SEAL BEACH MUTUAL NUMBER FIVE

RESIDENT REGULATIONS

Eligibility Requirements

1. All persons seeking approval of the Board of Directors of Seal Beach Mutual No. Five to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the following eligibility criteria:

1.1. Apply for and be accepted as a member of the Golden Rain Foundation, Seal Beach, California.

2. Meet the Mutual eligibility criteria as follows:

2.1. AGE

2.1.1 Minimum of 55 years, as confirmed by a birth certificate, California Driver's license or passport.

3. FINANCIAL ABILITY

3.1.1. Verified net monthly income that is at least four (4) times or greater than the monthly carrying charge (Regular Assessment plus Property Tax and Fees) at the time of application and have a combination of liquid assets of at least $35,000 and sufficient other assets equal to the purchase price of the Unit. Verified monthly income/assets may be in the form of the past two years of the information below:

4. INCOME REQUIREMENTS

4.1 Acceptable verification includes, among others:
4.2 The most recent Federal Tax returns; including but not limited to:
- 4.2.1 1099s for interest and dividends;
- 4.2.2 1099-Rs for retirement income from qualified plans and annuities;
- 4.2.3 SSA-1099 Social Security Benefit Statement;
- 4.2.4 W-2 forms or paycheck stubs
- 4.2.5 Brokerage statements and current interim statement.
- 4.2.6 Six to twelve months of checking/savings account statements.
- 4.2.7 Current income: bank, credit union or brokerage statements
- 4.2.8 Letters from bankers
- 4.2.9 Notices of annuities
- 4.2.10 Pensions
- 4.2.11 Trust Income

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Eligibility Requirements

4.2.12 Disability Income
4.2.13 Residential or commercial property rental income
4.2.14 Settlement Payments
4.2.15 An owned business must include appropriate business tax schedules and a profit and loss statement

5. UNACCEPTABLE INCOME verifications include, among others,

5.1 Letters from employers, accountants, bookkeepers and attorneys
5.2 Income not reported on Federal Income Tax returns except as noted above in 4.1.
5.3 Funds held outside U.S borders except as noted above in 4.1.

6. ASSETS REQUIREMENT

6.1 Acceptable Assets will be those that are considered to be liquid, marketable or income producing. Acceptable assets include, among others:
6.1.1 Equity in U.S. residential property (i.e. a home or mobile home being sold to pay for the unit being purchased in Mutual 5)
6.1.2 Savings accounts in U.S. financial institutions
6.1.3 Cash Value in Life Insurance
6.1.4 Certificates of Deposit or Money Market Accounts in U.S. Financial Institutions

6.2 Excluded from consideration are the following assets, among others:
6.2.1 Recreational vehicles, boats and trailers
6.2.2 Vacant land
6.2.3 Automobiles
6.2.4 Artwork, jewelry, furs, and collections such as coins, dolls, stamps and other similar items.
6.2.5 Term life insurance
6.2.6 Annuity funds, which cannot be withdrawn in lump sum.
6.2.7 Anticipated bequests or inheritances
6.2.8 Promissory Notes whose income is not reported on the prospective transferee tax return.
6.2.9 Community property

7. NET MONTHLY INCOME: The Net Monthly Income as used in Paragraph *3.1.1.* is the sum of:

SEAL BEACH MUTUAL NUMBER FIVE

RESIDENT REGULATIONS

Eligibility Requirements

7.1 Adjusted Gross Income from Federal Tax Forms 1040, 1040A, or 1040EZ; plus, that portion of Social Security, IRA distributions, and pensions and annuities not included in adjusted gross income; plus tax exempt interest; all divided by twelve (12) and,

7.2 The sum of all Acceptable Assets from Paragraph *6.1*, above, less the assets equal to the purchase price of the unit, divided by the difference between the Actuarial Life Expectancy [1] minus the actual age of each applicant [2] divided by 12 (please see attached example).

8. 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%[3] 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. These calculations will be verified by the escrow company and the Stock Transfer Office. Between the two, Stock Transfer shall have the final say in establishing verifiable income/assets.

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 need not be done by the individual Mutual Directors; Directors are not required to study or understand the financial requirements).

9. The resident shareholder's income shall be considered for qualifying. Where there is more than one prospective shareholder, income and assets shall be calculated collectively. Co-owners shall be calculated for their proportional share of the HOA payment. Either one half in the case of two co-owners or one third in the case of three co-owners. Married couple income shall be considered one income.

10. If moving within Leisure World, or if there are any additions/changes to the Stock Certificate, the proposed shareholder(s) must meet these eligibility requirements.

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[1] The Actuarial Life Expectancy is obtained from the Social Security Retirement & Survivors Benefit: Life Expectancy Calculator, website *https://www.ssa.gov/OACT/population/longevity.html*

[2] The difference between the Life Expectancy value from SSA Life Expectancy Calculator: 78.5 years and the buyer's actual age: 70.3

[3] 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.

SEAL BEACH MUTUAL NUMBER FIVE

RESIDENT REGULATIONS

Eligibility Requirements

11. If moving within Mutual 5 from one unit to another, if the Shareholder has maintained payment of their carrying charges for at least one year, they are exempt from the requirement to show $35,000 in assets.

12. HEALTH

12.1. Have reasonably good health for a person of his/her age, 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.

12.2. Assume, in writing, the obligations of the "Occupancy Agreement" in use by the Mutual Corporation.
Officers or Committees if the Board of Directors designated to approve new applicants are responsible that criteria of the 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.

12.3. The Board may appoint a review committee to hear disputed applications. The decision of the Board will be final.

13. SHAREHOLDER BUYER PREMIUM FEE

13.1 Prospective Mutual 5 shareholders will be assessed a non-refundable Shareholder Buyer Premium Fee of $750.

Document History
Adopted: 20 Oct 2021 **Amended:**
16 Feb 2022 **16 Nov 2022**

Keywords: Mutual Five Eligibility Requirements

SEAL BEACH MUTUAL NUMBER FIVE

RESIDENT REGULATIONS

Eligibility Requirements

EXAMPLE:
A buyer, single female, born July 1, 1948 has a portfolio of $500,000 and a fully-paid-for house she is selling for $600,000 and she is buying a unit in M-5 for $350,000. She has a Social Security Income of $1,500 per month. Does she qualify in M-5?

Financial Ability Section 3.1.1.: Verified Net Monthly Income states that is at least four (4) times or greater than the monthly carrying charge (Regular Assessment plus Property Tax and Fees) at the time of application; and, have a combination of liquid assets of at least $35,000 and sufficient other assets equal to the purchase price of the Unit.

M-5 Regular Assessment for 2018 is $360.96 which includes M-5 monthly carrying charge, GRF monthly carrying charge and OC User Fee.

Projected Property Taxes according to Section 8, is the amount $350,000 times 1.2% and is equal to $4,200 per year or $350 per month.
Therefore: The Regular Assessment plus Property Tax and Fees is $360.96 plus $350 or $710.96; and, 4 times that amount is $2,843.84 which is the BENCHMARK required in Section 3.1.1. Applicant's Net Monthly Income must be higher than that amount.

Section 7 defines NET MONTHLY INCOME. For this example it includes:

Social Security Income of:		$1,500 per month
Assets:	$500,000 Portfolio	
Plus	$600,000 Value of home	
Less	$350,000 Price of M-5 Unit	
=	$750,000 Remaining Assets	
Divided by:	17.2 years (87.5 minus 70.3) [2]	
=	$43,605 per year divided by 12:	$3,634 per month.
Total Net Monthly Income:		$5,134 per month

NET MONTHLY INCOME IS GREATER THAN BENCHMARK, THEREFORE APPLICANT IS QUALIFIED.

I have read and understood what is required for eligibility consideration in the above

[2] The difference between the Life Expectancy value from SSA Life Expectancy Calculator: 87.5 years and the buyer's actual age: 70.3

SEAL BEACH MUTUAL NUMBER FIVE

RESIDENT REGULATIONS

Eligibility Requirements

named Mutual, including necessary documentation.

Prospective Buyer	**Date**
Prospective Buyer	**Date**
Prospective Buyer	**Date**
Prospective Buyer	**Date**

LEISURE WORLD SEAL BEACH
An Active Adult Community Disclosure

To: Prospective Purchasers

Leisure World Seal Beach is an "Active Adult Community" offering the best in co-op and condominium housing for persons fifty-five years of age or older. This style of active adult housing should not to be confused with an assisted living or a skilled nursing facility. No health care services, such as living assistance or medical assistance, are provided by the Golden Rain Foundation and/or the respective Mutuals.

Assisted Living: Assisted Living facilities offer personalized supportive services and assistance with day-to-day living needs. Meals, snacks, housekeeping, physical fitness, laundry and 24-hour trained staff members are all provided under the umbrella of assisted-living services. These *are not* services provided at Leisure World Seal Beach. LEISURE WORLD SEAL BEACH IS NOT AN ASSISTED LIVING FACILITY OR RESIDENCE.

Active Adult Community: In Leisure World Seal Beach you can be as active as you choose to be. There are many recreational opportunities. Members who purchase the right to reside in a Mutual apartment direct their own lives and are independent and able to handle their own affairs without the assistance of Golden Rain Foundation.

It is recommended that 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.

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 properly when necessary.**

____ **Able to take care of personal finances.**

Choosing an active adult community is a decision which should be made with the assistance of loved ones, professional healthcare physicians, legal advisors and others. Please allow us to answer any questions you might have regarding qualification for residency in this community. You may contact Leisure World Seal Beach, Stock Transfer Office at: (562) 431-6586, ex. 339, 346, 347, 348, or 400 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 and understand that Leisure World Seal Beach *is not* an assisted living facility:

Print Prospective Purchaser's Name: _____

Prospective Purchaser's Signature: _____

Date: _____

Return this form to the Stock Transfer Office.
If you require additional forms, contact Stock Transfer at (562) 431-6586, ext. 339, 346, 347, 348, or 400.
Golden Rain Foundation Seal Beach, California

Notice of Disclaimer Regarding Dual Ownership

The purpose of this Notice of Disclaimer is to set forth information regarding dual ownerships in Mutual Five:

Article 5 of the Occupancy Agreement states that "Member shall not own more than one share of stock in Corporation, or any other Mutual Corporation located in Seal Beach Leisure World concurrently, Member being expressly obligated to fully divest ownership in Corporation prior to acquiring, owning, or occupying a dwelling unit other than as set forth above."

By our signatures below, it is acknowledged that I have read and received a copy of the Notice of Disclaimer Regarding Dual Ownership.

Prospective Buyer's Signature	Date
Prospective Buyer's Signature	Date
Prospective Buyer's Signature	Date
Prospective Buyer's Signature	Date

Return this form to the Stock Transfer Office.
If you require additional forms, contact Stock Transfer at (562) 431-6586, ext. 339, 346, 347, 348, or 400.
Golden Rain Foundation Seal Beach, California

Document History
Adopted: 01 Jan 21

Keywords: Mutual Five Dual Ownership Disclaimer