

## SUBLEASING

1. Definitions. All capitalized terms that are not otherwise defined in this Subleasing Policy shall have the meanings ascribed to them in the Bylaws.
2. Right to Sublease. A Member has a right to sublease their Unit, subject to the requirements and limitations of the Governing Documents, this Rental Policy, and the Senior Housing Residency Restrictions.
3. Legacy Status. The date by which "legacy status" (formerly "grandfathering") is calculated shall be the date this Rental Policy is duly adopted by the Board. This date is the date when the rental cap (described in 4.A., below) is considered created. Preservation of the legacy status date means that any Member who entered into an Occupancy Agreement with the Mutual for exclusive use and occupancy of their Unit on or before the date of adoption of this Rental Policy shall be entitled to sublease without regard to the limitation on the number of authorized subleases ("rental cap").
4. Requirements to Sublease. The following requirements apply to all subleases at the Mutual:
  - A. Rental Restriction. The Mutual has a 470 Unit rental cap (twenty-five percent (25%) of the 1878 Units).
  - B. Written Sublease Required. Any sublease agreement for a Unit shall be in writing and shall also specifically provide that the sublease agreement is subject to the provisions of the Governing Documents, including the Senior Housing Residency Restrictions, and that failure of the tenant, members of tenant's household, invitees or guests to comply with the provisions of the Governing Documents, including the Policies, shall constitute a breach of the terms of such sublease agreement.
  - C. Entire Unit. Except as permitted in Section 4.D., below, no less than the entire Unit may be subleased.
  - D. Roommates and Co-Occupants Permitted. Nothing in the Declaration or this Rental Policy shall be construed to prohibit roommates, Co-Occupants, or other person(s) with whom Member maintains a common household.
  - E. Policy Manual. A complete and current copy of the Mutual's Policy Manual must be maintained in the Unit. All residents must comply with the provisions of the Mutual's Governing Documents, including the Policies.
  - F. No Sub-Subletting or Assignment of Subleases. There shall be no right of assignment or sub-subletting of any Unit.

- G. Renter's Insurance. Members shall require their tenants to obtain a renter's policy (HO-4) in an amount of no less than \$250,000 per occurrence, and which insurance shall include the Mutual as an additional named insured, and which insurance shall include a waiver of subrogation provision as to the Mutual, its officers, directors, and agents. Upon request, Members shall provide to the Board a certificate of said policy.
  - H. Written Application by Member to Sublease. Any Member desiring to sublease their Unit shall submit a Sublease Request Form to the Board of Directors, which form is available from the Member Records Department. Each Member shall have the further right, upon written request delivered to the Mutual, to appear in person before the Board of Directors and to discuss the request to sublease the Unit.
  - I. Board Review of Sublease Request Form. Within thirty days after receipt of a completed Sublease Request Form, the Board of Directors, or its representative, shall review such application and approve or disapprove of it in writing. If the Board or its representative fails to decide upon the Sublease Request within 30 days, the applicant shall have the right to request Internal Dispute Resolution (IDR) with the Board pursuant to Civil Code section 5900 et seq.
  - J. Rehearing. If the application to sublease is disapproved, the requesting Member shall have a right to rehearing upon written request to the Board of Directors, at its next regular meeting or as otherwise agreed between the Member and the Board. The Member shall have the right to appear at the rehearing and present evidence and arguments in support of the Member's case. Within ten (10) days after the conclusion of such rehearing, the Board shall transmit its written determination to the requesting Member and, if again disapproved, shall specify the reasons for such disapproval.
  - K. Decision of Board Conclusive. The decision of the Board of Directors in approving or disapproving an application of a Member to sublease shall be final and conclusive.
- 5. Minimum Lease Term. No Unit shall be subleased for a period of less than three (3) months. Only two (2) short-term leases of three (3) months duration are allowed per year. This is because of the substantial administrative cost of maintaining sublease records and the sublease waiting list; and excessive wear and tear and damage to the Common Area caused by frequent move-ins and move-outs. By way of example only, a sublease for a weekend or a week is strictly prohibited.
  - 6. Member Liable for Violations of Governing Documents by a Tenant. A Member shall be liable for any violation or infraction of the Governing Documents by their tenant, members of tenant's household, invitees or guests.

7. Repair Damage. Members shall promptly reimburse the Mutual for the costs to repair any damage to the Common Area or Mutual property which is caused by the Member's tenants or by the tenants' family members, guests, invitees, or pets.
8. Responding to Occupancy Inquiries. In order to keep accurate records of Member occupancy in the Mutual and enforce any sublease restrictions in the Governing Documents, Members must promptly respond to inquiries from the Mutual regarding occupancy of their Manors, including provision of contact information. The Board may levy a fine of up to \$100 for failure to respond to such an inquiry by the deadline established by the Board.
9. Death of a Member. Following the death of a Member or trustee (if title to the Membership is held in trust) and during the time period authorized by Bylaws section 6.8.2 in which an heir, devisee, or trust beneficiary holds a Membership, such heir, devisee, or trust beneficiary shall be permitted to sublease the Unit, subject to compliance with the Bylaws and this Subleasing Policy.
10. Hardship Waiver. Upon written request of a Member, the Board shall have the right, but shall not be obligated, to waive the limitation on the number of permitted rentals or the order of priority of requests to rent in cases of deserving and unusual hardship (for instance, an illness requiring temporary relocation for treatment) provided: (i) each such waiver shall be for a limited term, not to exceed one (1) year; (ii) the Member in question shall deliver to the Board a signed statement representing that they will retake possession and occupancy of the Unit as a Resident thereof upon the expiration of such limited term; and (iii) such waiver shall be subject to other conditions as the Board may determine, which conditions may include but shall not be limited to Board review and approval of the lease for such limited term. Members may apply for consecutive hardship waivers and the Board may approve consecutive hardship waivers as deemed appropriate. For purposes of this Section, a "hardship" shall not include a Member's desire for a particular sales price or profit from an otherwise saleable Unit.
11. Enforcement.
  - A. Fines. Fines may be levied for violations of this Rental Policy. The notice and hearing requirements set forth in the Governing Documents shall apply. Violations of this Rental Policy for which fines may be levied include, but are not limited to, the following: (i) failing to maintain a written sublease agreement; (ii) subletting a Unit for a period of less than three (3) months; (iii) failure to respond to an inquiry regarding occupancy by the deadline set forth in Section 8, above; (iv) subletting a Unit for transient or hotel purposes through Airbnb, VRBO, or other similar websites or entities; (v) subletting a Unit in connection with a time-sharing agreement; or (vi) violating any other provision of the Governing Documents.
  - B. Other Remedies. In addition to the imposition of fines, the Mutual may seek other remedies against violators of this Rental Policy, including requesting mediation or

other forms of ADR, and filing a lawsuit in superior court, seeking an injunction, money damages, or any other remedies allowed under law.

- C. Attorneys' Fees and Costs. Members who violate this Rental Policy are liable to the Mutual for all costs and attorneys' fees incurred by the Mutual as a result of any such violations. Any such attorneys' fees and costs incurred can be made the subject of a Reimbursement Assessment which shall be enforceable and collectible pursuant to Section 11.2 of the Bylaws. Additionally, the prevailing party in any legal action to enforce this Rental Policy shall be entitled to their reasonable attorneys' fees and costs.
12. Move Out/Move In Fee. Pursuant to Policy 9.0 (Moving Out/Moving In) and this Policy 17.0, a fee of \$100.00 for each move out and move in shall be charged to the manor.
13. Schedule of Fines. In addition to any other schedule of fines set forth in the Policies, violations of this Rental Policy are subject to the following schedule of fines:
- Violations of Rental Policy:
    - Up to \$250 for each day a Member subleases their Manor if the term is less than three (3) months.
    - Up to \$250 for failure to deliver a written sublease agreement with the Board as required by this Rental Policy.
    - Up to \$250 for each day a Member subleases their Manor if the sublease is in violation of the Mutual's rental cap of 25% of all Manors.