10/02/17	
33-E		07/19/17					
34-G		07/03/17	09/08/17	09/20/17	10/04/17		
35-A		10/05/17					
36-C		07/17/17	07/28/17	08/04/17	08/18/17	10/02/17	
36-J		07/17/17		08/01/17	08/15/17		
38-L				07/12/17	07/21/17		
41-L		07/03/17	09/20/17	09/25/17	10/09/17		
43-B		04/29/17	07/05/17	07/14/17	07/28/17		
43-F			05/22/17	05/23/17	06/07/17		
44-H	8/21/2017						
46-B		10/05/17					
54-K		07/03/17	07/24/17	07/24/17	08/04/17	08/29/17	
57-A		07/25/17	08/31/17	09/05/17	09/19/17		
59-K			08/02/17	08/02/17	08/16/17	09/27/17	
60-A		07/18/17	08/17/17	08/21/17	09/05/17	09/07/17	
60-G		03/29/17	09/06/17	09/13/17	09/27/17		
61-I		08/31/17					
62-A		04/14/17		06/30/17	07/17/17		
63-I		02/27/17	03/23/17	03/29/17			
67-G		08/31/17					
70-F		05/26/16					

NMI = New Member Inspection PLI = Pre-Listing Inspection NBO = New Buyer Orientation
 FI = Final Inspection FCEI = Final COE Inspection ROF = Release of Funds

CONTRACTS	
CONTRACTOR	PROJECT
ANDRE LANDSCAPING 05/31/2018	
FENN CONTRACT	TERMITES, PEST, AND BAIT STATIONS
BERGKVIST GOOD UNTIL 12/31/18	TERMITE AND DRYROT REPAIRS

SPECIAL PROJECTS	
CONTRACTOR	PROJECT
ROOFING STANDARDS	COMPLETED 62,44,45 -2017 CONTRACT COMPLETED
KRESS	COMPLETED 62,44,45 -2017 CONTRACT COMPLETED
GRECO	ATTIC DOORS COMPLETED
HUTTON	PAINTING IS GOING GREAT BLDG. 46
MJ JURADO	SIDEWALKS BLDG. 4 TO 14

Mutual Administration Director's Report October 2017

Candle Fire Safety

Don't let this



turn into 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.
- In one-fifth (20%) of candle fires, the candles are unattended or abandoned.
- Over one-third (36%) of home candle fires begin in the bedroom.
- Falling asleep is a factor in 12% of home candle fires and 36% of the associated deaths.
- December is the peak time of year for home candle fires. In December, 13% of home candle fires begin with decorations compared to 4% the rest of the year.
- One-half of home candle fire deaths occur between 12:00 midnight and 6:00 a.m.
- Young children and older adults have the highest death risk from candle fires.
- The risk of fatal candle fires appears higher when candles are used for light.

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.
- If you do use candles, ensure they are in sturdy metal, glass, or ceramic holders, and placed where they cannot be easily knocked over.
- 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.
- Set a good example by using matches, lighters, and fire carefully.
- 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 put candles on a Christmas tree.
- When using in-home worship, do not place lit candles in windows where blinds and curtains can close over them, or pass handheld candles from one person to another. To lower the risk of fire, candles should be used by only a few designated adults.
- **And 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.

Board Resolution

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

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

Date Board Approved: _____, 2017

Signed: _____, Print Name: _____
Board President or Secretary

Mutual: 01

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: MOTION TO ISSUE ADDITIONAL GUEST PASSES
DATE: OCTOBER 12, 2017

I move to authorize the GRF Executive Director and/or Mutual Administration Director to issue _____ **ADDITIONAL** Guest Passes, in accordance with GRF Policy 5536.1-33. Each guest pass shall carry a unique identification number with a monthly report provided by the GRF Stock Transfer Office to the Mutual Board of guest passes issued noting the Shareholder/Member name as responsible party for the Guest, effective 2018-2019.

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: RATIFY BUILDING CAPTAINS/LAUNDRY ROOM COMMITTEE
DATE: OCTOBER 12, 2017

I move to _____ the Building Captains/Laundry Room committee.

MUTUAL OPERATIONS

AMENDED DRAFT

PHYSICAL PROPERTY

Landscape Areas, Trees, and Shrubs – Mutual Two

SHAREHOLDER GARDENS

MISSION STATEMENT

This policy is adopted to enhance the enjoyment of the Mutual Two living style by setting and enforcing standards for Mutual Two landscaping.

This policy outlines the shared responsibilities of Mutual Two and its shareholders. The Landscape Committee is entrusted with the management of landscaping including the responsibility for inspections and enforcement of this policy.

If all shareholders follow the policy as outlined below, the landscape areas will display what most shareholders would consider an appealing appearance of Mutual Two, a benefit for all as a good place to live and an enhancement of property values in the event of resale.

Resident Garden Areas

The area extending ~~24~~ or 36 inches from the exterior wall of the unit is set aside for the shareholder's garden. The sides of the corner apartments shall have a 48-inch limit. At the time of sale or transfer of stock, the Mutual will review the area and decide whether those areas which have been extended beyond these limits will be returned to the 36 or 48 inches or leave as extended.

Shareholders may plant greenery of their choice from the list of Mutual approved plants. Plants with invasive root growth that could potentially damage the Mutual structures and walkways are prohibited. Vines are not permitted to climb on any structures. If a trellis is used, it must be free-standing and be kept eighteen (18) inches below the **eaves and twelve (12) inches from the building, and twenty-four inches on the building ends.** All plants must be trimmed back twelve (12) inches from building walls, **eighteen (18 inches) below the eaves, in the front of the buildings, and twenty-four (24) inches on all building ends.** Shrubs shall not block windows, electric meters, or neighbors' views. **Going forward, effective with ratification of this policy,** trees may not be planted in garden areas, except in tubs, and they must be kept eighteen (18) inches below the eaves. Plants must be cut back so as not to extend over the garden line, in all cases. Removal of any offending growth will be done by the Mutual at the shareholder's expense.

3. Fertilization and plant pest control within the garden area are the responsibility of the shareholder. Watering the garden area is also the responsibility of the shareholder. At the shareholder's expense, sprinklers may be added within the garden area. Maintenance of sprinklers will be at the shareholder's expense.

MUTUAL OPERATIONS

AMENDED DRAFT

PHYSICAL PROPERTY

Landscape Areas, Trees, and Shrubs – Mutual Two

4. Potted plants are not permitted on entrance walkways; nor can they inhibit the 36-inch entry requirement. Further, potted plants are not permitted on top of, or hung from Padmount transformers, nor on telephone vaults or walk lights. Cement pavers must be under all pots containing trees or large plants.
5. Free-standing objects are permitted in the garden area only.
6. After cleaning garden areas or raking leaves, shareholders should place the leaves or debris in the proper trash bins.
7. At the time of escrow or transfer of stock to a new owner, the Mutual Inspector and the Mutual Director will signify any plants, shrubs or trees that need to be removed. The cost of such removal will be the expense of the seller or transferee of ownership.
8. Planting will be in accordance with the current Mutual Two Gardening Policy. If the new owner wishes to do the planting, it will at their expense.

Shareholders may design a garden area with slight curves to enhance their garden area. First, shareholders must submit a plan and drawing of the proposed garden area to the Board of Directors prior to the work being done. If approved, the plan and drawing will go into a file for that unit and be so that the garden area does not have to be returned to its original configuration if the shareholder sells his or her share of stock.

I. GARDEN AREAS

Every shareholder is allowed the privilege of a flowerbed area in front of his/her apartment. Existing flowerbeds range in width from 24" to 36" and cannot exceed 36" in front; side gardens cannot exceed 48".

Front and side gardens may not be used as storage areas. Items such as garden soil, empty pots, garden tools, potting tables, cabinets, scaffolding, shelving, bikes, kayaks and/or surf boards are prohibited in front and side gardens. Also, do not block unit windows. ~~However, a box with earthquake material is~~ **allowed**.

II. FLOWERBED USE AND MAINTENANCE

Shareholders are expected to maintain their flowerbed areas to enhance the Mutual and be aesthetically appealing to the appearance of the Mutual. If a shareholder does not adhere to the requirements of the landscape policy, the Mutual will advise the shareholder, in writing, of the problem to be corrected.

1. All fertilization and plant pest control within the flowerbed are the responsibility of shareholders at their expense. Pesticide application requires careful attention to prevent endangerment to other shareholders **and their pets**, as well as to beneficial insects.

MUTUAL OPERATIONS

AMENDED DRAFT

PHYSICAL PROPERTYLandscape Areas, Trees, and Shrubs – Mutual Two

2. Flowerbeds are cultivated, weeded, and trimmed by contracted landscapers every six (6) weeks. Shareholders who desire to do the work themselves may alert the landscapers by placing red flags within the flowerbed. Flags are available from the gardeners.

3. Landscapers are instructed to remove weeds from all flowerbed areas, including Baby's Tears, wild mint, ivies and plants of the spiderwort family. These plants can spread onto the lawns or invade neighboring gardens.

4. In no instance are plants of any sort permitted to become entwined, lay upon, or in any manner touch a roof, an exposed beam, or any portion of a structure, including gutters, as these conditions invite termites, rats and mice.

Any plant materials in the flowerbed whose roots are damaging the building structure, walkways, lawn area, or retaining wall must be removed at the expense of the shareholder and the damages repaired at their expense.

Plants not already trimmed to acceptable standards of one-foot (12 inches) from the building and decorative blocks and **eighteen (18) inches from the eaves and twenty-four (24) inches on all building ends**, will be cut back at shareholder's expense ~~when the structure is painted or repaired.~~

5. Entrance walkways, from the sidewalk to the structure/porch, must be kept free always of potted plants and all other impediments, including electric carts. Nothing that will in any way impede the full use of the 36" wide walkway and entry from the sidewalk to the entrance onto the porch is permitted to remain on the walkway. Plant materials must not extend outside the flowerbed limits over scallop borders, walkways, turf areas, or into neighboring flowerbeds.

6. Any potted plants placed in the flowerbed areas must be in decorative pots – they may not be left in nursery containers. Potted plants are to be kept trimmed and in a healthy state. The flowerbeds are to be kept in an attractive state to avoid an overabundance of plants that can be an eyesore and attract spiders, bugs and rodents.

7. Shareholders are allowed to have "stackable gardens." However, the garden must have aproned plants and must be kept twelve (12) inches from the building wall and may not go above the decorative fence or twenty-four (24) inches.

8. If a flowerbed is deemed to be an eyesore by the Landscape Committee and provides hiding places for spiders and rodents, then the shareholder will be asked, in writing, to clean it out. If the resident does not clean out the "overgrown" flowerbed and/or overabundance of potted plants, then the Mutual will do it. The shareholder will not be reimbursed for any plants, pottery, containers or non-authorized "items" in the flowerbed.

MUTUAL OPERATIONS

AMENDED DRAFT

PHYSICAL PROPERTYLandscape Areas, Trees, and Shrubs – Mutual Two

9. The list of only approved plants is shown below. If a shareholder has a question about a plant that does not appear on the approved list, the shareholder needs to contact the Landscape/Garden Director for clarification and to obtain written approval from the Director prior to planting. If planted without prior written approval, the Mutual will remove, at its discretion, the offending plant(s) at the shareholder's expense.

DRAFT

MUTUAL OPERATIONS

AMENDED DRAFT

PHYSICAL PROPERTYLandscape Areas, Trees, and Shrubs – Mutual TwoApproved Plants List:

A sampling of approved plants for Mutual 2 Shareholder gardens. If you are interested in a plant not listed, please contact the Landscape/Garden Chairperson to check viability. Perennial and Annual Flowers do well in our climate and soil. Young plants need protection from rabbits

All vegetables and fruit may be grown in pots within the shareholder's designated flowerbed area ONLY. Pots may not be placed on walkways, sidewalks, or anywhere that will impede emergency access. Pots containing vegetables and trees may be placed on shareholder's patio. If placed in the flowerbed, pot must be on a paver large enough to prevent roots from going into the ground.

Annual Flowering Plants – all varieties of plants listed

Ageratum, Alyssum, Aster, Begonia, Calendula, Celosia, Coleus, Cosmos, Dahlia, Dianthus, Dusty Miller, Gazania, Hypoestes Mix (Polka-Dot Plant), Iceland Poppy, Impatiens, Decorative Kale, Lobelia, Marigolds, Pansies, Petunia, Portulaca Calypso Mix, Primula, Salvia, Snapdragon, Stock Midget Mix, Vinca, Viola, and Zinnias.

Perennial Flowering Plants – all varieties of plants listed

Alstroemeria, Anemone, Angelonia, Argyranthemum, Armeria, Bacopa, Calibrachoa, Carnation, Chrysanthemum, Cineraria, Convolvulus Mauritanicus, Coreopsis, Cyclamen, Day Lily, Delphinium, Digitalis (Fox Glove), Ivy Geraniums, Zonal Geraniums, Gerbera, Heather, Lavender, Lily of the Valley & Nile, Sunpatien, Nemesia, Osteospermum, Pentas, Primula Obconica, Poinsettia, Ranunculus, Raphiolepis (Pink Lady), Scaveola, Stachys, Statice, and Verbena.

Ornamental Plants – for garden, hanging pots & decorative pots

Agapanthus, Anigozanthus (Kangaroo Paws), Azalea, Canna Lily, Fuchsia, Gardenia, Hydrangea, Hemerocallis (Lily), Lantana, Lavandula, and Roses.

Drought Tolerant Plants and Succulents

MUTUAL OPERATIONS

AMENDED DRAFT

PHYSICAL PROPERTY

Landscape Areas, Trees, and Shrubs – Mutual Two

Non-Approved Plants

The following **flowers, plants or trees may not be planted in garden areas effective July 20, 2017. However, they may be planted in pots and placed on the patio or in the garden on pavers.** Additional prohibited flowers or plants may, in the future, be added to this list by the Board of Directors.

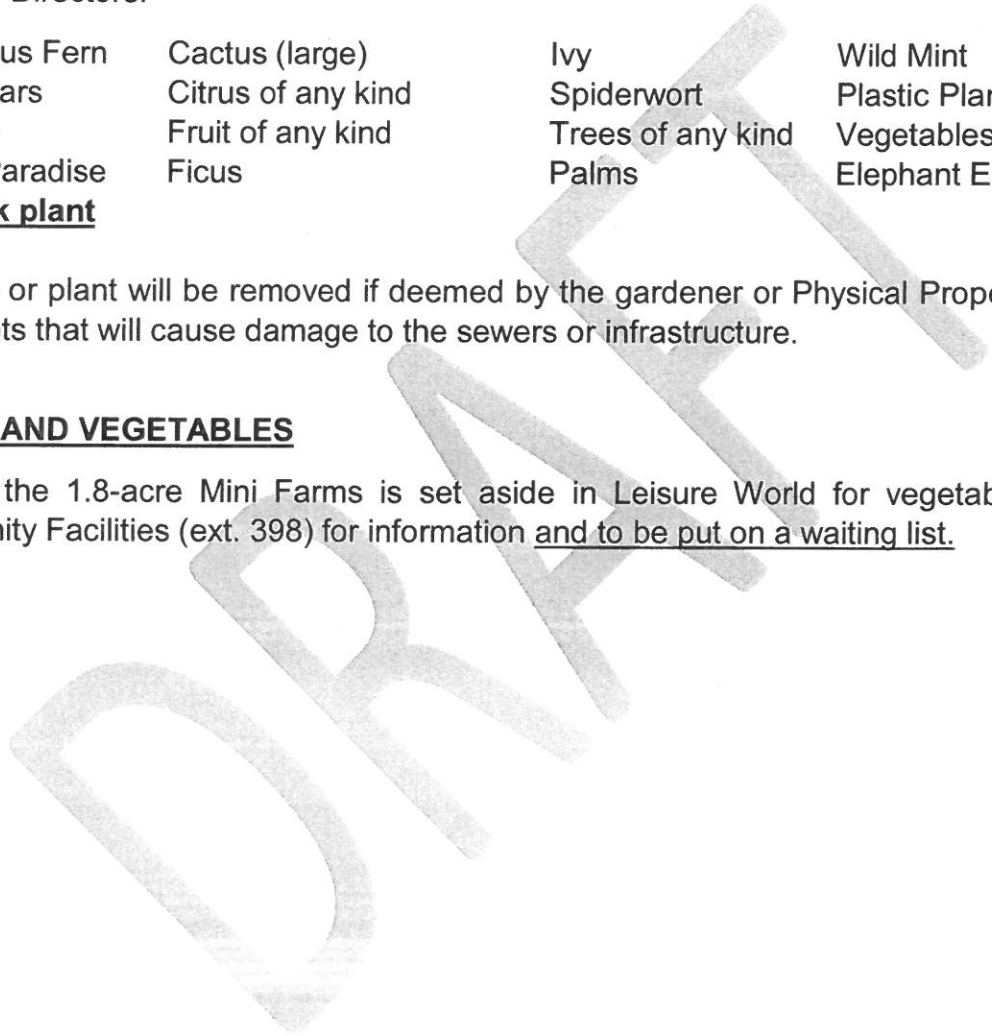
- | | | | |
|------------------|--------------------|-------------------|----------------|
| Asparagus Fern | Cactus (large) | Ivy | Wild Mint |
| Baby Tears | Citrus of any kind | Spiderwort | Plastic Plants |
| Bamboo | Fruit of any kind | Trees of any kind | Vegetables |
| Bird of Paradise | Ficus | Palms | Elephant Ears |

Firestick plant

Any tree or plant will be removed if deemed by the gardener or Physical Property Inspectors to have roots that will cause damage to the sewers or infrastructure.

FRUITS AND VEGETABLES

Land in the 1.8-acre Mini Farms is set aside in Leisure World for vegetable planting. Call Community Facilities (ext. 398) for information and to be put on a waiting list.



Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: MOTION – GRADING/CLEANING WALL – BUILDINGS 69-17 - \$15,750
DATE: OCTOBER 12, 2017

I move that the Mutual Two Board of Directors approve a contract with M. J. Jurado, Inc., for \$15,750 to regrade and prepare a soil for re-landscaping. This applies to the area between the exterior wall along Westminster Boulevard and the sidewalk in the area of Buildings 69 through 72. This includes the removal of any stumps or roots. The soil is to be excavated to a depth of 8 inches. All refuse shall be hauled outside of Leisure World Seal Beach. Further, we direct the President of Mutual Two to sign the contract with M. J. Jurado, Inc., and the cost will be paid for from the Infrastructure Reserve Fund.

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: MOTION – AQMD MONITOR REQUEST
DATE: OCTOBER 12, 2017

I move that Mutual Two Board of Directors allow shareholders who want to volunteer to have these monitors attached to their patio posts with Double Stick Tape, do so for monitoring our air quality.

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: MOTION TO DEMOLISH SHORT WALLS – BUILDING 67
DATE: OCTOBER 12, 2017

I move to direct our Physical Properties Building Inspector to obtain prices to demolish the short wall at Building 67 and then fill it in with dirt and reseed.

COMMUNITY OPERATIONS**VEHICLE PARKING POLICY****FEES (FINES) FOR PARKING RULES VIOLATIONS ON TRUST PROPERTY**

The following Parking Rules Violations Fees (Fines) are strictly enforced and are applicable to all persons controlling or operating vehicles on any TRUST PROPERTY regulated by the Golden Rain Foundation (GRF) of Seal Beach. This refers to the streets, sidewalks, parking areas, clubhouses, grounds, and other amenities overseen by GRF.

Per the Occupancy Agreements for Mutuals 1-12, 14-16 and Mutual 17 CCRs: all Shareholder/Members are solely responsible for the actions of their guests and employees, therefore they are solely responsible for the fines and penalties incurred by their guests or employees.

GRF vehicles are exempted from these policies when appropriate, such as maintenance or security vehicles assisting first responders or providing emergency services to a Shareholder/member unit or GRF TRUST PROPERTY.

1. FINES FOR PARKING VIOLATIONS

Fee explanations for Fine table below:

- 1.1 Any animal or child left unattended in a vehicle will be reported immediately to Animal Control or Seal Beach Police.
- 1.2 **First Offense**
The first offense may result in either a Fix-It citation, a Warning, a Fine or the vehicle being towed. See table below.
A Fix-It citation allows 30 days for resolving the problem.
The fine may be waived by the PRV Panel.
- 1.3 Additional citations may be issued after each 24-hour period.
- 1.4 After the fourth RV or VUFR violation all RV or VUFR parking privileges are suspended for twelve (12) months beginning with the date of the fourth infraction.

COMMUNITY OPERATIONS**VEHICLE PARKING POLICY****FEES (FINES) FOR PARKING RULES VIOLATIONS ON TRUST PROPERTY**

Violation	1st	2nd and Subsequent
1. Assigned Parking Space or restricted parking Space.	25.00	25.00
2. Blocking Crosswalk	25.00	25.00
3. Expired or Invalid State Vehicle Registration*	50.00	50.00
4. Flat Tires	Fix-It	25.00
5. "For Sale" sign on Vehicle	20.00	20.00
6. Handicap Parking without Placard or Handicap ID Displayed	100.00*	200.00
7. Hazardous Materials Leaking	50.00	50.00
8. Limited Time Parking	20.00	20.00
9. Maintenance or Repair	25.00	25.00
10. No Valid GRF Vehicle Decal or Parking Permit Displayed	20.00	20.00
11. Parked on Sidewalk or Grass	25.00	25.00
12. RED ZONE: Bus Stop	25.00	25.00
13. RED ZONE: Fire Hydrant	100.00	200.00
14. RED ZONE: Mail Box	25.00	25.00
15. RV or VUFR - Generator Running 8pm – 8am		50.00
16. RV or VUFR - Jack Support: None or Inadequate	50.00	50.00
17. RV or VUFR Parked Over 72 (Seventy-Two) Hours on TRUST STREET	40.00	40.00
18. Washing any vehicle on Trust Property (except Car Wash areas)	20.00	20.00
19. Washing a Non-resident Vehicle at Car Wash	20.00	20.00

* Fine will be waived on first offense if placard and/or paperwork that was current at time of Citation is presented. The Security Services Director has the right to waive the first offence fine if needed paperwork is presented to them.

EFFECTIVE DATE: January 1, 2017

Adopt: 27 Dec 16
Amended: 25 July 17

Golden Rain Foundation
Seal Beach, CA

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: POLICY 1927.01-37 TO MUTUAL TWO POLICY 1927.01-37.02
DATE: OCTOBER 12, 2017

I move to direct the Policies Committee to write a Mutual Two Parking Policy to mirror the GRF Parking Policy 1927.01-37.

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: RESCIND MUTUAL PERMIT FOR CARPORT STORAGE
DATE: OCTOBER 12, 2017

I move to rescind the Mutual Permit for Carport Storage.

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: RESCIND MUTUAL PERMIT FOR CARPORT PARKING
DATE: OCTOBER 12, 2017

I move to rescind the Mutual Permit for Carport Parking.

MUTUAL TWO BOARD OF DIRECTORS

STANDARD OPERATING PROTOCOLS - 2017- 2018 TERM

Whereas Director and Officer Responsibilities are defined in the Bylaws of Mutual Two Seal Beach;

Whereas the Board of Directors wishes to adopt the general guidelines laid out in the Mutual Corporation Board of Directors Reference Guidelines as revised August 8, 2016 and presented to President's Council on July 6, 2017.

Whereas the President appoints advisory only committees from among the membership of Mutual Two. (By-Law Article VI Section 4).

And,

Whereas the Board of Directors seeks to set defined processes and standards for conducting certain Mutual Two Board of Directors business,

It is hereby resolved:

For the board term _____ 1, 2017 through June 30, 2018, the following procedures and processes shall apply.

Board Committees

Committees of the Board may be appointed by resolution passed by a majority of the whole Board..

Board committees are established by resolution of the Board. (By-Law Article V Section 14.) Committees shall be composed of two or more members of the Board, and shall have such powers of the Board as may be expressly delegated to it by resolution of the Board of Director.

The Board President recommends members and leaders for Board committees. The President, as ex officio member, may choose whether to participate in committee proceedings and, if the Board so resolves, in committee leadership.

Membership Committees

The President has the power to appoint committees from among the membership at his/her discretion to assist in the conduct of the affairs of the corporation. (By-Law Article VI, Section 4)

Physical Property and Landscape Committee Authority and Responsibility

The Board maintains authority and responsibility for decisions on the merits of any Physical Property or Landscape work beyond the basic or routine.

1. The committee's job is to gather facts and advise the Board.

2. The Board's job is to make informed decisions.

3. The President's job is to formalize the actions for Board's agenda and consideration.

Committee members as well as other Board members monitor contractors, both Mutual and shareholder. All potential policy violations are reported to the Mutual's Building Inspector and President for assessment. The President will maintain a list of such issues and report to the Board in Executive Session. Attorney referral and enforcement issues are decided at the board level in Executive Session.

The Landscape Committee and the Building Inspector may coordinate directly with the Landscape Supervisor on routine care, repairs and special projects.

Spending Authorizations.

The Building Inspector has authority up to ~~\$1,000~~ for necessary repairs and work performed by Service Maintenance or an outside contractor.

The President has authority up to ~~\$1,500~~ on necessary Physical Property repairs and work through Service Maintenance. Emergency service by an outside contractor such as a midnight flood clean up can be authorized as well.

The Landscape Chair may authorize up to ~~\$500~~ on necessary repairs. Contracts and non-routine expenditures in excess of ~~\$500~~ require authorization of the Board.

The President or the President's designee and the Physical Property Inspector determine what work needs to be done on apartments in escrow, inside and garden - whether at seller's expense or Mutual expense. Only unusual cases need to come to the full Board.

No Director is authorized to form or amend a contract with an outside vendor, order non-emergency services from Service Maintenance other than minor standard repairs and replacements, change a Board approved contract or place Purchasing orders (Exception, incidental items such as red flags) without Board approval.

Contracts and Payments

Prior to CFO approval for payment:

- All invoices are processed by accounting.
- Landscaping invoices are approved by the Landscape Committee Chair.
- Service repair orders and project work activity are approved by the Mutual Inspector and Maintenance Supervisor.
- Board member expenditures are to be approved by the President or CFO in advance. Reimbursement requests must include original receipts and be approved by the President or CFO.

To ensure timely payment of vendors, invoices are approved at least twice a week. Checks are typically issued twice a week.

Legal Opinions

Referral of any matter involving policy enforcement or property transfer requires Board approval.

Shareholder Concerns

For consistency, all board members will handle shareholder concerns as follows:

- Routine Landscaping service and service-maintenance issues are handled by the parcel directors, the Board President and the Landscape Committee.
- Shareholders having a landscape, financial or service dispute over mutual policy or action should be instructed to submit their concern in writing for board consideration in executive session. Board members should not offer any opinion or suggest a particular outcome.

Board Meeting Agenda Items

Any board member may submit an item for board consideration. Items may also be developed in committee and placed on the board agenda by vote of the committee.

All items submitted to the board for action must include a brief written summary of the item, reason the item is being brought forward and a draft motion for the board to consider. The draft motion will be included in the agenda and any supporting documentation will be attached to the board member agenda packet.

To ensure all agenda items are adequately thought out in advance and incorporate a variety of perspectives, referral by committee to the board is preferred over individual submission.

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: STANDARD OPERATING PROTOCOL
DATE: OCTOBER 12, 2017

I move that the Board adopt and agree to Mutual Two Operating Protocols for the 2017-2018 Board term with the recommended changes.

Mutual Two Board Member Code of Conduct

Director Individual Statement of Responsibility

I. DIRECTOR RESPONSIBILITIES

The Board of Directors of Leisure World Seal Beach Mutual Two adopted the following Statement of Responsibility to clarify the authority of the board and individual directors. This Statement of Responsibility and Code of Conduct is designed to enhance unanimity and coordination between directors, shareholders and staff.

To that end, we the directors of Mutual Two agree that:

- a. The board's authority is as set forth in our articles of incorporation and bylaws to:
 - 1) Oversee the affairs of the mutual in a manner deemed beneficial to the mutual as a whole - both as a business entity and a housing development. To do this, we manage infrastructure projects, financial matters, and complex rules.
 - 2) Carry out duties as provided by the bylaws or by general or specific corporate laws and, working cooperatively with Golden Rain Foundation (GRF) staff and resources
- b. Each director is responsible for adhering to and pursuing enforcement procedures of current Mutual Two Policies. If there is any question about interpretation and implementation of a policy, board members shall seek committee or full board input and avoid individual interpretations or judgements,
- c. In order to be fair and consistent to all shareholders, policies can only be interpreted and revised by action of the entire board. Shareholders have the right to petition the board for consideration or reconsideration of any policy. Any notice of violation, warning, letter concerning violations shall include information on how to contact the board and how to request a hearing.
- d. Each director's authority is equal only to the rights and authority of any individual shareholder of the mutual except when the board is in formal meeting. No individual director may take action on behalf of the mutual or the entire board alone unless explicitly delegated that authority by action of the board, and no individual director has any particular rights to information not made available to all directors.
- e. While an individual director may disagree with a policy approved by or action taken by the majority of the board, s/he will support policy or action as being the

considered judgment of the board. An individual director shall have the right to present further evidence and argument to the board for further consideration in a manner consistent with the board's practices. The board shall have the duty to reconsider its actions appropriately.

- f. ~~Mutual 2 Policies and their enforcement shall be in accordance with Davis-Stirling, corporate law, and/or specific legal opinions. The board has a duty to clearly communicate new legal findings to the entire body of shareholders.~~
- g. • All directors will maintain confidentiality and shall not discuss disputed or confidential corporate actions, policies, or issues with Mutual Two shareholders, employees, or the general public unless all directors agree that such information is no longer confidential. All issues related to individual shareholders and pending litigation shall remain confidential ~~unless or until full disclosure is approved by the board as a whole.~~
- h. Directors serve as representatives of the mutual shareholders. Directors shall consider the needs of the mutual corporation, along with the reasonable need of shareholders to live in a pleasant, and consistently enforced community. We shall conduct ourselves in a professional manner which fosters confidence and reflects positively on Mutual Two, its shareholders, and GRF staff. We respect the rights of others -- directors, staff and shareholders -- to communicate their ideas free from interruption and without intimidation.
- i. All directors shall affirmatively and, at all times, disclose any/all economic conflicts of interest.

II. DIRECTOR CODE OF CONDUCT

As a Mutual Two director, I pledge to do my best for Mutual Two shareholders and will:

- a. Refrain from seeking or accepting special privileges as a board shareholder and from interfering with GRF responsibilities;
- b. Work to ensure that Mutual Two is controlled in a democratic fashion by its shareholders and that all elections are open, fair, and encourage the participation of all shareholders;
- c. Will establish and inform residents of changes which may affect them, and welcome their comments regarding the operation of the property. In case of potentially controversial decisions or decisions which may affect many shareholders, the board will actively solicit the views of shareholders, and consider the use of townhall meetings and informal referendum to ensure that board action is consistent with shareholder wishes.

- d. Communicate to Residents in a courteous, respectful and considerate manner.
- e. Strive at all times to keep shareholders informed of the Mutual's status and plans, and of the board's work, as appropriate; except as required by confidentiality requirements in Section I, above, every effort shall be made to be transparent in financial, legal, and planning matters.
- f. Devote the time needed to fulfill the responsibilities of the position and attend regular and special board and committee meetings unless excused in advance;
- g. Be prompt, attentive, and prepared for all board and committee meetings;
- h. Contribute to and encourage open, respectful, and thorough discussions by the board;
- i. Attend and actively participate in the board's training sessions and planning meetings to enhance board understanding and cohesiveness;
- j. Disclose any personal or organizational conflict of interest that I may have and refrain from discussing or voting on any issues related to that conflict;
- k. Be honest, helpful, diligent, and respectful in my dealings with Mutual Two shareholders, other directors, GRF management and GRF staff;
- l. Refrain from becoming financially involved or associated with any business or agency that has interests that are, or could be perceived to be, in conflict with Mutual Two code of ethics and policies;
- m. Be a team player and agree to abide by the majority action of the board, even if it is not my own personal opinion;
- n. Present the agreed-upon view of the board of directors, rather than my own, when I speak for the board to GRF employees, shareholders, and the general public;

As a Mutual Two director, I agree to abide by this Statement of Responsibility. I understand that a formal "censure" may be imposed by the board as an official condemnation to formally recognize disapproval of certain actions. Examples of conduct that is commonly used as the basis for censuring an association director include:

- A breach of the director's fiduciary duties;
- Improper or offensive conduct toward association members, vendors or employees;
- Conflicts of interest which the director failed to disclose;

- Disruption of board meetings (i.e., overt hostility, profanity, intimidation, etc.)

In addition to constraining unacceptable board member conduct, such censure helps insulate the association and the board from potential liability that may arise as a result of irresponsible conduct.

OPTIONAL: I agree that if, by vote of two thirds of Mutual Two directors at a duly noticed executive session with all directors present, I have violated the letter or spirit of this agreement, I shall resign my position on the board immediately and shall not seek to cause continued disruption to Mutual Two and the Mutual Two board for that action.

_____ Printed Name of Mutual Two Director
_____ Signature
_____ (date)

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: CODE OF CONDUCT
DATE: OCTOBER 12, 2017

I move that the Board adopt and agree to Mutual Two Code of Conduct and Statement of Responsibility for signature of Board members with the recommended changes.

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: MOTION TO REQUEST ESTIMATES FOR SEWER SLEEVE – BUILDING 32
DATE: OCTOBER 12, 2017

I move to request Physical Property obtain estimates from at least two vendors and three if possible, to sleeve the sewer from Building 32 out to the main line because of root problems.



September 7, 2017

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

Dear Linda:

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

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

Audit Objective

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

Audit Procedures

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

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

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

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

Other Services

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

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

Management Responsibilities

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

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

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

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

Engagement Administration, Fees, and Other

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,

NSBN LLP

NSBN LLP

Approved by:

This letter correctly sets forth the understanding of Golden Rain Foundation

Linda Stone, GRF Board President

Date: _____

Appendix A

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

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

Mutual 11

Board President

Date: _____

Mutual 12

Board President

Date: _____

Mutual 14

Board President

Date: _____

Mutual 15

Board President

Date: _____

Mutual 16

Board President

Date: _____

Mutual 17

Board President

Date: _____

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: ACCEPT NSBN ENGAGEMENT LETTER
DATE: OCTOBER 12, 2017

I move to accept the NSBN Engagement Letter from the 2017 Audit and authorize the President to sign the letter.

Mutual 2 policies to consider rescinding

1. **Policy 7010 – Merger of Mutuals** -- Excerpt of FHA letter dated 17 Sept 65 from H. E. Johnson, Director; copies to President Golden Rain Foundation and Presidents of all Mutuals. “To reduce the number of entities in Leisure World, we would be glad to approve the merger of Mutuals. Our policy on this subject is set forth in Section 10.24 of the Cooperative Housing Insurance and Servicing Handbook. This would perhaps make a unified approach on subjects of this kind more feasible.” (Sept 65)

2. **Policy 7170 – Parcel Representation** -- "With respect to the nomination of individuals for the office of director in the corporation, it is not necessary that the nominating party be a member of the same mortgage parcel as the person nominated. The reason for this is the fact that this is one corporation, and the directors serve all members of the corporation despite the fact that the Bylaws provide that only one member may be eligible for election for each mortgage parcel." -- Excerpt from Attorney W. A. Williams' letter to the Administrator, dated 15 April 1969.

3. **Policy 7401.1 – Licensed and Insured Contractors List** – this is addressed at length in Mutual 2 Policy 7421.02 Building Alterations Addendum Guidelines for Contractors, March 1978.

4. **Policy 7402 – Working Hours – Contractors** – also addressed in Policy 7421.01, April 1987.

5. **Policy 7493 – Patio Roof Covers** (May 1980) – “That, from this date, only permanent type patio roofs may be installed or replaced in Mutual” May 1980.

MUTUAL OPERATIONS

Merger of Mutuals

Excerpt of FHA letter dated 17 Sept 65 from H. E. Johnson, Director; copies to President Golden Rain Foundation and Presidents of all Mutuals.

"To reduce the number of entities in Leisure World, we would be glad to approve the merger of Mutuals. Our policy on this subject is set forth in Section 10.24 of the Cooperative Housing Insurance and Servicing Handbook. This would perhaps make a unified approach on subjects of this kind more feasible."

Section 10.24

Corporate Mergers: The Merger of Cooperative Housing Corporations is to be encouraged, and its achievement is to be assisted when in the opinion of the Director of the Insuring Office and the Regional Attorney such a pooling of interests will result in benefits to the cooperatives concerned.

Where two or more cooperative housing projects are contiguous or within close proximity, duplication of cost and effort may often be eliminated by way of centralization of management, consolidation of utility costs and centralized authority of a single Board of Directors.

Any proposed Merger plan should be drafted by the cooperative corporations concerned and submitted to the Director for his review, approval and subsequent recommendation to the Director of the Cooperative Housing Division.

The approval of any Merger plan must be conditioned upon the written opinion of the Regional Attorney that the Merger will not waive or diminish any of the legal rights of the Commissioner.

The consent of the mortgagee or mortgagees involved should be obtained. All obligations of the original corporations must be assumed by the new or surviving corporation.

Statutory requirements of the jurisdiction or jurisdictions concerned must be met. The laws of a number of states require an affirmative vote of two-thirds or more of the stockholders to validate a Corporate Merger.

(Sept 65)

MUTUAL OPERATIONS**ORGANIZATION OF THE BOARD****Parcel Representation**

Excerpt from Attorney W. A. Williams' letter to the Administrator, dated 15 April 1969.

"With respect to the nomination of individuals for the office of director in the corporation, it is not necessary that the nominating party be a member of the same mortgage parcel as the person nominated. The reason for this is the fact that this is one corporation, and the directors serve all members of the corporation despite the fact that the Bylaws provide that only one member may be eligible for election for each mortgage parcel."

(Removes paragraph concerning nominations from the floor which is no longer valid.)

(Apr 69)

MUTUAL OPERATIONS**PHYSICAL PROPERTY****Licensed and Insured Contractors List**

WHEREAS, this Mutual permits remodeling of its apartments by shareholders, upon approval of plans for work to be performed by a properly licensed and insured contractor, at the expense of the shareholder; and

WHEREAS, some shareholders desiring to make alterations request assistance in locating a licensed contractor;

NOW, THEREFORE, BE IT RESOLVED, that the Physical Property Supervisor is requested and directed to maintain a list of contractors who have presented proper license credentials for performing work in the City of Seal Beach and have presented evidence of adequate liability and Workers' Compensation Insurance, so that shareholders of this Mutual requesting such information may be furnished a copy of the current list.

RESOLVED FURTHER, that the list shall clearly warn it is not a recommendation, approval or warranty as to ability to perform, quality of work, reputation in the community, or other such considerations which the shareholder is obliged to judge for himself.

MUTUAL ADOPTION

ONE	Mar 78	NINE	Mar 78
TWO	Mar 78	TEN	Mar 78
THREE	Mar 78	ELEVEN	Jun 78
FOUR	Apr 78	TWELVE	Mar 78
FIVE	Mar 78	FOURTEEN	Jun 78
SIX	Mar 78	FIFTEEN	Mar 78
SEVEN	Apr 78	SIXTEEN	Mar 78
EIGHT	Mar 78		

(Jun 78)

MUTUAL OPERATIONS**PHYSICAL PROPERTY****Working Hours – Contractors - All Mutuals Except 1, 12, 14, and 15**

THAT NOTWITHSTANDING previous action by the Board, it is hereby resolved that contractors engaged by a resident for the purpose of performing interior or exterior remodeling, or installing or removing equipment and/or appliances associated with such work on the apartments in this Mutual, will be permitted to do so only between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday;

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

THAT contractors engaged by a resident for the purpose of performing interior or exterior remodeling, or installing or removing equipment and/or appliances associated with such work on the apartments in this Mutual, will be permitted to do so only between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday;

FURTHER, contractors shall be allowed to work on Saturdays on projects not requiring inspection by the GRF Physical Property Department and as agreed upon by the Mutual and Physical Property Supervisor;

FURTHER, contractors are not allowed to work on Sundays and holidays.

Mutual No. 17 Only (Effective 05-05-87)

FURTHER, construction work or repair work for units will not be done in the hallways of Mutual buildings. Workmen are to clean up after themselves.

MUTUAL ADOPTION/AMENDMENTS

ONE	See Policy 7402.1
TWO	04-16-87
THREE	04-10-87
FOUR	05-04-87
FIVE	04-15-87
SIX	04-24-87
SEVEN	04-17-87, 11-21-00
EIGHT	04-26-87

MUTUAL ADOPTION/AMENDMENTS

NINE	04-13-87
TEN	04-22-87
ELEVEN	04-16-87
TWELVE	See Policy 7402.12
FOURTEEN	See Policy 7502.14
FIFTEEN	See Policy 7502.15
SIXTEEN	04-20-87
SEVENTEEN	05-05-98 (see also 7402.17)

(Nov 00)

MUTUAL OPERATIONS

PHYSICAL PROPERTY

Patio Roof Covers

RESOLUTION:

That, from this date, only permanent type patio roofs may be installed or replaced in Mutual _____.

<u>MUTUAL</u>	<u>ADOPTION DATE</u>	<u>AMENDMENTS</u>
ONE	?	
TWO	05-22-80	
THREE	08-16-79	
FOUR	08-18-80	
FIVE	08-07-78	
SIX	08-22-80	
SEVEN	03-16-79	– rescinded 03-16-16 (See Policy 7493.7)
EIGHT	08-27-79	
NINE	08-11-80	
TEN	06-25-81	
ELEVEN	06-15-78	
TWELVE	01-11-79	
FOURTEEN	08-23-80	
FIFTEEN	09-28-76	
SIXTEEN	03-26-79	
SEVENTEEN	N/A	

(Mar 16)

Mutual Corporation No. Two

MEMO

TO: MUTUAL TWO BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: RESCIND POLICIES 7010, 7170, 7401.1, 7402, AND 7493
DATE: OCTOBER 12, 2017

I move to rescind Policies: 7010 – Merger of Mutuals, 7170 – Parcel Representation, 7401.1 – Licensed and Insured Contractors List, 7402 – Working Hours – Contractors, and 7493 – Patio Roof Covers on a preliminary basis until the 30-day posting period is completed.