

OCCUPANCY AGREEMENT

OF

SEAL BEACH MUTUAL NO. FIFTEEN

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**OCCUPANCY AGREEMENT OF  
SEAL BEACH MUTUAL NO. FIFTEEN**

**RECITALS**

This OCCUPANCY AGREEMENT (“Agreement”), made and entered into this \_\_\_\_\_,  
\_\_\_\_\_,  
20\_\_ by and between SEAL BEACH MUTUAL NO. FIFTEEN (“Mutual”), a California corporation having its principal office and place of business in Orange County, California and \_\_\_\_\_,  
\_\_\_\_\_, (“Qualifying Resident”);

- A. WHEREAS, the Mutual has been formed under the Corporations Code as a corporation for the purposes of acquiring, owning and operating a cooperative residential housing project to be located at Leisure World Seal Beach (“Leisure World”), Seal Beach, Orange County, California, with the intent that its stockholders (“Shareholders”), who meet the financial requirements and other eligibility requirements as may be established from time to time by the Mutual, shall have the right to occupy the dwelling units thereof under the terms and conditions hereinafter set forth and subject to the limitations set forth in the Governing Documents and imposed by California Civil Code § 51.3;
- B. WHEREAS, the Qualifying Resident is the owner and holder of one share of common capital stock, Series \_\_\_\_\_ of the Mutual and has a bona fide intention to reside in the Community (“Stock” or “Share”);
- C. WHEREAS, the Bylaws of the Mutual dated \_\_\_\_\_, as amended from time to time (“Bylaws”), and Governing Documents (as defined herein) govern the Mutual.

NOW, THEREFORE, in consideration of the mutual promises set out in this Agreement, the Mutual hereby leases to the Qualifying Resident, and the Qualifying Resident rents and takes from the Mutual, dwelling unit number \_\_\_\_\_  
(APN: \_\_\_\_\_)(“Unit”), located within Leisure World.

The Qualifying Resident shall occupy the Unit on the terms and conditions set forth herein, and the Governing Documents of the Mutual now or hereafter adopted pursuant thereto, from the date of this Agreement for a term terminating on \_\_\_\_\_ (“Term”), automatically renewable thereafter for successive three-year periods under the conditions

provided for herein unless earlier terminated pursuant to the provisions set forth in this Agreement or in the Governing Documents.

## ARTICLE I

### INCORPORATION OF RECITALS/CAPITALIZED TERMS

#### **Section 1.1 – Incorporation of Recitals.**

The above recitals are incorporated herein and made a part hereof by this reference.

#### **Section 1.2 – Capitalized Terms.**

Capitalized terms used herein which are undefined in this Agreement, shall have the same definition as set forth in the Bylaws.

## ARTICLE II

### CONDITIONS OF POSSESSION

#### **Section 2.1 – Breach of Conditions.**

This Agreement and the Term hereby created shall be subject to the conditions herein set forth, and shall come to an end upon (i) termination of this Agreement; and/or (ii) termination of Share Ownership.

#### **Section 2.2 – Governing Documents.**

The Term of this Agreement and possession of the Unit by the Qualifying Resident is subject to:

- (a) the terms and conditions set out in the Articles of Incorporation, Bylaws, Rules and Regulations, Policies and Resolutions of the Board of the Mutual as amended from time to time (“Governing Documents”);
- (b) relevant and applicable zoning, health, or other laws of the municipal, state, and/or federal governments; and
- (c) the terms and conditions of this Agreement, and other agreements between the Mutual and any municipal, state and/or federal governments.

#### **Section 2.3 – Unlawful Detainer Action.**

If an order of unlawful detainer is made by any court of competent jurisdiction, giving the Mutual the right to regain possession of the Unit from the Qualifying Resident, this Agreement shall thereupon immediately cease and be void.



**Section 2.4 – Trustee has no right to possession of the Unit.**

No trustee or receiver of the Qualifying Resident or the Qualifying Resident’s Stock or person claiming any interest in the Stock pursuant to any operation of law, agents, assigns, heirs, attorneys, devisees, successors, bankruptcy assignment, pledge or security, is entitled to any right to or possession of the Unit other than that Qualifying Resident that is entitled to reside in the Unit pursuant to the terms of this Agreement.

**ARTICLE III**

**RIGHT TO POSSESSION**

**Section 3.1 – Term.**

In return for the Qualifying Resident’s continued fulfillment of the terms and conditions of this Agreement and the Governing Documents, the Mutual grants to the Qualifying Resident possession of the Unit for the Term:

- (a) commencing with the date on which occupancy of the Unit is granted by the Mutual to the Qualifying Resident;
- (b) ending with the earliest of the withdrawal from, termination or cessation of Share Ownership of the Qualifying Resident or the death of the Qualifying Resident; and
- (c) subject always to earlier termination as herein provided.

**Section 3.2 – Common Area.**

The Mutual hereby grants to the Qualifying Resident, during the Term, and any extension thereof, in common with the other Qualifying Residents of the Mutual, the non-exclusive use for their proper purpose, of the entrance, passageways, roadways, sidewalks, common grounds and other Common Areas of the Community.

**Section 3.3 – Occupancy Termination.**

Subject to California Civil Code § 51.3, if the Qualifying Resident shall cease to be entitled to occupy the Unit, the right of all persons in the Qualifying Resident's household, whether or not Shareholders of the Mutual (unless such Shareholder is also a Qualifying Resident who executed this Agreement), and all other persons occupying or visiting the Unit, to continue to occupy or use the Unit, shall come to an end at the same time and without further notice being required.

**Section 3.4 – Transfer of Share Ownership.**

Neither this Agreement nor the Qualifying Resident’s right of occupancy shall be transferable or assignable except in the same manner as may now or hereafter be provided for the transfer of Share Ownership in the Bylaws of the Mutual.

## ARTICLE IV

### MEMBERSHIP IN THE GOLDEN RAIN FOUNDATION

#### **Section 4.1 – Membership in the Golden Rain Foundation.**

The Qualifying Resident shall become a resident member of the Golden Rain Foundation (“GRF”), a California non-profit corporation, and shall pay an amenities fee (“GRF Amenities Fee”) and such dues and assessments as are from time to time fixed and determined by its board of directors (“GRF Assessments”). A copy of the current schedule of the GRF Amenities Fee and GRF Assessments has been furnished to the Qualifying Resident. Such GRF Amenities Fee and GRF Assessments shall be in addition to the monthly Regular Assessments and Mutual Assessments specified in Article 5 of this Agreement and in the Governing Documents. The GRF holds in trust, operates and maintains the Community facilities, streets and certain other off-site improvements and amenities within Leisure World for the benefit of the Qualifying Residents of the Mutual and other corporations owning and operating cooperative housing projects and condominiums located at Leisure World (“Mutuals”), and in connection therewith, provides certain services, including but not limited to, administrative and recreational services.

The extent and nature of the facilities and services provided by the GRF, the charges therefore and the persons to whom the same should be made available shall be as determined from time to time pursuant to agreement among the Mutual, the GRF and the Mutuals.

## ARTICLE V

### ASSESSMENTS

#### **Section 5.1 – Payment of Regular Assessments.**

The Qualifying Resident agrees to pay to the Mutual, in full each month, a monthly sum in an amount established by the Board of Directors and referred to herein as “Regular Assessments”, commencing on the first day of the month of execution of this Agreement, and continuing on the first of every month of each and every month thereafter. Should the Qualifying Resident execute this Agreement on any day after the first day of the month, the Qualifying Resident shall make a prorated payment for Regular Assessments covering the unexpired balance of the month.

#### **Section 5.2 – Covenant to Pay Regular, Special and Reimbursement Assessments.**

The Qualifying Resident shall pay to the Mutual all Regular Assessments and other charges established and levied by the Mutual pursuant to the Governing Documents, including but not limited to, any and all Special Assessments and Reimbursement Assessments levied

against the Qualifying Resident and/or Unit. Regular Assessments, Special Assessments and Reimbursement Assessments are collectively referred to herein as “Mutual Assessment(s)”. Assessments and any late charges, including reasonable attorney’s fees, and other fees and costs of collection, if any, and interest, if any, assessed in accordance with the provisions of the Governing Documents shall be a debt of the Qualifying Resident of the Unit at the time the Assessment or other sums are levied. No Qualifying Resident may waive or otherwise escape liability for Assessments by nonuse of the Common Area and/or abandonment of the Qualifying Resident’s Unit.

### **Section 5.3 – Qualifying Resident Payment.**

The Qualifying Resident shall pay to the Mutual all Mutual Assessments and GRF Assessments (collectively referred to herein as “Assessment(s)”) in full upon notice of such Assessment. Assessments will be considered delinquent if not paid by or before the fifteenth (15th) day after which the Assessment becomes due. Any Assessment payment made by the Qualifying Resident shall first be applied to the Assessments owed, and only after the Assessments owed are paid in full, shall the payments be applied to the fees and costs of collection, attorney’s fees, late charges, and/or interest. Notwithstanding the foregoing, unless otherwise limited by law, the terms of a payment plan entered into between the Qualifying Resident and the Mutual may provide for a different application of payments. The Qualifying Resident shall pay to the Mutual all Assessments and any other amounts due to the Mutual under this Agreement and the Governing Documents of the Mutual at the office of the Mutual; or at such other place as the Mutual may from time to time designate in writing, and in the form and manner determined by the Board of Directors of the Mutual with no right of set-off or abatement under any circumstances.

### **Section 5.4 – Rate of Regular Assessments.**

The Board of Directors shall set the rate of the Regular Assessments payable hereunder. Such rate shall be estimated on an annual basis and divided by the number of months remaining in the then current fiscal year. Such monthly sum shall be equal to the Qualifying Resident’s proportionate share of the sum required by the Mutual, as estimated by its Board of Directors, to meet its annual expenses; but in no event shall the Qualifying Resident be charged with more than the Qualifying Resident’s proportionate share thereof as determined by the Board of Directors. In estimating the monthly Regular Assessments payable hereunder, the Board of Directors shall take into account the amount of money which, in the sole discretion of the Board of Directors, shall be required by the Mutual during each fiscal year for:

- (a) the cost of all operating expenses of the Community and services furnished, including charges by the GRF, for facilities and services furnished by the GRF, in addition to any and all other charges required pursuant to the Agreement;

- (b) the maintenance of the corporate existence of the Mutual;
- (c) the amount of all assessments levied against the Community and the Mutual, including taxes, and the sums in lieu of taxes, which the Mutual and/or the GRF is required to pay. In the event the taxing authority levies a separate assessment as to the assessed value of each dwelling unit, the proportionate share of taxes to be paid with regard to each dwelling unit shall be determined by the ratio of the assessed value of the dwelling unit to the total assessed value of all dwelling units of the Mutual, and the Qualifying Resident agrees to and shall pay the amount of said taxes determined by the taxing authority for the Qualifying Resident's Unit, which shall be included in the Qualifying Resident's Assessments hereinabove referred to, in said amount as separately determined for said Unit;
- (d) the estimated cost of repairs, maintenance and replacement of Mutual property to be made by the Mutual;
- (e) the cost of necessary management, administration and professional services;
- (f) the amount of fire and extended insurance on the Community and such other insurance as the Mutual may effect;
- (g) the Mutual's cost of furnishing water, garbage and trash collection, sewage disposal, other government mandated responsibilities, and other utilities to the extent furnished by the Mutual;
- (h) the amount of all taxes and licenses, assessments, insurance, repairs, replacements, upkeep, maintenance, security and operations;
- (i) any and all other charges related to the Qualifying Resident's occupancy of the Unit including, but not limited to, repair orders, cable service and any other fees and charges unrelated to the Mutual's Regular Assessment, not paid for by the Qualifying Resident at the time it becomes due;
- (j) adequate contributions to a capital replacement reserve fund and to any other reserve funds, including but not limited to, general operating reserve, contingency reserve and the reserve for repair or replacement of Mutual property, established by the Mutual;
- (k) all other fees, costs and expenses incurred in the management of the Mutual and the Community;
- (l) the amount, if any, as may be required to meet any deficit in the preceding fiscal year; and
- (m) any other amounts required to accomplish the purposes for which the Mutual was incorporated.

Notwithstanding the foregoing, if the Mutual is bound by statute or contract to set or maintain the monthly Regular Assessments at a specified level or amount, the Board of Directors, not the Shareholders, shall set the monthly Regular Assessments payable hereunder by taking those obligations at law or contract into consideration.

### **Section 5.5 – Notice of Assessment Increases.**

The Mutual shall provide Notice to the Qualifying Resident of any increase in any Assessment of the Mutual or GRF, not less than thirty (30) nor more than sixty (60) days prior to the increased Assessment becoming due.

### **Section 5.6 – Delinquent Assessments.**

- (a) Assessments, including but not limited to, Mutual Assessments and GRF Assessments levied pursuant to the Governing Documents shall be delinquent fifteen (15) days after they become due.
- (b) If Assessments are delinquent, the Mutual may recover all of the following:
  - (i) reasonable costs incurred in collecting the delinquent Assessments, including reasonable attorney's fees;
  - (ii) a late charge not exceeding ten percent (10%) of the delinquent Assessments or ten dollars (\$10.00), whichever is greater; and
  - (iii) interest on all sums imposed in accordance with this Article 5, including the delinquent Assessments, reasonable fees and costs of collection, at an annual interest rate not to exceed twelve percent (12%), commencing thirty (30) days after the Assessments become due.

### **Section 5.7 – Failure to pay Assessments.**

Failure of the Qualifying Resident to pay Assessments, any additional or supplemental charge or any other amounts owing to the Mutual in accordance with this Agreement and the Governing Documents of the Mutual shall be cause for termination of this Agreement and the Share Ownership.

### **Section 5.8 – NSF payments.**

If the Qualifying Resident's payment for Assessments is not honored by the Qualifying Resident's banking institution, the Qualifying Resident will be deemed to have failed to make payment of Assessments as required hereunder and such non-payment may be considered a default of this Agreement; and such default may be cause for termination of Share Ownership under this Agreement. In addition, the Qualifying Resident shall be liable for bank charges incurred in the processing of dishonored payments and any penalties or fines set by the Board of Directors.

### **Section 5.9 – Patronage Refunds.**

The Mutual may refund or credit the Qualifying Resident within ninety (90) days after the end of each fiscal year, the Qualifying Resident's proportionate share of such sums

collected in anticipation of expenses which are in excess of the amount needed for expenses of all kinds, including but not limited to reserves, in the discretion of the Board of Directors.

## ARTICLE VI PAYMENT OF UTILITIES

### Section 6.1 – Utilities.

- (a) The Mutual shall provide water, garbage and trash collection, sewage disposal and other government mandated services for exterior use. The cost of these services shall be included in the Assessments as set forth in this Agreement.
- (b) The Qualifying Resident shall be responsible for and pay, all applicable electrical, telephone and any utility, cable, or similar charges or accounts. If the Qualifying Resident fails to pay the same, the Mutual may pay the same or any part thereof on behalf of the Qualifying Resident, and the amount so paid shall be due and payable by the Qualifying Resident, as an Assessment, to the Mutual, immediately upon written notice to the Qualifying Resident.

## ARTICLE VII COMPLIANCE WITH MUTUAL GOVERNING DOCUMENTS

### Section 7.1 – Comply with Mutual Governing Documents.

The Qualifying Resident shall preserve and promote the cooperative ownership principles on which the Mutual has been founded, act in cooperation with other Shareholders and Qualifying Residents to maintain a high standard in home and community conditions and comply with and cause the Qualifying Resident's Co-Occupants, family, visitors, guests, invitees, employees and any other person occupying or visiting the Unit to comply with all the terms, conditions and provisions of this Agreement, the terms and conditions as set out in the Governing Documents of the Mutual, as amended from time to time, and all changes and additions to this Agreement, to the same extent as if they were herein incorporated.

### Section 7.2 – Hierarchy of Governing Documents.

If there is a conflict or inconsistency between the Governing Documents, the hierarchy of authority is as follows: (1) Law, unless the particular statute defers to the Governing Documents; (2) Articles of Incorporation; (3) Bylaws; (4) this Agreement; (5) Rules and Regulations, Policies and Resolutions of the Board.

**ARTICLE VIII**  
**USE OF UNIT**

**Section 8.1 – Principal Residence.**

The Qualifying Resident shall use the Unit and all parts thereof only as the Qualifying Resident's principal residence. The number of persons residing in the Unit, as a principal residence, at any time shall be two (2) persons if the Unit has one (1) bedroom or three (3) persons if the Unit has two (2) bedrooms, and must be the Qualifying Resident and any other person who is eligible to reside with the Qualifying Resident pursuant to the Governing Documents. The number of visitors, guests/persons residing in the Unit at any time must comply with all State, local, 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. The Qualifying Resident shall not, and shall not permit any other person to use or conduct from the Unit any active or daily trade, business or profession, except a Unit may be used for home office use, so long as such home office use is incidental to the residential use of the Unit. In addition to any restrictions set forth in the Governing Documents, the use of any portion of a Unit as a home office shall comply with the following provisions:

- (a) the home office use is not apparent or detectable by sight, sound, or smell from outside of the Unit;
- (b) the home office use complies with applicable laws and zoning ordinances;
- (c) no employees, clients, customers, patrons, messengers, or delivery personnel regularly visit the Unit or any portion of the Community in relation to the home office use;
- (d) the home office use does not increase the liability or casualty insurance obligations or premiums of the Mutual;
- (e) the home office use is consistent with the residential character of the Community and conforms with the provisions of the Governing Documents;
- (f) there shall be no direct sales of products or merchandise;
- (g) there shall be no displays, inordinate amount of delivery of mail or merchandise;
- (h) there shall be no advertising which identifies the home office by street address;
- (i) Pedestrian and vehicular traffic will be limited to that normally associated with residential districts;
- (j) the home office shall not involve the use of commercial vehicles for the delivery of materials to or from the Unit beyond those commercial vehicles normally associated with residential uses;
- (k) there shall be no outdoor storage of materials or equipment, nor shall merchandise be visible from outside the Unit;
- (l) the home office shall be confined within the Unit;
- (m) the appearance of the structure shall not be altered nor the occupation within the Unit be conducted in a manner which would cause the Unit to differ from its

- residential character either by the use of colors, materials, construction, lighting, signs, or the emissions of sounds, noises and vibrations;
- (n) no use shall create or cause noise, dust, vibration, odor, smoke, glare, or electrical interference or other hazards or nuisances; and
  - (o) activities conducted and equipment or material used shall not change the fire safety or occupancy classifications of the Unit.

### **Section 8.2 – Nuisance.**

The Qualifying Resident shall not and shall not permit any person residing in, occupying or visiting the Unit to maintain any item within the Community or use the Unit in any way or engage in conduct which:

- (a) interferes with or disturbs other Qualifying Residents and/or Shareholders' quiet or peaceful enjoyment of the Community;
- (b) unreasonably annoys or interferes in the operation and management of the Mutual by unreasonably annoying, harassing or interfering with any Officer or Director of the Board of Directors;
- (c) unreasonably annoys or interferes with the quiet use and enjoyment of other Qualifying Residents and/or Shareholders of the Mutual by sound, noise, fumes and/or odors, pets and/or animals, pests, behavior, secondhand smoke or vapor, conduct or other activity;
- (d) obstructs or interferes with the rights of other persons;
- (e) obstructs the roads, sidewalks or areas within the Common Area of the Community;
- (f) injures the reputation of the Mutual;
- (g) annoys, harasses or interferes with any visitor, guest, invitee, vendor, management, contractor, and/or similar contracted vendor retained by the Mutual and/or the GRF;
- (h) annoys, harasses or interferes with any Qualifying Residents, Shareholders or their invitees, visitors, guests and/or employees; or
- (i) in any other way breaches this Agreement and/or the Governing Documents of the Mutual.

### **Section 8.3 – Residential Purposes Only.**

The Qualifying Resident and other Co-Occupant(s) shall occupy the Unit as a private residential dwelling only, subject to the requirements as set forth in California Civil Code § 51.3. No commercial or retail use is permitted in the Unit or of the Community except as provided for in this Agreement. So long as the Qualifying Resident continues to own the Stock of the Mutual, occupies the Unit and abides by the terms of this Agreement and the Governing Documents of the Mutual, the Qualifying Resident, in common with the other Qualifying Residents of the Mutual, may enjoy the use of all Common Area and facilities in



the Community. Subject to the Governing Documents, the Qualifying Resident shall not own more than one share of stock in Leisure World. The Qualifying Resident is expressly obligated to fully divest ownership in the Mutual prior to acquiring, owning or occupying a dwelling unit in Leisure World, other than the Unit.

## ARTICLE IX INSURANCE HAZARDS

### Section 9.1 – Responsibility for Hazards.

(a) The Qualifying Resident shall not:

- i. cause or permit any nuisance, or activity in the Unit or in any part of the Community; or
- ii. permit or suffer anything to be done or kept in the Unit, Community and/or anywhere within Leisure World, which will increase the cost or rate of insurance, including without limitation, fire, liability and other hazards insurance; or
- iii. permit or suffer anything to be done or kept in the Unit and upon the Community which will obstruct or interfere with the rights of other persons, or annoy them by unreasonable noises or otherwise; or
- iv. commit, permit or suffer any nuisance and/or any illegal act in the Community and/or the Unit, and/or Leisure World, and/or any other Mutuels within Leisure World, or any Common Area.

(b) The Qualifying Resident shall comply with all requirements of all governmental authorities with respect to the Unit and the Community. If by reason of the Qualifying Resident's occupancy or use of the Unit and/or Community, the Mutual's rate of insurance increases, the Qualifying Resident shall be liable for the additional insurance premiums.

## ARTICLE X ALTERATIONS TO UNIT

### Section 10.1 – Alterations Require Consent.

Except with the prior written consent of the Board of Directors, the Qualifying Resident shall not:

- (a) make or permit any structural alterations, changes or additions in or to the Unit;  
or
- (b) make or permit any alterations in the water or other service/utility pipes, electrical conduits, plumbing or other fixtures connected therewith; or

- (c) remove, alter, replace any additions, improvements, or fixtures from the Community; or
- (d) install in the Unit any air conditioning equipment, stove, oven, refrigerator, washing machine/dryer, dishwasher, built-in microwave, hot tub/spa, electric heater, or other item which, when installed, would be considered a fixture pursuant to California law; or
- (e) make or permit any alterations, changes or additions in or to the interior of the Unit, or to the exterior of the Unit, or building within which the Unit is located, or the Community or any building or structure forming a part thereof.

The Qualifying Resident agrees and acknowledges that the Mutual may require the prompt removal of any such item or equipment installed without consent of the Board of Directors, at any time, and that the Qualifying Resident's failure to remove such item or equipment upon request of the Board of Directors shall constitute a default of this Agreement. Consent shall not entitle the Qualifying Resident to reimbursement for any amount expended by the Qualifying Resident.

#### **Section 10.2 – Restoration costs.**

The Qualifying Resident shall pay all costs of maintenance, repair and/or restoration of the Unit which result from alterations, changes or additions made by the Qualifying Resident if the alterations, changes or additions have not been approved in writing by the Board of Directors. If the Qualifying Resident refuses or neglects for a period of ten (10) days following receipt of written notice from the Board of Directors to maintain, repair and restore the Unit to its original condition, then the Board of Directors without further notice to the Qualifying Resident, may:

- (a) cause maintenance, repair and restoration of the Unit to be made; and
- (b) enter, or cause their agents, employees, or contractors to enter the Unit for that purpose.

All expenses and costs incurred by the Mutual in doing so shall be due and payable by the Qualifying Resident to the Mutual as a Reimbursement Assessment immediately upon written notice to the Qualifying Resident.

#### **Section 10.3 – Governmental compliance of alterations.**

When consent is given for alterations as provided herein:

- (a) all alterations, changes or additions made by the Qualifying Resident shall comply with applicable municipal, state and federal laws, regulations, building codes and requirements;
- (b) the Board of Directors may require such proof of compliance as may be necessary, including further improvements, to bring the said alterations,

- changes or additions to the standards required, with all costs to be borne by the Qualifying Resident;
- (c) if the Qualifying Resident fails to comply with the standards required, the Board of Directors may cause all measures to be taken so as to comply and may cause their agents, employees or contractors to enter the Unit for that purpose; and
  - (d) all expenses and costs incurred by the Mutual in doing so shall be due and payable by the Qualifying Resident to the Mutual as a Reimbursement Assessment immediately upon written notice to the Qualifying Resident.

#### **Section 10.4 – No compensation for alterations.**

Upon withdrawal from or termination of Share Ownership or if the Qualifying Resident, for any other reason, shall cease to be an occupant of the Unit:

- (a) the Qualifying Resident shall not receive any compensation from the Mutual for alterations, changes or additions left in, on or affixed to the Unit or the Community by the Qualifying Resident;
- (b) at the sole option of the Board of Directors, the Qualifying Resident shall either:
  - (i) remove the alterations, changes or additions to the Unit; or (ii) surrender to the Mutual possession thereof of all the alterations, changes or additions, fixtures and improvements. If the Board of Directors requires the Qualifying Resident to remove any alterations, changes or additions, the Unit must be left in the same condition as it was prior to the alterations, changes or additions having been made;
- (c) if the Qualifying Resident refuses or neglects for a period of ten (10) days following receipt of written notice from the Board of Directors to repair and restore the Unit to its original condition, or fails to provide the Board of Directors with evidence acceptable to the Board of Directors, in their sole discretion, that the Qualifying Resident has commenced with compliance of the written notice to repair and restore the Unit to its original condition, then the Board of Directors without further notice to the Qualifying Resident may cause repair and restoration of the Unit to be made, and may enter or cause their agents, contractors, or employees to enter the Unit for that purpose and the Qualifying Resident shall reimburse the Mutual as a Reimbursement Assessment for such repair and restoration, pursuant to this Agreement. If the Qualifying Resident fails to use reasonable diligence, in the sole discretion of the Board of Directors, to complete any required repair and restoration of the Unit timely, or if in the Board's sole discretion, the Qualifying Resident causes there to be undue delay in the required repair and restoration of the Unit, then the Board of Directors without further notice to the Qualifying Resident may cause repair and restoration of the Unit to be made, and may enter or cause their agents, contractors, or employees to enter the Unit for that purpose and the Qualifying

Resident shall reimburse the Mutual as a Reimbursement Assessment for such repair and restoration, pursuant to this Agreement.

**Section 10.5 – Compliance with alteration procedures.**

The Qualifying Resident shall comply with the procedures established by the Mutual from time to time for authorization and installation of alterations, changes or additions to the Unit.

**ARTICLE XI**

**INTERIOR MAINTENANCE AND REPAIR OF UNITS AND APPLIANCES**

**Section 11.1 – All Maintenance and Repairs by Qualifying Resident.**

The Qualifying Resident shall, at the Qualifying Resident’s own expense, keep the interior of the Unit and appliances therein in good condition and repair as required by the Governing Documents and in keeping with the character of the rest of the Community. The Qualifying Resident further agrees to repair and maintain Qualifying Resident’s Unit at Qualifying Resident’s own expense as follows:

The Mutual appliances are defined as follows: stoves, ovens, hoods, refrigerators, dishwashers, garbage disposals, water heaters, washer and dryer, ceiling fans, air conditioner, heating system, including all piping and duct work connected to system, vents, ceiling and wall heaters.

The Mutual shall no longer warranty any standard or non-standard appliance or fixtures to Shareholders and/or Qualifying Residents as of February 1, 2023.

The Mutual requires that a one-year home and appliance warranty (“Home Warranty”) be purchased upon the sale of any standard or non-standard unit. The Home Warranty must be part of the escrow package related to the sale of the unit. The selling Shareholder and purchasing Shareholder have the right to negotiate which party will purchase the Home Warranty. The Home Warranty is required prior to the close of escrow.

- (a) all repairs or maintenance needed are the responsibility of the Qualifying Resident. The Qualifying Resident shall be responsible for all repairs or maintenance necessitated by the negligence or misuse by the Qualifying Resident’s Co-Occupants, invitees, or agents;
- (b) any redecoration of the interior of the Qualifying Resident’s Unit, and minor repairs thereto, including, but not limited to, light bulbs, filters and similar items;
- (c) any repairs or maintenance of improvements and component parts thereof that were added by the Qualifying Resident, Shareholder or previous Qualifying

Residents and/or Shareholders (whether within the interior of the Unit or exterior to the Unit) and other added items within the interior surfaces of the perimeter walls, floors and ceiling of the Unit; and

(d) any repairs, maintenance and/or replacement to non-standard items not available through the Purchasing, Maintenance and/or Physical Property departments of the GRF, or any repairs, maintenance and/or replacement to standard items pursuant to the Rules and Regulations and/or Policies, located in or about Qualifying Resident's Unit, whether installed by the Qualifying Resident and/or Shareholder or previous Qualifying Residents and/or Shareholders.

**Section 11.2 – Repairs by Mutual.**

The officers, directors, agents, representatives or vendors of the Mutual shall have the right to enter the Unit of the Qualifying Resident in order to effect necessary repairs, maintenance and replacements and to authorize entrance for such purposes by employees of any contractor, utility company, municipal agency, or others, at any reasonable hour and upon reasonable notice, except in the event of an emergency at any time.

**Section 11.3 – Damage caused by leakage.**

The Mutual shall not be liable for any damage caused to the interior of the Unit, including without limitation, the flooring, walls, decorations and contents of the Unit by leakage or overflow of water, electricity, steam or vapor from any water, steam, drain, pipes or electrical conduits, or from any other source, belonging or appertaining to any other part of the Community.

**Section 11.4 – Liability for damage.**

The Mutual shall determine whether to restore the damaged Unit in the event of loss or damage by fire or other casualty to the Unit without the fault or negligence of the Qualifying Resident. The Mutual shall further determine, in its sole and absolute discretion, in the event such Unit shall not be restored, the amount which shall be paid to the Qualifying Resident to redeem the Stock of the Qualifying Resident and to reimburse the Qualifying Resident for such loss as the Qualifying Resident may have sustained.

**Section 11.5 – Repairs as required.**

The Qualifying Resident shall make all repairs as required by this Agreement in a manner acceptable to the Board of Directors. If the Qualifying Resident at any time fails, refuses or neglects for a period of ten (10) days after having received written notice from the Board of Directors to make repairs in a manner acceptable to the Board of Directors, or fails to provide to the Board of Directors, within ten (10) days after having received written notice from the Board of Directors, evidence acceptable to the Board of Directors, that the

Qualifying Resident has commenced with compliance of the written notice to repair the Unit, or to maintain the Unit in good condition, the Board of Directors may:

- (a) cause the repairs to be made, or restore the Unit to good condition; and/or
- (b) enter or cause its agents, contractors and/or employees to enter the Unit for that purpose.

All expenses and costs incurred by the Mutual in doing so shall be due and payable by the Qualifying Resident to the Mutual as a Reimbursement Assessment immediately upon written notice to the Qualifying Resident.

#### **Section 11.6 – Report defects.**

The Qualifying Resident shall immediately report in writing and/or telephonically by way of voicemail to the Board of Directors any failure or defect of electrical, mechanical, plumbing, sewage, or structural components or systems of the Unit or the Community, or any other item which poses a health or safety risk, of which the Qualifying Resident has notice or knowledge.

#### **Section 11.7 – Repairs on vacating.**

Upon withdrawal from or termination of Share Ownership in the Mutual, the Qualifying Resident shall surrender and deliver to the Mutual vacant possession of the Unit, subject to this Agreement.

#### **Section 11.8 – Inspection on withdrawal or termination.**

The Board of Directors shall cause the Unit to be inspected on, before, or within a reasonable time after withdrawal from or termination of Share Ownership and provide the Qualifying Resident with a written list of cleaning, repairs, changes, alterations and restorations which the Mutual requires to be carried out at the Qualifying Resident's expense. All expenses and costs incurred by the Mutual in conducting such inspection shall be due and payable by the Qualifying Resident to the Mutual upon written notice to the Qualifying Resident, pursuant to the Governing Documents of the Mutual.

#### **Section 11.9 – Cost of repairs and cleaning.**

After the Qualifying Resident vacates the Unit:

- (a) the Board of Directors shall provide the Qualifying Resident, as soon as practicable, with a written schedule of estimated charges for cleaning, repairs, changes, alterations and restorations not carried out prior to vacating the Unit by the Qualifying Resident;
- (b) the Mutual may make repairs, changes, alterations or restorations to the Unit as may be necessary to put the Unit in the required condition and state of repair;
- (c) the total of the said charges shall be due and payable by the Qualifying Resident to the Mutual immediately on written notice to the Qualifying Resident; and

(d) the Board of Directors may deduct the charges from the amount paid for the Stock.

**Section 11.10 – Cost of Relocation.**

The costs of temporary relocation during the repair and maintenance of the Common Area of the Community, within the responsibility of the Mutual, including without limitation, termite and other wood-destroying pests or organisms treatment, asbestos abatement and/or other pest, organism or vermin eradication shall be borne by the Qualifying Resident of the Unit. The costs of temporary relocation during the repair and maintenance of the Unit within the responsibility of the Mutual, shall be borne by the Qualifying Resident of the Unit. The costs of temporary relocation during the repair and maintenance of the Unit within the responsibility of the Qualifying Resident, shall be borne by the Qualifying Resident of the Unit.

**Section 11.11 – Exterior Maintenance and Repair of Shareholder’s Garden Area.**

The area extending up to sixty (60) inches from the exterior wall of the Unit is set aside for the Shareholder’s Garden Area. The sides of the corner Units shall have a forty-eight (48) inch limit. **Commencing one-hundred and eighty (180) days following the close of escrow on a Unit**, the Qualifying Resident shall, at the Qualifying Resident’s own expense, plant, irrigate, and maintain the Garden Area in good condition and repair as required by the Governing Documents. Said maintenance obligation includes maintenance of all plant materials and maintenance and repairs of existing dedicated irrigation equipment/system. If there is not a separate and dedicated irrigation system for the Unit, the Qualifying Resident shall be required to either (i) install a dedicated valve, timer, and drip system to the Garden Area, or (ii) hand water the Garden Area only. Following the expiration of the one-hundred and eighty-day (180) day period referenced above, the Mutual shall not be responsible for maintaining any existing irrigation system within the Garden Area or for providing water to same. The Qualifying Resident may hire, at the Qualifying Resident's expense, a qualified contractor of his or her choice to complete maintenance and/or installation of the irrigation system located within the Garden Area. Garden Areas must be maintained pursuant to the requirements of the Governing Documents. Failure of a Qualifying Resident to perform required maintenance may result in the Mutual performing same and, after notice and hearing, assessing the cost to the Unit.

**ARTICLE XII**

**QUALIFYING RESIDENT REQUIRED TO OBTAIN INSURANCE**

**Section 12.1 – Qualifying Resident Insurance.**

The Qualifying Resident shall, at the Qualifying Resident's expense:

(a) obtain and keep in full force and effect the following insurances:

- i. HO6 Policy or any equivalent homeowner's insurance policy, if available. If the Qualifying Resident's insurance company will not issue an HO6 Policy on the Unit, the Qualifying Resident is required to obtain renter's insurance;
  - ii. third party liability, standard fire and comprehensive insurance coverage on the Qualifying Resident-supplied fixtures and improvements, furniture and all other contents of the Qualifying Resident's Unit under an insurance policy satisfactory to the Board of Directors; and
  - iii. insurance to cover any deductible for claims made against the Mutual or the GRF's policies of insurance; and
- (b) provide the Board of Directors with a copy of the insurance policies or other evidence satisfactory to the Board of Directors on ten (10) days prior written request for the same, or a lesser time period of three (3) days pursuant to the local fire code, but no acceptance by the Board of Directors of any insurance policy shall constitute any approval or liability in respect of the adequacy or suitability thereof by the Board of Directors or the Mutual. Notwithstanding the foregoing, the Mutual shall not have the obligation to confirm that the Qualifying Resident carries the insurance required under this Agreement and/or confirm the terms of any insurance purchased by the Qualifying Resident.

**Section 12.2 – Qualifying Resident may not claim under the Mutual's insurance policy.**

The Qualifying Resident may not make any claim or require or expect the Mutual to make a claim under the Mutual's insurance policy for any matter for which the Qualifying Resident has or should have insurance coverage under this Agreement. If, in the discretion of the Board of Directors, it is in the best interests of the Mutual to make a claim under its policy, the Qualifying Resident shall be liable for any applicable deductible payable by the Mutual.

**ARTICLE XIII**

**LIENS**

**Section 13.1 – Qualifying Resident not to permit Mechanics' Liens.**

The Qualifying Resident shall not cause or permit any mechanics' liens or any other lien to be placed upon or against the Community or the Unit.

**Section 13.2 – Mutual may pay Mechanics' Lien.**

If any lien is recorded, or an attempt is made by any person, corporation or firm to record a lien against the Qualifying Resident's Unit or Community by reason of the action, conduct or omission of the Qualifying Resident, the Mutual may, at its option:

- (a) pay and discharge any such lien or purchase any such lien; and



(b) the amount so paid shall be a Reimbursement Assessment against the Qualifying Resident.

The amount shall be immediately due and payable by the Qualifying Resident to the Mutual upon written notice to the Qualifying Resident.

## ARTICLE XIV

### ASSIGNMENT AND SUBLETTING/FAILURE TO RESIDE

#### Section 14.1 – Subletting and Assignment.

Unless otherwise provided for in the Mutual's Governing Documents, the Qualifying Resident and/or Shareholder shall not:

- (a) assign this Agreement;
- (b) lease or sublet in whole or part the Unit;
- (c) otherwise part with possession of the Unit; or
- (d) encumber any interest in this Agreement.

If permitted pursuant to the Mutual's Governing Documents, the Qualifying Resident may lease or sublet the Unit in whole or in part, subject to any restrictions or limitations set forth in this Agreement or the Mutual's Governing Documents. Any Qualifying Resident and/or Shareholder approved by the Mutual to lease out his/her Unit, is required to execute an addendum to this Agreement ("Addendum") prior to entering into any Lease with any Tenant. Such Addendum will also require the signature of each Tenant. The failure of the Shareholder and/or Tenant to sign the Addendum shall be deemed a waiver of the Shareholder's right to rent the Unit.

Violation of this Section 14.1 shall, at the option of the Board of Directors, result in termination and forfeiture of the Qualifying Resident's rights under this Agreement.

#### Section 14.2 – Failure to Reside.

The Qualifying Resident shall reside in the Unit on a full-time permanent basis as the principal residence of the Qualifying Resident and shall not, without the written consent of the Board of Directors, cease or fail to reside in the Unit on a full-time permanent basis for a period exceeding one hundred eighty (180) days per twelve (12) month period. If the Qualifying Resident shall cease or fail to reside in the Unit on a full-time permanent basis, for a period exceeding one hundred eighty (180) days, without obtaining the written consent of the Board of Directors, the Board of Directors, in their sole discretion, may determine that the Qualifying Resident has abandoned such Unit ("Abandonment").

## ARTICLE XV

### TERMINATION OF SHARE OWNERSHIP AND AGREEMENT

#### **Section 15.1 – Right of Occupancy.**

This Agreement and the right of the Qualifying Resident, and that of any person residing in the Unit, to possession or occupancy of the Unit shall terminate if the Share Ownership of the Qualifying Resident is terminated under this Agreement and/or the Governing Documents.

#### **Section 15.2 – Material Conditions.**

All the terms and provisions of this Agreement shall be deemed material provisions and a breach of any term or provision shall be considered a default under Article 18 of this Agreement.

#### **Section 15.3 – Termination on Abandonment.**

If the Qualifying Resident has abandoned the Unit, as defined in Section 14.2 of this Agreement, or otherwise ceased to occupy the Unit, the Mutual may terminate the Qualifying Resident's Share Ownership.

## ARTICLE XVI

### WITHDRAWAL FROM SHARE OWNERSHIP

#### **Section 16.1 - Withdrawal from Share Ownership.**

Withdrawal of the Qualifying Resident from Share Ownership of the Mutual shall terminate this Agreement, and withdrawal shall occur:

- (a) at any time by written agreement signed by the Qualifying Resident and the Mutual;
- (b) by the Qualifying Resident giving at least one (1) full calendar months' notice of withdrawal in writing, the time being calculated from the last day of the month in which notice is given; or
- (c) in the circumstances provided for withdrawal specified in the Governing Documents of the Mutual; or
- (d) termination based upon a breach of this Agreement and/or the Governing Documents.

#### **Section 16.2 – Stock Redemption.**

Upon withdrawal from or termination of Share Ownership, the Mutual shall redeem the Qualifying Resident's Stock in the Mutual in the amount and in the manner specified in the Governing Documents.

## ARTICLE XVII

### RIGHTS AND REMEDIES/WAIVERS

#### **Section 17.1 – Cumulative Rights.**

The rights and remedies hereby created are cumulative and are in addition to all common law and statutory rights and remedies. The use of one remedy shall not be taken to exclude or waive the right to the use of another. Said remedies may be proceeded under simultaneously or successively.

#### **Section 17.2 – Failure to pursue Remedies.**

Any failure by the Mutual to terminate the Qualifying Resident's Share Ownership because of any breach by the Qualifying Resident of any of the provisions of this Agreement or any extension of time granted to the Qualifying Resident for the payments of any amount due under the provisions of this Agreement, shall not in any way be construed as a waiver of any of the Mutual's rights hereunder or as an implied future waiver or extension on any subsequent default by the Qualifying Resident.

#### **Section 17.3 – Non-waiver of remedies.**

The failure of the Mutual to insist in one or more instances upon strict performance of the Qualifying Resident of any covenant herein contained, or the failure of the Mutual to exercise any right or option herein contained, or to serve any notice, or to institute any action or proceeding hereunder shall not be construed to be a waiver or relinquishment for the future of such covenant, option or right, but, on the contrary, every such covenant, option and right shall continue and remain in full force and effect.

#### **Section 17.4 – Waiver to be in writing.**

The receipt by the Mutual of any sum due by the Qualifying Resident, with the knowledge on the Mutual's part of any breach by the Qualifying Resident of any term, covenant or provisions hereof shall not constitute a waiver of the breach, and the Mutual shall not under any circumstances be considered to have waived any breach unless the waiver shall have been expressed in writing and signed by two of the Mutual's officers pursuant to authority thereunder given by a resolution approved by the Mutual's Board of Directors.

## ARTICLE XVIII

### DEFAULT BY QUALIFYING RESIDENT AND EFFECT THEREOF

#### **Section 18.1 – Definition of Default by Qualifying Resident.**

It is hereby mutually agreed as follows: If at any time after the happening of any of the other events specified in 18.1 of this Article, the Mutual shall give to the Qualifying Resident notice that the Qualifying Resident's right to occupy under this Agreement will

expire at a date not less than thirty (30) days thereafter (except that in the case of the default specified in 18.1(h) of this Article, such date in the notice shall be three (3) days and/or ten (10) days, whichever is applicable), the Qualifying Resident's right to occupy the Unit under this Agreement will expire on the date so fixed in such notice, unless in the meantime the default has been cured in a manner deemed satisfactory by the Mutual, it being the intention of the parties hereto to create hereby conditional limitations, and it shall thereupon be lawful for the Mutual to re-enter the Unit and to remove all persons and personal property therefrom, either by summary dispossession proceedings or by suitable action or proceeding at law or in equity or by any other proceedings which may apply to the eviction of the tenants by force or otherwise, and to repossess the Unit in its former state as if this Agreement had not been made:

- (a) in case at any time during the Term of this Agreement, the Qualifying Resident shall cease to be the owner and legal holder of the Stock of the Mutual;
- (b) in case the Qualifying Resident attempts to transfer or assign this Agreement in any manner inconsistent with the provisions of the Governing Documents;
- (c) in case at any time during the continuance of this Agreement, the Qualifying Resident shall be declared bankrupt under the laws of the United States;
- (d) in case at any time during the Term of this Agreement, a receiver of the Qualifying Resident's property shall be appointed under any laws of the State of California and/or the United States;
- (e) in case at any time during the Term of this Agreement, the Qualifying Resident shall make a general assignment for the benefit of creditors;
- (f) in case at any time during the Term of this Agreement, the Stock shall be duly levied upon and sold under the process of any Court;
- (g) in case the Qualifying Resident fails to effect and/or pay for repairs and maintenance as provided for herein;
- (h) in case the Qualifying Resident fails to pay any sum due pursuant to the provisions in this Agreement or the Governing Documents;
- (i) in case the Qualifying Resident fails to pay any charge which, if not paid, could become a lien against the Unit or the Community;
- (j) in case an individual or individuals occupy the Unit covered by this Agreement in violation of law, or in violation of the Governing Documents of the Mutual, or policies of the GRF;
- (k) in case the Qualifying Resident shall default in the performance of any of Qualifying Resident's obligations under this Agreement;
- (l) any default as provided for in Section 5.7 of this Agreement;
- (m) any default as provided for in Section 6.1(b) of this Agreement;
- (n) any default as provided for in Section 8.2 of this Agreement;
- (o) in case the Qualifying Resident creates unsanitary conditions within the Unit or anywhere in the Community, including but not limited to, insect and rodent

inviting conditions, fire loading conditions, or maintaining the Unit in a state which creates hazardous conditions for the Qualifying Resident and/or any other Qualifying Residents or occupant within the Community.

**Section 18.2 – Effect of Default.**

The Qualifying Resident hereby expressly waives any and all right of redemption in case the Qualifying Resident shall be dispossessed by judgment or warrant of any Court or judge. The words “enter”, “re-enter”, and “re-entry”, as used in this agreement, are not restricted to their technical legal meaning, and in the event of a breach or threatened breach by the Qualifying Resident of any of the covenants or provisions hereof, the Mutual shall have the right of injunction and the right to invoke any remedy allowed at law or in equity, as if re-entry, summary proceedings, and other remedies were not herein provided for.

**Section 18.3 – Landlord- Tenant Relationship.**

The Qualifying Resident expressly agrees that there exists under this Agreement a landlord-tenant relationship and that in the event of a breach or threatened breach by the Qualifying Resident of any covenant or provision of this agreement, there shall be available to the Mutual such legal remedy or remedies as are available to a landlord for the breach or threatened breach under the laws of the State of California by a tenant of any provision of a lease or rental agreement, including without limitation, unlawful detainer proceedings.

**Section 18.4 – Qualifying Resident Waiver.**

Notwithstanding any other provisions of this Agreement, the Qualifying Resident, in case the Qualifying Resident is in default hereunder, hereby expressly waives any and all notices and demands for possession as provided by the laws of the State of California.

**Section 18.5 – Mutual Remedies.**

The failure on the part of the Mutual to avail itself of any of the remedies given under this Agreement shall not waive nor destroy the right of the Mutual to avail itself of such remedies for similar or other breaches on the part of the Qualifying Resident.

**ARTICLE XIX**

**RIGHT TO ENTER/INSPECTION OF UNIT**

**Section 19.1 – Entry For Emergency.**

If any director, officer, employee or agent of the Mutual or any agent or director of GRF (“Inspection Representative”), and with the approval of the Mutual, the employees of any contractor, utility company, municipal agency or others, determines that an emergency exists in or about the Unit and the Qualifying Resident cannot be immediately contacted

to authorize entry to the Unit, then any Inspection Representative is hereby authorized by the Qualifying Resident, without notice, to enter the Unit to remedy the emergency.

**Section 19.2 – Costs of Emergency Entry.**

Any costs associated with the emergency, the entry or remedial measures shall be borne by the party or parties responsible, as shall be determined by the Board of Directors and the costs to be paid by the Qualifying Resident shall immediately become due and payable by the Qualifying Resident to the Mutual as a Reimbursement Assessment upon written notice to the Qualifying Resident.

**Section 19.3 – Entry for Non-Emergency.**

Where an emergency does not exist, the Inspection Representative, and with the approval of the Mutual, the employees of any contractor, utility company, municipal agency or others, shall enter the Qualifying Resident's Unit only if:

- (a) the Qualifying Resident consents; or
- (b) the Board of Directors gives the Qualifying Resident notice, pursuant to California law, that access is required for a reasonable purpose.

**Section 19.4 – Definition of “reasonable purpose”.**

“Reasonable purposes” shall include:

- (a) entry to access, inspect, or repair structures or systems of the Unit and/or the Community;
- (b) entry for the purpose of determining if the Qualifying Resident is in compliance with this Agreement, and any other Governing Documents of the Mutual;
- (c) entry for the purpose of determining if the Qualifying Resident has ceased to occupy the premises or has otherwise abandoned the same;
- (d) entry for the purpose of the Board to determine, in its sole discretion, if the Qualifying Resident and/or Co-Occupants of the Unit have created or allowed conditions to persist that are hazardous to themselves or other Qualifying Residents, Shareholders and residents in the Community, including but not limited to, unsanitary conditions, the overabundance and/or hoarding of items such that high fire loading conditions exist and/or ingress and egress within and to the Unit is restricted, and wellness checks; and
- (e) entry for the purpose of inspecting the Unit for damage, any deferred maintenance or other issues requiring immediate attention if the Unit has been abandoned, as described in Section 14.2 of this Agreement. The Mutual and/or any of its agents, vendors, contractors, Board of Directors, personnel or anyone acting on behalf of the Mutual may enter such abandoned Unit to inspect for damage, deferred maintenance or other issues that may require immediate attention every three (3) months, at a minimum. The cost of such inspection

and any maintenance performed pursuant to such inspection shall be billed back to the Qualifying Resident of the Unit.

**Section 19.5 – Time of Entry.**

Entries except in cases of emergency shall be between the hours of 8:00 a.m. and 10:00 p.m.

**Section 19.6 – No Refusal to Enter Unit.**

The Qualifying Resident may not refuse entry to the Unit where Sections 19.1 to 19.5 apply.

**ARTICLE XX**

**SERVING NOTICES**

**Section 20.1 – Service of Notice By The Mutual or By The Qualifying Resident.**

The Mutual and the Qualifying Resident must serve any notices as required under this Agreement, provisions of law, or the Governing Documents of the Mutual. Such notice may be given in writing by depositing the same with the United States Post Office, in a postage-paid, sealed envelope addressed to the person to whom the notice is to be given, except that all notices given by the Mutual to the Qualifying Resident and/or Shareholder pursuant to Article XIX of this Agreement shall be posted on the front door of the Unit. The Qualifying Resident’s address will be the same as appears in the corporate file of the Mutual and the address of the Mutual will be the same as appears with the California Secretary of State. The time when such notice shall be mailed shall be deemed the time of the giving of such notice.

**ARTICLE XXI**

**LIMITATION OF LIABILITY**

**Section 21.1 – Liability Limited.**

The Qualifying Resident expressly agrees to defend, indemnify and hold the Mutual, its agents, employees, directors, officers, committees and committee members, panels, and panel members, Shareholders, attorneys, and the like, free and harmless from any and all liability for any and all injury, damage, suits, actions, claims, demands, causes of action, liabilities, expenses, attorney’s fees, consultant fees, expert fees and costs arising from injury to persons or property caused by the action or inaction, or the failure to comply with any provisions of this Agreement by the Qualifying Resident, or his or her Co-Occupant, visitor, guest or invitee.

The obligation to indemnify shall be effective even if active or passive negligence or misconduct of the Mutual contributes to the loss, claim or damage. This indemnity will not

extend to: (i) claims arising from the sole negligence or sole willful misconduct of the Mutual; or (ii) claims occurring after the Agreement is terminated.

The Qualifying Resident's obligation to defend and indemnify will be triggered when the Mutual: (i) notifies the Qualifying Resident of any potential claim within a reasonable time (however, the failure to so notify the Qualifying Resident shall not affect the obligations of the Qualifying Resident); (ii) permits the Qualifying Resident to assume any defense by appointing a conflict-free, reputable counsel who is reasonably acceptable to the Mutual to be the lead counsel in connection with such defense; (iii) and provides the Qualifying Resident with the right to defend and settle any claim, except in the event that a conflict exists between the Mutual and the Qualifying Resident, in such case, the Mutual shall be entitled to appoint conflict-free counsel of its choice and control its defense.

Prior to the Qualifying Resident assuming control of any such defense, the Qualifying Resident shall first provide written documentation showing that: (i) the Qualifying Resident will be fully responsible for all liabilities and obligations for the full indemnification of the Mutual; and (ii) the Qualifying Resident is financially capable of paying any settlement, potential judgment and/or resolution before the Qualifying Resident is entitled to take control of any defense referenced herein.

## ARTICLE XXII

### MISCELLANEOUS PROVISIONS

#### **Section 22.1 – Amendments to the Agreement.**

This Agreement may only be amended, modified or supplemented by a written instrument executed by all Parties.

#### **Section 22.2 – Oral Representation Not Binding.**

No representations other than those contained in this Agreement, or the Governing Documents of the Mutual, shall be binding upon the Mutual.

#### **Section 22.3 – Rules of Interpretation.**

Except as otherwise expressly provided in this Agreement, the following rules shall apply hereto: (i) the singular includes the plural and plural includes the singular; (ii) "or" is not exclusive and "include" and "including" are not limiting; (iii) a reference to any agreement or other contract includes any permitted supplements and amendments; (iv) a reference in this Agreement to a section, article or exhibit is a reference to a section, article or exhibit within or attached to this Agreement unless otherwise expressly provided; (v) a reference to a section or article in this Agreement shall, unless the context clearly indicates to the contrary, refer to all sub-parts or sub-components of any said section or paragraph; (vi)



words such as “hereunder,” “hereto,” “hereof,” and “herein,” and other words of like import shall, unless the context clearly indicates to the contrary, refer to the whole of this Agreement and not to any particular clause hereof; (vii) the headings of the articles or sections and the ordering or position thereof are for convenience only and shall not in any way be deemed to affect the meaning of this Agreement; (viii) a reference in this Agreement to a “person” or “party” (whether in the singular or the plural) shall (unless otherwise indicated herein) include both natural persons and unnatural persons (including, but not limited to, corporations, trusts, etc.); (ix) wherever the masculine is used in this Agreement, the same shall be construed as meaning the feminine where the context or the parties hereto so require; and (x) where there are two or more Qualifying Resident parties hereto, all obligations to be performed by the Qualifying Resident shall be deemed to be joint and several.

#### **Section 22.4 – Successors and Assigns.**

The obligations in this Agreement shall be binding upon the Qualifying Resident, the respective heirs, executors, administrators, and successors of the Qualifying Resident as if the same had been signed and sealed by the Qualifying Resident. This Agreement shall be binding upon and ensure to the benefit of the permitted assigns of the respective parties hereto and replaces in its entirety any agreement entered into heretofore with respect to occupancy and use of the Unit.

#### **Section 22.5 – Enforceability.**

If any portion of this Agreement shall be adjudged unenforceable, it shall be severed, and the remainder of the Agreement shall remain in full force and effect.

#### **Section 22.6 – Attorney’s Fees and Costs.**

If the Qualifying Resident defaults in performance or observance of any provision of this Agreement (including but not limited to the actions or inactions of any Co-Occupant, visitor, guest or invitee of the Qualifying Resident), and the Mutual has obtained the services of any attorney with respect to the defaults involved, the Qualifying Resident covenants and agrees to be responsible to the Mutual for any costs and/or fees involved, including reasonable attorney’s fees, notwithstanding the fact that a suit has not yet been instituted. In any action arising from or related to this Agreement, the prevailing party shall be entitled to reasonable attorney’s fees and costs. “Costs” shall include all actual costs incurred, including experts’ fees and other costs which otherwise would be barred by California Code of Civil Procedure (“CCP”) section 1033.5(b) as well as costs which would be awarded as a matter of law pursuant to CCP section 1033.5(b).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and sealed the day and year first above written.

SEAL BEACH MUTUAL NO. FIFTEEN

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Qualifying Resident: \_\_\_\_\_  
\_\_\_\_\_

Qualifying Resident: \_\_\_\_\_  
\_\_\_\_\_

Qualifying Resident: \_\_\_\_\_  
\_\_\_\_\_

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