

MUTUAL OPERATIONS

RESIDENT REGULATIONS

Eligibility Requirements – Mutual One Only

All persons seeking approval of the Board of Directors of Seal Beach Mutual No. One 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. The prospective resident shareholder must show:

1. Verified monthly income that is at least four (4) times or greater the monthly carrying charge (Regular Assessment plus Property Tax and Fees) at the time of application.
2. Liquid assets of at least \$50,000 for the past 6 months;
3. FICO credit score of at least 680; and;
4. Debt-to-income ratio of no more than 30%

b. To establish the foregoing financial qualifications:

1. Verified monthly income/assets 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;
 - (D) SSA-1099 Social Security Benefit Statement;
 - (E) Brokerage statements and current interim statement.
 - (F) Six to twelve months of checking/savings account statements.

2. Adjusted Gross Income per 1040, 1040A, or 1040EZ; plus that portion of Social (Oct. 18)

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Security, IRA distributions, and pensions and annuities not included in adjusted gross income; plus tax exempt interest; minus income tax, Social Security, Medicare, and self-employment taxes paid; and minus Medicare medical insurance and prescription drug premiums; all divided by twelve (12) will equal net monthly income to be used in Paragraph 2.a. above.

3. 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 twelve (12) for the new projected monthly assessment. This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times four (4) will be the monthly income required. This will be verified by the escrow company and the Stock Transfer Office. Stock Transfer shall have the final say in establishing verifiable income/assets.¹
4. Verification shall be done by the Escrow Company and the Stock Transfer Office prior to the new buyer interview and prior to the close of escrow (the above verification will not be done by the individual Mutual Directors; Directors will not be required to study or understand the financial requirements).
5. Only the resident shareholder's income shall be considered for qualifying.
6. If moving within Leisure World, or if there are any additions/changes to the title, the proposed shareholder(s) must meet these eligibility requirements unless they have been in good standing for five years.
7. A credit check will be performed by the escrow company, with the results included in the financial package.
8. The Debt of the Debt-to-Income Ratio shall consist of resident' shareholder's monthly mortgage payments, monthly expense for real estate taxes (if escrowed), monthly expense for homeowner's insurance (if escrowed), monthly car payments, monthly loan payments (e.g.; personal, student, co-signed loans), minimum monthly credit card payments, monthly time share payments, monthly child support of alimony payments. Income shall be the gross income of the

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

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resident shareholder.

3. Health

Have reasonably good health for a person of his/her age, as evidenced by a letter from his/her medical doctor, so that shareholder can take care of normal living needs without calling on other members for an undue amount of assistance. Leisure World is not an assisted living or skilled nursing home facility.

- 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.

