

MUTUAL OPERATIONS

LEASING RESTRICTIONS

This rule governs the leasing of residences in Mutual 17

1. **Definitions**

For the purposes of this rule the following terms shall apply:

- 1.1. **“Existing Owner”** shall mean and refer to an Owner of record prior to the adoption of this rule;
- 1.2. **“Immediate Family Member”** shall mean and refer to a child, spouse, parent or sibling of an owner;
- 1.3. **“Leasing Ratio”** shall mean ten percent (25%) of all Units in Mutual 17.
- 1.4. **“New Owner”** shall mean a person/entity who became the Owner of a Unit after the adoption of this rule (other than Mutual 17, a commercial lender in possession or an Immediate Family Member who takes title to a Unit from an Existing Owner by way of deed, through a trust, or by a will), or an Existing Owner who expressly consents in writing to be subject to Section 2;

2. **Cap on Number of Units Leased by New Owners; New Owners Must Apply for Approval to Lease Units.**

Subject to an approved hardship exemption issued, from and after the date of adoption of this rule, no New Owner may rent or lease his or her Unit if the number of all Owner's Units leased, plus the New Owner's Unit would exceed the Leasing Ratio. Such leasing system shall be implemented as follows:

2.1. **Prior Approval to Lease Required: Leasing Waiting List**

- 2.1.1. All New Owners who desire to lease their Units shall submit an application to lease to the Board of Mutual 17 prior to entering into any lease. Each name shall be placed on a Leasing Waiting List;
- 2.1.2. At the time a New Owner submits the application to lease to the Board, the Board shall determine if the number of Units which are currently being leased. If the number of Units in Mutual 17 then leased, plus the New Owner's Unit, does not exceed the Leasing Ratio, and there is no person on the waiting list, the Mutual shall permit such New Owner to lease his or her Unit. If the number of Units in Mutual 17 then leased, plus the New Owner's Unit, exceeds the Leasing Ratio, the New Owner shall not be allowed to lease his or her Unit. Instead, the New Owner's name shall be placed on the Leasing Waiting List maintained by the Board. A New Owner who is placed on the Waiting List shall not be entitled to lease such New Owner's Unit until he or she is notified in writing by the Board that the New Owner is at the top of the Waiting List and the number of Units in Mutual 17 then leased, plus the New Owner's Unit, would not

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exceed the Leasing Ratio;

2.1.3. At no time may a prospective owner be added to the Wait List;

2.1.4. The Mutual shall make available to any member, within a reasonable time of the making of a request thereof, any Waiting List maintained in accordance with this Section;

2.2. Continued Right to Lease

2.2.1. Once a New Owner is granted approval to lease his or her Unit, and does so in accordance with this Section and any other rules adopted by the Board, such New Owner shall have the right to continue to lease his or her Unit until such time as the Unit is re-occupied or transferred by the Owner, whichever occurs first;

2.2.2. Additional items with subcategory;

2.2.3. Additional items with subcategory followed by “and”; and

2.2.4. Final item of subcategory.

2.3. Additional Rules and Regulations

The Board retains the right to establish and enforce additional Rules and Regulations to implement the leasing restrictions contained in this Section including, without limitation:

2.3.1. Imposing standards for the keeping of a Waiting List;

2.3.2. Setting reasonable deadlines for renting Units after which time the next New Owner on the Waiting List shall be given an opportunity to rent his or her Unit;

2.3.3. Defining what constitutes a transfer;

2.3.4. Authorizing the Board to grant hardship exemptions from compliance with the Leasing Ratio and a criteria thereafter.

2.3.5. No hardship exemption may exceed one (1) year, after which time the Owner’s tenant must immediately vacate the Unit.

3. Additional Leasing Restrictions Applicable to All Owners

3.1. Tenant Eligibility and Lease Term.

3.1.1. All Tenants must meet the criteria for membership eligibility set forth in the duly-adopted rules of the Mutual 17 Board and the Golden Rain Foundation Board, as the same may be amended from time to time.

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- 3.1.2. No lease is permitted for a term of less than thirty (30) days.
- 3.1.3. If a particular Unit is leased in compliance with this Section when title to such Unit transfers to (A) the Mutual, or (B) a commercial lender following a default on a Mortgage or other lien, then the Mutual or commercial lender is exempt from this restriction with respect to the existing lessee only.
- 3.1.4. No Unit may be leased for hotel or transient purposes.

3.2. Lease Provisions

- 3.2.1. Any agreement for the leasing of a Unit shall be in writing and shall contain at a minimum, the following terms, which terms shall be binding upon the Owner and the Owner's lessee regardless of whether Owner breaches his or her obligation to include them in said lease:
 - 3.2.1.1. Lessee shall abide by and be subject to the terms and provisions of this rule, the Articles, the Bylaws and any other governing documents and failure to comply with the terms of the foregoing documents shall be a default under the Lease;
 - 3.2.1.2. There shall be no right of assignment or sublease;
 - 3.2.1.3. Lessee understands and agrees to pay rents to the Mutual in the event the Owner becomes delinquent in the payment of Assessments to the Mutual;
 - 3.2.1.4. Lessee acknowledges the Mutual's right to initiate an unlawful detainer action against the lessee in the event the lessee fails to abide by the terms of the Mutual's governing documents.

3.3. Notice to Mutual

- 3.3.1. Any Within fifteen (15) days after leasing a Unit, an Owner shall furnish the Board with:
 - 3.3.1.1. A copy of such lease;
 - 3.3.1.2. The telephone number of the lessee and any change in the address or telephone number of the Unit Owner;
 - 3.3.1.3. Written advice as to make, color and license number of all motor vehicles owned by such lessee.

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3.4. Duty to Provide Copy of Governing Documents to Tenant.

- 3.4.1.** It shall be the Owner's duty to provide a copy of this rule, the Rules and Regulations and any other relevant governing documents to the Owner's tenant prior to such tenant occupying the Unit, and any amendments thereto during the tenancy

3.5. Entire Unit. No owner may lease less than his or her entire Unit

3.6. No Sublease or Assignment. No Unit may be subleased and no lease may be assigned to another lessee.

4. Mutual May Enforce Governing Documents Against Lessees.

4.1. Responsibility for Actions of Lessee

- 4.1.1.** Any Owner who shall lease such Owner's Unit shall be responsible for assuring compliance by such Owner's lessee with this rule, the Articles, the Bylaws and the Rules and Regulations.
- 4.1.2.** Such Owner shall be absolutely liable to the Mutual and other Owners and their families, stall members, guests, tenants, and invitees for any liability arising from the acts/or omissions of such Owner's lessee. Each Owner who chooses to lease such Owner's Unit agrees to be held liable for all acts, whether negligent or non-negligent of such Owner's lessee.

4.2. Unlawful Detainer

- 4.2.1.** Failure by an Owner to take legal action, including the institution of proceedings in unlawful detainer against such Owner's lessee who in is violation of this rule, the Articles, the Bylaws or the Rules and Regulations, within ten (10) days after receipt of written demand so to do from the Board, shall entitle the Mutual, through the Board, to take any and all such action, including the institution of proceedings in unlawful detainer on behalf of such Owner against such Owner's lessee.
- 4.2.2.** Any expenses incurred by the Mutual, including attorney's fees and cost of suit, shall be repaid to it by such Owner. Failure by such Owner 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 Owner and such Owner's Unit for all such expenses incurred by the Mutual.

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- 4.2.3. The authority granted by this Section shall be cumulative with all other rights and remedies of the Mutual in enforcing its governing documents.
- 4.3. Assignment of Rents.
 - 4.3.1. As security for the payment of assessments, upon any default or delinquency by an Owner to pay any assessment for more than three (3) months after it becomes due, each Owner assigns to the Mutual all of such Owner's rights as lessor, i.e., the right, power and authority to:
 - 4.3.1.1. Collect the rents, issues and profits (collectively, "Rent") of said Owner's Unit, including Rent due and unpaid;
 - 4.3.1.2. Initiate an unlawful detainer action against the lessee;
 - 4.3.1.3. Enter upon and take possession of the Unit;
 - 4.3.1.4. Re-rent the Unit in the Mutual's name and collect rent therefrom without liability to the Owner except for any Rent which may be collected over and above the assessments owed to the Mutual by the Owner;
 - 4.3.1.5. Avail itself of any other remedies permitted by law.
 - 4.3.2. Upon ten (10) days written demand to such Owner and to the Owner's lessee in a form consistent with Civil Code Section 2938(k), as the same may be amended, the Mutual may direct the lessee to make all Rent payments to the Mutual until such time as the Owner's delinquency is cured.
 - 4.3.3. The Mutual's rights to collect Rents is without regard to the adequacy of any other security for such indebtedness.
 - 4.3.4. In the event proceedings are brought by the Mutual to enforce any of the provisions in this Section, the prevailing party shall be entitled to recover all costs and reasonable attorney's fees.
 - 4.3.5. The assignment of Rents and powers described in this Section shall not affect, and shall in all respects be subordinate to, the rights and powers of the holder of a first Mortgage on any Unit.
- 4.4. Enforcement
 - 4.4.1. If an Owner leases such Owner's Unit in violation of this Section, the Mutual is authorized to pursue all of its available legal rights and remedies against the Owner to enforce such violation, including, without limitation, the imposition of monetary penalties on a daily basis and/or the filing of an application for injunctive relief.

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Document History

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