

MUTUAL OPERATIONS

RESIDENT REGULATIONS

Eligibility Requirements – Mutual Four

All persons seeking approval of the Board of Directors of Seal Beach Mutual No. Four 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 for primary shareholder and 45 years of age for a resident co-occupant, as confirmed by a birth certificate or passport. A driver's license is not acceptable as proof of age.

2. Financial Ability

- 1) Verified monthly income or sufficient assets that is/are at least four (4) times the monthly carrying charge (Regular Assessment plus Property Tax and Fees) at the time of application and have a minimum asset base equal to the purchase price of the unit plus \$50,000.
- 2) Verified monthly income will be in the form of the past three years of including the current year, when applicable:
 - a) Federal 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) Brokerage statement for interest dividends rolled over
 - g) Bank, credit union and /or investment account statements
 - h) W-2 forms or paycheck stubs
 - i) Trust Income
 - j) Disability Income
 - k) Residential/Commercial Property rental income

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- 3) Acceptable assets will be those that are considered to be liquid, marketable or income producing. Only aged accounts (180 days) will be considered. Acceptable assets include, among others:
 - a) Equity in U.S. residential property
 - b) Savings accounts in U.S. financial institutions
 - c) Cash value life insurance
 - d) Certificates of deposit, money market accounts in U.S. financial institutions
 - e) IRA, SEP, 401(k) and Keogh accounts
 - f) U.S. state or municipal government bonds – valued at current market prices
 - g) American traded investments (NYSE, Amex, OTC, NASDAQ, etc.) valued at current market prices
 - h) Mortgages and promissory notes, provided that interest is reported on the applicant's tax return
 - i) Equity in U.S. income producing real estate
- a. Adjusted Gross Income per 1040, 1040A, or 1040EZ minus income and self-employment taxes paid will equal net annual income.
- b. 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. 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.¹
- c. Verification shall be done by the Escrow Company and the Stock Transfer Office prior to the new buyer interview/orientation and prior to the close of escrow. Verification will not be the responsibility of the individual Mutual Director.
- d. The perspective shareholder and spouse or co-occupant's income shall be considered for qualifying.

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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Membership approval should not be automatically given to Applicants who meet the guidelines set forth in the Financial Ability section above, since such factors as stability of income, other obligations, asset receivers, previous housing expenses and income remaining for special needs should be considered by the Board.

On the other hand, an Applicant who does not meet the minimum net income requirement set forth in the Financial Ability section above should not be automatically disqualified, since stable liquid assets may be used to supplement such income. Generally, second mortgages and other high-risk collateral would disqualify the debt which they secure from being an acceptable source of income. In those cases, in which it is contemplated that assets will be used to supplement income, complete details should be furnished.

The Board shall establish a two-person Appeal Committee to review applicants who do not meet the Financial Ability as stated above and are referred by Stock Transfer or the escrow company. This committee may request additional information from the applicant and following review and upon good cause shown, grant an exception to the minimum net income requirement and liquid assets requirements set forth in the Financial Ability section above.

3. Health

Have reasonably good health for a person of his/her age, as evidenced by active adult disclosure from his/her physician, so that resident can take care of normal living needs without calling on other members of the cooperative for assistance.

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

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.

SEAL BEACH LEISURE WORLD
An Active Adult Community
Disclosure

To: Prospective Purchaser:

Seal Beach Leisure World is an **Active Adult Community** offering the best in co-op and condominium housing for persons fifty-five years of age or older. Active adult housing should not to be confused with an assisted living or a skilled nursing facility.

Active Adult Community: *Persons who purchase the right to reside in a Mutual apartment and are able to: (1) Direct their own lives: (2) Be independent and (3) Be able to handle their own affairs.* You can be as active as you choose to be.

In accordance with Mutual Policy 7510, Eligibility Requirements, item (3), prospective applicants for ownership and residency should have reasonably good health for a person of his or her age and be able to live independently as evidenced in the form of a letter provided by the applicant's physician on the physician's letterhead which includes National Provider Identification (NPI).

Reasonably good health may be described in part as an applicant's ability to:

- Dress self with weather appropriate clothing**
- Maintain a clean, safe, living environment**
- Bathe (shower) & maintain personal hygiene**
- Able to shop, prepare meals, or eat out**
- Able to medicate self when necessary**
- Able to take care of personal finances**

If physician declares patient can comply with each of the above conditions the Mutual will consider this as part of the qualification for residency in the community.

If you have any question please call Seal Beach Leisure World, Stock Transfer Office at: (562) 431-6586, ex. 346, 347 or 348 for assistance.

Notwithstanding any of the forgoing, both federal and California law prohibits, among other things, discrimination against people with disabilities, and nothing herein shall be construed to prevent a Prospective Purchaser with a disability otherwise qualifying for membership.

I have read this letter and I understand that Seal Beach Leisure World is an: **Active Adult Community:**

Prospective Purchaser Signature _____ **Date** _____

Note: Only one purchaser per page will be accepted

Mutual 4 only; 09/19/17

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