



## **SEAL BEACH MUTUAL NO. NINE**

### **Mutual Operations – Resident Regulations**

#### **LEASING RULES AND REGULATIONS**

The Board of Directors (“Board”) of Seal Beach Mutual No. Nine (“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.; 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

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- 38 purpose under a Lease, pursuant to these Leasing Rules. The number of persons  
 39 residing in a Residence at any time shall comply with the Shareholder’s Occupancy  
 40 Agreement and Addendum, all City and County codes, regulations, and ordinances  
 41 regarding the occupancy of residential dwellings, and may not exceed any occupancy  
 42 limits established under such codes, regulations, or ordinances.  
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- 44 **3. Addendum to Occupancy Agreement.** Any Shareholder approved by the Mutual to  
 45 lease out his/her Unit is required to execute an addendum to his/her Occupancy  
 46 Agreement (“Addendum”). Such Addendum will also require the signature of each  
 47 Tenant. The failure of the Shareholder and/or the Tenant to sign the Addendum shall be  
 48 deemed a waiver of the Shareholder’s right to rent the Unit.  
 49
- 50 **3.1. Cost of Addendum.** Shareholder shall pay the cost incurred by the Mutual for  
 51 the Mutual’s legal counsel to prepare such Addendum, in addition to the cost to  
 52 have the Addendum notarized and recorded, if required by the Mutual,  
 53 promptly upon request.  
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- 55 **4. Restriction on Number of Units Leased**  
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- 57 **4.1.** No more than twenty-five percent (25%) of the Units in the Mutual shall be  
 58 rented at any time (the “Leasing Cap”).  
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- 60 **4.2.** A Shareholder desiring to rent his or her Unit may submit to the Board a written  
 61 request for approval to rent. No Shareholder shall rent his or her Unit prior to  
 62 receiving written approval from the Board.  
 63 **4.2.1.** The Board shall respond to any Shareholder’s written request for  
 64 approval to rent the Shareholder’s Unit within thirty (30) days of the  
 65 Board’s receipt of such request. If the Board does not respond to the  
 66 Shareholder’s written request at the Shareholder’s last known  
 67 address of record within this time period, permission to rent shall be  
 68 deemed to have been approved by the Board.  
 69 **4.2.2.** The Board shall deny a Shareholder’s request for approval to rent  
 70 the Shareholder’s Unit if the number of rented Units, plus the number  
 71 of Units for which other Shareholders have received Board approval  
 72 to rent but which are not yet rented, plus the Shareholder’s Unit (the  
 73 “Leased Unit Calculation”) exceeds twenty-five percent (25%) of the  
 74 Units in the Mutual. If the Leased Unit Calculation does not exceed  
 75 twenty-five percent (25%) of the Units in the Mutual, the Board shall  
 76 grant a Shareholder’s request for rental approval.  
 77 **4.2.3.** In the event a Shareholder’s request for approval to rent is denied,  
 78 the Shareholder shall be placed on a waiting list maintained by the  
 79 Mutual, and the Shareholder shall be given an opportunity to rent his



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80 or her Unit when such Shareholder’s name is first on the waiting list  
 81 and the Leased Unit Calculation no longer exceeds twenty-five  
 82 percent (25%) of the Units in the Development.

83 **4.2.4.** If a Shareholder who has been approved to rent his or her Unit fails  
 84 to rent his or her Unit within ninety (90) days of the date of rental  
 85 approval, the Shareholder’s written approval to rent from the Board  
 86 shall expire. In such event, the Shareholder shall be required to  
 87 submit a new written request to rent his or her Unit in accordance  
 88 with the foregoing provisions.

89 **4.2.5.** Is a Lease for an approved rental of a Shareholder’s Unit expires or  
 90 terminates and the Shareholder does not enter into a new Lease for  
 91 the Shareholder’s Unit within ninety (90) days of the expiration or  
 92 termination of the prior Lease, the Shareholder’s written approval to  
 93 rent shall expire. In such event, the Shareholder shall be required to  
 94 submit a new written request to rent his or her Unit in accordance  
 95 with the foregoing provisions.

96 **4.2.6.** At no time may a prospective Shareholder or any non-Shareholder  
 97 be added to the Wait List.  
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### **5. Lease Requirements**

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 101 **5.1.** Subject to the Leasing Cap, and the provisions set forth above, a Shareholder  
 102 may rent his or her Unit pursuant to a Lease that is: (A) in writing; (B) for a term  
 103 of at least thirty (30) days (the “Minimum Lease Term”); and (C) subject in all  
 104 respects to the Governing Documents, including, but not limited to, the  
 105 Occupancy Agreement, provided it does not conflict with the terms contained  
 106 herein.  
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108 **5.2.** The Shareholder is required to provide the Tenant with a copy of all Governing  
 109 Documents, and any amendments thereto for the duration of the tenancy and  
 110 Lease and ensure that the Tenant understands and acknowledges and agrees  
 111 to be bound by the same. The Shareholder must provide the Mutual with  
 112 written confirmation of the foregoing. The Lease shall include a statement that  
 113 any failure by the Tenant to comply with the Governing Documents will  
 114 constitute a default under the Lease. The following paragraph, or a  
 115 substantially similar paragraph, shall be included in each Lease: “In accepting  
 116 this Lease, Tenant acknowledges that Tenant has received, read, and  
 117 understands Occupancy Agreement for Unit \_\_\_\_, dated \_\_\_\_, and any  
 118 addendum thereto, and the Bylaws, rules, regulations, and policies of Seal  
 119 Beach Mutual No. Nine (the “Governing Documents”). Tenant agrees to comply  
 120 with the terms of the Governing Documents, and acknowledges that any failure  
 121 by Tenant, or Tenant’s family members, social guests, houseguests, servants,



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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.”

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- 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 under this Section 5.3 must also meet all requirements of a Tenant as set forth in these Leasing Rules, including without limitation, all age requirements set forth in California Civil Code Section 51.3, et seq.
- 5.4.** No sub-rental 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 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 attorney’s fees incurred by the Mutual, shall be paid as set forth in Section 7.1.2 of these Leasing Rules.



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#### **6. Exemptions; Enforcement**

**6.1.** Upon application by a Shareholder to rent his or her Unit, the Board shall be authorized and empowered, in its sole and reasonable discretion, to grant a hardship exemption for the Shareholder with respect to the Leasing Cap. For purposes of this subsection, a “hardship” shall be defined as the need of a Shareholder to rent his or her Unit as a result of an unforeseeable event and/or because enforcement of the Leasing Cap, against the Shareholder could reasonably subject the Shareholder to suffer a severe financial difficulty.

**6.2.** 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.

#### **7. Notwithstanding anything to the contrary contained in these Leasing Rules, the Leasing Cap shall not apply to: (a) any Shareholder exempted from the Leasing Cap under the Davis-Stirling Act; and (b) the Mutual Unlawful Detainer.**

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

**7.2.** 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



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206 same pursuant to the Occupancy Agreement and/or Addendum thereto. Any  
 207 other expenses incurred by the Mutual in connection with the enforcement of  
 208 these Leasing Rules, including attorney's fees, shall be repaid to it by such  
 209 Shareholder. Failure by such Shareholder to make such repayment within (10)  
 210 days after receipt of a written demand therefor shall entitle the Board to levy a  
 211 Special Assessment against such Shareholder and such Shareholder's Unit for  
 212 all such expenses incurred by the Mutual.  
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214 **7.3.** The authority granted by this Section 7 shall be cumulative with all other rights  
 215 and remedies of the Mutual in enforcing its Governing Documents.  
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217 **8. Shareholder Liability.** Shareholder shall be absolutely liable to the Mutual and other  
 218 Shareholders and their families, guests, tenants, and invitees for any liability arising  
 219 from the acts/or omissions of such Shareholder's Tenant. Each Shareholder who  
 220 chooses to lease such Shareholder's Unit agrees to be held liable for all acts, whether  
 221 negligent or non-negligent of such Shareholder's Tenant and/or any guests or invitees  
 222 of Tenant.  
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### 224 **9. Assignment of Rents**

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 226 **9.1. Assignment of Rents.** Each Shareholder who is leasing or renting his or her  
 227 Unit to a Tenant or Tenants hereby assigns to the Mutual all of the rents and  
 228 any other income now due or which may become due to Shareholder pursuant  
 229 to the Lease for the Shareholder's Unit (the "Rents"), together with any and all  
 230 rights and remedies which the Mutual may have against the Tenant or Tenants,  
 231 or others in possession of the Unit, for the collection or recovery of the Rents  
 232 so assigned. Such assignment shall be effective only upon the Shareholder's  
 233 failure to pay any Assessment within thirty (30) days after the due date, and  
 234 under no other circumstances, if the Mutual accepts such assignment.  
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236 **9.2. Process to Effectuate Assignment of Rents.** An assignment of rents  
 237 pursuant to these Leasing Rules shall only be effective if it complies with the  
 238 requirements of Section 2938 of the Civil Code and any other applicable law.  
 239 Any costs and fees incurred by the Mutual in effectuating an assignment of  
 240 rents pursuant to these Leasing Rules shall be considered a cost of collection  
 241 of delinquent Assessments, for which the applicable Shareholder shall be  
 242 responsible.  
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244 **9.3. Mutual Not a Landlord.** The exercise and enforcement of the Mutual's rights  
 245 under these Leasing Rules shall in no way constitute the Mutual as a landlord  
 246 or lessor under any Lease, and the Mutual shall have no such responsibility.  
 247 Each Shareholder hereby agrees to indemnify, defend, and hold harmless the



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248 Mutual and its Directors, officers, agents, representatives, employees, and  
 249 attorneys, as may be applicable, from and against any and all claims by a  
 250 Tenant or any third party that the Mutual failed to fulfill the duties of landlord or  
 251 lessor under any Lease for the Shareholder's Unit.

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 253 **9.4. Payment of Rents to Mutual.** Each Shareholder irrevocably consents that the  
 254 Tenant or Tenants under a Lease for the Shareholder's Unit, upon receiving  
 255 from the Mutual notice of an assignment of rents pursuant to these Leasing  
 256 Rules, shall pay the Rents to the Mutual without incurring any liability for the  
 257 failure to determine the actual existence of any Assessment delinquency  
 258 claimed by the Mutual. Each Shareholder further agrees that such Tenant or  
 259 Tenants shall not be liable to the Shareholder for nonpayment of the Rents to  
 260 the Shareholder for Rents paid to the Mutual pursuant to these Leasing Rules.  
 261 The full amount of the Rents received by the Mutual shall be applied to the  
 262 Shareholder's account; however, application of the Rents to particular  
 263 Assessments and charges owed by the Shareholder to the Mutual shall be at  
 264 the Mutual's discretion to the extent not dictated by law.

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 266 **9.5. Mutual Powers Upon Default.** The Mutual may at any time pursue legal  
 267 action against a Shareholder and/or the Shareholder's Tenant or Tenants for,  
 268 or otherwise seek collection of, any Rents not paid to the Mutual pursuant to  
 269 these Leasing Rules. The Mutual shall deduct from the Rents received in any  
 270 such action the costs and expenses of collection, including, but not limited to,  
 271 reasonable attorney's fees.

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 273 **9.6. Termination of Payment of Rents to Mutual.** The Mutual may continue  
 274 receiving Rents assigned directly from the Tenant or Tenants of a  
 275 Shareholder's Unit until any unlawful detainer action against the subject Unit is  
 276 completed by the Mutual, or until the amount of money owed to the Mutual by  
 277 the Shareholder, including Assessments, late charges, interest, and collection  
 278 costs, including reasonable attorney's fees, is paid in full, whichever occurs  
 279 first.

### 280 281 **10. Shareholder Insurance Requirements**

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 283 **10.1. Property Damage and General Liability Insurance.** Each Shareholder is  
 284 responsible for insuring his or her personal property located within the Mutual.  
 285 Each Shareholder is also responsible for insuring all buildings, structures, and  
 286 other Improvements contained within or located upon the Shareholder's Unit  
 287 (including, but not limited to the Shareholders' Residences) against fire and  
 288 other casualty. Nothing in this Restate Declaration precludes any Shareholder  
 289 from carrying public liability insurance as he or she may deem reasonable,



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290 however, such insurance coverage may not adversely affect or diminish any  
 291 coverage under any of the Mutual's insurance policies. If any loss intended to  
 292 be covered by insurance carried by or on behalf of the Mutual occurs and the  
 293 proceeds payable are reduced due to insurance carried by a Shareholder, such  
 294 Shareholder shall assign the proceeds of the Shareholder's insurance to the  
 295 Mutual, to the extent of such reduction, for application to the same purposes as  
 296 the reduced proceeds are to be applied.  
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298 **10.2. Renter's and Landlord's Insurance.** A Shareholder whose Unit is subject to a  
 299 Lease shall require as a term of the Lease that the Tenant is required, at all  
 300 times during the Tenant's tenancy and occupancy of the Shareholder's Unit, to  
 301 obtain and maintain "renter's insurance" of no less than fifty thousand dollars  
 302 (\$50,000.00), insuring, including without limitation, the Tenant for general  
 303 liability, property damage, and the replacement value of the Tenant's personal  
 304 property and belongings located in the Unit from damage and loss. Such  
 305 Shareholder shall also be required to maintain "landlord's insurance" during the  
 306 period of the Lease, under an insurance policy that covers the Shareholder's  
 307 Unit from financial losses connected with the Unit; such policy shall cover  
 308 standard perils such as fire, and, to the extent commercially available, include  
 309 coverage for accidental damage, malicious damage by tenants, and rent  
 310 guarantee insurance.  
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312 **10.3. Proof of Insurance.** Duplicate copies of the insurance policies required under  
 313 these Leasing Rules shall be submitted by a Shareholder to the Board upon  
 314 request. Notwithstanding the foregoing, the Mutual shall not have the obligation  
 315 to confirm that any Shareholder or Tenant carries the insurance required under  
 316 these Leasing Rules and/or confirm the terms of any insurance purchased by a  
 317 Shareholder or Tenant.  
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319 **10.4. Lack of Insurance.** The Mutual shall not be responsible for any damage or  
 320 loss to a Shareholder's Unit, another Unit, or the Common Area for which the  
 321 Shareholder is responsible and the Shareholder does not maintain sufficient  
 322 insurance coverage for the cost of repair and restoration of such damage or  
 323 loss. Any failure by the Tenant to have renter's insurance shall be regarded as  
 324 a material breach of the Lease.  
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### 326 **11. Tenant Eligibility**

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 328 **11.1. No Discrimination.** No Shareholder shall execute or cause to be recorded any  
 329 instrument that imposes a restriction on the rental or occupancy of the  
 330 Shareholder's Unit on the basis of race, color, religion, sex, gender, gender  
 331 identity, gender expression, sexual orientation, marital status, national origin,





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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 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.** The Board retains the right to establish and enforce additional Rules and Regulations to implement the leasing restrictions contained in these Leasing Rules.

**13. Tenant Not Entitled to Take Over Rights of Shareholders.**

**13.1. 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.

**13.2.** Tenant is not Permitted to have overnight guests.

**13.3.** Except in the case of an emergency, Tenants 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 or security related issues. Tenants must contact the Shareholder-landlord for any non-emergency maintenance issues.

**14. Forfeiture of Shareholder Rights.** Shareholder cannot utilize any common areas of the Mutual, including without limitation, laundry rooms, if Shareholder elects to lease out his/her Unit to a Tenant. All current Shareholders privileges with respect to the use of common areas within the Mutual are forfeited once the Shareholder enters into a Lease with a Tenant.

**15. Background and Credit Checks.** Shareholder may conduct a background check and a credit check prior to entering into a lease agreement with a Tenant. Should the Shareholder decide to conduct a background check and a credit check, 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.

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**16. Documents to Mutual. Within ten (10) days of execution of a Lease between a Shareholder and Tenant, the Shareholder must provide to the Mutual:**

**16.1. Lease.** The Shareholder shall provide the Mutual with a copy of the executed Lease.

**16.2. 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.

**16.3. Shareholder Contact Information.** The telephone number and any change in address of the Shareholder.

**17. 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.

**Document History**

Adopted: 09 Nov 20

**Keywords:** Mutual                      Resident    Leasing                      Lease                      Regulations  
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