
BROAD BEACH GEOLOGIC HAZARD ABATEMENT DISTRICT**REGULAR MEETING AGENDA**

Sunday, October 9, 2011 at 9:00 am

Home of Wini Lumsden
31330 Broad Beach Road, Malibu, California 90265

Closed Session Matters – None

Under this item the GHAD Board shall meet in a closed session to discuss matters pursuant to Government Code Sections 54956.8 and 54956.9(a).

Regular Session Matters

- 1) **Call to Order**
- 2) **Roll Call**
- 3) **Adoption of Agenda**
- 4) **Introduction of GHAD Boardmembers and Selection of GHAD Chair and Vice-Chair**

- a. **Introductions by GHAD Boardmembers as they convene first GHAD meeting**

Recommendation: Proceed with introductions from each GHAD Boardmember, sitting as GHAD Boardmember for the first time.

- b. **GHAD Boardmembers to select a Chair and Vice-Chair**

Recommendation: GHAD Boardmembers to discuss and select a Chair and Vice-Chair to serve a one year term; term to expire upon selection of a new Chair and Vice Chair at a meeting in October 2012 or soon thereafter.

- 5) **Ceremonial/Presentations – None**
- 6) **Public Comments on Items Not on the Agenda**

Communications from the public concerning matters which are not on the agenda but for which the GHAD Board has subject matter jurisdiction. The GHAD Board may not act on these matters except to refer the matters to staff or schedule the matters for a future agenda.

- 7) **Consent Calendar – None**
- 8) **Old Business – None**
- 9) **New Business**

a. Report on GHAD Formation

Recommendation: GHAD Chair to provide summary of GHAD formation by Malibu City Council and explain purpose/role of the GHAD.

b. Appointment of GHAD Officers

Recommendation: Consider the matter and designate Officers of the GHAD, such as a Manager, Treasurer, Clerk, Special Legal Counsel, and Attorney/Consultant and adopt Resolution No. 2011-01 designating Officers.

c. Consider GHAD Board Rules for Meetings

Recommendation: Consider and approve "Guide to GHAD Board Proceedings."

d. Consider requesting Trancas Property Owners Association (TPOA) to allow GHAD to become applicant on pending applications for beach renourishment and dune restoration.

Recommendation: Consider the matter and direct the GHAD Manager and GHAD Special Counsel to approach TPOA re acquiring an assignment of materials and services spent on the preparation and processing of the applications and replacing the GHAD as the applicant on the applications.

e. Indemnification for GHAD Boardmembers by GHAD

Recommendation: Direct GHAD Special Counsel to prepare an indemnification of GHAD Boardmembers.

f. Engineering Report, Assessment, and Budget Update

Recommendation: Receive update from engineers and appropriate GHAD Officers re: status of engineer's report.

10) Public Hearings

a. Consider GHAD Plan Control dated March 30, 2011

Recommendation: Conduct public hearing and adopt Resolution No. 2011-02 adopting Plan of Control dated March 30, 2011

b. Consider GHAD Board Voluntary Advisory Position for Malibu West Swim Club designee

Recommendation: Conduct public hearing and consider designating a Malibu West Swim Club representative as a voluntary advisor to the GHAD for a four year term and adopt Resolution No. 2011-03 designating an advisor.

11) GHAD Board Reports

GHAD Boardmember report on activities and consideration of matters a boardmember wishes to initiate for placement on a future agenda.

12) Future Meetings

GHAD Board to discuss schedule of meetings

13) Adjournment

Guide to GHAD Board¹ Proceedings

Location of Agendas and Agenda Packets: Agenda and packets are available for review by the public during regular work hours at 29169 Heathercliff Road, Suite 212, Malibu CA 90265. Agendas and packets shall be made available at least 72 hours in advance of each meeting.

Upon request, agendas will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S. C. Sec. 12132). Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Barbara Hamm, GHAD Clerk at bhamm.tpoa@gmail.com and/or (310) 457-3606 at least 48 hours before the meeting if possible.

Board Discussion: In accordance with State Law, the Board is generally prohibited from discussing and making decisions regarding items not posted on the agenda. Exceptions include items of urgency that become known to the Board after the posting of the agenda; discussion of such items requires a 2/3rds affirmative vote by the Board.

Persons Wishing to Speak: Any person may address the Board on any item listed on an agenda. Persons wishing to address the Board should complete a speaker slip and submit it at the meeting. In addressing the Board, speakers should state their names and addresses for the record. Generally, persons will be permitted to speak for up to three (3) minutes.

Public Comments on Agenda Items: Persons wishing to speak on items listed on the agenda will be heard when called by the meeting chair. After the public has commented, the item will be closed to public comment and brought to the Board for discussion and action. There is no further comment permitted from the audience unless invited by the meeting chair.

Public Comments on Items Not on the Agenda: Persons wishing to speak on matters not posted on the agenda are encouraged to submit the matter in writing to the GHAD Clerk at least ten days prior to the next regularly scheduled Board meeting date. Persons unable to do this may address the Board under the "Public Comments on Items Not on the Agenda" section of the agenda. Note, however, that such matters may be referred to staff for action or posted on a future agenda.

Consent Calendar: All matters listed under Consent Calendar are considered to be routine and will be enacted by one motion. There will be no separate discussion of these items unless requested by a member of the Board or a member of the public prior to the time that the Board votes on the motion to adopt.

Items in Old Business: This section of the agenda includes items which have appeared on previous agendas but have either been continued or tabled to the current meeting with no final action having been taken. Public comment on any item is permitted under the public comment rules. Speakers should address whether they are supportive or opposed to either the recommended action or the motion before the GHAD Board for decision.

¹ "Board" is used here as a generic term for the GHAD Board and its committees.

Agenda Item 9(c)
Board Meeting October 9, 2011

Items in New Business: This section of the agenda includes items which are appearing for the first time for formal action. Public comment on any item is permitted under the public comment rules. Speakers should address whether they are supportive or opposed to either the recommended action or the motion before the GHAD Board for decision.

Public Hearings: This section of the agenda includes items wherein comments from the public are specifically allowed before the Board makes a final decision. Any interested member of the public is allowed to comment on the items listed on this portion of the agenda.

GHAD Board Reports: This section of the agenda includes items which members of the GHAD Board may bring up in terms of reporting to other members of the GHAD Board, to propose future agenda items or to suggest future staff assignments.

**The GHAD THE BOARD OF DIRECTORS OF BROAD BEACH GEOLOGIC
HAZARD ABATEMENT DISTRICT**

Adopted this Resolution on October 9, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

RESOLUTION NO. 2011/01

**RESOLUTION 1) APPOINTING BARBARA HAMM AS GHAD TREASURER;
BARBARA HAMM AS GHAD CLERK; ENGEO, INC. AS GHAD MANAGER;
MOFFATT & NICHOL AS GHAD ENGINEER; KENNETH EHRLICH AS GHAD
PROJECTS ATTORNEY; AND PATRICIA CURTIN AS GHAD SPECIAL COUNSEL;
AND 2) AUTHORIZING THE GHAD CHAIR TO NEGOTIATE AND ENTER INTO
NECESSARY CONTRACTS WITH THE GHAD OFFICERS/CONSULTANTS**

WHEREAS, on September 12, 2011, the Malibu City Council adopted Resolution No. 11-41, approving and ordering the formation of the Broad Beach Geologic Hazard Abatement District (GHAD), as a distinct and separate legal entity from the City and appointing the following five landowners to serve as the initial Board of Directors: Steven Levitan, Zan Marquis, Norton Karno, Marshall Grossman and Jeff Lotman (GHAD Board); and

WHEREAS, the GHAD Board recognizes that the GHAD is a political subdivision of the State of California, governed in accordance with GHAD Law (Pub. Res. Code §§ 26500 *et seq.*); and a legal entity that is separate and distinct from the City of Malibu and the at the GHAD operations are independent of the City functions; and

WHEREAS, pursuant to Public Resources Code sections 26584 and 26585, the GHAD Board must appoint a Clerk and a Treasurer, and, pursuant to Public Resources Code section 26586, the GHAD Board may appoint other officers and consultants to assist in managing the GHAD and delegate to such officers and consultants such powers as may be appropriate under the circumstances; and

WHEREAS, pursuant to Public Resources Code section 26579, the GHAD may enter into contracts and agreements with a private organization or person to carry out the purposes and mission of the GHAD; and

WHEREAS, in addition to a Treasurer and Clerk, the GHAD requires the services of a 1) manager with experience in geotechnical engineering to perform operation and maintenance responsibilities of the GHAD (GHAD Manager), 2) an engineer of record to design the physical improvements for the GHAD and to determine and allocate special benefits to the residents in

the GHAD boundaries (GHAD Engineer), 3) an attorney to prepare and process applications and other permits and documents with interested agencies to implement projects and improvements consistent with the Plan of Control (GHAD Projects Attorney), and 4) an attorney with experience advising GHADs (GHAD Special Counsel); and

WHEREAS, Barbara Hamm is qualified to perform the services of GHAD Treasurer based on her experience in real estate accounting and management; and

WHEREAS, Barbara Hamm is qualified to perform the services of GHAD Clerk based on her extensive real estate management, portfolio management, and business management experience; and

WHEREAS, ENGEO, Incorporated is qualified to perform the services of GHAD Manager based on over 20 years of experience with GHADs throughout California, and the fact that it established the first GHADs in Northern California. In addition, Uri Eliahu, CEO of ENGEO, Inc. is a founding member and the current President of the California Association of GHADs; and

WHEREAS, Moffatt & Nichol is a coastal and civil engineering firm and is designing the physical improvements necessary to carry out the beach restoration and repair as contemplated in the Plan of Control; and

WHEREAS, Kenneth Ehrlich is a member of the State Bar of California in good standing and is qualified to serve as the GHAD Projects Attorney based on his experience in processing the emergency revetment applications for the temporary improvements to Broad Beach for Trancas Property Owners Association (TPOA), has served as counsel for the TPOA in various regulatory and litigation matters for over a decade, and has been working with TPOA in preparing and processing applications for beach repair and nourishment with interested agencies; and

WHEREAS, Patricia Curtin is a member of the State Bar of California in good standing and is qualified to serve as GHAD Special Counsel based on her expertise in forming and representing numerous GHADs and other similar districts in the State. In addition, Patricia Curtin is a founding member and the current Secretary of the California Association of GHADs.

The Board of Directors of the GHAD HEREBY RESOLVES THAT:

1. Barbara Hamm is appointed to serve as GHAD Treasurer. The GHAD Board authorizes the GHAD Treasurer to collect, hold, invest, appropriate and expend GHAD funds as necessary for carrying out the GHAD operations in accordance with the budget approved by the GHAD Board. The GHAD Treasurer shall work directly with the GHAD Manager in appropriating funds from the GHAD account to cover all GHAD costs and expenditures.
2. Barbara Hamm is appointed to serve as GHAD Clerk. The GHAD Clerk is responsible for scheduling meetings; preparing agendas; and recording, securing and maintaining records of all proceedings and of GHAD business.

3. ENGEO, Inc. is appointed to serve as GHAD Manager. The GHAD Manager is responsible for implementing the operations and maintenance responsibilities as contemplated in the Plan of Control.

4. Moffatt & Nichol is appointed to serve as the GHAD Engineer. The GHAD Engineer will be the engineer of record for the physical improvements to be undertaken by the GHAD and responsible for determining the special benefits on real property within the GHAD boundaries from the improvements.

5. Kenneth Ehrlich is appointed to serve as GHAD Projects Attorney. The GHAD Projects Attorney shall be responsible for preparing and processing applicable applications for improvements as contemplated in the Plan of Control with all necessary agencies and shall serve as the day-to-day legal project advisor to the GHAD.

6. Patricia Curtin is appointed to serve as GHAD Special Counsel. The GHAD Special Counsel shall advise the GHAD Board on the GHAD Law procedures and assist the GHAD Clerk with its responsibilities as requested.

7. The Chair of the GHAD, on behalf of the GHAD Board, is authorized to negotiate and execute any necessary agreements with GHAD Treasurer, Clerk, Manager, Engineer, Projects Attorney and Special Counsel.

8. The GHAD Treasurer, Clerk, Manager, Engineer, Projects Attorney and Special Counsel appointed herein shall sit and serve at the pleasure of the GHAD Board. These officers/consultants represent the GHAD as an entity and do not represent any individual employee, officer, consultant or GHAD Boardmember.

9. This Resolution shall become effective immediately upon its passage and adoption.

ATTEST:

Clerk of the GHAD Board



Robert Half Finance & Accounting

Specialized Financial Recruitment

2555 Townsgate Road, Suite 100
Westlake Village, CA 91361
Phone: 805.496.2605
Valerie Rodriguez, Recruiting Manager

BARBARA HAMM

PROFESSIONAL EXPERIENCE:

Gaska, Inc, Glendale, CA

July 2010 – Present

Privately owned company that manages apartment buildings and commercial shopping centers.

Accounting Manager

- Supervise accounts payable and receivable clerks.
- Oversea daily deposits to multiple bank accounts.
- Maintain monthly books for over 20 separate properties/partnerships.
- Process multiple monthly mortgage payments to lenders and trust accounts.
- Post journal entries, reconcile bank accounts and maintain monthly general ledger accounts.
- Work closely with the owners of the company, processing CAM reconciliations and doing tenant collections.

Voit Real Estate Services, LLC, Newport Beach, CA

1986 - 2010

Accounting Manager

- Responsible for multiple sets of books and portfolios valued at over a billion dollars on an accrual/cash basis.
- Process all accounting records through tax packages for over 40 sets of books.
- Create and process all entries related to closure of books for tax purposes (depreciation/amortization schedules, accruals, inter-company reconciliations, write-off of bad debt, sales and cost analysis, job costing, etc).
- Design, prepare and do analysis of Financial Statements and Balance Sheets.
- Responsible for communication and monthly interaction with lenders/bankers on major construction funding.
- Interact with legal council related to formation and dissolution of partnerships and investor information.
- Supervised accountants, data entry clerks and receptionists.
- Process and maintain accurate records and books on a daily, monthly and annual basis.
- Data entry/reconciliation for payables, receivables and property management cash receipts.
- 1099 distribution to vendors and summary submittal to government.
- Property Lease abstract and data entry. Process/Fund/Reconcile/Book payroll through ADP payroll service.
- Manage 401(K) retirement plan.
- Responsible for highly compensated individual's personal books and records.

Carlsberg Mortgage Company, Santa Monica, CA

1984 - 1986

Accountant

- Responsible for reconciliation projects ranging from multiple intercompany sets of books to individual mortgage clients.

EDUCATION: University of Kentucky, Associates Degree - Business

SOFTWARE: Timberline JC/PM Software, Yardi, Quickbooks, Microsoft Excel and Word

Robert Half Finance & Accounting has interviewed this candidate. We usually check candidate references by asking specific questions of selected previous employers with regard to qualifications and work history. Robert Half Finance & Accounting has not verified all representations made by the candidate in this resume. We recommend that our clients also perform their own reference checking.

September 23, 2011

Mr. Kenneth Ehrlich
c/o Broad Beach GHAD
29169 Heathercliff Road, Suite 212
Malibu, CA 90265

Subject: **QUALIFICATIONS AND PROPOSAL
FOR BROAD BEACH GHAD MANAGER**

Dear Mr. Ehrlich:

Thank you for the opportunity to present our qualifications to serve as the manager for the Broad Beach Geologic Hazard Abatement District (GHAD). We have enjoyed working with the Trancas Property Owners Association (TPOA) and the City of Malibu on the formation of this GHAD and appreciate the opportunity to continue to serve you.

METHODOLOGY TO MANAGE THE BROAD BEACH GHAD

The Broad Beach GHAD includes 114 oceanfront parcels located at the base of the Santa Monica Mountains and adjacent to Santa Monica Bay in Malibu, western Los Angeles County, California. Properties within the Trancas Property Owners Association (TPOA), and adjoining and adjacent properties, include those adjacent to Broad Beach, extending from Point Lechuza on the west to Zuma Beach on the east. Various portions of the beach have been subjected to emergency repair/protective measures in years past due to storms and related erosion events. Because of the general and continuing narrowing of the beach, additional protective measures will be implemented. The measures may include beach nourishment and rehabilitation of dunes with associated vegetation and habitat. Additionally, the recently installed rock revetment is anticipated to need periodic inspection until the renourishment is completed. Based on our 30 years of experience with GHADs, including our experience as GHAD Managers for many Districts, we have developed the following preliminary scope.

GHAD Functions

- As-needed support for permitting efforts
- Monitoring of renourishment project
- Monitoring of long-term sand transport
- Beach drainage improvements
- Administrative duties

The Plan of Control presents defined maintenance and monitoring activities to abate geologic hazards. The maintenance and abatement functions, fall into two categories:

1. Scheduled or periodic monitoring, prevention and maintenance activities.
2. Response to earth movement events which, by their nature, are unpredictable.

The level of activity and expenditures of each GHAD can vary greatly throughout the year or over a period of several years. Therefore, the GHAD management must have the ability to vary its efforts accordingly. While there will be a baseline of activity involved with monitoring and maintenance functions, larger efforts may be required due to natural forces, including weather or beach degradation.

Funding of GHADs

Most GHADs accumulate relatively large reserves for use during periods of increased hazard mitigation to account for the relative infrequency and unpredictability of geologic events. In the case of the Broad Beach GHAD, much of the assessment will be diverted to service accumulated debt associated with construction of the proposed beach improvements. Additional ongoing operations and maintenance activities are necessary for GHAD operation as well as the prevention and mitigation of geologic hazards associated with Broad Beach. As GHAD Manager, ENGEO will work with the GHAD Board of Directors, officers, and staff to prudently manage financial resources to meet ongoing debt and operations obligations as well as long-term reserves.

Management Structure for Geologic Hazard Abatement Districts

Based on the unpredictable nature of events that GHADs are asked to mitigate and the usual funding structure, the following elements will be implemented to provide an efficient management structure for the Broad Beach GHAD. Specific details regarding the scope of the GHAD and the priority of GHAD expenditures are presented in the GHAD Plan of Control.

ENGEO, acting as the GHAD manager, will have, as its first priority, the abatement of existing geologic hazards that have either damaged or pose a significant threat of damage to residences, critical underground utilities or paved streets. While adequate monitoring will be maintained, it will be kept to a minimum and increased in frequency or scope based solely on increased need, not on the existence of available reserves. Prevention of geologic hazards will not be ignored, but reserves will not be depleted trying to prevent all potential failures.

ENGEO, as the GHAD manager, will increase or decrease staff as required to allow for the completion of routine financial, administrative, maintenance and monitoring duties. At those times when greater efforts are needed, additional staff will be available as shown on the organization chart included with this statement of qualifications.

Broad Beach GHAD
QUALIFICATIONS AND PROPOSAL
FOR BROAD BEACH GHAD MANAGER

September 23, 2011
Page 3

ENGEO, functioning as the GHAD manager, will communicate to the owners within the GHAD the items for which the GHAD is responsible. To do this, we will have a person assigned as a community liaison that property owners can call with questions. The community liaison for the Broad Beach GHAD will have the ability to answer homeowners' questions or provide additional reconnaissance or investigative services as necessary.

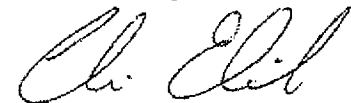
FEE ESTIMATE

In preparing draft versions of the Engineer's Report and budget, we have estimated a long-term annual GHAD Manager budget of \$25,000. This is subject to revision as the contemplated project is refined and the related budget is updated. This estimate will be revisited after the project has been approved by the requisite resource agencies. Until the project approval, the annual Manager budget will likely be variable. For the coming year, we have estimated a budget of \$30,000.

It has been a pleasure to be of service to you to date with respect to this engagement, and we look forward to our continued involvement with you. If you have any questions regarding the contents of this proposal, please do not hesitate to contact us.

Sincerely,

ENGEO Incorporated



Uri Eliahu, GE
President
ue/jfpro

**THE BOARD OF DIRECTORS OF BROAD BEACH GEOLOGIC HAZARD
ABATEMENT DISTRICT**

Adopted this Resolution on October 9, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

RESOLUTION NO. 2011/02

**RESOLUTION APPROVING THE BROAD BEACH GEOLOGIC HAZARD
ABATEMENT DISTRICT PLAN OF CONTROL**

WHEREAS, on September 12, 2011, the Malibu City Council adopted Resolution No. 11-41, approving and ordering the formation of the Broad Beach Geologic Hazard Abatement District (GHAD) as described in the landowner petition and in the GHAD Plan of Control dated March 30, 2011 attached hereto as Exhibit A (Plan of Control); and

WHEREAS, on September 12, 2011, the Malibu City Council appointed the following five landowners as the initial GHAD Board of Directors: Steven Levitan, Zan Marquis, Norton Karno, Marshall Grossman and Jeff Lotman (GHAD Board); and

WHEREAS, the GHAD Board recognizes that the GHAD is a political subdivision of the State of California, governed in accordance with GHAD Law (Pub. Res. Code §§ 26500 *et seq.*); and a legal entity that is separate and distinct from the City of Malibu and the GHAD operations are independent of the City functions; and

WHEREAS, on October 9, 2011, the GHAD Board held a public hearing on the Plan of Control; and

WHEREAS, adoption and implementation of the Plan of Control is exempt from the provisions of the California Environmental Quality Act (Pub. Res. Code §§ 21000 *et seq.*) in accordance with Public Resources Code sections 21080(b)(4) and 26559.

The Board of Directors of the GHAD HEREBY RESOLVES THAT:

1. The GHAD approves the Plan of Control dated March 30, 2011, attached hereto as Exhibit A and incorporated herein;

2. This Resolution shall become effective immediately upon its passage and adoption.

ATTEST:

Clerk of the GHAD Board

Exhibit A

Plan of Control

PLAN OF CONTROL

BROAD BEACH GEOLOGIC HAZARD ABATEMENT DISTRICT (GHAD)

**Submitted to:
Trancas Property Owners Association**

**Prepared by:
ENGEO Incorporated**

**March 30, 2011
Project No. 8588.000.000**

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- Expect Excellence -

Project No.
8588.000.000

March 30, 2011

Mr. Kenneth A. Ehrlich
c/o Trancas Property Owners Association
Jeffer, Mangels, Butler, & Mitchell LLP
1900 Avenue of the Stars, 7th Floor
Los Angeles, CA 90067

Subject: Broad Beach Geologic Hazard Abatement District (GHAD)
Malibu, California

**GEOLOGIC HAZARD ABATEMENT DISTRICT (GHAD)
PLAN OF CONTROL**

Dear Mr. Ehrlich:

ENGEO is pleased to present the Broad Beach Geologic Hazard Abatement District (GHAD) Plan of Control.

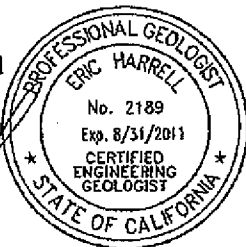
We are glad to be of service to you on this project. If you have any questions concerning the contents of this plan, please do not hesitate to contact us.

Sincerely,

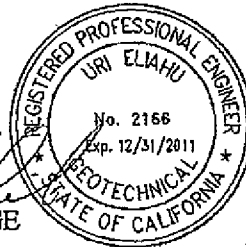
ENGEO Incorporated



Eric Harrell, CEG



Uri Eliahu, GE



Jeffrey A. Adams, PhD, PE
eh/ue/jaa/rc

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APPENDIX A

1.0 AUTHORITY AND SCOPE

The Broad Beach Geologic Hazard Abatement District ("GHAD" or "District") shall be formed under authority of the California Public Resources Code (Division 17, commencing with Section 26500). Geologic Hazard Abatement Districts are political subdivisions of the State of California and are not an agency or instrumentality of a local agency.

Section 26509 of the Public Resources Code requires a Plan of Control, prepared by a State Certified Engineering Geologist, as a prerequisite to formation of a GHAD. Pursuant to Section 26509, this Plan of Control was prepared by an Engineering Geologist certified pursuant to Section 7822 of the Business and Professions Code and describes the geologic hazards, their location, and the area affected by them. It also provides a plan for the prevention, mitigation, abatement, or control thereof.

As used in this Plan of Control, and as provided in Section 26507, "geologic hazard" means an actual or threatened landslide, land subsidence, soil erosion, earthquake, fault movement, or any other natural or unnatural movement of land or earth.

1.1 PROPERTY IDENTIFICATION

The proposed GHAD boundary is shown in Exhibit B. The GHAD area includes areas adjacent to and within the vicinity of Broad Beach in Malibu, California. The legal description of the land to be included within the Broad Beach GHAD is included in Exhibit A.

2.0 BACKGROUND

2.1 SITE CONDITIONS

The Broad Beach area is located at the base of the Santa Monica Mountains and adjacent to Santa Monica Bay in Malibu, western Los Angeles County, California. Properties within the Trancas Property Owners Association (TPOA), and adjoining and adjacent properties, include those adjacent to Broad Beach, extending from Point Lechuza on the west to Zuma Beach on the east. Although beach width can vary seasonally as well as from year to year, Broad Beach reportedly has been consistently narrowing in width since the early 1970s. In general, very little, if any, dry beach exists at higher tide levels, especially in the western portion of the above-described area. Additionally, temporary armoring (including sandbags) from earlier emergency repairs has become increasingly exposed with time. An emergency rock revetment was installed seaward of the homes in 2010 along most of the length of the beach to protect the private properties.

2.2 CURRENT AND PROPOSED IMPROVEMENTS

The Broad Beach area consists of residential structures situated south of Broad Beach Road and adjacent to the beach. Lots within the area typically include residential structures situated relatively close to Broad Beach Road to maximize open space adjacent to the beach. Additionally, access is provided to the beach via two (2) public walkways.

Various portions of the beach have been subjected to emergency repair/protective measures in years past due to storms and related erosion events. Because of the general and continuing narrowing of the beach, additional protective measures will be implemented. The measures may include beach nourishment and rehabilitation of dunes with associated vegetation and habitat. Additionally, the recently installed rock revetment is anticipated to need periodic inspection.

3.0 SITE GEOLOGY

3.1 SITE SETTING

The Santa Monica Mountains are an east-west trending range approximately 50 miles long and 9 miles wide. Elevations in the range extend from sea level to over 3,000 feet. The coastline associated with the Santa Monica Mountains is characterized by numerous pocket beaches bounded by headlands. The headlands result from the high erosional resistance of the bedrock in comparison with the surrounding materials. Headlands from deltaic deposits, such as cobbles and boulders found at the mouths of streams, are also present (Patsch and Griggs, 2007).

Broad Beach stretches from Point Lechuza on the west to Zuma Beach on the east. It is situated within a sub-cell of the Santa Monica Littoral Cell (Patsch and Griggs, 2007). Until 1979, Broad Beach had been naturally replenished from a combination of deposition from rivers, seacliff erosion, dune erosion, and littoral drift.

The natural condition of beaches in the Santa Monica Littoral Cell tends to be narrow due to the lack of significant sand sources, high rates of longshore or littoral transport, and the natural loss of sand into submarine canyons (Patsch and Griggs, 2007). Additionally, human intervention over the years, including roadway construction, damming of rivers and creeks, and seacliff armoring, have further reduced the volume of sand available for deposition. The reduced natural sources of sand have been somewhat offset by beach nourishment in various portions of the cell area south and east of Malibu; however, these nourishment activities have not generally been performed in the Malibu area.

Development in the Malibu area began in the 1920s when access was granted for the construction of Pacific Coast Highway. The construction of the highway necessitated large cuts into the existing hillsides and subsequent expansion required additional grading work.

Residential development in the Broad Beach area reportedly began in the 1930s with the sporadic construction of residential structures. The structures generally did not have municipal facilities. Septic systems and leach fields were installed for these early developments. Development occurred in the Broad Beach area through the 1980s and 1990s and continues through this date. Additionally, several properties have been redeveloped, and in some cases, adjacent properties have been merged to accommodate larger lots and structures.

4.0 GEOLOGIC HAZARDS

The following geologic hazards for the Broad Beach area have been identified for the properties within the GHAD and are expected to remain to some extent after the improvements have been installed.

- Beach/dune erosion
- Flooding property damage from sea-level rise and storms
- Coastal cliff erosion
- Seismically induced ground shaking
- Tsunami

4.1 BEACH AND DUNE EROSION

Beaches essentially act as coastal storm barriers. A beach's size, shape and sand volume help determine how well the beach can protect a developed area during a storm. Each of the various elements of a beach, such as bluffs, dunes, berms, offshore sand bars, and even the width and slope of the beach itself, offers a level of natural protection against hurricanes and coastal storms by absorbing and dissipating the energy of breaking waves, either seaward or on the beach itself.

Beach and dune erosion is a natural process that occurs on a continuing basis. As described elsewhere in this document, beaches within the Santa Monica Littoral Cell tend to be relatively narrow in a natural condition. However, significant natural events, as well as human intervention, have reduced the sand available for natural replenishment within the Broad Beach area. Also, narrow, eroding beaches have insufficient sand volume to protect developed coastal areas from the effects of hurricanes and storms. Significant destruction from flooding, wave attack, and storm surge is more likely as an eroding beach develops a steeper slope and the coastline retreats inland, ever closer to people and property along the shore. As a result, net beach loss in the vicinity of Broad Beach will continue and likely accelerate without protective intervention.

Where an inadequate natural supply of sand exists (as at Broad Beach), hard structures such as seawalls, bulkheads, and revetments can protect upland areas but do nothing to protect the beach. Sand retention structures such as breakwaters, groins, and artificial reefs can effectively retain sand and reduce erosional losses only when an adequate supply of sand moves through the system. However, even where those structures are effective, the protection occurs at the expense of unprotected, down-drift beaches. Therefore, consideration of any such structures must occur only after appropriate analysis, which may lead to elimination of the proposed structures, establishment of minimum beach widths as "thresholds" that trigger supplemental nourishment events, or modification of the structural design to eliminate or reduce adverse shoreline impacts. Additionally, regulatory agency approvals of hard structures along the coastline, even if adverse shoreline impacts are absent or minimal, have become increasingly difficult.

Additionally, no device, conventional or unconventional, creates sand in the surf zone. Any accumulation of sand produced by a structure alone is at the expense of an adjacent section of the shore. This fact distinguishes structures and other devices from beach nourishment, which addresses the basic problem in coastal erosion - the shortage of sand. Consequently, beach nourishment is the only shore protection alternative that directly addresses the problem of a lack of sand, because it is a process of adding sand from outside the eroding system. The proposed improvements will mitigate the effects of erosion on the beach, and the recently installed revetment will serve as a barrier to landward erosion.

Therefore, protection of the beach, dunes, structures, and infrastructure will require nourishment of the beach, and possibly constructing new dunes, improving existing dunes, or a combination of the above. Beach nourishment and sculpting will restore the width of the beach and provide a protective barrier for structures and properties, as well as inward stretches of the beach. Dune reconstruction will also include the removal of non-native habitat and increase habitat construction (including native vegetation). When completed, these improvements will repair existing damage and prevent future inundation- and erosion-related damage from storm surges, wave run-up, and overtopping, as described below.

A higher and wider beach berm, formed by the careful placement of imported beach sand (or nourishment) would reduce wave energy, which would reduce the waves' impact and erosive force. A nourished beach, with sufficient sand volumes and healthy dunes, absorbs storm energy, even during slow-moving storms, and helps prevent damage to structures and infrastructure. The gradual slope of a nourished beach causes storm waves to break farther seaward, as the waves would then form in shallower water. As water rushes up the beach, energy dissipates. Water running back down the beach redistributes sediment, which is deposited in deeper water and moved along the shore. The deposition of sediments in deeper water often creates an offshore sand bar that causes the waves to break farther offshore, further weakening the incoming wave energy, and protecting the dunes and property behind the beach. This gradual and successive weakening of wave energy can significantly reduce damage from waves, inundation, and erosion. The nourished beach berm and dunes also provide a "sand reservoir" that remains landward during normal conditions and also provides sand during major storm events, which allows beaches to recover, rebuild, and continue to provide protection.

The discussion above pertains equally to property protected by a seawall or revetment. Shifting the breaking wave energy farther offshore and dissipating it on the beach reduces or eliminates the wave energy directed into a protective structure. Without beach nourishment, the beach will continue to erode, which will allow deeper water to extend more landward, as described above. This condition allows larger, more powerful waves closer to dunes and properties, which cause increased erosion, wave splash, and flooding, increasing wear and tear on, and undermining, existing shore protection devices, shortening the devices' useful life.

4.2 FLOODING FROM SEA-LEVEL RISE

Sea-level rise, associated with climate change due to natural and/or anthropogenic sources, may pose adverse effects to the residents of the Broad Beach area. Coastal zones are particularly vulnerable to climate variability and change. Key concerns specifically affecting the Broad Beach area include land loss, changes in maritime storms and flooding, and responses to sea level rise (EPA, 2009). A discussion of the implications of sea-level rise is presented in Appendix A.

The improvements and ongoing maintenance provided by the GHAD will mitigate the effects of sea-level rise. Beach nourishment projects are designed and engineered to work like natural beaches, allowing sand to shift continuously in response to changing waves and water levels. Beaches have historically adapted to significant changes in mean sea level over geologic time, and every replenishment project is designed to include a substantial amount of sacrificial sand. This sacrificial sand is replaced at intervals of time as beaches are "re-nourished," typically every 5 to 10 years, depending upon the characteristics of a particular beach. The GHAD will provide a financial reserve for this ongoing dune maintenance, beach nourishment, and sculpting, and will allow the flexibility necessary to respond to changing conditions and counteract the effects of increased wave action associated with sea-level rise.

Although the extent and magnitude of rising sea levels cannot be accurately predicted, current California planning guidance assumes an annual rate of sea-level rise of 0.03 foot per year for the next 40 years (State of California, 2010). Under these conditions, predicted sea-level rise is not expected to overwhelm any particular replenishment project before its next scheduled infusion of sand. In contrast, without any beach nourishment or shore protection, the existing beach foreshore slope could retreat 20 to 30 feet landward by 2050, based on sea-level rise alone.

However, even if the rate of sea-level rise is significantly higher than predicted, federal policy requires the design of a beach replenishment project (e.g., the height, width, and length of beach) to account for the change in water elevation. Although this may affect the volume of sand needed and the cost to place that sand on the beach over the life of a project, these increased costs are likely insignificant in comparison to the overall benefit provided by the beach. Further, as described above, beach nourishment projects by their nature allow for long-term adaptation to changing conditions.

Further, beaches independently respond to sea-level rise. Tidal and wave action helps to increase the elevation of the beach that lies above the high-water mark (the berm). The build-up of a berm, in turn, provides a reservoir of sand at the back of the beach to compensate for any beach consumed by the rising ocean. As the sea level rises, so does the berm, and by the same amount. However, the shoreline will move landward unless it is replenished with additional sand.

4.3 COASTAL CLIFF EROSION AND INSTABILITY

Although not adjacent to Santa Monica Bay, the bluff located to the north of Broad Beach may be susceptible to erosion from stormwater run-off and other overland water flow. Additionally, a Seismic Hazards Map dated February 7, 2002, indicates the bluff areas to the north of Broad Beach are susceptible to seismically induced landslides. These effects are not considered likely to affect proposed improvements within the District.

4.4 SEISMICALLY INDUCED GROUND SHAKING

Potential seismic hazards resulting from a nearby moderate to major earthquake can generally be classified as primary and secondary. The primary effect is ground rupture, also called surface faulting. The common secondary seismic hazards include ground shaking, soil liquefaction, lateral spreading, and land subsidence. These hazards are discussed in the following sections.

The site is not currently mapped within an Alquist-Priolo Earthquake Fault Zone and no known active faults cross the site. Therefore, the possibility of primary ground rupture is considered remote.

An earthquake of moderate to high magnitude generated within the Los Angeles Region, similar to those that have occurred in the past, could cause considerable ground shaking at the site. Site improvements should be designed by accounting for potential site shaking and ground accelerations.

Liquefaction is a phenomenon in which saturated cohesionless soils are subject to a temporary, but essentially total, loss of shear strength because of pore pressure build-up under the reversing cyclic shear stresses associated with earthquakes. A Seismic Hazards Map dated February 7, 2002, indicates the Broad Beach area is within a zone considered at risk for liquefaction (Figure 1). Site improvements should be designed by accounting for potential liquefaction effects.

4.5 TSUNAMI

Tsunamis are long sea waves, generated by displacements associated with earthquakes. These waves can reach great heights when they encounter shallow water. Given the location of the beach and properties within the District with respect to Santa Monica Bay, tsunamis have the potential to occur in the Broad Beach area (Figure 2). As shown in the figure, the inundation zone includes the nourishment area. Site improvements should be designed to account for the potential of tsunamis. Proposed site improvements affecting the beach should be approved by the GHAD Manager prior to construction.

5.0 GHAD RESPONSIBILITIES

The GHAD has responsibility for the construction as well as ongoing monitoring and/or maintenance of the following improvements on the beach:

- Beach nourishment and sculpting
- Rehabilitation of dunes
- Beach drainage improvements

5.1 BEACH

As the beach within the proposed District and immediately adjacent to the existing residential parcels is an amenity that benefits all of the property owners within the proposed District, the funding of the maintenance of the beach should be shared by all current and future property owners within the GHAD's boundaries. As provided in Section 26532 and 26533 of the Public Resources Code, the lands included within the proposed GHAD may be publicly or privately owned, but the boundaries of the GHAD cannot divide a parcel.

The Broad Beach GHAD is charged with responsibilities that relate to the prevention, mitigation, abatement, and control of geologic hazards, which includes the maintenance of facilities that enhance geologic and hydrogeologic stability, such as drainage facilities and restored habitats. As currently planned and as outlined above, the drainage facilities to be maintained by the GHAD include rehabilitation of existing and/or construction of new beach storm drainage and protection systems. Additionally, the revetment, beach nourishment, and habitat restoration are intended to lessen the effects of beach erosion. Proactive maintenance, assessment, repair and replacement of facility improvements (including beach sculpting) will be the responsibility of the GHAD, subject to the limitations of this Plan of Control. In addition, the GHAD shall have the right to approve any construction, maintenance or repair within the GHAD boundaries, which the GHAD determines has the potential to impact geologic/geotechnical stability.

6.0 CRITERIA FOR GHAD RESPONSIBILITY

In forming the GHAD and establishing the assessment levels and budgets for the District, it is important to define clearly the limits of the GHAD's responsibilities. The GHAD will accept responsibility for property as described in Section 7.0 of this Plan of Control. However, the intent of this Plan of Control is not to extend the GHAD's responsibilities to every potential situation of instability; rather, the following are exclusions from GHAD responsibility.

6.1 ISOLATED OR REMOTE FEATURE REQUIRING MITIGATION

The GHAD shall not have responsibility to monitor, abate, mitigate or control any feature or event that does not involve damage to, or pose a significant threat to damage, site improvements.

6.2 GEOLOGIC HAZARDS RESULTING FROM NEGLIGENCE OF PROPERTY OWNER

The GHAD may decline to prevent, mitigate, abate or control geologic hazards which occurred or resulted from any negligence of a homeowner and/or a homeowner's contractors, agents or employees in developing, investigating, grading, constructing, maintaining or performing or not performing any work on private property.

6.3 PROPERTY NOT ACCEPTED

The GHAD shall not have responsibility to repair damage which is situated on a parcel of real property which the GHAD has not accepted in accordance with Section 7.0, below. The GHAD, however, may monitor, abate, mitigate or control geologic or hydrogeologic hazards on a parcel of real property which: (1) the GHAD has not accepted in accordance with Section 7.0, below, and (2) is not excluded from GHAD responsibility by Sections 6.1 and 6.2; provided, however, that GHAD responsibility on such parcel shall be limited to the extent necessary to address damage or a significant threat to damage site improvements which are within a parcel of real property which the GHAD has accepted in accordance with Section 7.0, below.

6.4 GEOLOGIC HAZARD WHICH REQUIRES EXPENDITURE IN AMOUNT EXCEEDING THE VALUE OF THE THREATENED OR DAMAGED IMPROVEMENT

The GHAD may elect not to prevent, mitigate, abate or control a geologic hazard where the anticipated expenditure required to be funded by the GHAD to prevent, mitigate, abate or control the geologic hazard will exceed the value of the structure(s) and site improvement(s) threatened with damage or loss.

6.5 GHAD FUNDING OR REIMBURSEMENT FOR DAMAGED OR DESTROYED STRUCTURES OR SITE IMPROVEMENTS

The GHAD will not be responsible for reimbursing a property owner for the expenses necessary to repair or replace a damaged or destroyed structure, site improvement, landscaping, including the revetment. In the future, the GHAD Board of Directors, at its discretion, may recommend additional beach nourishments. These nourishment events may be performed to address localized or widespread beach erosion, as appropriate. Prior to the funding of future beach nourishments, the GHAD Board of Directors will do the following:

1. Evaluate the efficacy of the previous sand nourishment, including such quantitative parameters as elapsed time between nourishments, beach width loss rate, and remaining beach width.
2. Evaluate new technologies that may provide a more attractive beach protection alternative from a financial or technical standpoint.
3. Evaluate the state-of-the-art and the state-of-the-practice with regard to beach nourishment and other beach protection strategies.
4. Evaluate the permitting, legal, and social, and environmental factors that have evolved since the previous beach nourishment event and determine if any of these factors or combination thereof may affect anticipated nourishment activities.

6.6 NO REIMBURSEMENT OF EXPENSES INCURRED BY PROPERTY OWNERS

The GHAD will not be obligated to reimburse a property owner for expenses incurred for the prevention, mitigation, abatement, or control of a geologic hazard absent a written agreement between the property owner and the GHAD to that effect, which agreement has been executed prior to the property owner incurring said expenses, and following an investigation conducted by the GHAD.

7.0 ACCEPTANCE

7.1 ACTIVATION OF ASSESSMENT

An annual assessment shall be promptly authorized on all parcels in the GHAD. The assessment shall be levied by the GHAD on each individual parcel beginning the first fiscal year following formation of the GHAD and the authorization of the assessment.

7.2 RESPONSIBILITY FOR GHAD ACTIVITIES

The GHAD shall not have the responsibility to perform the outlined activities until 1) the GHAD has been formed, 2) the assessment has been activated as outlined in the previous section, and 3) the GHAD has accepted maintenance responsibilities for the project improvements. The GHAD shall accept responsibility when the project improvements have been completed in accordance with improvement plans and all permit requirements have been satisfied. This turn-over date may be extended at the sole discretion of the GHAD Board of Directors provided that the assessments shall continue to be levied during the extension period and that notice of such extension is delivered to the GHAD Manager at least 30 days prior to the turn-over date.

Given the capital expenditures necessary for construction, the GHAD will likely seek a lending source to provide the necessary funding. As a result, much of the collected assessment will be used to service the resulting debt. The remaining portion of the collected assessment will be used to fund ongoing maintenance activities as well as a cumulative reserve for future large-scale expenditures.

7.3 PROCESS FOR TRANSFERRING RESPONSIBILITY FOR GHAD ACTIVITIES

The process for transferring responsibility for performing GHAD activities shall be as follows:

- (A) When it is believed by the TPOA Board that the project improvements have been completed and permit conditions have been satisfied, the TPOA may apply to the GHAD by submitting a Transfer Application to the GHAD Manager to transfer the responsibility for performing GHAD activities to the District. The TPOA shall be responsible for providing all necessary documentation to the GHAD to make this determination.
- (B) Within 30 days of receiving such notice from the TPOA, the GHAD shall confirm that the project improvements have been completed in accordance with improvement plans and all permit requirements have been satisfied. The GHAD cannot accept the responsibility for the project improvements until these criteria have been met.

8.0 BROAD BEACH MANAGEMENT PLAN

The GHAD shall be responsible for the maintenance of beach stabilization and hydrogeologic features in common beach areas. The GHAD's maintenance responsibilities include prevention, abatement, vegetation control, and control of erosion hazards within the project area, as provided in Sections 4, 5 and 6.

General maintenance of drainage improvements in the common beach area will be the GHAD's responsibility. Additionally, the GHAD will have the following maintenance responsibilities as outlined above:

- Inspection of the revetment structure.
- Inspection and maintenance of the restored dunes.
- Monitoring of accumulated erosion and beach recession.

9.0 PRIORITY OF GHAD EXPENDITURES

Emergency response and scheduled repair expenditures by the GHAD are to be prioritized by the GHAD Manager, utilizing its discretion, based upon available funds and the approved operating budget. If available funds are not sufficient to undertake all of the identified remedial and preventive stabilization measures, the expenditures are to be prioritized as follows in descending order of priority:

- (A) Prevention, mitigation, abatement or control of geologic hazards that have either damaged or pose a significant threat of damage to residences, critical underground utilities or paved streets.
- (B) Prevention, mitigation, abatement or control of geologic hazards which have either damaged or pose a significant threat of damage to ancillary structures.
- (C) Prevention, mitigation, abatement or control of geologic hazards which have either damaged or pose a significant threat of damage to beach amenities.
- (D) Prevention, mitigation, abatement or control of geologic hazards which have either damaged or pose a significant threat of damage limited to loss of dune vegetation or other similar non-essential amenities.
- (E) Prevention, mitigation, abatement or control of geologic hazards existing entirely on beach property and which have neither damaged nor pose a significant threat of damage to any site improvements.

As permitted by California Public Resources Code Sections 26591 and 26593, in performing its duties as described above, the GHAD may seek financial assistance from public and private entities including, but not limited to, FEMA, City and County agencies, insurance companies, etc.

10.0 MAINTENANCE AND MONITORING SCHEDULE

GHAD-maintained facilities should be inspected by GHAD Manager or its consultants as presented below. The GHAD Manager shall be a licensed Geotechnical Engineer in the State of California. The annual budget should be calculated so that inspections will be scheduled to occur two times per year (or as outlined below) and as necessary after heavy storm events, defined as greater than a 5-year storm. The regular inspections should be scheduled to take place in October, prior to the beginning of the historic "rainy season" or "storm season". The second inspection should occur in March or April, toward the end of the rainy season or storm season.

The timing, frequency and other details regarding such maintenance, inspection and similar activities will be set forth in a beach management plan prepared by the GHAD Manager.

The GHAD shall obtain copies of erosion and wave studies, geologic assessments, and geotechnical reports related to beach rehabilitation and site improvements and keep these reports on file in the records of the GHAD. In addition, copies of any earthwork and/or construction-related testing and observation reports that will be finalized at the completion of the improvements, when as-built drawings are available, shall be maintained as part of the GHAD records.

Following are guidelines for a monitoring plan. The actual scope and frequency of monitoring events shall be at the discretion of the GHAD Manager.

- The GHAD Manager or its consultants are responsible for inspecting the beach, sand dunes, and revetment structure on a regular schedule. The inspector should check for any deformations, including evidence of vegetation distress, erosion, or compromise of the integrity of the improvements. Repairs and maintenance should be performed on a regular schedule.
- The bluff facing should also be checked for erosion, sloughing, or other evidence of geologic instability.

SELECTED REFERENCES

- IPCC, Climate Change 2007: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change [Parry, Martin L., Canziani, Osvaldo F., Palutikof, Jean P., van der Linden, Paul J., and Hanson, Clair E. (eds.)]. Cambridge University Press, Cambridge, UK, 2007.
- Moffatt and Nichol, Broad Beach Restoration Project, Phase 1 Report (Draft), Job No. 6935-01, April 2010.
- Patsch, K., and Griggs, G., Development of Sand Budgets For California's Major Littoral Cells: Eureka, Santa Cruz, Southern Monterey Bay, Santa Barbara, Santa Monica (Including Zuma), San Pedro, Laguna, Oceanside, Mission Bay, And Silver Strand Littoral Cells, Institute Of Marine Sciences, University Of California, Santa Cruz, California Department Of Boating And Waterways, California Coastal Sediment Management Workgroup, 2007.
- State of California Department of Mines and Geology, Seismic Hazard Zones, Point Dume Quadrangle, 2002.
- State of California, Tsunami Inundation Map for Emergency Planning, Point Dume Quadrangle, March 1, 2009.
- State Of California, Sea-Level Rise Interim Guidance Document, Sea-Level Rise Task Force of the Coastal and Ocean Working Group of the California Climate Action Team, October 2010.
- United States Environmental Protection Agency (USEPA), Commentary on Coastal Zones and Sea Level Rise, USEPA website (www.epa.gov), 2009.

FIGURES

- Exhibit A:** Broad Beach GHAD – Legal Description
- Exhibit B:** Site Plan and GHAD Boundary
- Figure 1:** Seismic Hazard Zones
- Figure 2:** Tsunami Inundation Map

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EXHIBIT "A"
LEGAL DESCRIPTION

IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, BEING THAT PORTION OF THE RANCHO TOPANGA MALIBU SEQUIT, AS CONFIRMED TO MATTHEW KELLER BY PATENT, RECORDED IN BOOK 1, PAGE 407 ET SEQ. OF PATENTS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE NORTHERLY PROLONGATION OF THE EASTERLY TRACT LINE OF TRACT NO. 12314, RECORDED IN BOOK 232, PAGES 23 AND 24, OF MAPS, IN THE OFFICE OF SAID COUNTY RECORDER WITH THE SOUTHERLY LINE OF THAT 60-FOOT STRIP OF LAND DEEDED TO SAID COUNTY OF LOS ANGELES, BY DEEDS RECORDED IN BOOK 21735, PAGE 135 AND IN BOOK 21722, PAGE 190 OF OFFICIAL RECORDS IN THE OFFICE OF SAID COUNTY RECORDER;

THENCE WESTERLY ALONG SAID SOUTHERLY LINE PARALLEL WITH THE CENTERLINE OF BROAD BEACH ROAD THE FOLLOWING 4 COURSES:

1. NORTH 55°10'30" WEST 893.12 FEET TO THE BEGINNING OF A CURVE TANGENT WITH SAID LINE, CONCAVE SOUTHERLY, AND HAVING A RADIUS OF 1980.00 FEET;
2. WESTERLY 280.86 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 08°25'00" TO THE BEGINNING OF A LINE TANGENT WITH SAID CURVE;
3. NORTH 63°35'30" WEST 530.42 FEET;
4. NORTH 64°54'00" WEST 625.20 FEET TO THE INTERSECTION OF THE NORTHERLY PROLONGATION OF THE WESTERLY TRACT LINE OF SAID TRACT NO. 12314 WITH THE SOUTHERLY LINE OF SAID 60-FOOT STRIP OF LAND;

THENCE ALONG SAID SOUTHERLY LINE NORTH 64°54'00" WEST 107.00 FEET TO THE NORTHEASTERLY CORNER OF TRACT NO. 12909, RECORDED IN BOOK 263, PAGES 37 AND 38, OF MAPS, IN THE OFFICE OF SAID COUNTY RECORDER;

THENCE ALONG THE NORTHERLY LINES OF SAID TRACT NO. 12909 THE FOLLOWING 5 COURSES:

1. NORTH 64°54'00" WEST 307.62 FEET TO THE BEGINNING OF A CURVE TANGENT WITH SAID LINE, CONCAVE SOUTHERLY, AND HAVING A RADIUS OF 1974.16 FEET;
2. WESTERLY ALONG SAID CURVE 189.27 FEET THROUGH A CENTRAL ANGLE OF 05°47'00" TO THE BEGINNING OF A LINE TANGENT WITH SAID CURVE;
3. NORTH 70°41'00" WEST 672.87 FEET TO THE BEGINNING OF A CURVE TANGENT WITH SAID LINE, CONCAVE SOUTHWESTERLY, AND HAVING A RADIUS OF 2880.00 FEET;
4. WESTERLY ALONG SAID CURVE 615.90 FEET THROUGH A CENTRAL ANGLE OF 11°50'30" TO THE BEGINNING OF A LINE TANGENT WITH SAID CURVE;
5. NORTH 82°31'30" WEST 615.67 FEET TO THE NORTHEASTERLY CORNER OF TRACT NO. 31986, RECORDED IN BOOK 1081, PAGES 78 AND 79 OF MAPS, IN THE OFFICE OF SAID COUNTY RECORDER;

THENCE ALONG THE NORTHERLY LINES OF SAID TRACT NO. 31986 NORTH 82°31'30" WEST 118.84 FEET TO THE NORTHWESTERLY CORNER OF SAID TRACT NO. 31986;

THENCE ALONG SAID SOUTHERLY LINE NORTH 82°31'30" WEST 105.00 FEET TO THE NORTHEASTERLY CORNER OF TRACT NO. 32003, RECORDED IN BOOK 1081, PAGES 28 AND 29, OF MAPS, IN THE OFFICE OF SAID COUNTY RECORDER;

THENCE ALONG THE NORTHERLY LINES OF SAID TRACT NO. 32003 NORTH 82°31'30" WEST 300.02 FEET TO THE NORTHEASTERLY CORNER OF TRACT NO. 25166, RECORDED IN BOOK 695, PAGES 29 THROUGH 31, OF MAPS, IN THE OFFICE OF SAID COUNTY RECORDER;

THENCE ALONG THE EASTERLY LINE OF SAID TRACT NO. 25166 SOUTH 07°28'30" WEST 65.08 FEET TO THE NORTHEASTERLY CORNER OF LOT 16 OF SAID TRACT NO. 25166;

THENCE ALONG THE NORTHERLY LINES OF SAID LOT 16 THE FOLLOWING 2 COURSES:

1. NORTH 84°58'01" WEST 131.25 FEET;
2. SOUTH 76°12'50" WEST 31.00 FEET TO THE EASTERLY END OF THE CENTERLINE OF VICTORIA POINT ROAD (A PRIVATE ROAD) PER SAID TRACT NO. 25166;

THENCE ALONG SAID VICTORIA POINT ROAD CENTERLINE THE FOLLOWING 5 COURSES:

1. NORTH 17°28'00" WEST 11.00 FEET;
2. SOUTH 72°34'00" WEST 105.92 FEET TO THE BEGINNING OF A CURVE TANGENT WITH SAID LINE, CONCAVE SOUTHEASTERLY, AND HAVING A RADIUS OF 1000.00 FEET;
3. SOUTHWESTERLY ALONG SAID CURVE 134.68 FEET THROUGH A CENTRAL ANGLE OF 07°43'00" TO THE BEGINNING OF A LINE TANGENT WITH SAID CURVE;
4. SOUTH 64°51'00" WEST 68.42 FEET TO THE BEGINNING OF A CURVE TANGENT WITH SAID LINE, CONCAVE NORTHWESTERLY, AND HAVING A RADIUS OF 100.00 FEET;

5. SOUTHWESTERLY ALONG SAID CURVE 51.65 FEET THROUGH A CENTRAL ANGLE OF 29°35'30" TO THE MOST NORTHWESTERLY CORNER OF LOT 7 OF SAID TRACT NO. 25166;

THENCE ALONG THE WESTERLY LINES OF SAID LOT 7 THE FOLLOWING 3 COURSES:

1. SOUTH 04°26'30" WEST 110.00 FEET;
2. SOUTH 56°28'55" WEST 59.24 FEET;
3. SOUTH 32°46'52" EAST 15.00 FEET TO THE MOST WESTERLY CORNER OF LOT 6 OF SAID TRACT NO. 25166;

THENCE ALONG THE SOUTHWESTERLY LINES OF SAID LOT 6 THE FOLLOWING 3 COURSES:

1. SOUTH 32°46'52" EAST 12.00 FEET;
2. NORTH 57°13'08" EAST 16.36 FEET;
3. SOUTH 40°20'10" EAST TO THE MEAN HIGH TIDE LINE OF THE PACIFIC OCEAN;

THENCE NORTHERLY, NORTHEASTERLY, AND EASTERLY ALONG THE MEAN HIGH TIDE LINE OF THE PACIFIC OCEAN AND ALONG THE SOUTHERLY LINES OF THE LAND DESCRIBED IN THE FOLLOWING TRACTS AND DEEDS:

1. SAID TRACT NO. 25166;
2. SAID TRACT NO. 32003;
3. SAID TRACT NO. 31986;
4. SAID TRACT NO. 12909;
5. GRANT DEED 00-0644320 RECORDED APRIL 28, 2000 IN THE OFFICE OF SAID COUNTY RECORDER;
6. GRANT DEED 04-0646973 RECORDED MARCH 18, 2004 IN THE OFFICE OF SAID COUNTY RECORDER;
7. SAID TRACT NO. 12314;
8. GRANT DEED 20072854217 RECORDED DECEMBER 28, 2007 IN THE OFFICE OF SAID COUNTY RECORDER;
9. GRANT DEED 96-1557431 RECORDED SEPTEMBER 23, 1996 IN THE OFFICE OF SAID COUNTY RECORDER;
10. GRANT DEED 3411 RECORDED APRIL 03, 1967 IN THE OFFICE OF SAID COUNTY RECORDER;
11. GRANT DEED 20080278549 RECORDED FEBRUARY 02, 2008 IN THE OFFICE OF SAID COUNTY RECORDER;
12. GRANT DEED 3527 RECORDED DECEMBER 30, 1958 IN THE OFFICE OF SAID COUNTY RECORDER;
13. GRANT DEED 05-1153695 RECORDED MAY 17, 2005 IN THE OFFICE OF SAID COUNTY RECORDER;
14. GRANT DEED 20080934875 RECORDED MAY 28, 2008 IN THE OFFICE OF SAID COUNTY RECORDER;
15. GRANT DEED 20091411424 RECORDED SEPTEMBER 16, 2009 IN THE OFFICE OF SAID COUNTY RECORDER;
16. GRANT DEED 99-2390992 RECORDED DECEMBER 29, 1999 IN THE OFFICE OF SAID COUNTY RECORDER TO THE EASTERLY LINE OF THE LAND DESCRIBED IN SAID GRANT DEED 99-2390992;

THENCE ALONG SAID EASTERLY LINE OF THE LAND DESCRIBED IN SAID GRANT DEED 99-2390992 NORTH 36°37'30" EAST TO A NON TANGENT CURVE CONCAVE NORTHEASTERLY, AND HAVING A RADIUS OF 10,050.00 FEET, SAID CURVE ALSO BEING THE SOUTHERLY LINE OF THE 100 FOOT WIDE STRIP OF LAND (PACIFIC COAST HIGHWAY) CONVEYED TO THE STATE OF CALIFORNIA BY THE DEED RECORDED IN BOOK 20716 PAGE 385, OF OFFICIAL RECORDS;

THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF THE 100 FOOT WIDE STRIP OF LAND THE FOLLOWING 2 COURSES:

1. NORTHWESTERLY ALONG SAID CURVE 208.29 FEET THROUGH A CENTRAL ANGLE OF 01°11'15";
2. NORTH 48°39'15" WEST 228.77 FEET TO THE INTERSECTION OF THE NORTHERLY PROLONGATION OF THE EASTERLY LINE OF THE LAND DESCRIBED IN SAID GRANT DEED 3411 WITH THE SAID SOUTHERLY LINE OF THE 100 FOOT WIDE STRIP OF LAND;

THENCE ALONG SAID NORTHERLY PROLONGATION OF THE EASTERLY LINE OF THE LAND DESCRIBED IN SAID GRANT DEED 3411 SOUTH 34°49'30" EAST 10.07 FEET TO THE NORTHEASTERLY CORNER OF

AS SHOWN ON THE ATTACHED EXHIBIT "B" AND BY THIS REFERENCE MADE A PART HEREOF.

SUBJECT TO ALL COVENANTS, RIGHTS, RIGHTS-OF-WAY, AND EASEMENTS OF RECORD, IF ANY.

THIS REAL PROPERTY DESCRIPTION HAS BEEN PREPARED BY ME, OR UNDER MY DIRECTION, IN CONFORMANCE WITH THE PROFESSIONAL LAND SURVEYOR'S ACT.

FINAL ELECTRONIC COPY 3/15/11

RICHARD C. MAHER, PLS 7564 DATE

THIS DOCUMENT IS PRELIMINARY UNLESS SIGNED

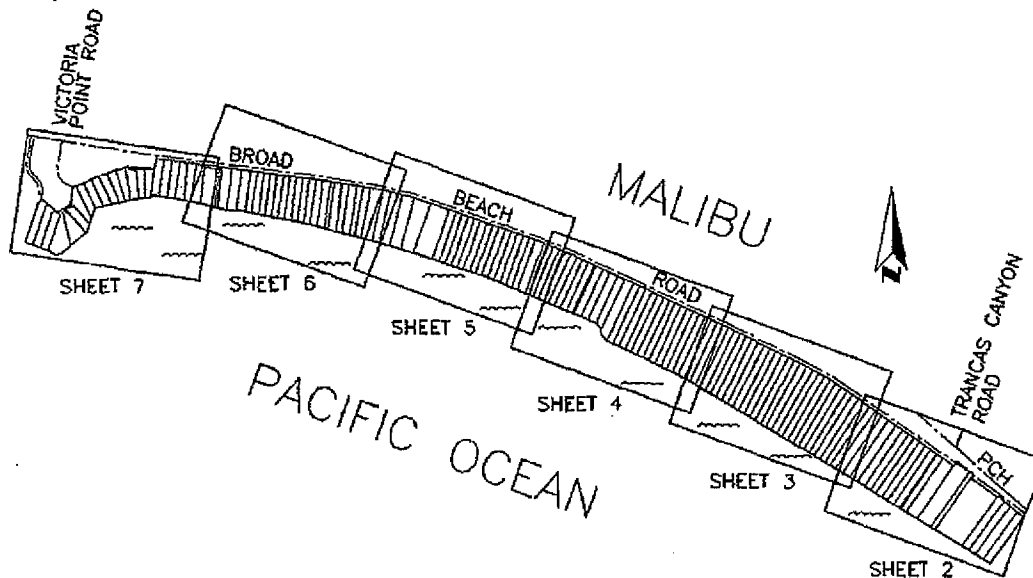
KDM MERIDIAN, INC.
(949) 768-0731

03/14/11

EXHIBIT "B"

PLOT TO ACCOMPANY LEGAL DESCRIPTION

SHEET 1 OF 7

**RECORD INFORMATION**

THE CENTERLINES, RIGHTS-OF-WAY, AND PROPERTY LINES SHOWN HEREON ARE BASED ON THE FOLLOWING RECORD MAPS AS FILED IN THE OFFICE OF THE LOS ANGELES COUNTY RECORDER:

TRACT NO. 12314	BOOK 232	PAGES 23-24
TRACT NO. 12909	BOOK 263	PAGES 37-38
TRACT NO. 31986	BOOK 1081	PAGES 78-79
TRACT NO. 32003	BOOK 1081	PAGES 28-29
TRACT NO. 25166	BOOK 695	PAGES 29-31
RECORD OF SURVEY	BOOK 76	PAGES 20-21
F.M. 11698-1		PAGES A1-AB
F.M. 11260-2		PAGES A1-A13

DEEDS REFERENCED AS XX-XXXXXXX INDICATE RECORDED INSTRUMENT NUMBER IN THE LOS ANGELES COUNTY RECORDERS OFFICE.

- ① 60-FOOT STRIP OF LAND DESCRIBED IN DEEDS RECORDED IN BOOK 21735, PAGE 135 AND BOOK 21722, PAGE 190, FILED IN THE OFFICE OF THE LOS ANGELES COUNTY RECORDER

LINE TABLE

LINE	BEARING	DISTANCE
L1	S07°28'30"W	65.06'
L2	N84°58'01"W	131.25'
L3	S76°12'50"W	31.00'
L4	N17°26'00"W	11.00'
L5	S72°34'00"W	105.92'
L6	S64°51'00"W	68.42'
L7	S04°26'30"W	110.00'
L8	S56°26'55"W	59.24'
L9	S32°46'52"E	27.00'
L10	N57°13'08"E	16.36'
L11	S34°49'30"W	10.07'
L12	N48°39'15"W	100.66'
L13	S34°49'30"W	32.91'
L14	N55°10'30"W	121.95'

CURVE TABLE

CURVE	DELTA ANGLE	ARC LENGTH	RADIUS
C1	7°43'00"	134.68'	1000.00'
C2	29°35'30"	51.65'	100.00'

LEGEND

--- RIGHT OF RECORDING

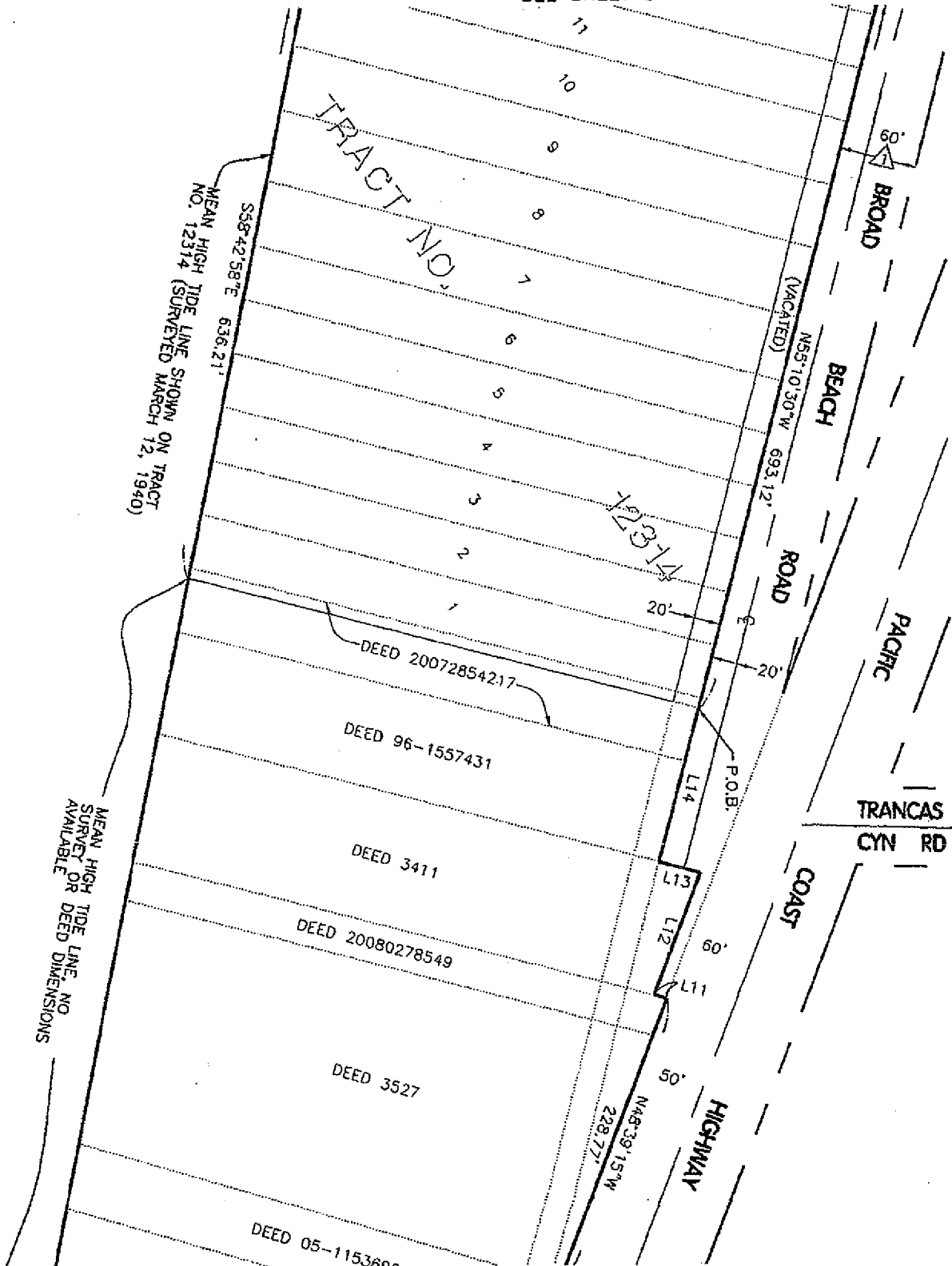
03/14/11

EXHIBIT "B"

SHEET 2 OF 7

PLAT TO ACCOMPANY LEGAL DESCRIPTION

SEE SHEET 3



03/14/11

EXHIBIT "B"

PLAT TO ACCOMPANY LEGAL DESCRIPTION

SHEET 3 OF 7

SEE SHEET 4

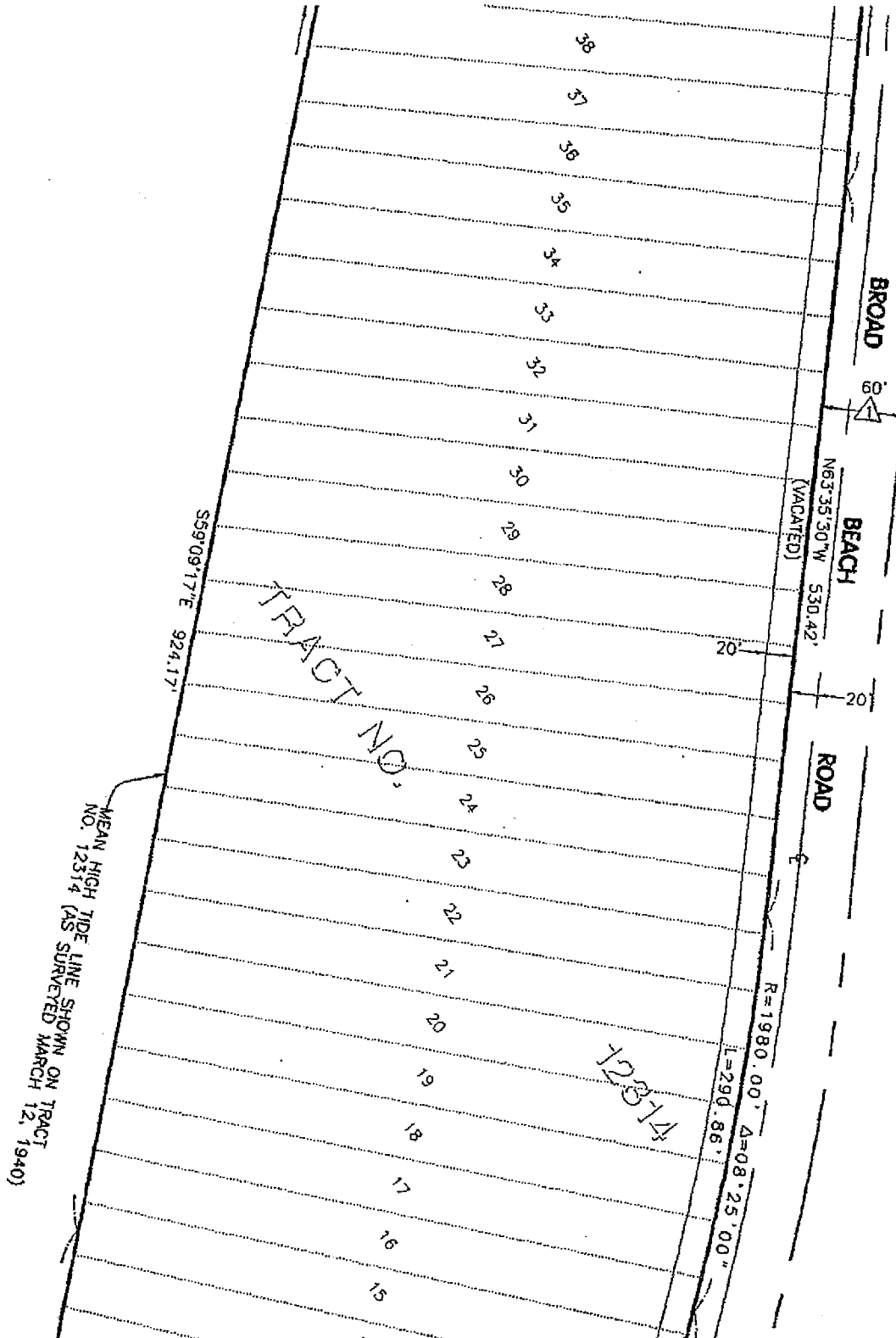
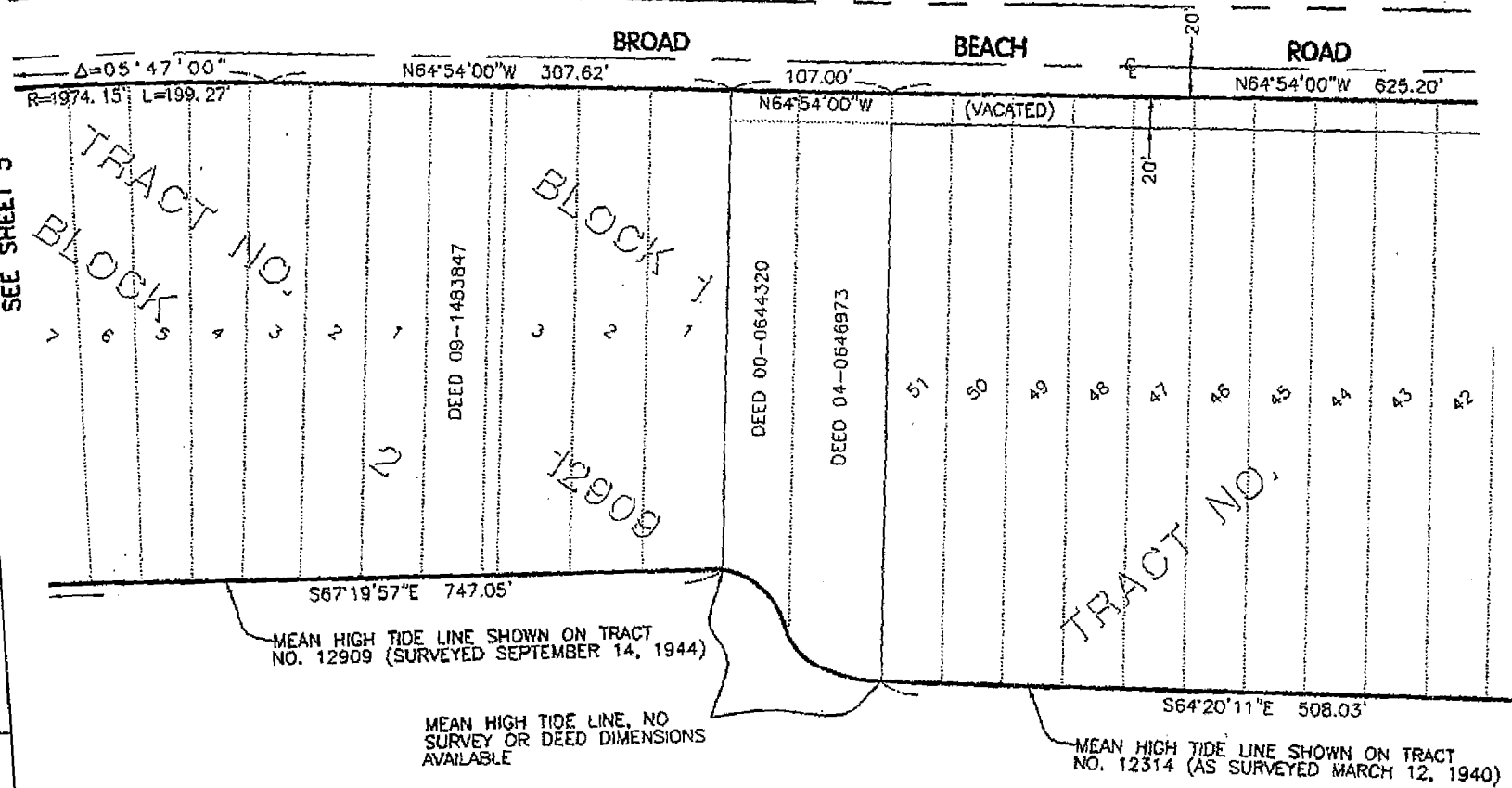


EXHIBIT "B"

PLAT TO ACCOMPANY LEGAL DESCRIPTION

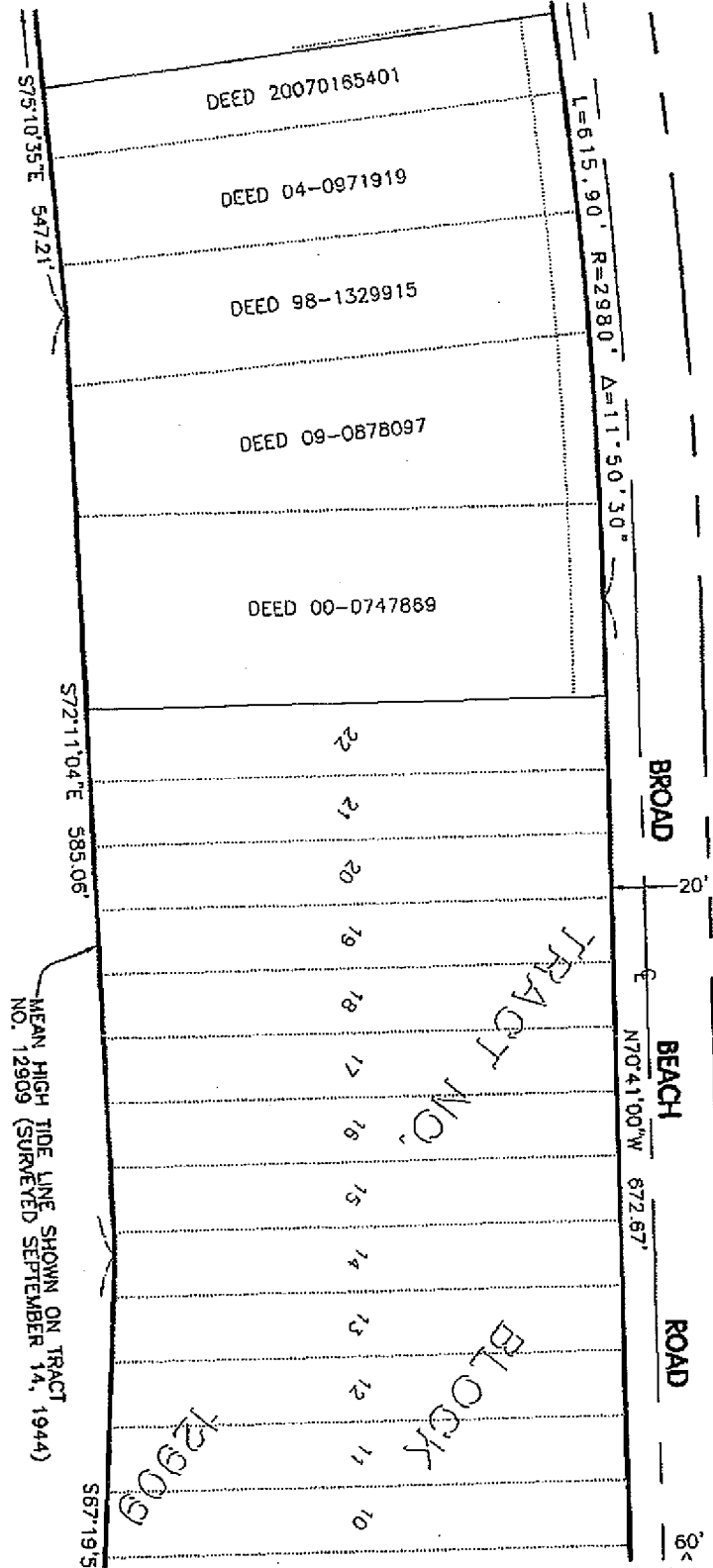
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SEE SHEET 5



PLAT TO ACCOMPANY LEGAL DESCRIPTION

SEE SHEET 6



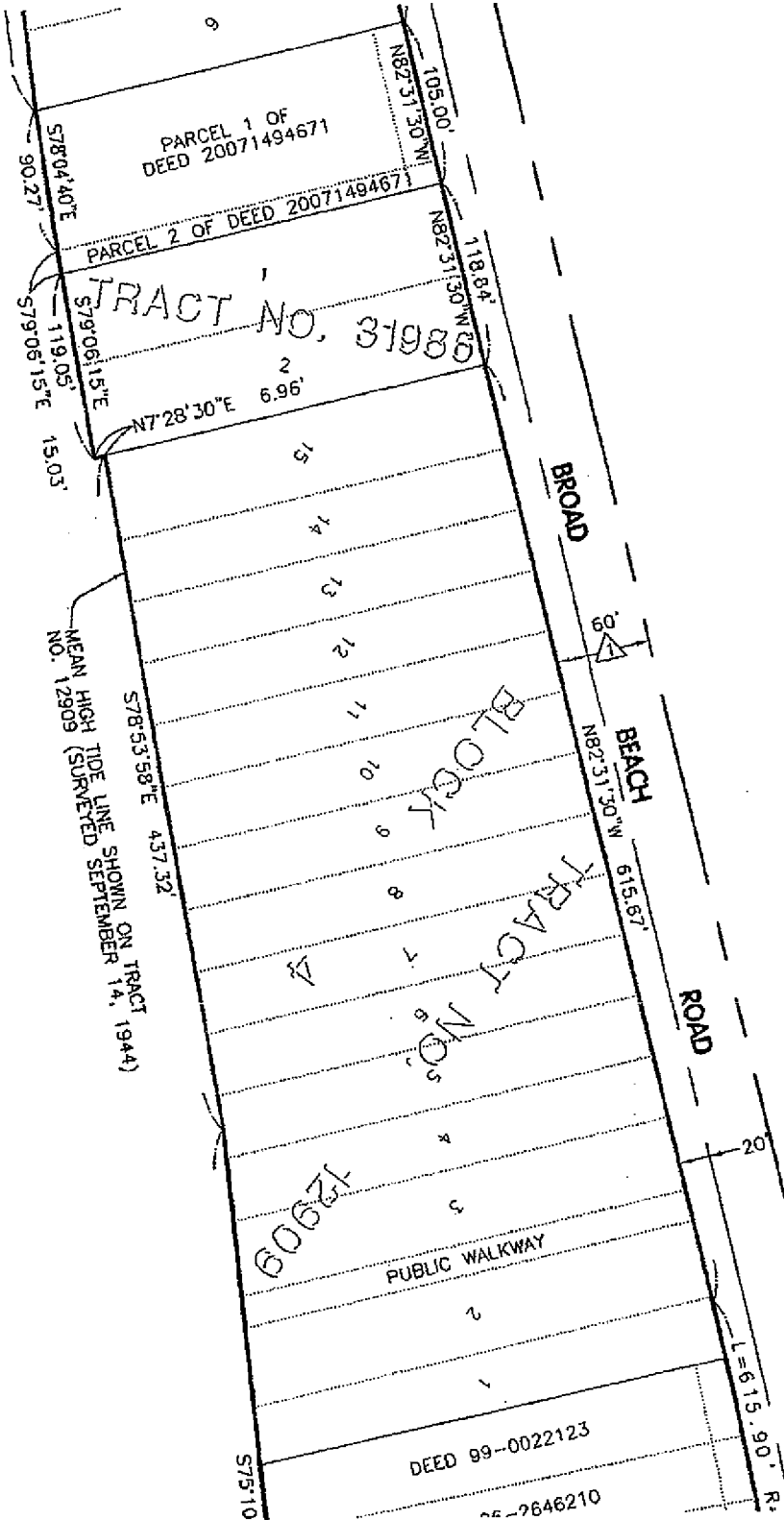
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EXHIBIT "B"

SHEET 6 OF 7

PLAT TO ACCOMPANY LEGAL DESCRIPTION

SEE SHEET 7

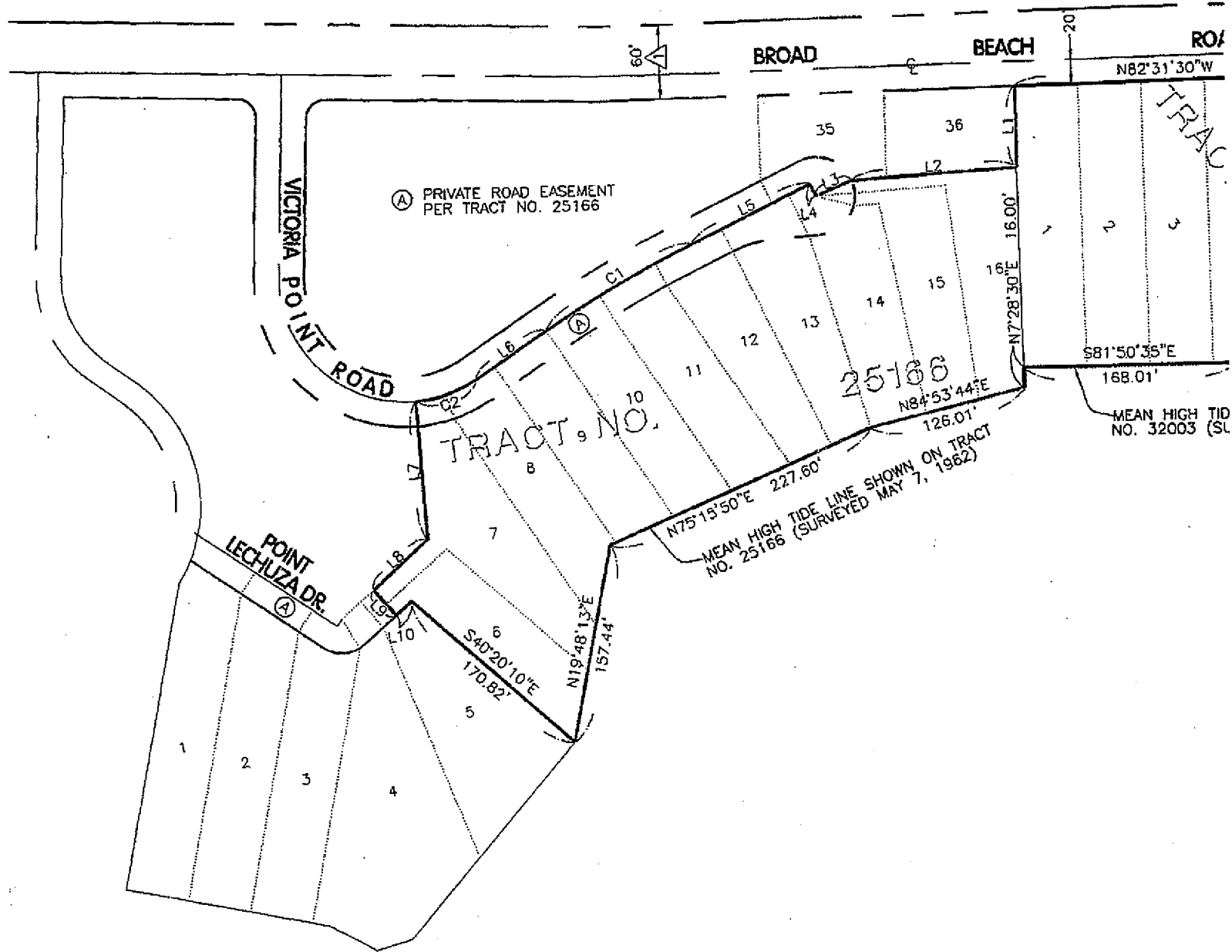


03/14/11

EXHIBIT "B"

PLAT TO ACCOMPANY LEGAL DESCRIPTION

SHEET 7 OF 7



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EXPLANATION

LIQUEFACTION



AREAS WHERE HISTORIC OCCURRENCE OF LIQUEFACTION, OR LOCAL GEOLOGICAL, GEOTECHNICAL AND GROUNDWATER CONDITIONS INDICATE A POTENTIAL FOR PERMANENT GROUND DISPLACEMENTS SUCH THAT MITIGATION AS DEFINED IN PUBLIC RESOURCES CODE SECTION 2693(e) WOULD BE REQUIRED

EARTHQUAKE-INDUCED LANDSLIDES



AREAS WHERE PREVIOUS OCCURRENCE OF LANDSLIDE MOVEMENT, OR LOCAL TOPOGRAPHIC, GEOLOGICAL, GEOTECHNICAL AND SUBSURFACE WATER CONDITIONS INDICATE A POTENTIAL FOR PERMANENT GROUND DISPLACEMENTS SUCH THAT MITIGATION AS DEFINED IN PUBLIC RESOURCES CODE SECTION 2693(e) WOULD BE REQUIRED



BASE MAP SOURCE: CALIFORNIA DEPARTMENT OF CONSERVATION, CALIFORNIA GEOLOGICAL SURVEY, 2002



SEISMIC HAZARD ZONE MAP
BROAD BEACH GHAD
MALIBU, CALIFORNIA

PROJECT NO: 8588.000.000

SCALE: AS SHOWN

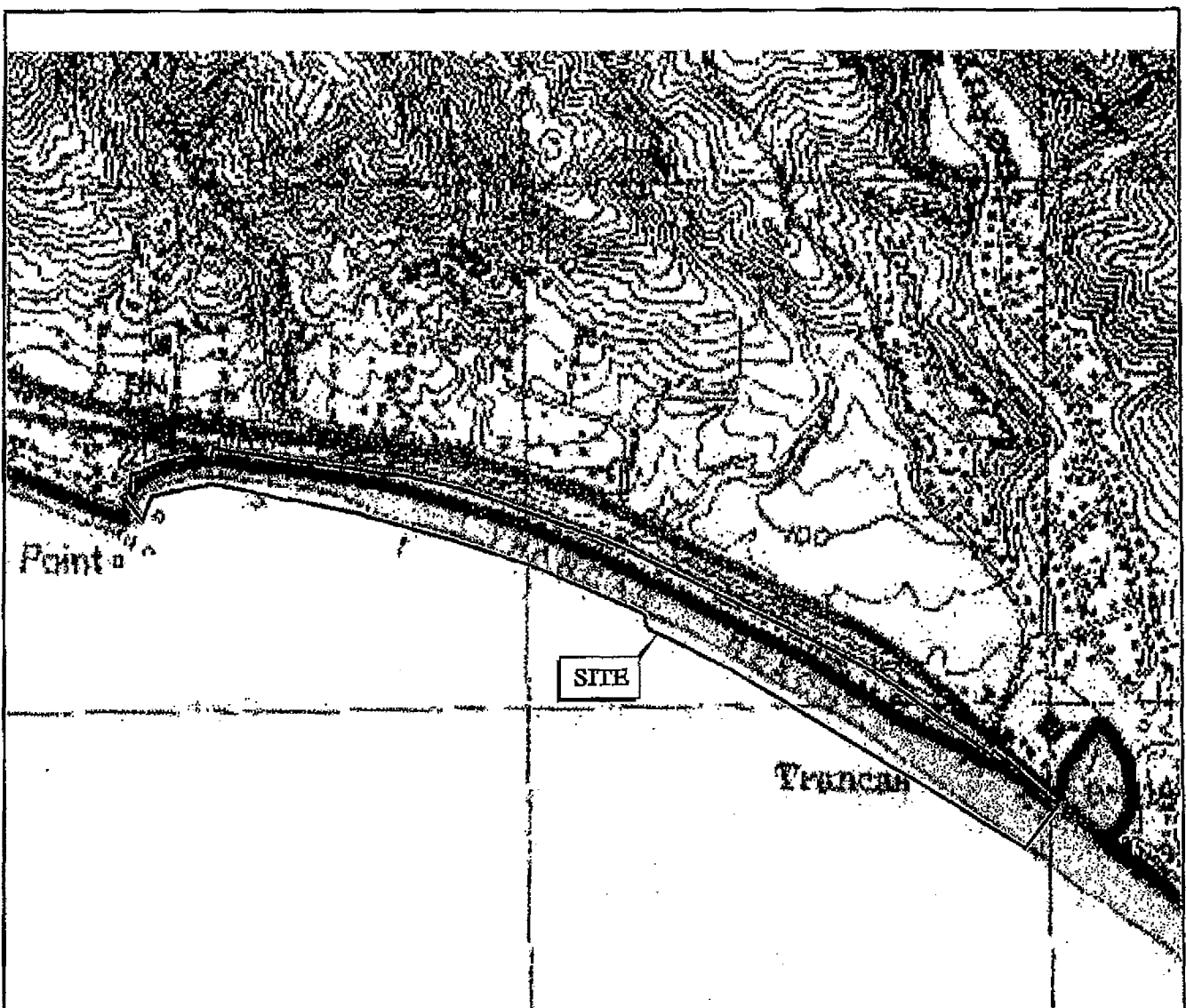
DRAWN BY: DLB

CHECKED BY: TB

FIGURE NO

1

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EXPLANATION



TSUNAMI INUNDATION LINE



TSUNAMI INUNDATION AREA



0 FEET 1000
0 METERS 500

BASE MAP SOURCE: CALIFORNIA EMERGENCY MANAGEMENT AGENCY, CGS, USC



TSUNAMI INUNDATION
BROAD BEACH GHAD
MALIBU, CALIFORNIA

PROJECT NO: 8588.000.000

SCALE: AS SHOWN

DRAWN BY: DLB

CHECKED BY: TB

FIGURE NO

2

APPENDIX A

Sea-Level Rise Commentary

A
P
P
E
N
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I
X

A



SEA-LEVEL RISE COMMENTARY

Higher temperatures are expected to further raise sea level by expanding ocean water, melting mountain glaciers and small ice caps, and causing portions of Greenland and the Antarctic ice sheets to melt (EPA, 2009). The International Panel on Climate Change (IPCC) estimates that the global average sea level will rise between 0.6 and 2 feet in the next century (IPCC, 2007).

The range reflects uncertainty about global temperature projections and how rapidly ice sheets will melt or slide into the ocean in response to the warmer temperatures. Furthermore, some processes affecting sea level have long (centuries and longer) time-scales, so that current sea level change is also related to past climate change, and some relevant processes are not determined solely by climate. Climate models, satellite data and hydrographic observations demonstrate that sea level is not rising uniformly around the world (EPA, 2009). Depending on the region, sea level has risen several times the global mean rise or has actually fallen (IPCC, 2007).

Sea-level rise also increases the vulnerability of coastal areas to flooding during storms for several reasons. First, wave action builds on top of a higher base of water. Considering only this effect, a Report to Congress by FEMA (1991) estimated that existing development in the United States Coastal Zone would experience a 36 to 58 percent increase in annual damages for a 1-foot rise in sea level, and a 102 to 200 percent increase for a 3-foot rise. Shore erosion also increases vulnerability to storms, by removing the beaches and dunes that would otherwise protect coastal property from storm waves (FEMA 2000). Sea-level rise also increases coastal flooding from rainstorms, because low areas drain more slowly as sea level rises (EPA, 2009).

Other impacts of climate change may further enhance or mitigate coastal flooding. Flooding from rainstorms may become worse if higher temperatures lead to increasing rainfall intensity during severe storms (EPA, 2009).

**THE BOARD OF DIRECTORS OF BROAD BEACH GEOLOGIC HAZARD
ABATEMENT DISTRICT**

Adopted this Resolution on October 9, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

RESOLUTION NO. 2011/03

**RESOLUTION APPOINTING A REPRESENTATIVE OF THE MALIBU WEST
BEACH CLUB AS A VOLUNTARY ADVISORY MEMBER TO THE GHAD BOARD**

WHEREAS, on Septemebr 12, 2011, the Malibu City Council adopted Resolution No. 11-41 approving and ordering the formation of the Broad Beach Geologic Hazard Abatement District (GHAD); and

WHEREAS, GHAD Law (Public Resources Code §§26500 *et seq.*) allows the City Council to either appoint itself to act as the GHAD Board or appoint five landowners of the real property within the GHAD boundaries to act as the GHAD Board; and

WHEREAS, the Malibu City Council appointed five landowners to serve as the GHAD Board; GHAD Law allows these Boardmembers to serve an initial four years; and

WHEREAS, the Malibu West Beach Club (the "Club") is a private beach club with over 230 members from the Malibu West community in Trancas Canyon; the Club owns a parcel located within the boundaries of the GHAD; and

WHEREAS, the Malibu City Council suggested the GHAD Board consider designating a representative of the Club as an advisory member to the GHAD; the City Council recognized that GHAD Law requires boardmembers of the GHAD to be landowners within the GHAD and recognized that the advisor would not be a voting member of the GHAD and would not be counted for quorum purposes; and

WHEREAS, the GHAD Board recognizes that the GHAD is a political subdivision of the State of California, governed in accordance with GHAD Law (Pub. Res. Code §§ 26500 *et seq.*); and a legal entity that is separate and distinct from the City of Malibu and the at the GHAD operations are independent of the City functions; and

WHEREAS, on October 9, 2011, the GHAD Board held a public hearing to consider designating a representative of the Club to serve as an advisory member of the GHAD Board; and

WHEREAS, Mark Goss is a representative of the Club and can serve as a voluntary advisory member of the GHAD Board.

The Board of Directors of the GHAD HEREBY RESOLVES THAT:

1. Provided that Mark Goss remains a member of the Club in good standing, he shall serve in a voluntary advisory capacity to the GHAD Board and may attend meetings of the GHAD Board in this capacity.
2. As an advisory member, Mark Goss has no decision making authority and has no legal or formal responsibilities to the GHAD; the role of the advisory member is to provide advice and support to the GHAD Board;
3. The advisory member's term shall be the same term as the initial Board of Directors and shall automatically terminate four years from the date of this Resolution, which is October 9, 2015.

ATTEST:

Clerk of the GHAD Board



Investment Policy Statement

April 1, 2009

Statement of Objectives	2
Risk Tolerance	2
Asset Allocation	2
Recommended Allocation	2
Monitoring Progress	2
Agreement	3

Prepared for:

**California Association of
Geologic Hazard Abatement Districts (GHAD)**

Prepared by:

Watermark Asset Management, Inc.
4115 Blackhawk Plaza Circle
Suite 200
Danville, CA 94606
925-648-4730

This Investment Policy Statement is a summary of the recommended general investment strategies for each GHAD account. Going forward, it will serve as a guide to the investment plan, governing how, why, and where the money is invested.

Statement of Objectives

Risk Tolerance

Investing involves an element of risk, whether that risk is loss of dollars invested or erosion of the value of the assets due to inflation. In constructing the investment strategy, we considered the ability to tolerate investment risk by focusing on the investment time horizon, comfort with short-term market variability, and the willingness to tolerate long-term market instability. The GHAD account will be invested for current income and principal protection while earning a competitive interest rate on capital.

Asset Allocation

Recommended Allocation

Watermark Asset Management will invest the funds as follows and will use discretion to seek the best returns in the investment vehicles stated below:

- Short-term Government Obligations: If interest rates dictate, Watermark Asset Management will invest in but is not limited to, US Treasury securities and/or US Government Agency-Backed securities
- FDIC insured Certificates of Deposit: Held at a financial institution that is backed by the Federal Deposit Insurance Corporation (FDIC)
- Money Market Funds: Seeking competitive rates of return and for use as a holding tank for distributions and billing on an as needed basis

Monitoring Progress

The performance of the securities selected for the portfolio will be monitored on an ongoing basis. Our intent in monitoring performance is to ensure that 1) the portfolio continues to feature an acceptable level of risk, 2) over a reasonable period your investments produce acceptable returns in relation to risk, and 3) securities contribute to the portfolio as anticipated. If we have concerns about the performance or safety of the securities, we'll contact the necessary personnel to discuss our concerns and changes. Likewise, if there are similar concerns from GHAD, please let us know.

Investment Recommendation
April 1, 2009

Prepared for:
GHAD

Prepared by:
Watermark Asset Management
Inc.

Page
3 of 3

Agreement

I have reviewed and agree with the tenets of this Investment Policy Statement. I will notify Watermark Asset Management, Inc. of any changes to the GHAD objectives, risk tolerance, or strategies. This policy will be reviewed annually.

GHAD Manager

Date

Mark Miller
President, Watermark Asset Management, Inc.

Date

GHAD Proposal: Treasurer

WATERMARK
Asset Management, Inc.

March 10, 2009



Proposal

- Watermark Asset Management, Inc. proposes to act as Treasurer for various GHAD organizations. Services to include:
 - Investment of GHAD revenues
 - Design and implementation of Investment Policy for each GHAD
 - Use of independent 3rd party custodian
 - Coordination of timely disbursements as required
 - Monthly and quarterly account reports including performance, cash receipts and disbursement histories

Watermark Asset Management, Inc.

- Independent investment advisory firm
 - Founded in 1997
 - Maintains financial services professional liability insurance
 - No mutual fund company, insurance, broker dealer affiliation
 - No conflicts of interest
- Manage over \$100 million
 - Clients include:
 - Individuals
 - Company retirement plans
 - Non-profit organizations
- Registered directly with SEC
- Written managed account agreement
- Fee only
 - .25% per year, billed quarterly in arrears



Principals

- **Mark Miller** is a principal and founder of Watermark Asset Management, Inc. Prior to establishing Watermark in 1997 he was a vice president with Schwab Institutional, a division of Charles Schwab & Co., Inc. He has an undergraduate degree from Stanford University and a Master's Degree in Financial Planning from the College for Financial Planning.
- **Eric Lai** is a CERTIFIED FINANCIAL PLANNER™ practitioner and principal with Watermark. Eric joined the firm in 2003 after several years of experience with Charles Schwab & Co., Inc. and an independent fee only investment firm. He has an undergraduate degree in economics from UCLA and is an MBA candidate at the Anderson Graduate School of Business.



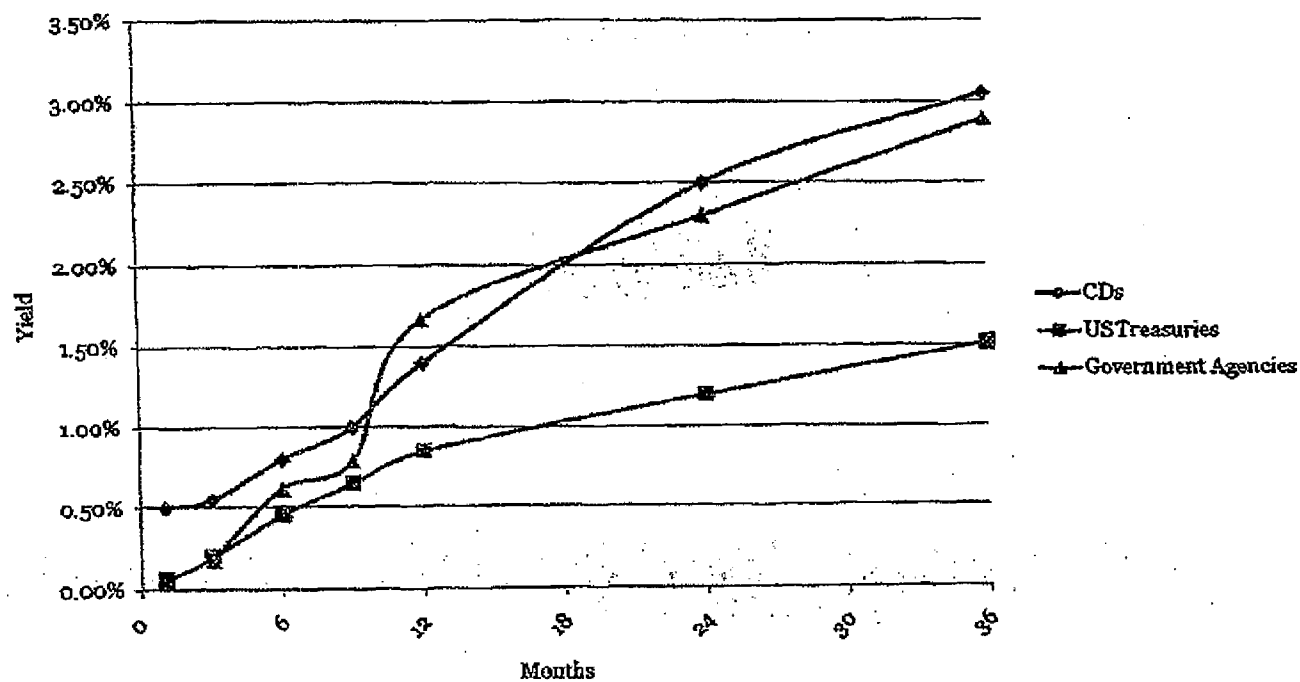
Our Services

- Cash Management
 - Separate account for each GHAD
 - Match cash outflow with investment horizon
 - "Risk free" assets: money market fund, FDIC insured CD, and government securities
 - Current yields, .64 to 3.05%, depending on time frame*
- Independent 3rd Party Custodian
 - Schwab Institutional, a division of Charles Schwab & Co., Inc.
 - Independent verification of assets
 - Institutional account statements
 - Watermark maintains Limited Power of Attorney for investment purposes
 - Disbursements by Schwab to approved vendors with GHAD authorization
 - Check or electronic receipt of GHAD deposits from County

Yield Curve*

Fixed Income Offerings

	1M	3M	6M	9M	1YR	2YR	3YR
<input checked="" type="checkbox"/> CDs View All	<u>0.50</u>	<u>0.55</u>	<u>0.80</u>	<u>1.00</u>	<u>1.40</u>	<u>2.50</u>	<u>3.05</u>
Bonds							
U.S. Treasuries	<u>0.06</u>	<u>0.20</u>	<u>0.45</u>	<u>0.65</u>	<u>0.85</u>	<u>1.20</u>	<u>1.52</u>
U.S. Treasury Zeros	—	<u>0.05</u>	<u>0.27</u>	<u>0.33</u>	<u>0.64</u>	<u>1.15</u>	<u>1.83</u>
Government Agencies	—	<u>0.18</u>	<u>0.62</u>	<u>0.79</u>	<u>1.67</u>	<u>2.30</u>	<u>2.89</u>





Service Standards

- **Reporting**
 - Monthly account statements from Schwab for each GHAD- 5 days after month end
 - Quarterly performance statements from Watermark- 10 days after quarter end
 - Available transaction reporting for account audit
 - Additional reporting capability as needed
- **Investment Policy Statement**
 - Clear investment objectives between Watermark and GHAD
 - Predetermination of investment risk parameters
 - Investment horizon suitable for each GHAD and cash flow requirements

Service Standards cont.

- Disbursement Process
 - Through independent 3rd party
 - Schwab Institutional via check or electronic payment
 - Watermark able to facilitate payment with written GHAD authorization (i.e. disbursement documentation)
 - Payment ONLY to GHAD approved vendors
 - Watermark disbursement verification
 - Service standard:
 - Payment authorization: 24 hours
 - Payment disbursement: 48 hours



Charles Schwab & Co., Inc.

- Founded in 1973
- Schwab Institutional, division of Charles Schwab & Co., Inc.
- One of the world's largest brokers
 - Over \$1.1 trillion in total client assets (January 31, 2009)
 - More than \$4 billion in equity capital
- Serves over 7 million individual and institutional clients
- SIPC insured and additional insurance through Lloyd's of London
- 24 hour telephone/ internet service



Additional Information

- **Watermark Asset Management, Inc.**
 - Mark Miller or Eric Lai
 - 4115 Blackhawk Plaza Circle, Suite 200
 - Danville, CA 94506
 - (925) 648-4730 or (888) 860-0300

- **Disclosure**
 - .64% interest on Schwab Value Advantage (SWVXX), 3.05% interest on 3 year CD, yield as of 3/10/09

WATERMARK
Asset Management, Inc.
INVESTMENT ADVISORY AGREEMENT

(Managed Accounts)

THIS AGREEMENT is made between Watermark Asset Management, Inc., a California corporation, with its principal place of business at 4115 Blackhawk Plaza Circle, Suite 200, Danville, California 94506 (hereinafter referred to as "Advisor") and _____ (hereinafter referred to as "Client").

Client and Advisor agree that the following investment advisory services will be provided by Advisor to Client upon the following terms and conditions:

1. **Client's Account.** Client will open a securities brokerage account (the "Account") with Charles Schwab & Co., Inc. (the "Broker") with an initial deposit of See Attachment A. The initial deposit, all subsequent deposits to, and withdrawals from, the Account and all transactions effected in the Account shall be subject to this Agreement. Client understands that accounts directed by the Advisor may be managed according to the investment methods described in Advisor's current disclosure document (the "Disclosure Document") furnished by Advisor encompassing the information provided in Part II of Advisor Form ADV (Uniform Application for Investment Advisor Registration) filed with the California Department of Corporations and further pursuant to any additional trading instructions attached hereto, and acknowledges that he/she has been provided with an opportunity to ask questions of a representative of the Advisor regarding its trading methods. All accounts advised by the Advisor for the Client shall be subject to this Agreement. Client agrees to give Advisor not less than three business days written notice prior to withdrawal of any funds or securities from the Account.

2. **Authorization of Advisor to enter Orders for the Account.** Client appoints Advisor as sole and exclusive attorney-in-fact with respect to the Account to buy, sell or otherwise trade in stocks, registered investment companies and other securities which the Advisor is permitted to invest in and trade under current law and regulations, without prior consultation with Client, without prior notice to Client, and in such amounts and at such prices as Advisor, in its sole discretion, may determine. Client will not make investment decisions for the Account and will not authorize any party other than Advisor to make investment decisions for the Account; only Advisor shall have the authority to enter orders on behalf of the Account. Advisor shall have full authority to transmit orders directly to the Broker and the Broker is authorized to accept and execute all such orders. Advisor is also authorized to invest any assets of the Account in U.S. Government obligations or other interest-bearing instruments as permitted under the Securities Exchange Act of 1934, as amended, and the regulations thereunder. This Power-of-Attorney is a continuing power and shall remain in full force and effect until revoked by Client in writing, but any such revocation shall not affect any transaction initiated prior to receipt of such notice of revocation.

3. **Receipt of and Sole Reliance on Disclosure Document.** Client acknowledges that he/she has received, read and understood the Disclosure Document furnished by Advisor. Client understands that no person has been authorized by Advisor to make statements in addition to or inconsistent with those contained in such Disclosure Document.

4. **Regulations.** All transactions executed for the Client's account(s) shall be subject to the rules, regulations and customs, as they may be amended, of the securities exchanges where executed and the provisions of the Security Exchange Act of 1934, as it may be amended, and the rules and regulations promulgated from time to time thereunder.

5. **Proxy Voting.** Clients may instruct Watermark to vote proxies by assigning such responsibility via a brokerage account application. Watermark will vote proxies for securities, including those of individual stocks and mutual funds, on behalf of its clients. Policies and procedures are in place and are compliant with Rule 206(4)-6 of the Investment Advisor Act of 1940 to ensure that securities are voted in the best interest of clients. A copy of the policies and procedures is available upon request.

6. **Margin; Account Opening.** The Client shall fulfill margin requirements by depositing cash, Treasury Bills, or other securities and collateral with the Broker. The Client's account will be considered opened once a) this agreement has been acknowledged and received by Advisor, b) all documents required by the Broker have been received and approved by the Broker, and c) funds equaling Advisor requirements have been deposited or committed with the Broker.

7. **Acknowledgment of Risk Associated with Securities Investing and Trading.** Client is aware of the speculative nature and the high risk associated with securities investing and trading, including the risk that, if a margin agreement has been executed with the Broker, a Client may incur losses in an amount which is greater than the capital contributed to the Account and that Client will be liable to Broker for such excess. Client acknowledges that no "safe" investing method has ever been devised, and that no one can guarantee profits or freedom from loss in securities investing and trading. Advisor, therefore, cannot and does not imply or guarantee that Client will make a profit and it is agreed that Advisor will not be held responsible for losses in the Account.

8. **Information to be Provided by the Client.** Client will provide Advisor with a completed Client Questionnaire and will furnish such other information as may be required, including supporting documents. Client understands that the investments for the Account by Advisor will be based upon the information provided by Client, and Client promises to inform Advisor of any material changes in the information which Client has supplied. Client represents and warrants to Advisor that the information contained in the Client Questionnaire completed by Client is current as of the date of such document, complete and accurate. Client agrees to indemnify and hold Advisor harmless from any claim by any third party that the information contained in the Client Questionnaire is inaccurate or incomplete. In addition, Client agrees to consult with Advisor prior to making any financial decisions which may impact the results of any of Advisor's recommendations.

9. **Basis of Advice.** Client acknowledges that Advisor obtains information from a wide variety of publicly available sources and that Advisor has no sources, and does not claim to have sources, of inside or private information regarding the investments for the Account. The investment methods employed by Advisor are based upon the professional judgment of Advisor's principals and associated persons and neither Advisor nor its associated persons can guarantee the results of any of their recommendations.

10. **Additions to and Withdrawals from the Account.** Client may add to or withdraw from the cash balance of the Account at any time to the extent consistent with margin requirements of the Broker and applicable contract markets. Client agrees to notify Advisor in

writing at least three business days in advance of such additions and withdrawals. Client recognizes that the potential profitability of the Account depends upon long term, uninterrupted investment of capital and that reduction of the Account's Net Asset Value (as defined in Section 11 of this Agreement) could materially and adversely affect the investment diversification of the Account and the potential profitability of the Account.

11. **Fees Paid the Advisor.** Advisor will charge Client a quarterly advisory fee according to Fee Schedule on Attachment A of the Account's Net Asset Value, payable in arrears on the last business day of each calendar quarter. The term "Net Asset Value" is defined below. The quarterly advisory fee shall be prorated for the first quarter that the Account begins trading from the day the first investment is initiated for the account.

The quarterly advisory fee will be paid whether or not the Account has a profit.

Net Asset Value means the Account's total assets less total liabilities. Net Asset Value shall be calculated as follows:

(a) "Net Asset Value" shall include any unrealized profit or loss on securities held in the Accounts.

(b) All securities positions shall be calculated at their then market value which means, with respect to security positions, the last sale or settlement price as determined by the exchange on which the security is traded or the most recent appropriate quotation as supplied by the Broker or banks through which the transaction is executed.

(c) Brokerage commissions and related fees shall be considered accrued as a liability of the Account when the transaction giving rise to such commission or fee occurred.

The advisory fee is due and payable on the first business day of each calendar quarter. For each such period, Advisor shall prepare a certificate setting forth the amount of quarterly advisory fees payable to Advisor and shall furnish such certificate to the Broker. Upon submission of the certificate to the Broker, the Broker and Advisor are authorized by Client to deduct these fees directly from Client's account. Advisor shall furnish Client with a copy of the certificate presented to the Broker. Client agrees to assure payment to Advisor of applicable advisory fees within five business days of the date such fees become due and payable.

12. **Responsibilities of the Broker.** Client recognizes that Advisor will transmit orders on his/her behalf to the Broker but will not directly execute such orders. Advisor shall not be responsible for any acts, omissions, or errors of the Broker relating to the transmission, execution, or allocation of Client's securities transactions. Advisor's responsibilities with respect to any of Client's transactions shall be fulfilled once a complete order has been transmitted to Broker. The Broker will furnish Client with confirmations of all transactions effected in the Account, monthly or quarterly statements showing information concerning investment activities in the Account, and other account statements customarily furnished by the Broker to its customers. The furnishing of such reports shall be the sole responsibility of the Broker and Client recognizes that Advisor is not required to furnish such reports to Client. Client authorizes the Broker to forward to Advisor copies of any confirmations, statements, or reports sent by the Broker to Client. Client understands that the Broker, rather than Advisor, will have full custody of Client's funds and securities and that Client will be solely

responsible for the payment of brokerage commissions to the Broker with respect to all transactions effected in the Account.

13. **Term and Conditions of Termination.** Unless terminated earlier as herein provided, this Agreement shall have an initial term of 12 months from the date hereof and shall be automatically renewed for successive 12 month terms. This Agreement shall automatically terminate upon written notice to Advisor of the death, legal disability or bankruptcy of Client. Notice shall be deemed given on the close of business on the day such notice is actually received by Advisor. In addition, either party may terminate this Agreement by giving the other written notice prior to the expiration of the initial or any renewal term that the party elects to terminate the Agreement. Termination shall be effective on the date such written notice is deemed given pursuant to Section 24 of this Agreement, advisory fees payable to Advisor will be calculated as if the date of termination were the end of the quarter and pro-rated accordingly. **UNLESS CLIENT HAS RECEIVED A COPY OF PART II OF ADVISER'S FORM ADV AT LEAST FORTY-EIGHT (48) HOURS PRIOR TO THE EXECUTION OF THIS AGREEMENT, CLIENT MAY, WITHOUT PENALTY, TERMINATE THIS AGREEMENT WITHIN FIVE (5) BUSINESS DAYS AFTER ENTERING INTO THIS AGREEMENT.**

14. **Proprietary Information.** Client agrees that the Advisor's investment recommendations, methods, positions, and money management techniques are proprietary and are not to be disclosed to any other person under any circumstances without the prior written consent of the Advisor.

15. **Trading by Principals of Advisor for their own Accounts; Management of other Accounts by Advisor.** The Advisor may in the future trade securities for its own account. The principals and employees of the Advisor currently invest for their own accounts and will continue to do so. Client acknowledges that Advisor currently advises and manages other securities accounts and intends to do so in the future. To a certain extent, Client may be competing with other clients of Advisor in the purchase and sale of securities. In the case of such conflict, the Advisor's policy is to give orders priority based upon the time they are authorized by the Client.

16. **Independent Contractor.** The Advisor shall be deemed to be an independent contractor under this Agreement and, unless otherwise expressly provided or authorized, shall have no authority to act for or represent the Client in any way or otherwise be deemed an agent of the Client.

17. **Non-Exclusive Agreement.** The services of the Advisor to the Client under this Agreement are not to be deemed inclusive, and the Advisor shall be free to render similar services or other services to others so long as its services hereunder are not impaired thereby.

18. **Liability.** The Advisor shall not be liable for any error of judgment or of law, or for any loss suffered by the Client in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Advisor in the performance of its obligations and duties, or by reason of its reckless disregard of its obligations and duties under this Agreement. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing herein shall in any way constitute a waiver or limitation of any rights which the undersigned may have under any federal securities laws.

19. **Assignment.** This Agreement shall not be assignable by Client or Advisor and shall be binding upon the parties hereto, their heirs, respective legal representatives and successors.

20. **Integration.** This Agreement embodies the entire agreement and understanding among the parties relating to the subject matter of this Agreement and supersedes all written or oral agreement between Advisor, Client and any officer, director, employee and/or shareholder of Advisor. There are no other agreements, representations, warranties or statements, either oral or in writing, Agreement with respect to the subject matter of this Agreement except those expressly set forth in this.

21. **Applicable Law.** This Agreement and the rights of the parties shall be governed by and construed and enforced in accordance with the laws of the State of California.

22. **Severability.** In case any one or more of the provisions contained in this Agreement, or any application of the provisions, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement, and any other application hereof, shall not in any way be affected or impaired.

23. **Captions for Convenience.** The captions and headings in this Agreement are for convenience only and shall not be considered in interpreting any provision of this Agreement.

24. **Waiver and Amendment.** No breach of any provision of this Agreement can be waived unless in writing. Waiver of any one breach shall not be deemed to be a waiver of any other breach. This Agreement may be amended only by a written agreement executed by all parties hereto at the time of the modification.

25. **Notices.** Any notices required to be given hereunder shall be in writing and sent by certified or registered mail, return receipt requested, to Advisor at 4115 Blackhawk Plaza Circle, Suite 200, Danville, California 94506, and to Client at the address set forth below his/her signature to this Agreement. Either party may change his/her address by giving notice in the manner set forth in this Section. The new address shall be effective for the purposes of this Section on the tenth day after the giving of the notice of new address, and shall remain the notice address for the purposes of all notices or communications required or permitted to be given pursuant to this Agreement. Notices to Client from Advisor shall be deemed given as of the close of business on the first business day after mailing. Notices to Advisor from Client shall be deemed given as of the close of business on the day such notices are actually received by Advisor.

26. **Arbitration of Disputes.** In the event of a dispute in any manner relating to or arising out of this Agreement, the parties agree to promptly meet and confer in an attempt to resolve the matter privately. All such disputes which the parties are unable to resolve themselves (regardless of whether such dispute arises before or after any termination of this Agreement and including whether any matter is subject to arbitration hereunder) shall be resolved through binding arbitration conducted before a single arbitrator under the Comprehensive Arbitration Rules and Procedures of Judicial Arbitration and Mediation Services, Inc./Endispute, Inc. in Contra Costa County, California. The decision or award of the arbitrator shall be binding upon the parties and shall be enforceable by a judgment entered in a state or federal court in California having jurisdiction over the matter. The arbitrator shall have the authority to order such limited discovery as he or she deems appropriate. The parties hereby expressly waive any rights to have any disputes determined by a jury.

NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THE ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Advisor _____ Client _____ Client _____

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the _____ day of _____, 2009.

INDIVIDUAL, PARTNERSHIP
AND JOINT ACCOUNTS

Signature or Signature
of General Partner of Client

Advisor:

Client's

Watermark Asset Management, Inc.

Client's Name - Printed

By: _____

Mark I. Miller, President

Joint Signature - Joint Account(s) Only

Joint Client's Name - Joint Account(s) Only - Printed

Client's Street Address

City, State, Zip

080100001\TR\WATERMARK\ADVISE2.NOD

ATTACHMENT A

**Fee Schedule for
Watermark Asset Management, Inc.
Investment Advisory Agreement for**

Dated

YEARLY FEE SCHEDULE (prorated quarterly and based on the account value of the accounts managed by Watermark on the last day of the period quarterly)

Rates are .25% (25 Basis Points) on account balances:

Accounts Covered by this Agreement:

Client Initials: _____

Advisor Initials: _____

1.

Uniform Application for Investment Adviser Registration

Part II - Page 1

OMB APPROVAL
 OMB Number: 3235-9049
 Expires: February 28, 2011
 Estimated average burden hours per
 response . . . 4.07

Name of Investment Adviser: Premark Asset Management, Inc.					
Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code	Telephone Number
4115 Blackhawk Plaza Circle #200	Danville	CA	94506	925	648-4730

This part of Form ADV gives information about the investment adviser and its business for the use of clients.
 The information has not been approved or verified by any governmental authority.

Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Advisory Services and Fees	2
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14	Balance Sheet	6
	Continuation Sheet	Schedule F
	Balance Sheet, if required	Schedule G

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential Persons who are not to respond to the collection of information contained in this form are not
 required to respond unless the form displays a currently valid OMB control number.

Applicant:
Watermark Asset Management, Inc.

SEC File Number:
801- 67796

Date:
03/12/2007

A. Advisory Services and Fees. (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- | | |
|---|-------|
| <input checked="" type="checkbox"/> (1) Provides investment supervisory services | 96 % |
| <input type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services | ___ % |
| <input checked="" type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above | 4 % |
| <input type="checkbox"/> (4) Issues periodicals about securities by subscription | ___ % |
| <input type="checkbox"/> (5) Issues special reports about securities not included in any service described above | ___ % |
| <input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which client may use to evaluate securities | ___ % |
| <input type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities | ___ % |
| <input type="checkbox"/> (8) Provides a timing service | ___ % |
| <input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above | ___ % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term?

Yes No
☒ ☐

C. Applicant offers investment advisory services for: (check all that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input checked="" type="checkbox"/> (2) Hourly charges | <input type="checkbox"/> (5) Commissions |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input type="checkbox"/> (6) Other |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of Clients -- Applicant generally provides investment advice to: (check those that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations |
| <input type="checkbox"/> B. Banks or thrift institutions | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies | <input type="checkbox"/> G. Other (describe on Schedule F) |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

3. Types of Investments Applicant offers advice on the following: (check those that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> A. Equity securities | <input checked="" type="checkbox"/> H. United States governmental securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities | |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter | <input type="checkbox"/> I. Options contracts on: |
| <input checked="" type="checkbox"/> (3) foreign issuers | <input checked="" type="checkbox"/> (1) securities |
| | <input checked="" type="checkbox"/> (2) commodities |
| <input checked="" type="checkbox"/> B. Warrants | |
| <input checked="" type="checkbox"/> C. Corporate debt securities
(other than commercial paper) | <input type="checkbox"/> J. Futures contracts on: |
| <input checked="" type="checkbox"/> D. Commercial paper | <input type="checkbox"/> (1) tangibles |
| <input checked="" type="checkbox"/> E. Certificates of deposit | <input type="checkbox"/> (2) intangibles |
| <input checked="" type="checkbox"/> F. Municipal securities | |
| | <input type="checkbox"/> K. Interests in partnerships investing in: |
| <input type="checkbox"/> G. Investment company securities: | <input checked="" type="checkbox"/> (1) real estate |
| <input checked="" type="checkbox"/> (1) variable life insurance | <input checked="" type="checkbox"/> (2) oil and gas interests |
| <input checked="" type="checkbox"/> (2) variable annuities | <input type="checkbox"/> (3) other (explain on Schedule F) |
| <input checked="" type="checkbox"/> (3) mutual fund shares | <input checked="" type="checkbox"/> L. Other (explain on Schedule F) |

Methods of Analysis, Sources of Information, and Investment Strategies.

Applicant's security analysis methods include: (check those that apply)

- | | |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting | (4) <input type="checkbox"/> Cyclical |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical | |

B. The main sources of information applicant uses include: (check those that apply)

- | | |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines | (5) <input type="checkbox"/> Timing services |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases |
| (4) <input checked="" type="checkbox"/> Corporate rating services | (8) <input type="checkbox"/> Other (explain on Schedule F) |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- | | |
|---|---|
| (1) <input checked="" type="checkbox"/> Long term purchases (securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions |
| (2) <input checked="" type="checkbox"/> Short term purchases (securities sold within a year) | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options, or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days) | (7) <input type="checkbox"/> Other (explain on Schedule F) |
| (4) <input checked="" type="checkbox"/> Short sales | |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Applicant:
Watermark Asset Management, Inc.

SEC File Number:
801-57798

Date:
03/31/2005

5. Education and Business Standards.

Yes No

Are there any general standards of education or business experience that applicant requires of those involved in determining giving investment advice to clients?

☒ ☐

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☒ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Financial Industry Activities or Affiliations. (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- ☐ (1) broker-dealer
 - ☒ (7) accounting firm
 - ☐ (2) investment company
 - ☐ (8) law firm
 - ☐ (3) other investment adviser
 - ☐ (9) insurance company or agency
 - ☐ (4) financial planning firm
 - ☐ (10) pension consultant
 - ☐ (5) commodity pool operator, commodity trading adviser or futures commission merchant
 - ☐ (11) real estate broker or dealer
 - ☐ (6) banking or thrift institution
 - ☐ (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

Yes No

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?...

☐ ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

Applicant:
Watermark Asset Management, Inc.

SEC File Number:
801- 87768

Date:
08/09/2008

9. Participation of Interest in Client Transactions.

☒ Applicant or a related person: (check those that apply)

☐ A. As principal, buys securities for itself from or sells securities it owns to any client.

☐ B. As broker or agent effects securities transactions for compensation for any client.

☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.

☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.

☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

10. Conditions for Managing Accounts. Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services and impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

Yes No

☐ ☒

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. For reviews, include their frequency, different levels, and triggers factors. For reviewers, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Advisor reviews each investment supervisory services client account on a continuous basis. Particular attention is devoted to the client's investment holdings in light of anticipated risk, the economic and geopolitical environment and tax consequences of changing a portfolio position. Portfolios are rebalanced when asset class allocations move beyond investment policy guidelines. Investment changes may be triggered by economic conditions, changes in the client risk profile, a fundamental change in an investment offering, or risk and return characteristics that are no longer acceptable. Reviews cover items the client and the advisor feel are appropriate under the circumstances including tax and estate planning, insurance, and investment performance. Accounts are reviewed by Watermark personnel. Advisor's President has final authority for determining investment recommendations and establishing investment advisory policy.

B. Describe below the nature and frequency of regular reports to clients on their accounts.

Advisor utilizes various software programs to determine asset allocation, price, position and research information. Quarterly and year-end investment tax reports are generated and sent to investment advisory clients. Additional information is provided on an "as needed" basis. Clients receive trade confirmations, and monthly, quarterly and annual reports from the custodial broker-dealer.

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- | | | |
|--|---|--|
| (1) securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (4) commission rates paid? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients?

Yes ☒ No ☐

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commission higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- | | | |
|---|---|-----------------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
 - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? ☐ Yes ☒ No

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

FORM ADV
Schedule A

Your Name: Watermark Asset Management, Inc.

SBC File No: 801- 57788

Date: February 29, 2008

CRD No: 108407

Direct Owners and Executive Officers

Complete Schedule A only if you are submitting an initial application. Schedule A asks for information about your direct owners and executive officers. Use Schedule C to amend this information.

2. Direct Owners and Executive Officers. List below the names of:

- (a) each Chief Executive officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer, director, and individuals with similar status or functions;
- (b) if you are organized as a corporation, each shareholder that is a direct owner of 5% or more of a class of your voting securities, unless you are a public reporting company (a company subject to Section 12 or 15(d) of the Exchange Act);
Direct owners include any *person* that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 5% or more of a class of your voting securities. For purposes of this Schedule, a *person* beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security.
- (c) if you are organized as a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or has contributed, 5% or more of your capital;
- (d) in the case of a trust that directly owns 5% or more of a class of your voting securities, or that has the right to receive upon dissolution, or has contributed, 5% or more of your capital, the trust and each trustee; and
- (e) if you are organized as a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or has contributed, 5% or more of your capital, and (ii) if managed by elected managers, all elected managers.

3. Do you have any indirect owners to be reported on Schedule B? ☐ Yes ☒ No

4. In the DE/FE/I column below, enter "DE" if the owner is a domestic entity, "FE" if the owner is an entity incorporated or domiciled in a foreign country, or "I" if the owner or executive officer is an individual.

Complete the Title or Status column by entering board/management titles; status as partner, trustee, sole proprietor, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).

6. Ownership codes are: NA - less than 5% B - 10% but less than 25% D - 50% but less than 75%
A - 5% but less than 10% C - 25% but less than 50% E - 75% or more

- 7. (a) In the *Control Person* column, enter "Yes" if the *person* has *control* as defined in the Glossary of Terms to Form ADV, and enter "No" if the *person* does not have *control*. Note that under this definition, most executive officers and all 25% owners, general partners, elected managers, and trustees are *control persons*.
- (b) In the PR column, enter "PR" if the owner is a public reporting company under Sections 12 or 15(d) of the Exchange Act.
- (c) Complete each column.

FULL LEGAL NAME (Individuals: Last Name, First Name, Middle Name)	DE/FE/I	Title or Status	Date Title or Status Acquired MM YYYY	Owner- ship Code	Control Person PR	CRD No. If None: S.S. No. and Date of Birth, IRS Tax No. or Employer ID No.
Miller, Mark I.	I	President/Chief Compliance Officer	06 1997	C	Y N	2170261
Miller, Barbara L.	I	Corporate Secretary	08 1997	C	Y N	4371279
Lai, Eric T.	I	Vice President	02 2008	A	Y N	4728336

FORM ADV
Schedule D
Page 1 of 5

Your Name: Watermark Asset Management, Inc.

SEC File No: 67796

Date: February 29, 2008

CRD No: 108407

Certain items in Part 1A of Form ADV require additional information on Schedule D. Use this Schedule D Page 1 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

is an ☐ INITIAL or ☐ AMENDED Schedule D Page 1.

SECTION I.B. Other Business Names

List your other business names and the jurisdictions in which you use them. You must complete a separate Schedule D for each business name.

Check only one box: ☐ Add ☐ Delete ☐ Amend

Name _____

Jurisdictions _____

SECTION I.F. Other Offices

Complete the following information for each office, other than your *principal office and place of business*, at which you conduct investment advisory business. You must complete a separate Schedule D Page 1 for each location. If you are applying for registration, or are registered, only with the SEC, list only the largest five (in terms of numbers of employees).

Check only one box: ☐ Add ☐ Delete

(number and street)

(city)

(state/country)

(zip+4/postal code)

If this address is a private residence, check this box: ☐

(area code) (telephone number)

(area code) (facsimile number)

SECTION I.I. World Wide Web Site Addresses

List your World Wide Web site addresses. You must complete a separate Schedule D for each World Wide Web site address.

Check only one box: ☐ Add ☐ Delete

World Wide Web Site Address: watermarkasset.com

SECTION I.K. Location of Books and Records

Complete the following information for each location at which you keep your books and records, other than your *principal office and place of business*. You must complete a separate Schedule D Page 1 for each location.

Check only one box: ☐ Add ☐ Delete ☐ Amend

Name of entity where books and records are kept: Saf Keep Storage

200 Purdue Road

(number and street)

San Ramon

(city)

CA

(state/country)

94583

(zip+4/postal code)

If this address is a private residence, check this box: ☐

(area code) (telephone number)

(area code) (facsimile number)

This is (check one):

☐ one of your branch offices or affiliates.

☐ a third-party unaffiliated recordkeeper.

☒ other.

Briefly describe the books and records kept at this location:

Original copies of electronically stored documents.

FORM ADV
Schedule D
Page 4 of 5

Your Name: Watermark Asset Management, Inc.
Date: February 29, 2008

SEC File No: 57788
CRD No: 108407

Use this Schedule D Page 4 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

This is an ☐ INITIAL or ☐ AMENDED Schedule D Page 4.

SECTION 7.B. Limited Partnership or Other Private Fund Participation

You must complete a separate Schedule D Page 4 for each limited partnership in which you or a *related person* is a general partner, each limited liability company for which you or a *related person* is a manager, and each other private fund that you advise:

Check only one box: ☐ Add ☐ Delete ☐ Amend

Name of Limited Partnership, Limited Liability Company, or other Private Fund: _____

Name of General Partner or Manager: _____

If you are registered or registering with the SEC, is this a "private fund" as defined under SEC rule 203(b)(3)-1? ☐ yes ☐ no

Are your *clients* solicited to invest in the limited partnership, limited liability company, or other private fund? ☐ yes ☐ no

Approximately what percentage of your *clients* have invested in this limited partnership, limited liability company, or other private fund? _____

Minimum investment commitment required of a limited partner, member, or other investor: \$ _____

Current value of the total assets of the limited partnership, limited liability company, or other private fund: \$ _____

SECTION 10 Control Persons

You must complete a separate Schedule D Page 4 for each *control person* not named in Item 1.A. or Schedules A, B, or C that directly or indirectly *controls* your management or policies.

Check only one box: ☐ Add ☐ Delete ☐ Amend

Firm or Organization Name: _____

1. Number (if any): _____ Effective Date: _____ (mm/dd/yyyy) Termination Date: _____ (mm/dd/yyyy)

Business Address:

(number and street)

(city)

(state/country)

(zip+4/postal code)

If this address is a private residence, check this box: ☐

Individual Name (if applicable) (Last, First, Middle): _____

CRD Number (if any): _____ Effective Date: _____ (mm/dd/yyyy) Termination Date: _____ (mm/dd/yyyy)

Business Address:

(number and street)

(city)

(state/country)

(zip+4/postal code)

If this address is a private residence, check this box: ☐

Briefly describe the nature of the control:



**Schedule F of
Form ADV
Continuation Sheet for Form ADV
Part II**

Applicant: Watermark Asset Management, Inc.	SEC File Number: 331-57798	Date: 06/09/2008
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

If name of applicant exactly as stated in Item 1A of Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
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Item of Form (identify)	Answer
General	<p>Each investment advisory client will be given a copy of Part II of Form ADV, including Schedule F, or a brochure containing similar information.</p> <p>Clients are under no obligation to act on advisor's recommendations. Furthermore, if clients elect to act on any of advisor's recommendations, they are under no obligation to effect any transactions through advisor or through any related person.</p> <p>Advisor has a written contract, and/or utilizes a "Statement of Understanding" with advisory clients. Advisor's investment advisory services will be limited to those services described in its application. In certain circumstances, Advisor will act as Co-Trustee or Successor Trustee for Watermark Asset Management, Inc. clients. In this situation, Advisor will be deemed to have custody of client assets. Separate trustee fees may apply. Fees will not be charged six months or more in advance. All fees are negotiable.</p> <p>Either client or advisor may terminate an investment advisory contract by written notice to the other delivered either personally or by mail. Upon termination, advisor will summarize all work done. Advisory fees payable to advisor will be calculated as if the date of termination were the end of the quarter and pro-rated accordingly.</p>

Complete amended pages in full, circle amended items and file with execution page (page 1). PAGE 1

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Name of applicant exactly as stated in Item 1A of Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
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Item of Form (Identify)	Answer									
I.A.(1)	<p>Subject to client approval, advisor may furnish investment supervisory services in the following manner: Advisor will monitor client's situation daily, throughout the year, calling client as necessary. Advisor will review account quarterly and annually with client to discuss situation in more detail. Advisor accepts a limited power of attorney from certain advisory clients to effect transactions. Client will be billed for this type of service quarterly after the work has been performed. Compensation is based on the following negotiable Fee Schedule:</p> <p>YEARLY FEE SCHEDULE (prorated quarterly and based on the account value on the last day of the period/quarter):</p> <p>For individual Investors and corporate Retirement Plans.</p> <p>Account Balance:</p> <p>Rates are tiered and calculated:</p> <table><tr><td>On the First</td><td>\$ 1,000,000</td><td>1.00%</td></tr><tr><td>Next</td><td>\$ 1,000,000</td><td>0.50%</td></tr><tr><td>Assets Above</td><td>\$ 2,000,000</td><td>0.25%</td></tr></table> <p>Hourly charges may apply for additional services such as employee education meetings, specialized reporting, travel and so on.</p> <p>Watermark Asset Management, Inc. advisory fees are separate and may be in addition to fees charged by mutual fund companies, brokerage firms, custodians or other service providers.</p>	On the First	\$ 1,000,000	1.00%	Next	\$ 1,000,000	0.50%	Assets Above	\$ 2,000,000	0.25%
On the First	\$ 1,000,000	1.00%								
Next	\$ 1,000,000	0.50%								
Assets Above	\$ 2,000,000	0.25%								
A.(3)	<p>Advisor will furnish investment advice through consultations at the hourly rate below plus expenses. Advisor will not charge for introductory informational meetings. Financial plans will be prepared for a fee in an hourly cost range of \$100 - \$250, with the client approving the amount beforehand, and will be negotiated based on the complexity of the account relationship. The fee for preparing the plan will be estimated by the planner and given to the client before the plan is begun. If additional work becomes necessary the client will be contacted for approval of the amount before it is undertaken. In all cases the client will have the option of agreeing or not before work is undertaken on his behalf. 25% of the payment will be due when the work is authorized by the client, 25% due upon presentation of the draft and 50% upon the completed</p>									

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Item of Form (identify)	Answer
3.L.	work. Advisor will use other professionals as necessary in working for client, with the client's prior approval.
5.	Investment advice and recommendations may also be provided on investments such as limited partnerships, private placements and closely held limited liability companies.
6.	<p>Minimum standards generally include a 4-year college degree, five years' business experience in the investment field and/or completion of NASD Series 65 exam, or equivalent experience.</p> <p>Education and Business Background:</p> <p>Mark I. Miller, born 1954</p> <p>Education: Stanford University, AB Degree in English 1980; University of Santa Clara, graduate study in Business Administration 1982; Cal State University Hayward, graduate study in English 1983; College for Financial Planning, Master of Science Degree in Financial Planning 2003.</p> <p>Business: President, Watermark Asset Management, Inc. 1997 to present.</p> <p>Eric T. Lai, born 1978</p> <p>Education: University of California Los Angeles, BA Degree in Economics with Specialization in Computing 2000; California School of Culinary Arts, Le Cordon Bleu Culinary Arts Associate of Occupational Studies Degree 2002; College for Financial Planning, CFP® Certification Professional Education Program 2006; CERTIFIED FINANCIAL PLANNER™ Certificant 2006; UCLA Anderson School of Management, Fully Employed MBA 2007-Present.</p> <p>Business: Watermark Asset Management, Inc., Investment Advisor 2003 - Present.</p> <p>John R. Wenzel, born 1985</p> <p>Education: San Diego State University, BA Degree in Financial Services with a Certificate in Personal Financial Planning 2007; CA Life-Only and Accidental & Health Insurance Licensee #0F60526 2007; Candidate for CFP® Certification</p>

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1. Full name of applicant exactly as stated in Item 1A of Form ADV: Watermark Asset Management, Inc.	IRS Empl. Ident. No.:
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Item of Form (identify)	Answer
	2007-Present.
	Business: First Command Financial Services, Inc. Intern 2006-2007; Watermark Asset Management, Inc. Analyst 2007-Present.
7.B.	Watermark may, at times, contract with CPA firms for tax return preparation and accounting services for Watermark clients. Fees are hourly and range between \$100 and \$250 per hour depending on the complexity of the work. Fees are negotiable and may be paid by Watermark on behalf of the client.
8.C.(7)	Watermark employs Richard Souther, CPA as a representative for Watermark Asset Management, Inc. Additionally, Mr. Souther maintains his own CPA practice separate from Watermark. Watermark may, at times, contract with Richard Souther for tax return preparation and accounting services for Watermark clients.
9.B.	<p>Advisor may recommend the purchase or sales of securities in which it or persons affiliated with advisor may have a position. Advisor or persons affiliated with advisor may also purchase or sell securities that have been recommended to clients. Any situations which may be reasonably expected to be conflicts of interest will be fully disclosed to clients.</p> <p>Code of Ethics</p> <p>Watermark Asset Management, Inc., conducts its business according to a Code of Ethics adopted by the firm. The code sets forth the following: (a) persons subject to the Code, (b) standards of ethical conduct governing the firm and those subject to the code, (c) means of protecting material nonpublic information, (d) methods for overseeing personal securities trading, (e) initial public offerings and private placement approval process for access persons, (f) internal method for reporting violations, (g) means of educating employees about the code, (h) how the advisor reviews and enforces the code, (i) a requirement that advisors need to keep copies of their codes and related records for five years, and (j) a requirement to amend Form ADV to describe the Code and offer to provide a copy of it to clients and prospects upon request.</p> <p>Watermark will provide a copy of its Code of Ethics to clients and prospects upon request. It is also available on the firm's website at www.watermarkasset.com.</p>

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Item of Form (identify)	Answer
12.A.(1)	Advisor will obtain from certain clients limited powers of attorney to effect certain types of trades, subject to limitations specified by the clients. For such trades advisor will direct the execution of the trades unless the limited power of attorney expressly designates some other arrangement.
12.A.(2)	
12.B	<p>Advisor may require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Advisor is independently owned and operated and not affiliated with Schwab. Schwab provides Advisor with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.</p> <p>For Advisor's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.</p> <p>Schwab also makes available to Advisor other products and services that benefit Advisor but may not benefit its clients' accounts. Some of these other products and services assist Advisor in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Advisor's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Advisor's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to Advisor other services intended to help Advisor manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Advisor by independent third parties. Schwab Institutional</p>
13.A	

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Item of Form (Identify)	Answer
13.B	<p>may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Advisor. While as a fiduciary Advisor endeavors to act in its clients' best interests, and Advisor's requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Advisor of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.</p> <p>A company may provide for and pay for investment advice for its employees; also, under ERISA rules, either a company or a plan may pay for investment advice, as determined by the ERISA plan documents.</p> <p>Watermark may compensate its employees for the generation of new business. Client fees are not affected by compensation arrangements Watermark has with its employees.</p>