

SECOND WALNUT CREEK MUTUAL **PROPOSED** RENTAL POLICY AND SCHEDULE OF FINES

This Rental Policy and Schedule of Fines ("Rental Policy") for Second Walnut Creek Mutual ("Mutual") is intended to clarify, supplement, and, as set forth below, conform to law the sublease restrictions set forth in the Second Walnut Creek Mutual Policy Manual revised February 21, 2019, as amended ("Policies"), the Declaration of Establishment of Covenants and Restrictions recorded April 14, 1964 ("Declaration"), the Second Amended and Restated Bylaws of the Mutual adopted on January 14, 2019 ("Bylaws"), and any Occupancy Agreement entered into by a Member of the Mutual and the Mutual (collectively, the "Governing Documents"). This Rental Policy is intended to comply with the new mandates of Civil Code section 4741.

When adopted by the Board, this Rental Policy will become part of the Mutual's Policies, as that term is defined in the Bylaws. In the event of a conflict between any provision of the Governing Documents including, without limitation, Section 2.0 of the Policies ("Subletting"), and this Rental Policy, the provisions of this Rental Policy shall prevail and supersede any such inconsistent provision of the Governing Documents. All capitalized terms in this Rental Policy shall have the same meaning as set forth in the Bylaws, unless otherwise clearly indicated. For purposes of clarification, because the structure of membership in the Mutual entails Members leasing their Manors from the Mutual, when Members rent out their Manor, it is termed a "sublease," and not a "lease." The terms "Manor" and "Unit" are synonymous and may be used interchangeably. A Member has a right to sublease their Unit, subject to the requirements and limitations of the Governing Documents and this Rental Policy.

2. 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 3.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").
3. Requirements to Sublease. The following requirements apply to all subleases at the Mutual:
 - A. Rental Restriction. The Mutual has a 347 Unit rental cap (twenty-five percent (25%) of the 1387 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 and that failure of the tenant, members of tenant's household, invitees or guests to comply with the provisions of the Governing Documents shall constitute a breach of the terms of such sublease agreement.

- C. Entire Unit. Except as permitted in Section 3.D., below, no less than the entire Unit may be subleased.
 - D. Roommates Permitted. Nothing in the Declaration or this Rental Policy shall be construed to prohibit roommates or other person(s) with whom Member maintains a common household.
 - E. No Sub-Subletting or Assignment of Subleases. There shall be no right of assignment or sub-subletting of any Unit.
 - F. Renter's Insurance. Members shall require their tenants to obtain a renter's policy (HO-4) in an amount of no less than \$100,000 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.
- 4. Minimum Lease Term. No Unit shall be subleased for a period of less than thirty-one (31) days. 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, sublease for a weekend or a week is strictly prohibited.
 - 5. 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.
 - 6. 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.
 - 7. 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.
 - 8. 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 thirty-one (31) days, which must be pre-approved by the Board); (iii) failure to respond to an inquiry regarding occupancy by the

deadline set forth in Section 7, 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 14.5 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.

9. 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:
 - An amount per day equal to the highest daily rental amount set forth in the sublease for each day a Member subleases their Manor if the term is less than thirty-one (31) days (or Board pre-approval is not obtained sublease).
 - An amount equal to the highest daily rental amount set forth in the sublease for failure to deliver a written sublease agreement with the Board as required by this Rental Policy.
 - An amount equal to the highest daily rental amount set forth in the sublease 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.

The foregoing Rental Policy was adopted by the Board of Directors of Second Walnut Creek Mutual at an open meeting of the Board held on _____, 2021 pursuant to Civil Code section 4355(b)(4).

Date: _____

SECOND WALNUT CREEK MUTUAL

By: Clay Dunning, President

Exhibit A

Second Walnut Creek Mutual – Sublease Request Form

Manor #: _____ Date: _____
Name of Member(s): _____
Record Date of Membership: _____
Proposed Sublease Term: _____

By requesting to sublease the above Unit, Member(s) agree(s) to comply with the provisions of the Governing Documents, including the Mutual's Rental Policy, in addition to the following stipulations. If Member(s) do not have legacy status pursuant to Section 2 of the Mutual's Rental Policy, the number of subleases is at the 25% (347 Units max) sublease limit, the Mutual's manager will add Member(s) to the waiting list and will notify Member(s) if the Mutual has gone below the number of allowed subleased Units.

1. Member(s) agree(s) to abide by all the provisions of the Governing Documents, including the Rental Policy.
2. The minimum term of the sublease agreement must be for no less than thirty-one (31) days.
3. Member(s) will provide a copy of the signed sublease agreement to the Board within five (5) days after any sublease agreement becomes effective.
4. The sublease agreement will contain a statement signed by each tenant that confirms they have read and agree to comply with the provisions of the Governing Documents, including the Mutual's Bylaws, Declaration, and Policies.
5. The sublease agreement will also contain a statement signed by each tenant acknowledging that their failure to comply with the provisions of the Governing Documents, including the Mutual's Bylaws, Declaration, and Policies shall be a breach of the terms of the sublease agreement.
6. Within 5 days of the execution of the sublease agreement, Member(s) agree(s) to provide a copy of the attached Resident Information Form with the name of the tenant, as well as the names of all residents planning to live in the Unit with tenant, and the tenant's vehicle information. For emergency purposes, a contact telephone number and email address for the tenant are also requested.
7. Member(s) will provide to tenant copies of the Mutual's Bylaws, Declaration, and Policies, as well as any subsequent amendments thereto.
8. Member(s) will provide the management company's contact information to tenant.
9. Member(s) will update their contact information (address and telephone number) with the management company at all times.
10. Member(s) will be responsible for violation of the sublease restrictions set forth in the Rental Policy.
11. In the case of re-occurring issues with the tenant or residents living in the Unit, Member(s) agree(s) to meet in person with the Mutual's Board of Directors to address these issues.

By submitting this Sublease Request Form, I agree to follow all requirements as stated above.

Printed Name and Signature of Member(s)

*** Thank you for your cooperation in providing this information. The Second Walnut Creek Mutual board will consider your request in the next Board of Directors meeting. Please note that if permission is granted, Member(s) must rent Manor within six (6) months of Board approval or initiate another request. ***

SECOND WALNUT CREEK MUTUAL

RESIDENT INFORMATION FORM

You may e-mail this information to MOD at KVonStriver@rossmoor.com.

Member Name(s) _____

Unit Address _____

Off-Site Address (if applicable) _____

Home Phone Number _____ *Work Phone Number* _____

Email address for Member _____

Emergency Contact Person and Phone Number for Member _____

Tenant's Name _____

Tenant's Phone Number _____

Name of Residents Living with Tenant _____

Tenant's and Resident's Vehicle Information (make, model & lic. #)

Tenant's Email address _____
