

**SEAL BEACH MUTUAL NO. FOURTEEN  
DRAFT 4 – LEASING RULES AND REGULATIONS**

**INTRODUCTION**

The Board of Directors (“Board”) of Seal Beach Mutual No. Fourteen (“Mutual”) has adopted the following Leasing Rules and Regulations (“Leasing Rules”) in accordance with Civil Code §4740, et seq., to establish certain procedural rules for the rental of Units within the Mutual. To the extent that these Leasing Rules conflict with the Governing Documents of the Mutual, these Leasing Rules are intended to replace and supersede the provisions of the Mutual’s Governing Documents, including without limitation, the Occupancy Agreement, Rules and Regulations and Policies, that discuss the rental or lease of a Unit. These Leasing Rules were revised and adopted by the Board to comply with the changes to California Civil Code §§ 4740 and 4741 which take effect on January 1, 2021, pursuant to California Assembly Bill 3182.

**DEFINITIONS**

For the purposes of these Leasing Rules the definitions set forth below shall apply. To the extent any term is capitalized herein but not defined, the definition set forth in the Mutual’s Bylaws shall apply.

**Lease:** a lease or rental agreement, whether or not in writing and regardless of whether any consideration is paid, entered into between a Shareholder and a Tenant for the Tenant’s occupancy of the Shareholder’s Unit.

**Tenant:** any person who: (i) meets the age requirements set forth in California Civil Code Section 51.3, et. seq., specifically a person who is 55 years of age or older; and (ii) occupies any portion of a Unit at the Development pursuant to a Lease, irrespective of any rent paid or compensation given to the Shareholder of the Unit for such occupancy. All Tenants must sign the Addendum as further described in these Leasing Rules. Only persons who have signed the Addendum may reside in the Unit.

**RULES AND REGULATIONS**

- 1. Leasing of Units.** The rental or leasing of any Unit shall be subject to the provisions set forth herein. When the term “rent” is used herein, it shall be deemed to mean and include the rental and/or leasing of a Unit.
- 2. Residential Purpose.** Each residence shall be used only as a residential dwelling for a single household. A Shareholder may rent/lease his or her Unit for such residential purpose under a Lease, pursuant to these Leasing Rules. The number of persons residing in a Residence at any time shall comply with the Shareholder’s Occupancy Agreement and Addendum, all City and County codes, regulations, and ordinances regarding the occupancy of residential dwellings, and may not exceed any occupancy limits established under such codes, regulations, or ordinances. No Tenant or occupant of the Unit may have a pet of any species.
- 3. Addendum to Occupancy Agreement.** Any Shareholder approved by the Mutual to lease out

**SEAL BEACH MUTUAL NO. FOURTEEN  
DRAFT 4 – LEASING RULES AND REGULATIONS**

his/her Unit is required to execute an addendum to his/her Occupancy Agreement (“Addendum”). Such Addendum will also require the signature of each Tenant. The failure of the Shareholder and/or the Tenant to sign the Addendum shall be deemed a waiver of the Shareholder’s right to rent the Unit.

**3.1. Cost of Addendum.** Shareholder shall pay the cost incurred by the Mutual for the Mutual’s legal counsel to prepare such Addendum, in addition to the cost to have the Addendum notarized and recorded, promptly upon request.

**4. Restriction on Number of Units Leased.**

**4.1.** No more than twenty-five percent (25%) of the Units in the Mutual shall be rented at any time (the “Leasing Cap”).

**4.2.** A Shareholder desiring to rent his or her Unit may submit to the Board a written request for approval to rent. No Shareholder shall rent his or her Unit prior to receiving written approval from the Board.

**4.2.1.** The Board shall respond to any Shareholder’s written request for approval to rent the Shareholder’s Unit within forty-five (45) days of the Board’s receipt of such request. If the Board does not respond to the Shareholder’s written request at the Shareholder’s last known address of record within this time period, permission to rent shall be deemed to have been approved by the Board.

**4.2.2.** The Board shall deny a Shareholder’s request for approval to rent the Shareholder’s Unit if the number of rented Units, plus the number of Units for which other Shareholders have received Board approval to rent but which are not yet rented, plus the Shareholder’s Unit (the “Leased Unit Calculation”) exceeds twenty-five percent (25%) of the Units in the Mutual. If the Leased Unit Calculation does not exceed twenty-five percent (25%) of the Units in the Mutual, the Board shall grant a Shareholder’s request for rental approval.

**4.2.3.** In the event a Shareholder’s request for approval to rent is denied, the Shareholder shall be placed on a waiting list maintained by the Mutual, and the Shareholder shall be given an opportunity to rent his or her Unit when such Shareholder’s name is first on the waiting list and the Leased Unit Calculation no longer exceeds twenty-five percent (25%) of the Units in the Development.

**4.2.4.** If a Shareholder who has been approved to rent his or her Unit fails to rent his or her Unit within ninety (90) days of the date of rental approval, the Shareholder’s written approval to rent from the Board shall expire. In such event, the Shareholder shall be required to submit a new written request to rent his or her Unit in accordance with the foregoing provisions.

**4.2.5.** If a Lease for an approved rental of a Shareholder’s Unit expires or terminates and the Shareholder does not enter into a new Lease for the Shareholder’s Unit within ninety (90) days of the expiration or termination

**SEAL BEACH MUTUAL NO. FOURTEEN  
DRAFT 4 – LEASING RULES AND REGULATIONS**

of the prior Lease, the Shareholder’s written approval to rent shall expire. In such event, the Shareholder shall be required to submit a new written request to rent his or her Unit in accordance with the foregoing provisions.

- 4.2.6.** At no time may a prospective Shareholder or any non-Shareholder be added to the Wait List.

**5. Lease Requirements.**

- 5.1.** Subject to the Leasing Cap, and the provisions set forth above, a Shareholder may rent his or her Unit pursuant to a Lease that is: (A) in writing; (B) for a term of at least thirty (30) days (the “Minimum Lease Term”); and (C) subject in all respects to the Governing Documents, including, but not limited to, the Occupancy Agreement, provided it does not conflict with the terms contained herein.
- 5.2.** The Shareholder is required to provide the Tenant with a copy of all Governing Documents, and any amendments thereto for the duration of the tenancy and Lease and ensure that the Tenant understands and acknowledges, and agrees to be bound by the same. The Shareholder must provide the Mutual with written confirmation of the foregoing. The Lease shall include a statement that any failure by the Tenant to comply with the Governing Documents will constitute a default under the Lease. The following paragraph, or a substantially similar paragraph, shall be included in each Lease:

*In accepting this Lease, Tenant acknowledges that Tenant has received, read, and understands Occupancy Agreement for Unit \_\_\_\_\_, dated \_\_\_\_\_, and any addendum thereto, and the Bylaws, rules, regulations, and policies of Seal Beach Mutual No. Fourteen (the “Governing Documents”). Tenant agrees to comply with the terms of the Governing Documents, and acknowledges that any failure by Tenant, or Tenant’s family members, social guests, houseguests, servants, employees, or agents, to comply with the terms of the Governing Documents shall constitute a material default under this Lease and may result in the early termination of this Lease.*

- 5.3.** No less than the entirety of a Unit may be rented under a Lease, or otherwise. Notwithstanding the foregoing, one (1) roommate paying rent to a Shareholder may reside simultaneously with a Shareholder in the Shareholder’s Unit. Any roommate contemplated herein must meet the age requirements of a Tenant, specifically set forth in California Civil Code Section 51.3, et. seq. The foregoing exemption shall only apply to Units with two (2) bedrooms.
- 5.4.** No sub-rental or sub-lease of a Unit shall be permitted, and no Unit may be used for vacation rentals (for example only, listed on Airbnb, VRBO or a similar website) or rented to a corporate housing company.
- 5.5.** No Unit may be leased for hotel or transient purposes.
- 5.6.** The Lease must provide that upon the notice of intent to transfer Stock, the Lease shall terminate, and the Tenant must vacate the premises and remove all personal property

**SEAL BEACH MUTUAL NO. FOURTEEN  
DRAFT 4 – LEASING RULES AND REGULATIONS**

within thirty (30) days. The transfer of Stock cannot take place unless and until Tenant has vacated the Unit.

- 5.7. Each Shareholder shall be responsible for any and all violations of the Governing Documents committed by any Tenant, or any guest or invitee of Tenant, of the Shareholder's Unit.
- 5.8. Each Shareholder shall be deemed to have agreed to save, hold harmless, indemnify, and defend the Mutual and its Directors, officers, agents, representatives, attorneys and employees from and against any and all claims, demands, actions, causes of action, liabilities, damages, and expenses arising out of, or incurred as a result of, the rental/leasing of the Shareholder's Unit, together with all costs, expenses, and actual attorneys' fees resulting therefrom.
- 5.9. Tenant must acknowledge the Mutual's right to initiate an unlawful detainer action against the Shareholder in the event: (1) the Tenant fails to abide by the terms of the Mutual's Governing Documents and the Shareholder fails to initiate an unlawful detainer action within thirty (30) days of notice from the Mutual Board of the same; and/or (2) the Shareholder's Share of Stock is terminated. Any expenses and attorneys' fees incurred by the Mutual, shall be paid as set forth in Section 7.1.2 of these Leasing Rules.
- 5.10. Tenant must acknowledge the Mutual's right to initiate an unlawful detainer action against the Shareholder in the event: (1) the Tenant fails to abide by the terms of the Mutual's Governing Documents and the Shareholder fails to initiate an unlawful detainer action within thirty (30) days of notice from the Mutual Board of the same; and/or (2) the Shareholder's Share of Stock is terminated. Any expenses and attorneys' fees incurred by the Mutual, shall be paid as set forth in Section 7.1.2 of these Leasing Rules

**6. Exemptions; Enforcement.**

- 6.1. If a Shareholder rents his or her Unit without approval from the Board, or otherwise in violation of the provisions of these Leasing Rules, the Mutual is authorized to pursue all of its available legal rights and remedies against the Shareholder to enforce such violation and the Shareholder shall be subject to disciplinary measures, including, but not limited to: (a) a monetary penalty in an amount to be determined by the Board; (b) other disciplinary measures; (c) termination of the Occupancy Agreement; (d) injunctive relief; and/or (e) a Reimbursement Assessment in an amount equal to the costs incurred by the Mutual related to addressing such violation, including, without limitation, attorneys' fees and costs, irrespective of whether the Mutual is able to obtain a court order to evict the Tenant or otherwise effectuate the legal eviction of the non-compliant Shareholder and/or Tenant from the Shareholder's Unit.
- 6.2. Notwithstanding anything to the contrary contained in these Leasing Rules, the Leasing Cap shall not apply to the Mutual.

**7. Unlawful Detainer**

- 7.1.1. Failure by a Shareholder to take legal action, including the institution of unlawful detainer proceedings to evict such Shareholder's Tenant, who is in

**SEAL BEACH MUTUAL NO. FOURTEEN**  
**DRAFT 4 – LEASING RULES AND REGULATIONS**

violation of the Mutual's Governing Documents, including without limitation, the Articles, Occupancy Agreement and/or Addendum thereto, Bylaws, Rules and Regulations, or Policies, within ten (10) days after receipt of written demand so to do from the Board, shall constitute a default of the Shareholders Occupancy Agreement and/or Addendum thereto and entitle the Mutual, through the Board, to take any and all such action necessary, including without limitation, declaring forfeiture/termination of the Shareholder's Occupancy Agreement, and the institution of unlawful detainer proceedings against the Shareholder to recover possession of the Unit.

**7.1.2.** In any such unlawful detainer action against the Shareholder, the Mutual will seek an award of its attorney's fees and costs incurred in connection with the same pursuant to the Occupancy Agreement and/or Addendum thereto. Any other expenses incurred by the Mutual in connection with the enforcement of these Leasing Rules, including attorney's fees, shall be repaid to it by such Shareholder. Failure by such Shareholder to make such repayment within (10) days after receipt of a written demand therefor shall entitle the Board to levy a Special Assessment against such Shareholder and such Shareholder's Unit for all such expenses incurred by the Mutual.

**7.2.** The authority granted by this Section 7 shall be cumulative with all other rights and remedies of the Mutual in enforcing its Governing Documents.

**8. Shareholder Liability.** Shareholder shall be absolutely liable to the Mutual and other Shareholders and their families, guests, tenants, and invitees for any liability arising from the acts/or omissions of such Shareholder's Tenant. Each Shareholder who chooses to lease such Shareholder's Unit agrees to be held liable for all acts, whether negligent or non-negligent of such Shareholder's Tenant and/or any guests or invitees of Tenant.

**9. Mutual Not a Landlord.** The exercise and enforcement of the Mutual's rights under these Leasing Rules shall in no way constitute the Mutual as a landlord or lessor under any Lease, and the Mutual shall have no such responsibility. Each Shareholder hereby agrees to indemnify, defend, and hold harmless the Mutual and its Directors, officers, agents, representatives, employees, and attorneys, as may be applicable, from and against any and all claims by a Tenant or any third party that the Mutual failed to fulfill the duties of landlord or lessor under any Lease for the Shareholder's Unit.

**10. Shareholder Insurance Requirements.**

**10.1. Property Damage and General Liability Insurance.** Each Shareholder is responsible for insuring his or her personal property located within the Mutual. Each Shareholder is also responsible for insuring all buildings, structures, and other Improvements contained

**SEAL BEACH MUTUAL NO. FOURTEEN  
DRAFT 4 – LEASING RULES AND REGULATIONS**

within or located upon the Shareholder's Unit (including, but not limited to the Shareholders' Residences) against fire and other casualty. Nothing in these Leasing Rules precludes any Shareholder from carrying public liability insurance as he or she may deem reasonable, however, such insurance coverage may not adversely affect or diminish any coverage under any of the Mutual's insurance policies. If any loss intended to be covered by insurance carried by or on behalf of the Mutual occurs and the proceeds payable are reduced due to insurance carried by a Shareholder, such Shareholder shall assign the proceeds of the Shareholder's insurance to the Mutual, to the extent of such reduction, for application to the same purposes as the reduced proceeds are to be applied.

**10.2. Renter's and Landlord's Insurance.** A Shareholder whose Unit is subject to a Lease shall require as a term of the Lease that the Tenant is required, at all times during the Tenant's tenancy and occupancy of the Shareholder's Unit, to obtain and maintain "renter's insurance" of no less than fifty thousand dollars (\$50,000.00), insuring, including without limitation, the Tenant for general liability, property damage, and the replacement value of the Tenant's personal property and belongings located in the Unit from damage and loss. Such Shareholder shall also be required to maintain "landlord's insurance" during the period of the Lease, under an insurance policy that covers the Shareholder's Unit from financial losses connected with the Unit; such policy shall cover standard perils such as fire, and, to the extent commercially available, include coverage for accidental damage, malicious damage by tenants, and rent guarantee insurance.

**10.3. Proof of Insurance.** Duplicate copies of the insurance policies required under these Leasing Rules shall be submitted by a Shareholder to the Board at the New Tenant Orientation and upon request thereafter. Notwithstanding the foregoing, the Mutual shall not have the obligation to confirm that any Shareholder or Tenant carries the insurance required under these Leasing Rules and/or confirm the terms of any insurance purchased by a Shareholder or Tenant.

**10.4. Lack of Insurance.** The Mutual shall not be responsible for any damage or loss to a Shareholder's Unit, another Unit, or the Common Area for which the Shareholder is responsible and the Shareholder does not maintain sufficient insurance coverage for the cost of repair and restoration of such damage or loss. Any failure by the Tenant to have renter's insurance shall be regarded as a material breach of the Lease.

**11. Tenant Eligibility.**

**11.1. No Discrimination.** No Shareholder shall execute or cause to be recorded any instrument that imposes a restriction on the rental or occupancy of the Shareholder's Unit on the basis of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, or genetic information, nor shall any Shareholder discriminate against or harass any prospective Tenant, or Resident of the Shareholder's Unit because of such bases. Notwithstanding the foregoing, selection preferences based on age in the rental of a Shareholder's Unit, imposed in accordance with Section 51 of the Civil Code or a federally approved housing program, as may be applicable, shall not constitute age

**SEAL BEACH MUTUAL NO. FOURTEEN  
DRAFT 4 – LEASING RULES AND REGULATIONS**

discrimination.

- 11.2. Criteria for Eligibility.** All Tenants must meet the criteria for membership eligibility set forth in the Mutual's Governing Documents, specifically the Occupancy Agreement and by the Golden Rain Foundation, as the same may be amended from time to time.
- 12. Board's Right to Impose Additional Rules and Regulations.** As long as Civil Code Section 4741, or similar statutes, is effective and has not been overturned by the Courts or repealed or otherwise amended by the state legislature, these Leasing Rules will remain effective. Should Civil Code Section 4741, or similar statutes, be overturned, repealed or otherwise amended, the Board retains the right to revoke and/or revise these Leasing Rules accordingly. The Board retains the right to establish and enforce additional Rules and Regulations to implement the leasing restrictions contained in these Leasing Rules and any other Governing Documents of the Mutual.
- 13. Inspection of Unit Upon Termination of Lease.** The Mutual shall conduct an inspection of any leased Units within the Mutual, upon the termination of the Lease. The Mutual will provide notice of such inspection to the Shareholder, if required under to the Occupancy Agreement or Addendum. The Mutual is entitled to charge a fee for such inspection. The fee will be as set forth in the Mutual's Schedule of Fees and is subject to change at the Board's sole discretion.
- 14. Tenant Not Entitled to Take Over Rights of Shareholders.**

  - 14.1. Mutual Meetings and Events.** Tenants may not participate in, or attend, meetings of the Mutual, including without limitation, any townhall meeting, open Board meeting, or any event intended only for the Shareholders of the Mutual.
  - 14.2. Tenant and Shareholder Required to Attend Orientation.** All new Tenants within the Mutual are required to attend a New Tenant Orientation. All leasing Shareholders will be required to attend such Orientation with the Tenant. The Mutual is entitled to charge a fee for such New Tenant Orientation. The current cost for this orientation to the Shareholder will be \$100.00 and is subject to change at the sole discretion of the Board.
  - 14.3.** All required documents for orientation must be presented to the board 3 working days prior to the New Tenant Orientation, including background and credit checks, proof of insurance for both the Tenant and the Shareholder, signed Occupancy Agreement and Addendum, Lease, Tenant contact information and shareholder contact information.
  - 14.4.** Tenant is not permitted to have overnight guests.
  - 14.5.** Except in case of emergency, Tenant shall not contact the Directors of the Mutual, or any vendor of the Mutual, including without limitation any employees or representatives of the GRF, for any maintenance issues. Tenant must contact the Shareholder-Landlord for any non-emergency maintenance issues.
  - 14.6.** Tenant is only permitted to have one (1) car in the Mutual.
- 15. Forfeiture of Shareholder Rights.** Shareholder cannot utilize any common areas of the Mutual, including without limitation, laundry rooms, use of carport and storage cabinets therein, if a shareholder elects to lease out his/her unit to a tenant.

**SEAL BEACH MUTUAL NO. FOURTEEN  
DRAFT 4 – LEASING RULES AND REGULATIONS**

- 16. Background and Credit Checks.** Shareholder must conduct a background check and a credit check prior to entering into a lease agreement with a Tenant. Upon demand by the Board, Shareholder must present the Board with a copy of the results of the background check and the credit check within ten (10) days of such request, at the New Tenant Orientation.
- 17. Documents to Mutual.** Prior to Tenant Occupancy of any unit in the Mutual the Shareholder must provide to the Mutual:

  - 17.1. Lease.** The Shareholder shall provide the Mutual with a copy of the executed Lease.
  - 17.2. Tenant Contact Information.** The telephone number and e-mail address, if applicable, of the Tenant, and information related to any vehicle of the Tenant, including the make, model, color, and license plate number.
  - 17.3. Shareholder Contact Information.** The telephone number and any change in address of the Shareholder.
- 18. Fine Policy of the Mutual.** Pursuant to the Mutual’s Governing Documents, the Shareholder will be called to a hearing for any Tenant violations of the Governing Documents, and the Mutual Board will determine what disciplinary measures and/or monetary fines to levy against Shareholder. The Mutual’s Fine Policy in effect at the time the violation occurs will be applied.