

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

Proposing resident shareholder, seeking approval of the Board of Directors of Seal Beach Mutual No. Sixteen to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the following eligibility criteria:

- A. Apply for and be accepted as a member of the Golden Rain Foundation, Seal Beach, California.
- B. Meet the Mutual eligibility criteria as follows:
 - 1. Age
Minimum of 55 years, as confirmed by a birth certificate or passport. A driver's license is not acceptable as proof of age.
 - 2. Financial Ability
 - a. Verified monthly net income or sufficient assets that is/are five (5) times or greater than the monthly carrying charges (Regular Assessment plus Property Tax and Fees) at the time of application, and have liquid assets of at least \$50,000. Actual or project retirement income (SS, pension, annuity, etc.) shall be the only income used for qualification.

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

- 1) Verified monthly income will be in the form of the past two years of:
 - a) Tax returns;
 - b) 1099s for interest and dividends;
 - c) 1099-Rs for retirement income from qualified plans and annuities (with a copy of executed payment elections documents and/or beneficiary election forms);
 - d) SSA-1099 Social Security Benefit Statement;
 - e) Brokerage statements and current interim statement.
 - f) Six to 12 months of checking account statements.
- b. Adjusted Gross Income per 1040, 1040A, or 1040EZ minus income and self-employment taxes paid will equal net annual income able to be spent.
- c. Projected assessments will be the previous year's assessment (total of carrying charge less any cable charge, less Orange County Property Taxes and Fees), and the addition of the new property tax at 1.2% of the sales price plus Orange County District fees divided by 12 for the new projected monthly assessment.

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This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times five (5) will be the monthly income required. This will be verified by the escrow company and the Stock Transfer Office. Stock Transfer shall have the final say in establishing verifiable income.¹

- 1) Verification shall be done by the Escrow Company and the Stock Transfer Office prior to the new buyer orientation and prior to the close of escrow (the above verification will not be the responsibility of the individual Mutual Directors; Directors will not be required to study or understand the financial requirements).
- d. Only the resident shareholder's income shall be considered for qualifying.
 - e. If moving within Leisure World, or if there are any additions/changes to the title, the proposed shareholder(s) must meet these eligibility requirements.

3. Health

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

- C. Assume, in writing, the obligations of the "Occupancy Agreement" in use by the Mutual Corporation.

Officers or Committees of the Board of Directors designated to approve new applicants are responsible that the eligibility criteria of this corporation is equitably applied to all applicants. Approval or disapproval of buyer(s) must be received by the Stock Transfer Office at least ten (10) working days prior to the close of escrow.

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

MUTUAL OPERATIONS

RESIDENT REGULATIONS

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

Prospective Buyer

Date

Prospective Buyer

Date

Prospective Buyer

Date

Prospective Buyer

Date

MUTUAL ADOPTION

SIXTEEN: 04-09-70

AMENDMENTS

09-20-93, 07-21-08, 01-20-14, 08-01-17, 10-03-17