

SECOND WALNUT CREEK MUTUAL

POLICIES

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January 21, 2016; June 23, 2016,
January 19, 2017, September 21, 2017,
January 18, 2018, March 15, 2018,
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PREAMBLE AND NOMENCLATURE

Preamble

The policies of SECOND WALNUT CREEK MUTUAL have been adopted by the Board of Directors and are presented in this written form to assist newcomers to adapt more readily to life in Rossmoor and to remind long-time residents of their rights and obligations.

The guiding policy of the Board of Directors of SECOND WALNUT CREEK MUTUAL is to make governance as open, as accessible, and as helpful to the residents of the Mutual as possible. This requires that the residents be well informed about the Mutual and how the system operates.

Informed residents can more easily avoid problems but the Board of Directors stands ready to give effective help when needed.

Some of these policies are mainly for information. Others are to make it clear that there are rules that each of us must abide by to enhance the enjoyment of the majority.

The Board hopes that, taken altogether, these policies will add to the pleasure of living in this beautiful valley.

Nomenclature

Second Walnut Creek Mutual is referred to herein as **Mutual**. It is a cooperative mutual corporation that owns the buildings and grounds within the boundaries of the residential areas. The individual Member occupies the manor under the terms of an **Occupancy Agreement** with the Mutual.

Board means Board of Directors. The Board, acting on behalf of the Members, is the governing body of the Mutual and has responsibility for its proper maintenance and operation.

A **Member** is anyone, including a living trust, who has a share in the Mutual. All Members are issued a membership certificate and have voting privileges.

A **Qualifying Occupant** is a person at least 55 years of age or older who has been approved by the Board and who has executed an Occupancy Agreement.

A **Co-occupant** is a person who is registered as a second occupant of a manor, excluding lessees.

Common area means all land and all portions of the Mutual not located within any manor or improvements to said manor.

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Exclusive Use Common Area shall mean and refer to those portions of the Common Area and/or other areas that are used exclusively by the Members or residents of one manor and that are appurtenant to that manor. Such areas include, but are not necessarily limited to, patios, balconies, decks, and carports.

The term "**Resident Billable**" covers costs specifically for the benefit of one Member or to repair damage caused by a Member's negligence, e.g., backing into a carport or letting the bathtub overflow. Common examples are repairs or improvements inside a manor or landscaping for the benefit of one Member.

Capital Funds are monies set aside to pay future bills or potential bills. There are three kinds: (a) Operating Fund, which covers routine operations; (b) Replacement Fund, which has a specific purpose, e.g., roof replacement, insurance, appliance replacement, and (c) HUD Operating Reserve, which is maintained for emergencies.

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Adopted 5/18/06; Revised 2/21/08; 9/23/10; 4/19/12; 1/18/18

1.0 MEMBERSHIP

1.1 Membership in the Mutual

SWCM is a senior citizen housing development. Eligibility in SWCM is limited to; (a) "Qualifying Residents" (generally persons 55 years of age or older), as that term is defined in section 51.3 of the California Civil Code, and (b) a trust whose beneficiary is a Qualifying Resident. Applicants shall provide all information, financial and otherwise, required by the Mutual. The Applicant (or, in the case of a Trust, the Designated Occupant) must establish to the satisfaction of the Mutual that s/he intends to reside on a permanent basis in the manor appurtenant to the Membership. Applications for Membership in SWCM may be granted or denied in the first instance by the President or Vice-President of SWCM to whom authority has been delegated by the Board of Directors. Denials may be appealed by the Applicant to the full Board of Directors. As a condition of issuance of the Membership each successful Applicant must execute an Occupancy Agreement in the form required by the Mutual and obtain a membership in the Golden Rain Foundation.

Eligibility for membership in the Mutual is covered under Article III, Section 1, of the Bylaws. The requirements set forth in the application for membership must be met before an applicant can be granted membership in the Mutual.

Prior to the close of escrow, all buyers must arrange for a SWCM Alteration meeting at the Mutual Operations Division Office located at 800 Rockview Drive, Walnut Creek.

1.2 Occupancy of a Manor

No person, other than a senior citizen Member, may occupy a Manor without prior written approval of the Board. No more than two persons may permanently occupy a one-bedroom manor and no more than three persons may permanently occupy a two-bedroom manor without prior written approval of the Board. The Manor shall be used only for residential purposes.

Pursuant to Policy 18.3, households occupying a Manor must, at all times, include at least one resident senior citizen.

No person, other than those authorized pursuant to the Senior Housing Rules (Policy 18.0), may occupy a Manor temporarily or permanently. All occupants of a manor, other than a senior citizen Member, must apply to Member Records (located in the Gateway Administration Office) for approval, including live-in employees and Guests who are present in a Manor for more than 21 days.

This Policy 1.2 is subject to Policy 18.0, which shall control in case of any conflict with this Policy.

1.0 MEMBERSHIP

1.3 Withholding on a Transfer of Membership

When a manor is sold, the sum of \$5,000 more than the estimated cost of needed repairs shall be withheld in escrow from the selling Member as determined by an initial inspection performed by Mutual Operations. This sum is to protect the Mutual against the cost of correcting undetected deficiencies that might affect Mutual property. It will be withheld until 60 days after the close of escrow.

If Mutual property has been or may become damaged because of adverse conditions caused by the selling Member's alteration, the sum withheld may be used to correct the causative condition. This protection does not extend to an alteration that is the selling Member's personal responsibility and does not affect Mutual property.

1.4 Temporary Relocation of a Member

If a member must be temporarily relocated because of maintenance repairs to the manor for which the Mutual is responsible, the Mutual will arrange and pay for the following:

- Transportation for the member(s) to and from the temporary lodging selected if the members are unable to transport themselves.
- Lodging at a local hostelry that has been pre-approved by the Mutual. Members may choose lodging with kitchen facilities or opt for a room without kitchen facilities, in which case the Mutual will pay each member an appropriate per diem for food.
- Rental of a carport space if the repairs to the building in which it is located prevent use of the assigned carport.

All other living expenses, including the monthly carrying charges, are the responsibility of the relocated member.

If the repairs and the consequent relocation of members are caused by a "sudden and accidental" occurrence, temporary loss of use costs may be covered by homeowners' insurance. The Mutual's Risk Manager will, in conjunction with the Mutual's insurance carrier, make this determination on a case-by-case basis.

1.5 Delinquent Assessment Policy

Assessments are due on the first day of each month. The Mutual only mails statements to accounts that are delinquent. Statements are not mailed to accounts that are current or that have a credit balance.

All regular and special assessments become delinquent at 5:00 p.m. on the 15th day of the month and will be subject to a late charge of \$25. Commencing 30 days

after the assessment becomes due, interest on delinquent assessments shall accrue at an annual interest rate of 12%. If the Davis-Stirling Act is amended to permit a higher rate the Board may increase the rate. In no event shall the rate exceed the amount permitted by law or the Mutual's governing documents.

Adopted 5/18/06; Revised 2/21/08; Revised and Adopted 1/21/16

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The \$25 delinquency fee will be imposed for the first month that an assessment is delinquent. Each month thereafter a charge of \$40 will be assessed. Beginning with the 7th month, and thereafter, the delinquency fee will be increased by \$30 per month for each month the account is delinquent. All payments received are credited to the oldest outstanding items first.

It is Mutual policy not to waive these fees. It is the Member's responsibility to allow ample time for drop off or mailing. Any assessment unpaid by a Member after 60 days will become a lien on the Member's share of stock until the amount is recovered from proceeds at the time of a resale or through the hearing process.

The Mutual accepts no responsibility for notices not received by the Member. Notices will be sent as required by law under termination proceedings. It is the Member's responsibility to be aware of and understand these procedures, and to pay all assessments on time.

Members and former Members are personally liable for the delinquent assessments that accrue during their membership. The Board may proceed against these individuals in any way available under the law to collect any and all delinquent amounts.

In the event a member has been delinquent for 90 days, the Foundation, as agent and upon instruction from the President or Secretary of the Mutual, will send a letter to the delinquent member stating that payment must be made within 10 days of the date of the letter or a hearing will be scheduled to consider termination of the membership because of a violation of the Occupancy Agreement.

2.0 SUBLETTING

2.1 Subletting a Manor

Subletting a manor requires approval by the Board and the execution of a Sublease Agreement which must be submitted to the Board prior to commencement of occupancy of the sublet manor. In all cases the sublessee must meet Second Walnut Creek Mutual residence requirements.

No manor may be purchased or held as an investment and sublet. Subleases are only allowed for a manor that is owned by a member as his/her primary residence, or in trust as the primary residence of the trustee or beneficiary of the trust which holds title to the manor.

Subleasing is prohibited except with Board approval, subject to the following limitations:

- (a) One short term (3 months or less) sublease per calendar year;
- (b) Long term leases (more than 3 months) not to exceed a cumulative term of one year during the Member's ownership.
- (c) The minimum term of any sublease is 1 month.

2.2 Responsibility of Member for Actions of Sublessee

Article 15 of the Occupancy Agreement requires that a Member comply with all rules and regulations of the Mutual. Under the Sublease Agreement and Article 7 of the Occupancy Agreement, any sublessee must also abide by the rules and regulations. A Member should be aware that he/she is responsible for any violation of rules by a sublessee. The Board may terminate the sublease at any time because of default by the Member or the sublessee of any of the terms of the Sublease or Occupancy Agreements.

If a sublessee is involved in a violation, he/she shall be subject to the same enforcement procedure as a Member. Copies of all correspondence sent to a sublessee regarding a violation of rules shall be sent to the Member responsible for the sublessee.

3.0 REPAIR AND REPLACEMENT

3.1 Building Movement

All buildings are subject to a normal amount of expansion and retraction due to weather changes and the passage of time. This movement may cause cabinet doors to stick, closet doors to malfunction and walls to be less than plumb. This type of damage is considered normal wear and tear, and the Mutual is not responsible for its repair or maintenance.

Significant vertical or lateral building movement caused by foundation failure, ground movement or other similar extraordinary events, may cause damage that the Mutual would be responsible to repair. The Mutual will determine this on a case-by-case basis.

3.2 Air Conditioning

Replacement of water-cooled air conditioning units is determined on an individual basis by Mutual Operations staff. If possible, the original unit shall be reconstructed rather than installing an air-cooled replacement. Roof placement is not approved.

The Mutual will bear the cost of maintaining, repairing or replacing all Mutual-owned air conditioner units.

3.3 Radiant Heat Ceilings or Panels

Original radiant heat ceilings or panels are considered to be a furnace. Repairs and replacement not related to Member neglect shall be at the expense of the Mutual. When a radiant ceiling heating system fails, the Mutual may repair it or replace it with a suitable system.

3.4 Appliances

The Mutual will participate in the cost of replacement of appliances installed in manors and for which it has responsibility as follows:

Standard Model

If the appliance becomes inoperative in normal use, regardless of its age, and cannot be repaired for less than one-third (1/3) of its replacement cost, it will be replaced with a currently standard model secured by the Mutual at no cost to the Member.

3.0 REPAIR AND REPLACEMENT

Non-Standard Model

If a non-standard model becomes inoperative, it will be replaced with a currently standard model secured by the Mutual at no cost to the Member. Any modification of the cabinetry to accommodate the standard model is the responsibility of the Member.

If a non-standard model becomes inoperative, and the Member requests a non-standard replacement, the Mutual will allow a credit equal to the cost of a standard model. The balance of the cost of the appliance and any installation costs or modification of cabinetry are the responsibility of the Member.

A non-standard component on a standard appliance is not maintained or repaired by the Mutual. The Member is responsible for such maintenance.

Residents have the option of either a glass or wire shelf for refrigerators.

The Mutual assumes responsibility for cleaning freezer drainpipes in refrigerators.

The new appliance will be considered Mutual property. The old appliance becomes the property of the Member and may be disposed of as he/she chooses. If MOD is asked to dispose of the appliance, the Member will pay the cost of disposal.

3.5 Smoke Detectors

Manors will have operable smoke detectors in accordance with the building code requirements in effect when the unit was built, repaired, or altered. Smoke detectors will be inspected annually at the time of the manor lube program. The battery will be replaced at Mutual expense at that time. Between annual preventive maintenance inspections, if it is necessary to replace the battery, the Mutual will pay replacement costs.

Smoke detectors must be functional in the manor at the time of resale. If a smoke detector has been removed by the Member or the Member's contractor, or is not functional for reasons other than a worn out battery, the Member is responsible for its repair or replacement.

4.0 ALTERATIONS

Virtually every change in the common area and the exclusive use common area is subject to approval by the Design and Review Committee of the Mutual. The Member can obtain general information about alterations, fee schedules for permits, and a list of contractors from Mutual Operations (988-7600).

All rules for alterations apply to the Member. The Member may be a long-time member, a new buyer, an owner/speculator, or a contractor/speculator. All responsibility resides with the Member and such responsibility passes to the new Member at the time of sale. The alteration is recorded in perpetuity for the Mutual by MOD staff.

4.1 Procedure for Proposed Alterations in Common Areas

- (a) Call Mutual Operations at 988-7600 and tell the receptionist what you wish to do. She will provide the application permit forms, information, and discuss the approach to the project. Remember to ask for any supplemental information that is available.
- (b) Submit a preliminary drawing or sketch showing the proposed alteration for either structures or private gardens with the application you have filled out.
- (c) Show the proposal to all Members (neighbors) who may be affected and obtain their written consent. If any objection is received, the application will be denied pending an appeal to the Board.
- (d) If no objection is received, develop detailed construction drawings and specifications by a licensed contractor, architect, or engineer (and a City permit, if required). Contract must provide Contractor's name, address, and phone number. State both beginning and completion dates of the alteration. The permit will expire within six months of the date of issuance.
- (e) Submit your package of the above items to the Mutual Operations receptionist who will create the Alteration Application for review and approval (or rejection) by the Design and Review Committee. The Member may need to revise and resubmit plans as requested by the Committee.
- (f) If the Alteration Application is approved, an Alteration Permit and executed Alteration Application will be issued noting any conditions as set forth.
- (g) The Member may then proceed with the work according to the terms and conditions on the Application.

4.0 ALTERATIONS

4.2 Work Site Rules

The following rules apply to contractors, member contractors and other service providers employed by residents. Contractors must be made aware of these rules prior to submitting an estimate for work proposed.

- (a) Contractors or service providers must not park vehicles in guest parking spaces.
- (b) Normal work hours are 8:00 to 4:30 Monday through Friday. Material storage can only be on that area directly contiguous to working site. All waste must be hauled out of Rossmoor; none may be deposited in Mutual trash enclosure bins or MOD dumpsters on Rockview Drive. Walkways and stairways must be kept clear. Common areas shall be swept clean each evening.
- (c) Building utilities may not be interrupted without advising affected residents two hours in advance.
- (d) During construction, it is the Member's responsibility to take care not to impose on neighbors. Work must be completed on or prior to the stated date of completion. Violations will result in a fine levied on the Member. Fines are calculated on a sliding scale relative to job size in dollars whether in relation to the length of time or the degree of aggravation to neighbors. The Mutual Board will levy fines.

4.3 Satellite Dishes and Cables

Any installation of satellite dishes or moving or changing cable wires must be done according to the approved SWCM Satellite Dish and Cable wiring specifications contained in the SWCM SATELLITE DISH AND CABLE RULES.

4.4 Solar Energy Systems.

Solar energy systems may be installed on common areas of Second Walnut Creek Mutual in accordance with this policy. Any such systems which are installed in violation of this policy shall be removed, and the surrounding areas and electrical connections shall be restored to their previous condition, at the owner's expense. This policy is intended to conform to Civil Code Section 714 and 714.1, which shall control in the event of conflict with the law.

4.0 ALTERATIONS

PROCEDURES

Alteration permit procedures set forth in Second Walnut Creek Mutual Policies Section 4.0 shall be followed, with the following modifications:

1. The applicant shall notify each co-owner in the building where the installation is to take place and certify to the Design and Review Committee that the notice has been given. Any written comments by the co-owners shall be attached to the application. No application may be denied solely because of objections by the co-owners.
2. Design and Review Committee of Second Walnut Creek Mutual shall review the application for approval and may offer recommendations for reasonable restrictions on the installation within limits prescribed in Civil Code Section 714. The Committee may also impose reasonable conditions on the approval of the application.
3. The applicant shall provide satisfactory evidence of compliance with requirements of the City of Walnut Creek.
4. A solar energy system for heating water shall be certified by the Solar Rating Certification Corporation (SRCC) or other nationally recognized certification agency. A solar energy system for producing electricity shall meet all application standards established by the National Electric Code and, if applicable, any requirements of the state or county Public Utilities Commission or entity.

COMPLIANCE WITH MANUFACTURER'S INSTALLATION INSTRUCTIONS

The applicant shall provide satisfactory evidence that the system is installed in a workmanlike manner, by a licensed and insurance installer, in accordance with the manufacturer's instructions.

INDEMNITY AGREEMENT

The applicant shall execute and deliver an indemnification agreement in a form satisfactory to Second Walnut Creek Mutual which will, among other things, require that the applicant:

1. Procure and maintain liability insurance with a minimum limit of Two Hundred Fifty Thousand Dollars (\$250,000).

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2. Indemnify Second Walnut Creek Mutual and its officers, members and agents in the event of loss or damage caused by the installation, maintenance, or use of the solar energy system including, without limitation, loss of use of the common area by other owners of the cooperative.

INSTALLER OBLIGATIONS

1. Upon sale or transfer of the unit, the buyer or transferee shall assume all of the applicant's obligations in writing as set forth in this policy or in any conditional approval issued by the Committee unless before sale or transfer, the applicant removes the solar energy system at the applicant's sole cost and expense.
2. The installer or successor owner of the system shall remove at his own expense the solar system and all components when necessary to enable Second Walnut Creek Mutual to perform any maintenance, repair or replacement to the building on which the solar system has been installed. Should the owner fail to remove the system when requested in writing by the Mutual, the Mutual can cause the system to be removed and the owner of the system will be responsible to reimburse the Mutual for all costs incurred. Any failure to either remove the system upon notice or reimburse the Mutual for any costs incurred in removal of the system provided for herein will constitute a breach of owner's Occupancy Agreement.

The documents SWCM ALTERATION RULES, SWCM PRIVATE GARDEN RULES, and SWCM SATELLITE DISH AND CABLE RULES contain detailed descriptions of other aspects of the policies and are available at the Board Office in the Gateway Complex or at Mutual Operations.

5.0 FLOORS

5.1 Flooring

If floor tile, linoleum or other surface cover damage has been caused by structural failure (except where an unapproved alteration is concerned), the Mutual is responsible for costs incurred to correct the problem. If separation or other damage is caused by ordinary wear and tear or negligence on the Member's part, the Member shall be responsible for costs incurred to correct the problem. If the extent of damage and responsibility is questionable, and the Member wishes to proceed with the repair, the Member should submit a written request to Mutual Operations indicating his/her agreement to accept responsibility for the cost of the repair. The Board should be notified of the request, the estimated cost of the work to be done, and an evaluation of the possible extent of the Mutual's responsibility. Upon approval by the Board, the work shall proceed.

When the floor covering material is removed, if a substantial crack or disintegration of the concrete or other base is revealed, Mutual Operations shall determine whether the evidence is sufficient to place responsibility for all or a portion of the cost on the Mutual or if the Member must pay the full cost.

In general, if floor tile must be replaced, sheet vinyl will be used. If caving is not necessary, it should be omitted unless the Member requests caving and is willing to pay the additional cost.

5.2 Slab Leaks

Members who have suffered a financial loss due to an excessively high energy bill caused by a hot water pipe leak in the slab of their manor must notify P.G.&E. who will determine the extent of the excessive energy costs. After this determination has been made and P.G.&E. has provided a reimbursement according to its policy, the Mutual will reimburse the excess amount not refunded.

5.3 Hard Surface Flooring

Resilient sheet vinyl, LVT (luxury vinyl tile) and carpet are the only floor covering surfaces allowed in second floor manors. An alteration permit must be obtained to install sheet vinyl or LVT, which must be confined to the kitchen, bathroom and entry/hall. Sheet vinyl and LVT shall not be installed in the living room, dining room or bedrooms. If the manufacturer of the LVT offers additional noise control material or backing for use with the proposed flooring it must also be installed.

5.0 FLOORS

Except as provided in this paragraph, laminate, ceramic tile, hardwood, marble and other hard surface flooring are not allowed in second floor manors. An alteration permit may be granted, in the Mutual's discretion, allowing installation of other hard surface flooring in the kitchen, entry/hallway and bathroom of second floor manors, but only if the applicant establishes, to the satisfaction of the Mutual, that (a) the proposed flooring has a satisfactory IIC rating and (b) the impact resistance, slip resistance and general suitability of the proposed flooring is satisfactory.

Hard surface flooring may be installed in first floor manors and two story townhouse models provided the Member obtains an alteration permit and executes a Second Walnut Creek Mutual liability release form.

Manors that had hard surface coverings approved and installed prior to December 1, 2003, or for which a permit was approved prior to December 1, 2003, will be considered approved alterations. The member shall remove such covering prior to close of escrow of any transfer of ownership occurring after October 1, 2017. If an existing approved hard surface floor is damaged because of a Mutual component failure, Second Walnut Creek Mutual will reimburse the member the material cost and labor of a standard sheet vinyl (resilient sheet linoleum) or standard carpet installation, or shall install the same for an approved alteration. In no case shall hard surface flooring be reinstalled in a second story manor.

If flooring that does not conform to this Policy has been installed, the Mutual may require the Member to remove it at the time of discovery or at the time of resale, in either event at the Member's expense.

6.0 CARPORTS AND PARKING

6.1 Carports

Carport spaces are intended for passenger cars or golf carts. A truck that does not exceed the size of a passenger car and is used only for transportation may be parked in such a space. A gasoline-powered vehicle parked in a carport space that is under a manor must not extend beyond the ceiling portion that has been lined with fire-retardant material.

Any proposed exchange of carport spaces between residents must be requested in writing and approved by the Board. After Board approval, the exchange will become permanent and the official records will be changed.

If prior Board approval is obtained, Members may rent their carports, but only to other Rossmoor resident(s).

Open carports may not be used as storage areas or workshops. No storage of any kind is permitted. No posters, art, wall decorations or hanging items are permitted. An auxiliary storage cabinet, approved by the Board under an Alteration Agreement, may be placed in a carport stall as long as it does not prevent the vehicle from pulling all the way into the space. Auxiliary cabinets already in place may be removed at the Board's request.

No flammable material may be stored in a carport area. Storage cabinets and closets must not include any liquid flammable material.

No back-in parking is allowed. Residents are responsible for any and all damage to structures done by their vehicles.

No unreasonable noisy vehicles and no vehicles (including, without limitation, scooters, motorcycles, or other motorized devices) emitting foul smelling or offensive exhaust fumes shall be operated within the Mutual.

No dilapidated, inoperable or abandoned vehicles, nor vehicles not displaying current registration tags, shall be parked, kept, or permitted to remain upon any area within the Mutual.

No maintenance, or repairs of any kind, may be made to vehicles within the Mutual except such emergency repairs as are necessary to remove the vehicle from the Mutual.

Only metal drip pans may be used under vehicles. Any vehicle leaking fluids must be repaired and carport floor cleaned. It is the responsibility of each resident to keep his/her carport swept clean of debris. If the carport floor is not

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cleaned of oil and other fluids, it will be cleaned and, if necessary, repaired at the expense of the owner.

No vehicle can be left unattended with the motor running.

If a battery charger is used to recharge a golf cart, it must be placed on a secure, non-flammable surface at least one foot from other facilities. A charger must be equipped with an overload fuse or circuit breaker.

Extension cords must be Underwriters Laboratories (UL) approved and meet the specifications of the manufacturer of the equipment on which it is used.

6.2 Parking

Entry residents must not park in guest spaces. Residents may park only one vehicle per manor in the appropriate parking space (carport) in their entry. A resident with two or more vehicles may not use the guest parking spaces for the extra vehicle(s). Curbside parking not painted red, unless otherwise marked, may be used by guests or residents. No vehicle may be parked for more than 72 hours.

Trailers, campers, boats, trucks and similar vehicles may not be parked in residential areas. A recreational vehicle may be parked temporarily in a residential area while being prepared for travel. This is limited to 12 hours prior to leaving and 12 hours after returning to the community.

6.3 Guest parking

Guest parking spaces are for guests only and may not be used by contractors, entry residents, or residents' employees. They may not be used for vehicle storage.

6.4 Violations

Vehicles in violation will be cited. Public Safety issues a notice of parking violation when a patrolling officer identifies a violation during scheduled patrols, or as the result of a complaint from another resident and verified by a patrolling officer.

After 72 hours following the first citation, the patrolling officer will perform a follow up check. After two additional citations, Public Safety will notify the President or First Vice President of the violation. This notification shall be sent within three (3) working days from the time the third notice of violation has been issued.

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Within five (5) working days from receipt of notification from Public Safety of a violation, the President or 1st Vice President shall address a letter to the Member requesting immediate compliance and a written response within five (5) working days. Continued violations will result in the vehicle being towed at vehicle owner's expense.

6.5. ELECTRIC VEHICLE CHARGING STATIONS

- (a) This Electric Vehicle Charging Station Policy is intended to comply with Civil Code section 4745 which reflects the State of California's policy of encouraging the use of Electric Vehicle Charging Stations (EVCS).
- (b) It is the policy of Second Walnut Creek Mutual (the "Mutual") to comply with Civil Code section 4745 by approving, whenever reasonably possible, applications for the installation of EVCS and electric wiring and related components necessary to provide electricity sufficient to power approved EVCS installed in (i) assigned Exclusive Use Common Area parking spaces, or (ii) Common Area parking spaces (i.e., guest parking spaces). Such installation would provide "hard wire" connections to EVCS as opposed to providing for plug outlets to supply power to portable charging devices.

6.5.1 REQUIREMENTS

- (a) Any member of the Mutual who proposes to install an EVCS ("Applicant") shall submit an Alteration Application, follow the procedures and comply with the requirements set forth in Section 4.0 of the Mutual's Policies (entitled "Alterations") for physical modifications to the property, comply with the requirements for architectural approval set forth in Article 2 of the Declaration (entitled "Architectural Control"), and procure an Alteration Permit and any required governmental approvals prior to installation of the EVCS.
- (b) The following are the submittals that must accompany the Alteration Application for installation of an EVCS:
 - i. Fully filled out and executed Alteration Application;
 - ii. Plans and specifications clearly indicating where the EVCS is to be located, the brand or manufacturer, technical specifications, and dimensions (i.e., height, width, weight, etc.) as well as structural requirements;

6.0 CARPORTS AND PARKING

- iii. An agreement satisfactory to Mutual that the Applicant will procure a homeowner liability insurance policy providing \$1 million in coverage and will provide satisfactory evidence to the Mutual, within fourteen (14) days of the Mutual's approval of the EVCS, that the Mutual has in fact been named as an additional insured under the Applicant's homeowner liability insurance policy providing \$1 million in coverage with a right of notice of cancellation; and
 - iv. A fully executed EVCS Installation and Maintenance Agreement in the form approved by the Board from time to time.
- (c) Alteration Applications which include all specified submittals shall be responded to within 60 days of a valid submission.
 - (d) Within fourteen (14) days of approval by Mutual of Applicant's request for permission to install the EVCS and before commencement of installation, the Applicant shall provide the Mutual with satisfactory evidence that the Mutual has been named as an additional insured under the Applicant's \$1 million homeowner insurance liability policy with a right of notice of cancellation.
 - (e) The installation shall be performed by a qualified, licensed and insured contractor meeting all the requirements set forth in the Alteration Permit and otherwise imposed by the Mutual.
 - (f) **No electric or hybrid automobile or truck may be plugged into any unmodified electrical outlet in Common Area, Exclusive Use Common Area or other Mutual outlet.**
 - (g) Applicant shall be responsible for the installation of separate subpanel or electrical circuit to accommodate the EVCS that meets the requirements established by the state and local laws and the electric automobile manufacturer. Upon acceptance by the Mutual after completion, the subpanel and electrical circuit shall become the property of the Mutual. The Mutual may require an Applicant to share a subpanel or electrical circuit that was installed by another owner to accommodate such owner's electric automobile.
 - (h) Applicant shall install a separate meter to accommodate the EVCS. The meter (if any) and its installation shall satisfy all applicable requirements, including but not limited to those of PG&E, the City of Walnut Creek and other governmental authorities. The account established for this meter shall be listed in the Applicant's name and all charges related to it shall be directly billed to the Applicant by PG&E.

6.0 CARPORTS AND PARKING

- (i) Extension cords from the Carport, Manor, Exclusive Use Common Area or Common Area electrical outlet to the EVCS are strictly prohibited.
- (j) Applicant shall comply with all applicable governmental laws and regulations and procure all required City of Walnut Creek and governmental permits and authorizations before installing the EVCS. The EVCS shall satisfy all applicable governmental and industry safety standards, and local permitting requirements.
- (k) The EVCS shall be installed in a location acceptable to the Mutual. If visible from the Common Area or other Exclusive Use Common Area, the EVCS must conform to the surrounding structures and environment in design, size, and appearance. Visually the installation shall appear neat and attractive, without exposed wiring or visible damage to surrounding improvements.
- (l) The Applicant and each successive owner of the EVCS shall pay for all electricity usage and other charges associated with the EVCS and the electric meter installed to provide power to it.
- (m) The Applicant and each successive owner of the EVCS shall be responsible for:
 - a. all costs for damage to the EVCS, Common Area, Exclusive Use Common Area or Manor resulting from the installation, maintenance, repair, removal, replacement or existence of the EVCS;
 - b. all costs for the installation, operation, maintenance, repair and replacement of the EVCS and all additions or modifications to existing Mutual electrical components until the EVCS has been removed and for the restoration of the Common Area, Exclusive Use Common Area or Manor after the removal;
 - c. disclosing to prospective buyers the existence of the EVCS and the related responsibilities that said buyer will assume, including:
 - i. maintenance at all times of a homeowner liability insurance policy providing \$1 million in coverage which also names the Mutual as an additional insured under the policy with a right to notice of cancellation;

6.0 CARPORTS AND PARKING

- ii. the obligation to pay for the electricity usage associated with the EVCS;
 - iii. the obligation to pay all costs for damage to the EVCS, Common Area, Exclusive Use Common Area or Manor resulting from the installation, maintenance, repair, removal, replacement or existence of the EVCS;
 - iv. the obligation to pay the cost of the maintenance, repair and replacement of the EVCS until it has been removed and for the restoration of the Common Area, Exclusive Use Common Area and/or Manors after the removal; and
 - v. the obligation to disclose to prospective buyers the existence of the EVCS and the related responsibilities of the Applicant pursuant to Civil Code section 4745.
- (n) Nothing in this Policy shall modify, release or otherwise discharge any rights of the Mutual or obligations of its members, including Applicant, imposed pursuant to the Mutual's Governing Documents and applicable law.
 - (o) The prevailing party in any dispute arising out of the interpretation, violation or enforcement of the provisions of this EVCS Policy or documents created as called for herein shall be awarded their reasonable attorneys' fees and costs.

6.6 USE OF MUTUAL'S ELECTRICITY

6.6.1 GENERALLY PROHIBITED

Except as permitted in this Policy 6.6, or by the Board of Directors, Members and others may not use electric outlets in the carports, golf-ports or common area or otherwise use electricity purchased by the Mutual for any purpose, including but not limited to charging of electric vehicles of any sort.

6.6.2 CHARGING VEHICLES (golf carts or electric cars)

A Designated Occupant (hereafter "Member") may apply for permission to use Mutual electricity for Type 1 electric car charging (120 VAC) at a maximum of 8 Amps at 120 VAC or for golf cart charging, which the Mutual Board may grant if the Member complies with subsections (a) - (g) below and if safety and other concerns are satisfied.

6.0 CARPORTS AND PARKING

- (a) the Member has obtained liability insurance with limits as required by the Board from time to time, has named the Mutual as an additional insured and has provided for the Mutual to receive notice of cancellation of the policy.
- (b) the Member must arrange with MOD to review the wall plug to be used and to replace it as necessary to comply with Mutual standards.
- (c) any car using electricity for Type 1 electric car charging shall have a maximum current draw of 8 AMPS at 120 VAC. This is the maximum current draw for a car on a single 15 Amp circuit in any SWCM Carport.
- (d) The owners of vehicles wishing to charge in any one carport must (i) coordinate with each other to only charge one vehicle at a time and (ii) avoid tripping the circuit.
- (e) External "trickle charging" of starter batteries for internal combustion vehicles is not allowed.
- (f) Member must sign the standard form agreement
- (g) As consideration for the electricity used, Member must timely pay the amounts determined from time to time by the Board.

6.6.3 OCCASIONAL USE FOR SMALL TOOLS, VACUUMS ETC. PERMITTED

Members occasionally may use electric outlets in their carports and golf-ports to power small tools and vacuums.

7.0 GOLF-PORTS

7.1 Golf-Ports

Golf-ports are the vacant common areas under cover at the ends of some Mutual buildings that are large enough to provide parking for golf carts. To provide for golf cart parking, these golf-port spaces may have to be altered by the Mutual by installing an electric outlet, fire-retardant materials, or by making some other improvements. No vehicles other than golf carts or other small vehicles may be parked in golf-port storage areas.

The Mutual charges for the use of the golf-port area and the tenant pays the Mutual.

The document entitled SWCM AGREEMENT TO USE GOLF-PORT PARKING SPACE describes the rules, regulations, and charges regarding obtaining and keeping a golf-port. The document is available at the Mutual Operations Division (MOD) office.

8.0 LANDSCAPE, GARDENS, TREES, AND PESTS

8.1 Landscaping Common Areas

Residents are not permitted to prune shrubs, remove plants or trees, or perform any other landscape maintenance activity in common areas. Only SWCM's designated landscaping contractor shall do such work. Residents are not permitted to water these common areas, but should call the office of MOD if there is a problem with the sprinkler system for common area lawns and/or shrubs.

8.2 Patio Gardens

A patio garden is an area within closed garden/terrace/court/atrium areas directly associated with the following manor models: Carmel, Golden Gate, Mendocino, San Franciscan and Yosemite. No action by the resident is permitted that would adversely affect waterlines, drainage, erosion or the manor structure. Plants that the Landscape Department determines to have undesirable or invasive growth habits will not be approved for use in patio gardens. All trees or large shrubs must be planted in containers 24 inches or less in diameter/size and may not exceed 12 feet in height at maturity. Ivy and all other climbing plants must be controlled/pruned so that it/they do not climb fences and/or buildings. Overgrown shrubs or trees that have become invasive will be pruned or removed by SWCM at the resident's expense.

8.3 Private Gardens

The document entitled PRIVATE GARDEN RULES describes the procedure for obtaining permission to install a private garden and contains a Private Garden Permit Application. The document is available at the Board Office in the Gateway Complex or at MOD.

8.4 Watering and Containers

No plant containers are allowed to rest on or hang from balcony railings. Care must be taken that water is used wisely in all its aspects. Containers/pots for any and all private plantings shall be restricted to 24 inches in maximum diameter/size. This is to include containers/pots placed by residents on verandas, balconies, porches, terraces, courts, atria or any other areas approved for resident use around manors and must be in basins, which will catch any water overflow. Leakage from plants in containers may result in the homeowner being held financially responsible for cleaning or repairing damaged surfaces. Resident is responsible for any damage occurring to property caused by plantings and/or watering of any type. All hoses related to Patio Gardens or Private Gardens must be equipped with a trigger type nozzle and turned off at the hose bib when not in use.

8.0 LANDSCAPE, GARDENS, TREES, AND PESTS

8.5 Special Landscape Requests

A resident or group of residents may improve the landscaped area around their building without a private garden permit by working with the Landscape Maintenance Department to develop plans consistent with other landscaping in the area. The residents may pay for improving or enhancing the landscape with additional plantings or by changing planting to a more desirable selection. In such cases, the residents working through the Landscape Maintenance Department would develop acceptable plans. The residents would sign a work order as being responsible for the costs. After the plantings are completed, SWCM's landscape contractor would handle maintenance.

8.6 Trees

It is recognized by the Board that trees and their removal can evoke strong emotions in Members and that their concerns should be given careful consideration. If a tree presents a hazard or is diseased, an effort should be made by landscape maintenance staff to advise the Members in the immediate area of the need for its removal. If staff determines that a tree is a hazard to persons or property or is diseased, and the tree does not exceed 9 inches in diameter or 28 inches in circumference measured 4.5 feet off the ground, it may be removed at the discretion of the Board. If the tree presents an immediate hazard and/or exceeds the limits set forth above, upon recommendation of staff, its removal may be approved by the President or the Board Director responsible for landscape matters at Mutual expense, unless the tree was planted by a Member, in which case the removal will be charged to the Member. If a permit is required, staff will pursue it.

A tree of a size under the above measurements may be removed if it prevents sufficient light reaching the interior of a manor as determined by staff, if the Member desires its removal, and the other Members in the immediate area have no objection. If there is not agreement among the involved Members, removal will be a matter for Board decision. The cost of such removal is a Mutual expense, unless the tree was planted by a Member, in which case removal will be charged to the Member.

A tree of a size under the above measurement may be removed if a Member requests it for view enhancement or other reasons acceptable to staff, and other Members in the area have no objection. If there is not agreement among the involved Members, removal will be a matter for Board decision. The cost of such removal is a Member(s) expense.

When a tree is removed, the stump and roots are to be removed also, unless such stump and roots contribute to the stability of a slope. The cost of removal of

8.0 LANDSCAPE, GARDENS, TREES, AND PESTS

the stump and roots will be at Mutual expense, unless the tree removal is a Member(s) expense, in which case the Member(s) must bear the total cost.

8.7 Pest and Insect Control

Mutual Operations endeavors to control pests on the exterior and the interior of a manor at no cost to the Member. Cost for control of infestations that affect the interior of more than a single manor is the responsibility of the Mutual, unless it can be determined that said infestation was caused by the negligence of a Member of that building, in which case that Member is responsible for the entire cost.

It will be the Mutual's responsibility to do what is necessary to enclose or remove the trim around the top of concrete columns where birds can perch and/or nest. After the work has been completed, all dirt and debris around the columns should be removed and cleaned.

In carports and other places around buildings where birds are a problem, it will be the responsibility of the Mutual to take corrective action.

8.8 Water Conservation

No one, other than Mutual employees and contractors, is allowed to water common area landscaping, including lawns, trees and shrubs. Residents may water permitted private gardens using a hose equipped with a trigger nozzle.

No one may use hoses in exclusive use common areas other than patios.

("Exclusive use common area" is defined in the "Preamble and Nomenclature" section of these Policies and includes balconies, decks, carports and patios.) Container plants in those areas, other than patios, must be watered using watering cans or other means not involving hoses or tubes connected to the Mutual's water supply and must be placed in drip trays (saucers) to catch overflow.

No one shall hose down: (a) common area walkways, driveways or other hard surfaces; or (b) exclusive use common areas. However, occasional use of a hose with a trigger nozzle to remove feces or other objectionable matter from hard surfaces is permitted. Also, Residents may wash vehicles in common areas but are encouraged to use a commercial car wash facility whenever feasible.

Residents must use all feasible means to limit the amount of water used in such activities. Hoses must be equipped with trigger nozzles.

9.0 LAUNDRY, LIGHTING, WHEELCHAIR RAMPS

9.1 Laundry Rooms

Washers and dryers in a laundry room are for the exclusive use of residents within the original Project where the laundry is located. Employees of the Foundation or contractors of a Member may not use these facilities to wash or dry their personal articles.

Smoking is not permitted in the laundry rooms.

Rubber, plastic materials, garments with metal fasteners or buckles shall not be placed in the dryers.

9.2 Outside Lighting

Mushroom (pole), pagoda (ground, rectangular), globe (wall), or other forms of light fixtures should be visible one from another without obstruction. Main street lights may or may not complement Mutual lighting. The Mutual's lamps shall be regarded as visual guides between sources, with Mutual common walkways clear of obstruction. If overgrowth of the landscaping obstructs a light, its visibility should be restored by pruning or removal of plant growth at Mutual expense. Added flood lighting should be minimal, if any; such an installed alteration should not adversely illuminate living quarters, and may be billable to the requesting Member(s).

9.3 Wheelchair Ramps

One wheelchair ramp at each entry shall be provided at Mutual expense as need can be proven. A second wheelchair ramp can be provided at the Member's expense if approved by the Board.

10.0 USE RESTRICTIONS

10.1 Personal Property

A resident's personal property may not be stored in manor entryways (except for decorative purposes), nor within "crawl spaces," attics or basements.

10.2 Noise

Living in apartment buildings presents special noise problems, since we share walls, floors, ceilings, and plumbing. It is necessary that we remain considerate of our neighbors.

At all times, noise should be kept at a level that will not unreasonably interfere with or discomfort our neighbors. This noise may come from many sources, such as stereos, television, musical instruments, or animals.

In particular, between 10:00 p.m. and 7:00a.m., extra care should be taken to be quiet. This means that washers, dryers, vacuum cleaners, and especially televisions and stereos, should either not be used at all or used only at such a low noise level as not to unreasonably inconvenience any neighbor.

Should noise be a problem, the first step should be to contact your neighbor and try to reach an accommodation with each other.

Use of air conditioners outside residents' units in the summer, at night, can be an annoyance to your neighbors. Please be considerate. It is understood that there may be a few instances during summer months when residents in the general population will be running air conditioners after 10:00 p.m.

10.3 Barbecues

Only electric and propane-fired barbecues are permitted. Barbecues must be used and maintained safely and must not be a nuisance to other residents.

11.0 PETS AND WILDLIFE

11.1 Pets

No animals shall be kept, bred, or raised in the Mutual for any commercial purposes. Except for domestic dogs, cats, birds, fish, and common domestic caged pets in numbers not to exceed those permitted by local ordinance, no animals shall be kept in any unit or elsewhere in the Mutual.

The owner of each pet shall be responsible for immediately removing and disposing of any waste introduced to any portion of the Mutual by such pet. Each Member, resident, and any person bringing or keeping an animal within the Mutual shall be absolutely liable to the Mutual and all other persons for any injury or damage to persons or property caused by the animal brought upon or kept upon the Mutual by such person or by members of his/her family, tenants, guests, or invitees. The owner shall indemnify the Mutual and its officers, directors, and agents against any and all claims, damages, losses, demands, liabilities, and expenses, including but not limited to attorney's fees, arising out of or resulting from the presence or conduct of any animal brought upon or kept within the Mutual by the Member, members of his/her family, guests, tenants, or invitees.

The Mutual shall have the right to prohibit the keeping of any animal that constitutes, in the sole and exclusive opinion of the Board, a nuisance or danger to any other person.

No pets may be kept in the Mutual that become a nuisance. Pets that are determined by the Board to be noisy or obnoxious are subject to removal from the Mutual.

When the pets are outside the manor, they must be on a leash at all times.

11.2 Feeding Wildlife

Bird seed feeders and/or scattering of bird seed, or feeding all other wild, feral or domesticated animals outside is not permitted because it attracts rodents. If bird feeders are discovered, the owner will be required to remove the feed and feeder immediately upon notification, or the Mutual will remove them if the Member is not available.

11.3 Bird Baths

Birdbaths are not allowed because standing water provides a place for mosquitoes to breed, and West Nile disease, spread by mosquitoes, is a present danger.

12.0 RULES AND REGULATIONS

12.1 Noncompliance with Policies or Regulations

Failure of a Member to comply with policies or regulations established by the Board shall subject the Member to the penalty procedures set forth in the Bylaws, unless otherwise provided for in the *"California Corporations Code."*

Members shall notify any contractors under their supervision that any violation of Mutual rules regarding contractors could result in the offending contractor being barred from working in Second Walnut Creek Mutual. The Second Walnut Creek Mutual Board will decide each instance, and the contractor will be notified. If the contractor should be found in violation, no permit involving that contractor shall be approved for Second Walnut Creek Mutual.

12.2 Enforcing Rules and Regulations

Within five (5) working days from receipt of notification of a violation, the President or 1st Vice President shall address a letter to the Member advising him/her of the nature and extent of the infraction, requesting immediate compliance and a written response within five (5) working days so that he/she will not be found in default of the Occupancy Agreement. If a satisfactory written response is not received within the specified period, or the Member refuses to comply, action shall be taken by the Board in accordance with the provisions set forth in the *Bylaws*. The Board, in its discretion, shall determine what constitutes a satisfactory response.

13.0 COMPLAINTS BETWEEN MEMBERS

13.1 Complaints

Complaints about Member or resident conduct of a **critical** nature made to a staff member of the Foundation or to a Director of the Mutual Board, should be referred immediately to the Manager of Public Safety or a Member of his/her staff who will respond and, if necessary, contact other personnel of the Foundation, the Walnut Creek Police Department, or other public agencies for assistance.

If the complaint is not of a critical nature, the complainant should be asked to make a verbal report to Public Safety. If the complaint has substance, Public Safety will investigate and, if necessary, contact other personnel of the Foundation, the Mutual, the Walnut Creek Police Department, or other public agencies for assistance.

Before action on a complaint is taken, the Board shall conduct a hearing in closed session at which the complainant(s) and the accused shall be asked to testify in person or in writing. The accused shall be informed of the complaint in advance, with enough time to prepare a response that may be delivered in person or in writing. All parties shall be notified that counsel may represent them, and that the accused has the right to confront witnesses. If the complainant refuses to testify in person or in writing, action shall be taken only if the safety of residents or the Mutual's property is threatened. If the accused or his/her counsel does not appear at the hearing or respond in writing, the hearing shall proceed.

13.2 Options for Action

Options for action shall include:

A declaration may be made that a Member is found to be in violation of the Occupancy Agreement, with subsequent appropriate action as provided.

A fine of up to \$100 may be levied against the accused if evidence establishes willful misconduct. If after a fine is levied, there is clear and positive evidence of a repetition of the willful misconduct, the Board shall proceed as provided above, giving to the Member the notice and hearing required by the Bylaws of the Mutual.

14.0 MANAGEMENT AGREEMENT AND COMMUNICATION

14.1 Management Agreement

The management and physical operation of the Mutual's affairs is provided for under the Management Agreement with the Golden Rain Foundation (Foundation). Responsibility for such activities has been delegated by the Mutual to the Director of Mutual Operations who in turn may delegate his/her authority to designated department managers.

The Board recognizes that the Management Agreement with the Foundation directly affects all Members in the Mutual. If a situation should develop that could lead to abrogation or non-renewal of the Agreement, an opportunity prior to action will be provided for the Members to express their feelings in this regard.

14.2 Submission of Items for Board Action

Items to be considered by the Board at a regular meeting should be submitted in writing on the Residents' Forum form available at the meeting and handed to the President prior to commencement of the meeting. For an emergency situation that occurs between meetings and that requires action by the Board, a telephone poll may be taken. Agreement by at least three (3) Board members is required. Such action shall be ratified at the next regular meeting of the Board.

14.3 Availability of Minutes

In accordance with California Civil Code Section 1363, the minutes, a draft of the minutes, or a summary of the minutes of any meeting of the Mutual's Board of Directors, other than meetings held in executive session, are available to members after they have been approved by the Board. Members may view a copy of the minutes at the Administration Office located at 1001 Golden Rain Road, Walnut Creek, California. A copy of the minutes will be sent to members upon reimbursement of the Mutual's cost to make the copies. All requests for copies of meeting minutes are to be addressed to the Mutual's Board of Directors at 1001 Golden Rain Road, Walnut Creek, California 94595.

14.4 Communications from a Member of the Mutual

Members should address inquiries or complaints to the MOD Work Order Desk, either in writing or by telephone. If necessary, the division head will inform the appropriate Director of the Board in writing, or by telephone in case of an emergency, of the matter presented by the Member. If the matter is not concluded by the MOD staff to the satisfaction of the Member, the Member may refer the matter in writing to the Board, or may address the Board during the Residents' Forum at a regular meeting.

15.0 FINES AND ENFORCEMENT

The following fines may be imposed on any Member (or responsible party) found in violation of the Mutual's Policies, Rules, Bylaws or Occupancy Agreement ("Governing Documents").

When any violation is observed or reported and then confirmed, the following procedure will be followed:

1. The Member will be notified by letter or violation notice, which shall cite the applicable governing document(s) for the case at hand.
2. The Member will be notified of the time permitted, if appropriate, to correct the violation, the intended fine that may be imposed if not corrected by that date, and the date of a hearing with the Board of Directors on the matter at which the Member may attend and be heard regarding the intended fine. Instead of appearing, the Member may submit a written response to the Board of Directors.
3. Failure of the Member to appear before the Board or respond by mail with a reasonable excuse shall not prevent the Board from being able to act on the violation. If the responsible Member does not appeal the proposed fine, either in person or in writing, then the Board may decide the imposition of the fine.
4. The Member will be notified of the Board's decision by certified mail within 15 days of the Board taking action.
5. Any fines imposed by the Board will be due and payable 30 days after assessment. Payment for a fine which is 30 days overdue will be assessed a late fee of \$20 per month. This amount will be separate and in addition to any late charges for unpaid assessments which may be on record. When any fine is three (3) months past due, the Mutual may seek legal action. This may include an action in Superior or Small Claims Court. All costs of collection including court fees, attorney fees, and other costs will be charged to the Member.
6. If judgment is awarded in court action, the Mutual may refer the matter to a collection agency. Any collection fees or any fees discounted by any collection agency from the full amount of the judgment will be charged to the Member.

FINE SCHEDULE

A detailed schedule of fines shall be established by the Board of Directors from time to time within the maximum incremental fines set forth below.

1st Violation- Maximum \$100 fine

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2nd Violation of the same nature within 6 months – Maximum \$200 fine

3rd or Later Violation of the same nature within 12 months of the previous violation – Maximum \$500 fine per occurrence

In the event of a continuing violation (e.g., without limitation a continuing prohibited use of property, architectural violation, etc.), the Board will have the option of imposing periodic, repetitive fines of up to \$200 at periodic increments (daily, weekly, monthly, etc.) without holding additional hearings.

Members are responsible for their family members', tenants' and guests' actions. Members will be given notice of violation(s) by their family members, tenants or guests, and any resulting fine will be imposed against the Member.

16.0 INSURANCE

16.1 Liability and Fidelity Insurance. The Mutual shall obtain and maintain the following liability policies:

16.1.1 Commercial General Liability Policy: A Commercial General Liability policy insuring the Mutual, any manager, the Mutual's directors and officers, and the Owners against liability arising from any bodily injury or property damage as a result of an accident or occurrence within the Common Area. Subject to the terms and conditions of the policy, the policy also shall cover bodily injury or property damage from an accident or occurrence within any Unit related to any maintenance or repair work required to be performed by the Mutual pursuant to this Declaration, including, but not limited to, work performed in the Common Area. The policy shall include, if obtainable, cross liability or severability of interest coverage. The limits of such insurance (including the commercial general liability and any excess liability coverage) shall not be less than the general liability insurance requirements set forth in Civil Code section 1365.9 or any successor statute thereto covering all claims for bodily injury and property damage arising out of a single occurrence. The coverage may be a combination of primary and excess policies. The insurance shall be provided with coverage terms provided by Insurance Services Offices (ISO) form CG 0001, or equivalent or better coverage. Such insurance shall include coverage against liability for owned, non-owned and hired automobiles and other liability or risk customarily covered with respect to projects similar in construction, location and use. The policy shall be primary and noncontributing with any other liability policy covering the same liability.

16.1.2 Directors and Officers Liability Policy: A Directors and Officers Liability policy containing such terms and conditions as are normally and customarily carried for directors and officers of a common interest development and in sufficient amounts to satisfy the insurance requirements of Civil Code section 1365.7 or any successor statute thereto.

16.1.3 Crime Insurance. A blanket Commercial Crime Insurance Policy covering the Mutual, any organization or person who either handles or administers or is responsible for Mutual funds, whether or not any person receives compensation for

16.0 INSURANCE

services. The policy amounts shall satisfy the Federal National Mortgage Association (“FNMA”) and Federal Housing Administration (“FHA”) requirements and in no event shall be less than the sum of three months of assessments on all Units subject to assessments.

16.2 Mutual Property Insurance. The Mutual shall obtain and maintain a master property insurance policy that satisfies each of the following conditions:

16.2.1 Property Covered. The policy shall cover the following real and personal property:

(i) *Common Area*. All Common Area Improvements, including buildings and any additions or extensions thereto; all fixtures, machinery and equipment permanently affixed to the building; windows; fences; monuments; lighting fixtures situated outside the Units; exterior signs; and personal property owned or maintained by the Mutual; but excluding land; excavations; and other items typically excluded from property insurance coverage.

(ii) *Units*. Permanently affixed Improvements situated within the Unit, including interior walls and doors; ceiling, floor and wall surface materials (e.g., paint, wallpaper, carpets and hardwood floors); utility fixtures (including gas, electrical and plumbing); cabinets; built-in appliances; heating and air-conditioning systems; water heaters and any replacements thereto; but excluding any personal property located in the Unit. If the Unit Owner renovates, upgrades or replaces any permanently affixed Improvement within the Unit or adds new Improvements to the Unit (collectively, the “Alterations”) and the replacement cost of the Alterations exceeds the cost of the Improvements prior to the Alterations, the Unit Owner shall be responsible for procuring and maintaining insurance to cover the excess unless the Owner has obtained written approval from the Mutual to make the Alterations and, to the extent required, approval from governmental authorities.

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(iii) *Landscaping.* Lawn, trees, shrubs and plants located in the Common Area.

16.2.2 Covered Cause of Loss. The policy shall provide coverage against losses caused by fire and risks of direct physical loss, as insured under the ISO “Causes of Loss - Special Form (CP 1030)” or its equivalent or better coverage. Such policy shall include coverage for loss resulting from the enforcement of any ordinance or law regulating the construction, use or repair of any property, or requiring the tearing down of any property, if caused by a peril insured by such policy. Equipment Breakdown Insurance shall also be maintained covering boilers and related equipment, heating, air-conditioning, electrical and mechanical equipment that is used in the generation, transmission or utilization of energy.

16.2.3 Dollar Limit. The dollar limit of the policy shall not be less than the full insurable replacement value of the covered property described in **Section 1.2.1** above based on insurance industry standards for determination of replacement values, provided that there may be lower dollar limits for specified items as is customarily provided in property insurance policies.

16.2.4 Primary. The policy shall be primary and noncontributing with any other insurance policy covering the same loss.

16.2.5 Endorsements. The policy may contain such endorsements as the Board may select after consultation with a qualified insurance consultant.

16.2.6 Waiver of Subrogation. The Mutual waives all subrogation rights against any Owner or occupant and their family members and invitees. The policy shall include an acknowledgment of the Mutual’s right to waive all subrogation rights against the Owner.

16.2.7 Deductible. Except as otherwise provided by separate agreement, when a claim is made on the Mutual’s property insurance policy, the Owner is responsible for payment of the deductible in circumstances: (i) where damage to Common Area and/or Unit Improvements is caused by the fault of the Owner or that Owner’s tenant or their

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family members, invitees or agents; or (ii) where damage to Common Area and/or Unit Improvements is caused by the failure of some portion of the Unit which the Owner is responsible for maintaining. In cases where fault cannot be determined, the Mutual shall pay the deductible.

The Mutual may enter into a deductible sharing agreement with other Mutuals within Rossmoor. In this event, to the extent there is any conflict between the payment of deductibles as set forth in this **Section 1.2.7** and the agreement, the agreement shall control.

16.3 FNMA, FHLMC and FHA Requirements. Notwithstanding anything herein to the contrary, the Mutual shall maintain such policies, containing such terms, amount of coverage, endorsements, deductible amounts, named insureds, loss payees, standard mortgage clauses, notice of changes or cancellation, and an appropriate insurance company rating that shall satisfy the minimum requirements imposed by the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal Housing Administration ("FHA") or any successor thereto. If the FNMA, FHLMC or FHA requirements conflict, the more stringent requirements shall be met.

16.4 Insurance Rating and Cancellation. The insurance company providing the Mutual's insurance under **Sections 1.1** and **1.2** shall have an A.M. Best rating of not less than A:VII if licensed to do business in the State of California and a rating of not less than A:X if approved but not licensed to do business in the State of California, provided that if the Board determines that insurance from insurance companies with the required ratings is not available at commercially reasonable rates, the Board may reduce the rating requirements after consultation with a qualified insurance consultant. If the A.M. Best ratings are no longer available, the insurance ratings shall be based on equivalent ratings issued by an independent insurance rating company used by financial institutions for insurance rating purposes.

16.0 INSURANCE

16.5 Board's Insurance Authority. The Board has the authority on behalf of the Mutual and each of its Owners to participate with the Golden Rain Foundation or any successor or assign thereto (the "GRF") and other Mutuels in a group policy or policies procured and maintained by GRF as long as the group policy or policies provide equivalent or better coverage than the applicable requirements described in **Sections 1.1 and 1.2** subject to the Board's right to deviate from the requirement as described herein.

The Board shall have the power and right to deviate from the insurance requirements contained in this **Article 1** in any manner that the Board, in its discretion, considers to be in the best interests of the Mutual, provided that the Board shall maintain the minimum insurance requirements set forth in Civil Code sections 1365.7 and 1365.9 or in any successor statute thereto and as required in **Section 1.3**. If the Board elects to materially reduce the coverage from the coverage required in this **Article 1**, the Board shall make all reasonable efforts to notify the Members of the reduction in coverage and the reasons therefore at least 30 days prior to the effective date of the reduction.

The Board is authorized to negotiate and agree on the value and extent of any loss under any policy carried by the Mutual, including, but not limited to, the right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

Each Owner irrevocably appoints the Mutual, as that Owner's attorney-in-fact for purposes of procuring, negotiating, accepting, compromising, releasing, settling, distributing and taking other related actions in connection with any insurance policy maintained by the Mutual and any losses or claims related thereto and agrees to be bound by the actions so taken as if the Owner had personally taken the action.

16.0 INSURANCE

16.6 Owners' Individual Insurance Requirements. Each Owner is responsible for procuring and maintaining property insurance against losses to personal property located within the Owner's Unit and personal liability coverage. **The Mutual's insurance policies will not provide coverage for: (i) losses to the Owner's personal property; (ii) losses to any Alterations to the extent not covered under Section 1.2.1(ii); (iii) liability from accidents or occurrences within the Owner's Unit; or (iv) liability from accidents or occurrences within Rossmoor for which the Owner may be held responsible and which may not be covered under the Association's Commercial General Liability policy. Each Owner should seek the advice of a qualified insurance consultant regarding the Owner's property and liability insurance obligations under this Section 1.6 and other applicable coverage available to Owners of Units.**

Nothing herein imposes any duty on the Mutual, its directors, officers or agents (including the manager) to confirm or otherwise verify that the Owners are carrying the insurance described in this **Section 1.6**.

No Owner shall separately insure any property covered by the Mutual's property insurance policy as described in **Section 1.2** above. If any owner violates this provision and, as a result, there is a diminution in insurance proceeds otherwise payable to the Mutual, the Owner will be liable to the Mutual to the extent of the diminution. The Mutual may levy a reimbursement assessment against the Owner's Unit to collect the amount of the diminution.

17.0 ELECTION RULES

1. General. These Election Rules for Second Walnut Creek Mutual (“Mutual”) are intended to comply with *Civil Code* sections 5100 *et seq.*, and shall apply to Member voting: (1) to elect or remove members of the Board of Directors; (2) regarding assessments; (3) regarding amendments to the Governing Documents (as defined in Section 2.2, below); (4) regarding the granting of exclusive use of Common Area property which requires approval of the Members; and (5) at the discretion of the Board of Directors, regarding any other matter that may be the subject of a vote of Mutual Members.

2. Definitions.

2.1 All capitalized terms that are not otherwise defined in these Election Rules shall have the meanings ascribed to them in the Mutual’s Bylaws (as amended from time to time, the “Bylaws”).

2.2 “Governing Documents” shall mean, collectively, the Mutual’s Articles of Incorporation, Bylaws, and Rules (sometimes referred to as “Policies”) adopted by the Board and distributed to the Members, as such Governing Documents as amended from time to time.

2.3 For purposes of these Election Rules, and unless the Bylaws contain a different definition (in which case the definition in the Bylaws shall control), “Member in Good Standing” shall mean a Member of the Mutual who: is current in the payment of all assessments, fines, penalties, and other charges imposed in accordance with the Governing Documents and the Occupancy Agreement; is otherwise free from sanctions imposed by the Mutual; and is in compliance with all provisions of the Governing Documents and the Occupancy Agreement.

3. Equal Access to Mutual Media and Facilities.

3.1 No candidate or Mutual Member advocating a point of view for purposes related to an election covered by these Election Rules shall be allowed access to any form of Mutual media, including but not limited to the Mutual’s official internet website (if any), and/or bulletin board maintained or utilized by the Mutual for the purpose of posting official Mutual notices (if any), after written ballots are distributed as specified in Section 9.1, below, until the conclusion of the election.

3.2 For each election of Directors, the Mutual may schedule one or more “Meet the Candidates” forums where each Member who is interested in running for the Board may attend and speak to any Mutual members choosing to attend according to procedures which may be established by the Board of Directors.

17.0 ELECTION RULES

3.3 For each election subject to these Election Rules, the Mutual may schedule one or more informational forums at which any Member advocating a point of view which is the subject to a pending election may attend and address the attendees according to procedures which may be established by the Board of Directors.

3.4 With the exception of refreshments which may be provided at the assemblies described in Sections 3.2 and 3.3, above, no Mutual funds shall be used for campaign purposes in connection with any election which is subject to these Election Rules.

3.5 Sections 3.1, 3.2 and 3.3, above, specify the manner in which the Mutual shall comply with the legal requirement in *Civil Code* section 5105(a)(1) that "if any candidate or member advocating a point of view is provided access to association media, newsletters, or Internet Web sites during a campaign, for purposes that are reasonably related to that election, equal access shall be provided to all candidates and members advocating a point of view, including those not endorsed by the Board, for purposes that are reasonably related to the election."

4. Qualifications of Directors and Candidates.

4.1 To the extent not in conflict with the Bylaws, only persons who are Members in Good Standing shall be eligible to run for, be elected to, or serve on the Board.

IT SHOULD BE NOTED THAT the Bylaws, as of the date these Election Rules were adopted, at Article V, Section 1 (entitled "Number and Qualifications") states that all Directors "shall be members of the Corporation or Designated Occupants of estate (*sic*) or trusts which are members." Therefore, unless and until the foregoing Bylaw provision is appropriately amended, Directors are not required to be "Members in Good Standing" as defined in Section 2.3 of these Election Rules, but must instead satisfy the requirements contained in Article V, Section 1 of the Bylaws that were in force as of the date these Election Rules were adopted.

4.2 Directors and candidates for election to the Board shall also satisfy such other qualifications as may be imposed by the Bylaws.

17.0 ELECTION RULES

5. Nomination Procedure for Board of Directors.

5.1 Candidates for the Board of Directors shall be nominated as set forth hereafter.

5.2 To the extent not in conflict with the Mutual's Bylaws:

5.2.1 Approximately 90 days before an election of Directors, the Mutual shall send to all Members a solicitation to become a candidate for the Board of Directors by mail, electronic transmission or inclusion of the solicitation in the Rossmoor News or newsletter published by the Mutual;

5.2.2 Approximately 60 days before the pending election of Directors, but in any event, no later than the deadline established by the Mutual, interested persons must inform the Mutual's managing agent or Board of Directors in writing of their request to be a candidate for the Board of Directors (self-nomination). Nominations for candidates wishing to be included on the mailed ballots shall close approximately 60 days prior to the conclusion of the election (but in any event, no later than the deadline established by the Mutual); all nominations to be included in the written ballot must be in writing and delivered to the Inspector(s) of Election approximately 60 days prior to the conclusion of the election (but in any event, no later than the deadline established by the Mutual);

5.2.3 The Inspector(s) of Election shall review (including consultation with the Board of Directors if necessary) all persons so responding for compliance with the qualifications identified in Section 4, above entitled "Qualifications of Directors and Candidates;" and

5.2.4 All qualified persons who timely respond to the Mutual's solicitation shall be candidates for the Board of Directors at the next election.

5.3 Nominated candidates for the Board of Directors may provide a "candidate statement" which the Mutual shall enclose with the voting packet mailed to each Mutual Member. The statement shall not exceed 250 words, and shall be delivered to the Mutual's managing agent in final form approximately 45 days before the scheduled conclusion of the election, but in any event, no later than the deadline established by the Mutual.

5.4 Nominations of candidates for election to the Board of Directors may not be made from the floor at any meeting.

17.0 ELECTION RULES

5.5 In the event of a vote to elect Directors in conjunction with or following a vote to recall directors, the timeframe set forth above regarding nominations shall not apply.

6. Cumulative Voting in Elections of Directors. Cumulative voting in elections of Directors shall not be permitted.

7. Inspector(s) of Election.

7.1 The Board shall appoint one or three Inspectors of Election, who shall perform all functions required by *Civil Code* section 5110, including:

7.1.1 Determine the number of memberships entitled to vote and the voting power of each;

7.1.2 Determine the authenticity, validity and effect of proxies, if any;

7.1.3 Receive and be the custodian of ballots, and direct the location to which ballots shall be sent until tabulated by the Inspector(s) of Election;

7.1.4 Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote;

7.1.5. Count and tabulate all votes;

7.1.6 Determine when the election shall close, with the discretion to extend the deadline for voting as necessary;

7.1.7 Determine the results of the election; and

7.1.8 Report the results of the election to the Board of Directors.

7.2 Eligible Inspectors of Election may include:

7.2.1 The Mutual's managing agent, including its employees;

7.2.2 The Mutual's attorney or CPA;

7.2.3 Any Mutual Members who are not members of or candidates for the Board of Directors, nor relatives of members or candidates for the Board of Directors; and

7.2.4 Any other individuals or business entities that are employed by or under contract with the Mutual as well as any individuals or business entities that are not employed by or under contract with the Mutual.

17.0 ELECTION RULES

7.3 Unless the Board specifically decides otherwise, the Inspector of Election shall be the Mutual's managing agent at the time of the election.

7.4 The Mutual may, at the discretion of the Board of Directors, provide reasonable compensation to the Inspector(s) of Election.

7.5 The Mutual shall indemnify the Inspector(s) of Election in connection with services performed in good faith by the Inspector(s) of Election related to the election.

7.6 The Inspector(s) of Election shall have the sole authority to determine whether to issue a replacement ballot to a Member if requested by the Member who has not yet returned a completed ballot.

7.7 The Inspector(s) of Election may appoint and oversee additional persons to verify signatures and to count and tabulate votes as the Inspector(s) deem appropriate, provided that the appointed persons would themselves be eligible to serve as Inspector(s) of Election pursuant to Section 7.2, above.

8. Voting Rights.

8.1 Each Member's qualifications for voting shall be as specified in the Bylaws and these Election Rules.

8.2 Unless the Bylaws specifically provide otherwise:

8.2.1 Only Members in Good Standing are entitled to vote in Mutual elections;

8.2.2 Co-owners of a membership, if otherwise qualified, shall be considered as a single "Member in Good Standing" entitled to vote in Mutual elections;

8.2.3 Each Mutual membership shall be entitled to a single vote with regard to each matter that is the subject of a pending election; and

8.2.4 With regard to an election of one or more Directors, the Members in Good Standing may cast, with respect to each position on the Board to be filled, one vote for each membership owned.

17.0 ELECTION RULES

IT SHOULD BE NOTED THAT Article IV, Section 7 of the Bylaws in effect as of the date these Election Rules were adopted do not prescribe that only Members in Good Standing may vote, but instead provide that any Member more than 30 days delinquent in payments due the Mutual under his or her Occupancy Agreement may not vote.

8.3 The voting period will run from the date on which ballots are distributed (as specified in Section 9.1, below) until the conclusion of the election.

9. Voting Procedures.

9.1 Mailing of voting packets. At least 30 days before the election, the Mutual shall, by first class U.S. mail, send one voting packet to each Mutual Member entitled to vote in the election. Each packet shall contain the following:

9.1.1 One official ballot;

9.1.2 In the case of an election of Directors, copies of all candidates' statements timely received by the Mutual as specified herein;

9.1.3 Two sealable envelopes. The smaller (inner) envelope shall have no markings identifying the voter. The larger (outer) envelope shall be pre-addressed to the Inspector(s) of Election, Second Walnut Creek Mutual, and include the return address for the Inspector(s) of Election. The upper left corner of the larger (outer) envelope shall contain spaces for the member's name and mailing address (and identify the Member's account number or manor address if different from the mailing address) and provide a place for the Member's signature;

9.1.4 Instructions on how to use the two-envelope system; and

9.1.5 Notice of the date of the membership meeting or election.

9.2 Ballot Content. Each ballot shall contain the following:

9.2.1 In an election of Directors, each candidate's name listed alphabetically;

9.2.2 The identification of any other matter that is the subject of a pending Member vote; and

9.2.3 A statement of when ballots must be returned by mail and/or hand delivery.

17.0 ELECTION RULES

9.3 Receipt of Ballots.

9.3.1 All ballots shall be received by the Inspector(s) of Election at locations as specified by the Inspector(s) of Election.

9.3.2 If so directed by the Inspector(s) of Election, the Mutual's managing agent shall maintain a log of all ballot envelopes received, noting whether the envelopes were signed or unsigned.

9.3.3 Once a ballot has been received by the Inspector(s) of Election, it may not be revoked.

9.3.4 Each ballot received by the Inspector(s) of Election shall be treated as a Member present at a meeting for purposes of establishing a quorum if a quorum is required by the Governing Documents or California law to conclude the election.

9.3.5 All ballots shall remain in the possession of the Inspector(s) of Election (at a location designated by the Inspector(s) of Election) until tabulated by the Inspector(s) and for one year after the conclusion of the election.

9.4 Proxies. Votes may be cast by proxy only if expressly permitted by the Bylaws.

9.5 Election by Acclamation. If, as of the published deadline for nominations, the number of qualified candidates nominated does not exceed the number of Directors to be elected, then the individuals nominated and qualified to be elected shall be declared elected and written notice of the election shall be given to the Members.

10. Tabulation of Ballots.

10.1 The voting packets shall be opened by the Inspector(s) of Election after the close of the election as determined by the Inspector(s). The larger (outer) envelopes and each ballot shall be separately retained by the Inspector(s). The Inspector(s) of Election, or their designees, may verify the Member's information and signature on the larger (outer) envelope prior to the meeting at which ballots are tabulated.

10.2 The voting packet envelopes shall be opened and the ballots tabulated by the Inspector(s) of Election in public at a properly noticed open meeting of the Members or of the Board of Directors.

17.0 ELECTION RULES

10.3 Any candidate or other Member of the Mutual may witness the counting and tabulation of the votes. However, no Mutual Member or candidate shall communicate with the Inspector(s) during the tabulation process, and all Members and candidates must remain at least five feet away from the counting area. The Inspector(s) of Election may cause the removal of any observer who interferes with or disrupts the counting or tabulation process.

10.4 When the ballots are counted at a membership meeting, the Inspector(s) of Election may announce to the membership those Members who neglected to sign the outer envelope and provide an opportunity for them to do so prior to tabulation of the ballot.

10.5 In the event there is a tie between candidates, a runoff election shall be conducted via secret written ballot in accordance with these Election Rules; however, the procedures set forth above regarding the nomination of candidates shall not apply.

10.6 The results of the election shall be promptly reported to the Board of Directors, shall be recorded in the minutes of the next meeting of the Board of Directors, and shall be available for review by the Members of the Mutual.

11. Post-Election Procedures.

11.1 The results of the election shall be recorded in the minutes of the next meeting of the Board of Directors and shall be available for review by Members of the Mutual.

11.2 The Board of Directors shall publicize the results of the election within 15 days by a communication directed to all Members.

11.3 One (1) year after the conclusion of the election, the Inspector(s) of Election shall transfer custody of all ballots and outer envelopes to the Mutual.

11.4 In the event of a re-count or challenge, the Inspector(s) of Election shall, upon written request, make the ballots available for inspection by the challenging Mutual Member or his or her authorized representative. Any re-count shall be conducted in a manner designed to preserve the confidentiality of the vote.

The foregoing Election Rules were adopted by the Board of Directors of Second Walnut Creek Mutual at an open meeting of the Board held on January 19, 2107, following notice to the Members, the opportunity for Member comment, and Board consideration of the Members' comments, all as required by *Civil Code* section 4360.

17.0 ELECTION RULES

SECOND WALNUT CREEK MUTUAL

Date: _____

By: _____

[Insert name & title of officer]

18.0 SENIOR HOUSING RULES

18.1. Senior Citizen Housing Development. The Development is a senior housing development that is intended to (i) qualify for the "housing for older persons" exemption from the prohibitions on discrimination based on familial status contained in the federal Fair Housing Act, including those provisions adopted pursuant to the Fair Housing Amendments Act of 1988 and the Housing for Older Persons Act of 1995 (collectively, the "Federal Act"), (ii) qualify as a "senior citizen housing development" as that term is defined in California Civil Code section 51.3 (the "State Act"), and (iii) otherwise comply with the requirements of the Federal Act and the State Act.

18.2. Definitions. The terms used in these Senior Housing Rules shall have the meanings set forth in this Section 18.2. All other capitalized terms that are not defined in these Senior Housing Rules shall have the meanings ascribed to them in the Bylaws unless the context requires otherwise.

A. Qualifying Resident. "Qualifying Resident" or "senior citizen" shall mean a person fifty-five (55) years of age or older.

B. Qualified Permanent Resident. "Qualified Permanent Resident" shall mean a person who meets either of the following requirements:

(i) The person was residing with the Qualifying Resident prior to the death, hospitalization, or other prolonged absence of, or the dissolution of marriage **and**, at the time of that residency, the person was forty-five (45) years or older, or was a spouse or Cohabitant of, or was a person providing primary physical or economic support to, the Qualifying Resident, but not a Permitted Health Care Resident as defined in Section 18.2.H. below; or

(ii) The person is a disabled person (defined as a person who has a disability as defined in Civil Code section 54(b)) or person with a disabling illness or injury (defined as an illness or injury which results in a condition meeting the definition of a disability set forth in Civil Code section 54(b)) who is a child or grandchild of the Qualifying Resident or a Qualified Permanent Resident who needs to live with the Qualifying Resident or Qualified Permanent Resident because of the disabling condition, illness or injury.

C. Designated Occupant. "Designated Occupant" shall mean the person designated by the Member and approved by the Board as the principal occupant of the Manor. The Designated Occupant shall be a Qualifying Resident who resides in the Manor as a primary residence on a permanent basis unless the circumstances specified in Section 18.2.B(i) exist in which case the Board may approve a Qualified Permanent Resident as the Designated Occupant. If the Member has not designated a Designated Occupant and the Member is a Qualifying Resident who resides in the Manor as a primary residence on a permanent basis, the Member shall be deemed to be the Designated Occupant.

D. Cohabitants. "Co-habitants" shall mean persons who live in the Manor together as husband and wife or persons who are domestic partners within the meaning of California Family Code section 297.

18.0 SENIOR HOUSING RULES

E. Co-occupant. "Co-occupant" shall mean a person, registered with and approved by the Mutual, residing with the Designated Occupant, who (a) is fifty-five (55) years or older; or (b) is a spouse or Cohabitant of the Designated Occupant; or (c) is a person providing primary physical or economic support to the Qualifying Resident as described in section 18.2.B.(i) above; or (d) is a Permitted Health Care Resident as defined in Section 18.2.H. below; or (e) is a disabled child or grandchild as described in Section 18.2.B.(ii) above; or (f) is a person under fifty-five (55) years of age whose occupancy is permitted under California Civil Code sections 51.3(h) or section 51.4(b).

F. Guest/Visitor. A "Visitor" is an invitee of a Qualified Resident of a Manor and a "Guest" is an overnight Visitor, both as more particularly described and limited in Section 18.6 below.

G. Member. "Member" shall mean the owner (or owners, if more than one) of a Membership in the Mutual pursuant to the Bylaws.

H. Permitted Health Care Resident. "Permitted Health Care Resident" shall mean a person hired to provide live-in, long-term, or terminal health care to a Qualifying Resident, or a family member of the Qualifying Resident who is providing that care to the Qualifying Resident but is not a Qualified Permanent Resident as defined in Section 18.2.B. above. The care provided by a Permitted Health Care Resident must be substantial in nature and must provide either assistance with necessary daily activities or medical treatment, or both.

18.3. Generally, at Least One Qualifying Resident Must Permanently Occupy the Manor. Subject to Section 18.4 below and except as specifically otherwise provided in Section 18.6, each Manor, if occupied, must be occupied at all times by at least one Qualifying Resident and all other persons occupying the Manor must be permitted by these Rules. Persons commencing any residency of a Manor must include a Designated Occupant who is a Qualifying Resident and who intends to reside in the Manor as a primary residence on a permanent basis. A residency is commenced (a) when persons first occupy a Manor after close of escrow of a purchase of a Membership or (b) upon any change in occupants resulting from the death, hospitalization, or other prolonged absence of, or dissolution of marriage of the previous Designated Occupant. If, at any time, the Designated Occupant ceases to reside in the Manor, the Member shall immediately notify the Mutual and promptly take all necessary action to designate a new Designated Occupant.

18.4. Occupancy by Permitted Health Care Residents. A Permitted Health Care Resident may occupy a Manor during any period that the Permitted Health Care Resident is actually providing live-in, long-term, or hospice health care to a Qualifying Resident for compensation. For the purposes of this Section 18.4, the term "compensation" shall include the provision of lodging and food in exchange for care. A Permitted Health Care Resident shall be entitled to continue his or her occupancy, residence or use of the Manor in the absence of the Qualifying Resident from the Manor only if **both** of the following apply:

18.0 SENIOR HOUSING RULES

A. The Qualifying Resident became absent from the Manor due to hospitalization or other necessary medical treatment and expects to return to the Manor within ninety (90) days from the date the absence began. If it appears that the Qualifying Resident will return within a period of time not to exceed an additional ninety (90) days, and upon written request of the Qualifying Resident or an authorized person acting for the Qualifying Resident, the Board may, in its discretion, allow a Permitted Health Care Resident to remain for a time period longer than ninety (90) days from the date the absence began; **and**

B. The absent Qualifying Resident, or an authorized person acting for the Qualifying Resident, submits a written request to the Board stating that the Qualifying Resident desires that the Permitted Health Care Resident be allowed to remain in order to be present when the Qualifying Resident returns to reside in the Development.

18.5. Burden of Proof. All persons claiming status as a Qualifying Resident, Qualified Permanent Resident, or Permitted Health Care Resident or persons claiming that another meets that status have the burden of proving that they meet the qualifications for the applicable status to the satisfaction of the Board.

A. All persons who claim that they provide “primary physical support” or “primary economic support” to the Qualifying Resident, and are thus Qualified Permanent Residents under Section 18.2.B. (i) above, have the burden of proving that to the satisfaction of the Board.

B. Where it is asserted that a particular person provides primary physical support, the Qualifying Resident or the Qualifying Resident’s agent may be required to provide one or both of the following to the Mutual: (1) a statement from the Qualifying Resident’s physician, other medical provider, case worker or social worker about the Qualifying Resident’s need for physical support, and (2) an explanation of the type and amount of physical support provided to the Qualifying Resident and a comparison to the support provided by others and the activities that the Qualifying Resident may undertake without assistance.

C. Where it is claimed that a particular person provides “primary economic support,” the Qualifying Resident or his or her agent may be required to show that (1) the person claiming Qualified Permanent Resident status has independent means and is able to support himself or herself without financial assistance from the Qualifying Resident, and/or (2) the financial support provided to the Qualifying Resident by such person exceeds the income and other financial support independently received by the Qualifying Resident.

D. Absent satisfactory proof as outlined above, persons claiming Qualified Permanent Resident status based on the provision of “primary physical support” or “primary economic support” to the Qualifying Resident may be deemed to be Permitted Health Care Residents if they otherwise satisfy the requirements of Section 18.2.H above below.

18.0 SENIOR HOUSING RULES

18.6. Temporary Occupancy.

A. Visitors may include social guests, family members, or business invitees. Visitors are generally permitted subject to the provisions and limitations of these Rules and other Governing Documents of the Mutual. An overnight Visitor is a Guest. Guests are permitted to temporarily occupy a Manor subject to, and in accord with the following limitations.

B. A Guest may temporarily occupy a Manor only if he or she is a Guest of the Designated Occupant of the Manor or his or her spouse or Co-habitant who also resides in the Manor (the "host"). Members who are not a Designated Occupant of the Manor (e.g., absentee owners, Trustees, etc.) are not allowed Guests. Guests may temporarily occupy the Manor only when the host is present and residing in the Manor. If for any reason, the host ceases to reside in the Manor, the temporary occupancy terminates and the Guest must immediately vacate the Manor. Guests must be transient occupants and may not establish residency in the Manor; generally this means that the Guest must have a residence elsewhere, must not bring or store (a) furniture or (b) personal property exceeding that which is reasonably necessary for a short-term transient occupancy. Guests must comply with all Mutual Rules and other requirements and the host is responsible for their actions.

C. A Guest may temporarily occupy the Manor for more than 21 days only as provided in this subparagraph C. The Guest must register with the Mutual at the Member Records Department located in the Gateway Administration Building, 1001 Golden Rain Road, Walnut Creek CA 94595, prior to the expiration of the initial 21 day period. If the Guest timely registers and is approved by the Mutual, he or she may continue to temporarily occupy the Manor for a maximum of seventy-five (75) days, including the initial 21 days, during any twelve month period. The cumulative total of days in which senior citizen Guests are occupying the Manor may not exceed 75 days. To continue the occupancy of a senior citizen beyond 75 days, an application for Co-occupancy must be presented by the Designated Occupant and approved by the Mutual.

18.7. Notice of Absence of Qualifying Resident; Continued Occupancy by Qualified Permanent Resident. Written notice shall be provided to the Mutual by the Member or Designated Occupant (Qualifying Resident) within fifteen (15) days of the death or dissolution of marriage, or hospitalization or other prolonged absence of the Qualifying Resident. Notwithstanding the provisions of Section 18.3 above, upon the death or dissolution of marriage, or upon hospitalization, or other prolonged absence of the Qualifying Resident, any Qualified Permanent Resident shall be entitled to continue his or her occupancy of the Manor provided that the Board of Directors determines that such continued occupancy shall not result in less than eighty percent (80%) of the Manors then occupied contain at least one Qualifying Resident as required by the Federal Act. The continued occupancy is subject to compliance by the Qualified Permanent Resident with the terms of the Occupancy Agreement between the Mutual and the Designated Occupant and, if the absence of the Designated Occupant is permanent, to the

18.0 SENIOR HOUSING RULES

execution of new Occupancy Agreement by the Qualified Permanent Resident. The provisions of this Section 18.7 shall not apply to a Permitted Health Care Resident.

18.8. Cessation of Disability of Certain Qualified Permanent Residents. For any Resident who is a Qualified Permanent Resident pursuant to Section 18.2.B. (ii) above, whose disabling condition ends, the Board may require the formerly disabled resident to cease residing in the Mutual upon such Resident's receipt of six months' written notice.

18.9. Termination of Occupancy of Qualified Permanent Residents. Subject to the hearing requirements set forth in this Section 18.9, the Board may prohibit or terminate the occupancy of any person who is a Qualified Permanent Resident pursuant to Section 18.2.B. (ii) above (i.e., due to a disability or disabling illness or condition) if the Board finds, based on credible and objective evidence, that the person is likely to pose a significant threat to the health or safety of others that cannot be ameliorated by means of a reasonable accommodation.

A. The Board must provide reasonable notice to and opportunity to be heard, which conforms to the requirements of the Bylaws and applicable law, for the disabled person whose occupancy is being challenged and reasonable notice to (a) the co-resident parent or grandparent of that person and (b) to any trustee, guardian or legal representative of that person of whom the Mutual has been made aware in writing.

B. To preserve privacy, the hearing must be conducted and evidence admitted in a confidential manner pursuant to a closed executive session of the Board. The Board shall give due consideration to the relevant, credible and objective information provided in the hearing.

C. Each affected person shall be entitled to have present at the hearing an attorney or any other person authorized by the affected person to speak on their behalf or assist them in the matter.

18.10. Publication and Adherence to Policy. In compliance with the Federal Act, the Mutual shall publish and adhere to these Senior Housing Rules which demonstrate that the Mutual is intended, and operated for, occupancy by Qualifying Residents. The Mutual shall also comply with the federal rules and regulations for verification of occupancy adopted pursuant to the Federal Act.

18.11. Age Verification. Each Member or such Member's authorized agent shall certify in writing to the Mutual that the Member's Manor is or will be occupied in the manner set forth in these Rules. Such certification shall be submitted (i) when or before the Member becomes the record owner of a Membership in the Mutual, (ii) when or before there is any change in the occupants of the Manor and (iii) at such other times as may be requested by the Mutual. Such certification shall be supported by reliable documentation of the age of each of the occupants of such Manor. The following documents are acceptable as proof of age:

A. Valid state-issued driver's license or identification card;

B. Medicare card;

18.0 SENIOR HOUSING RULES

- C. Birth certificate;
- D. Passport;
- E. Immigration card;
- F. Military identification; or
- G. State, local, national or international official documents of comparable reliability containing a birth date.

18.12. Verification of Status as Qualified Permanent Resident. Where a Manor is occupied by a Qualified Permanent Resident, the Member or authorized agent of the Member shall, upon the Mutual's request, certify to the Mutual, in writing, that such Qualified Permanent Resident does in fact meet the definition of "Qualified Permanent Resident" set forth in Section 18.2.B, above. Such certification shall be supported by reliable documentation acceptable to the Mutual in its sole discretion, and shall be provided to the Mutual at such times as may be requested by the Mutual.

18.13. Verification of Status as Permitted Health Care Resident. Where a Manor is occupied by a Permitted Health Care Resident, the Member or authorized agent of the Member shall, upon the Mutual's request, certify to the Mutual, in writing, that such Permitted Health Care Resident does in fact meet the definition of "Permitted Health Care Resident" set forth in Section 18.2.H. above. Such certification shall be supported by reliable documentation acceptable to the Mutual in its sole discretion, and shall be provided to the Mutual at such times as may be requested by the Mutual.

18.14. Verification of Status as Co-occupant. Where a Manor is occupied by a Co-occupant, the Member or authorized agent of the Member shall, upon the Mutual's request, certify to the Mutual, in writing, that such Co-occupant does in fact meet the definition of "Co-occupant" set forth in Section 18.2.E. above. Such certification shall be supported by reliable documentation acceptable to the Mutual in its sole discretion, and shall be provided to the Mutual at such times as may be requested by the Mutual.

18.15. Implementation of Further Rules; Amendment. The Board shall have the power and discretion to take any action the Board deems necessary to adopt and implement further rules and regulations and amend and modify these Senior Housing Rules to assure compliance with the Federal Act or the State Act and any rules and regulations adopted thereunder, as such statutes, governmental rules and regulations may be amended from time to time.

18.16. Conflicting Policies. To the extent there is or may be a conflict between these Senior Housing Rules (Policy 18.0) and other Policies or Rules of the Mutual, these Senior Housing Rules shall prevail.

18.0 SENIOR HOUSING RULES

SECOND WALNUT CREEK MUTUAL

Date: _____

By: _____

[Insert name & title of officer]

**MAINTENANCE AND REPAIR GUIDELINE
FOR RESIDENTS OF
SECOND WALNUT CREEK MUTUAL**

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PREFACE

According to the Occupancy Agreement, certain repair and maintenance activities are the responsibility of the Mutual, and others are the responsibility of the resident. A portion of the monthly fees collected pays for maintenance of the Common Area (landscaping and the exterior of buildings), which, generally, is the responsibility of the Mutual.

Residents are responsible, generally, for the interior maintenance of their manors and any alterations, which must be approved by the Board.

To clarify whether the manor owner or the Mutual is responsible for the maintenance and repair of an item, Appendix A lists some maintenance repair items that frequently occur and indicates whether the Mutual or the resident is responsible for their repair or maintenance.

An item will be considered for replacement because it is broken as determined by Mutual Operations (MOD), the Mutual's property manager. It does not mean that an item will be replaced at the resident's discretion.

If you have a maintenance problem:

Any requests for maintenance and repair should be directed to Second Walnut Creek Mutual's property manager, the Golden Rain Foundation's Mutual Operations Division (MOD).

During regular business hours, 8:00 a.m. to 4:30 p.m., Monday through Friday, call the following numbers if you need assistance:

Landscaping and irrigation problems	988-7640
Building and pavement problems	988-7650
Alterations and resale inspections	988-7660

Emergencies occurring after business hours and on Saturdays and Sundays should be reported to Public Safety at 988-7899. They will arrange assistance.

Mutual Responsibility	Resident Responsibility
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CARPENTRY

<ul style="list-style-type: none"> • Repair/adjust front entrance doors • Repair/adjust interior doors jammed due only to building movement • Repair/replace mailbox at time of building rehab only • Repair/replace original doorbell • Repair/replace weather stripping on exterior doors and windows • Repair cracks in wall resulting from drying, shrinkage, etc. • Repair cabinets/components • Repair/replace loose/broken interior base molding, casing, trim, etc., if caused by building movement • Repair/replace exterior sliding doors, windows, window screens due to normal wear • Repair/replace worn or inoperable door lock • Repair/replace loose/damaged floor covering due to building movement • Remove bird nesUobstruction in fan vent and install vent screening • Repair/replace broken windows due to building movement • Exterior preventive maintenance of windows • Renailing squeaky floors except for carpet removal/reinstallation 	<ul style="list-style-type: none"> • Repair/replace shower door glass • Repair/replace/adjust storm doors or screen door • Repair/replace floor covering • Repair cracks in ceiling resulting from drying, shrinkage, etc. • If Mutual is renailing squeaky floors, resident pays for removal/reinstallation of carpet
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Mutual Responsibility

Resident Responsibility

CARPORT FLOORS

At the time of carport rehabilitation by the Mutual, the Mutual will power wash and clean carport floors.

Upon resale, the resident is responsible for cleaning his/her assigned carport space floor.

Mutual Responsibility

Resident Responsibility

ELECTRICAL (Wiring and Components)

- Repair/replace interior/exterior/carport outlets
- Repair/replace interior wall switches
- Repair electrical wiring in walls
- Repair short circuit in Mutual's standard appliance
- Repair/replace thermostat (except with optional heat pump)
- Repair/replace bathroom fan/motor/cleaning element or clean fan
- Repair/replace electric cord plug on Mutual's standard appliance
- Repair, reset, tighten, or replace exterior and interior circuit breakers and circuit breaker panels (except with optional heat pump)
- Repair/replace walkway lighting fixtures and bulbs, including post-mounted lights at street edge
- Replace fluorescent ballast

- Replace interior light bulbs and fluorescent tubes
- Repair/replace cable TV wiring

Mutual Responsibility

Resident Responsibility

GARBAGE DISPOSALS

- | | |
|---|--|
| <ul style="list-style-type: none">• Instruction on proper operation• Replace inoperable disposal unit• Repair hose leak• Reset motor overload switch | <ul style="list-style-type: none">• Repair jammed disposal unit• Repair plugged drain• Repair/replace stopper or deflector |
|---|--|

Mutual Responsibility	Resident Responsibility
HEATING, VENTILATING, AND AIR CONDITIONING SYSTEMS	
<ul style="list-style-type: none"> • Air conditioners, furnaces and heat pumps are the Mutual's property; all cleaning, maintenance, adjustments, lubrication, repair and replacement is the Mutual's responsibility • Give instructions on proper operation • Check for power • Repair/replace one through-the-wall, standard air conditioner unit per manor • Repair/replace/adjust standard thermostat 	<ul style="list-style-type: none"> • Repair/replace heat pumps installed by resident (alteration)

Mutual Responsibility

Resident Responsibility

LANDSCAPING IN COMMON AREA

- Maintenance of turf areas, ground cover, shrubs, trees, irrigation system and surface and sub-surface drainage in the common area

- Tree pruning, trimming or removal at request of and for sole benefit of a resident. Requires approval of the SWCM Board, affected neighbors and, if required, City of Walnut Creek
- Landscaping and irrigation systems specific to patios
- Individual landscaping, approved by Mutual, on or adjacent to common area

Mutual Responsibility

Resident Responsibility

PAINTING

- Exterior surfaces of buildings, including enclosed decks or patios
- Outside surface of exterior doors, except inside an enclosed deck or patio
- Exterior shells of air conditioning and heat pump units
- Interior surfaces of manor damaged by plumbing leaks, water penetration of roof or walls, building movement or other hazards, not the result of resident's negligence
- Interior surfaces of manor damaged by building movement

- Inside surface of exterior doors
- Interior surfaces of manor
- Interior surfaces of alterations
- Original exterior building wall enclosed by an alteration

- Note:
- Mutual dictates color palette for exterior surfaces of buildings, including trim and doors

Mutual Responsibility

Resident Responsibility

PEST CONTROL (Including Termites)

- Exterior and interior of buildings, in walls and attics, including control of weeds, plant diseases, rodents, ants and other insects
- Inspection for wood-eating insects
- Remove bird nest/obstruction in fan vent and install vent screening

Mutual Responsibility

Resident Responsibility

PLUMBING

- Repair leaks/clear stoppages in walls, ceilings or floors
- Repair leaks in sink, tub and shower faucets and their components excluding flex lines
- Repair faucets in manor
- Repair/replace sink waste lines, traps and angle stops
- Repair/replace outside faucets (except alterations)
- Adjust building water pressure regulator
- Remove debris from water supply lines, valves and aerators
- Install relief valves ("beehives") in waste line
- Repair leaks at drain fittings at tub and shower

- Clear stoppages in manor except in walls, ceilings or floors
- Replace faucets in manor
- Repair/replace cracked, chipped, rusted or damaged sinks, basins, tubs or shower pans
- Repair/replace/clean bathtub and sink stoppers or components
- Repair/replace faucet aerators
- Repair/replace flexible shower or components
- Repair/replace/adjust toilet seats, tank, bowl, valves, etc.
- Replace plumber's putty seal (wax ring)
- Repair/replace kitchen sink soap dispenser or components
- Clear/repair/replace dishwasher discharge hose and air gap vent
- Re-caulk/regROUT bathtub/sink/shower wall tiles or shower door frames or tracks
- Repair/replace water filters
- Replace flex lines to sinks and toilets.

Mutual Responsibility	Resident Responsibility
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ROOFS	
<ul style="list-style-type: none">• Replacement and repair of roofs, gutters and downspouts, except those on alterations	<ul style="list-style-type: none">• Replacement and repair of roofs, gutters and downspouts on alterations

Mutual Responsibility

Resident Responsibility

SMOKE DETECTORS

- Annual inspection of smoke detectors and external warning horns
- Replace inoperable first smoke detector/batteries/external horns
- Install/replace additional smoke detectors if required by building code

- Install additional smoke detectors if required by building code due to resident's alteration
- Install additional smoke detectors at resident's option
- Replace additional smoke detectors if optional or installed because of alteration

Note:

All additional smoke detectors must be battery-operated and wall-mounted

Mutual Responsibility

Resident Responsibility

Standard Kitchen Appliances: Refrigerators, Ranges, Ovens, Vents, Hoods, Garbage Disposals, Cooktops, etc.

- Instructions on proper operation
- Repair/replace Mutual's standard kitchen appliances and their components
- Check oven for reasonable accuracy of temperature
- Repair/replace/clean damper valve (kitchen exhaust fan)
- Check refrigerator temperature
- Clean refrigerator condenser {during annual manor lube only}
- Repair/replace dishwashers (only in some Piedmonts in Projects 10, 11 and 12--see list).

- Repair/replace upgraded or non-standard components of kitchen appliances
- Repair/replace ice maker and components

Mutual Responsibility

Resident Responsibility

TELEPHONE AND CABLE TV WIRING

- Repair/replace telephone wiring from the user interface device (UID) into the telephone jack in the manor

- Repair/replace/relocate telephone jack
- New installations
- To add or relocate a cable TV outlet an alteration permit is required.

Note:

If there is a telephone problem, resident must call MOD maintenance; staff will determine need to contact telephone company.

Mutual Responsibility

Resident Responsibility

WATER HEATERS

- Instructions on proper operation
- Replace inoperable water heater or electric heater element
- Strapping at time of resale
- Replace flexible pipe or gaskets
- Adjust/replace drain pan

- Adjust water temperature thermostat
- Strapping at convenience of resident

**MUTUAL OPERATIONS DIVISION CHARGES FOR
MAINTENANCE AND REPAIR WORK**

Labor Charge:

The hourly rate for each serviceperson (worker) on a job is calculated from the time they arrive at the manor or place of work until they depart. The labor charge, which is based on current costs and a mark-up for indirect expenses, is reviewed regularly and adjusted when necessary to recover the costs of providing services. A premium is assessed for work done at overtime rates (after hours and on weekends). Current charges can be obtained by telephoning the Work Order Desk at 988-7650.

Material Charges:

Any materials needed to complete the job are charged in addition to labor.

Responsibility for Payment:

Items designated as "Mutual Responsibility" in Appendix A will be paid by Second Walnut Creek Mutual. Items designated as "Resident Responsibility" will be paid by the resident. If the Mutual Operations Division (MOD) renders resident-billable maintenance or repair service, payment is required at the time that service is rendered.

Differences of Opinion:

Order Desk personnel advise residents, at the time orders are called in, that some work items "may be billable" to them. Workers also advise residents before commencing work when the work is billable to them. After the worker arrives, if a resident chooses not to have the work performed, the resident will be billed a minimum service charge. If there is a difference of opinion between the worker and resident regarding cost or whether the item is the resident's responsibility, the worker will not commence work, will note "resident refused work" on the work order, and will indicate the work is complete. The work order will be processed as usual and the worker's time will be billed as described.

MEMBERSHIP REQUIREMENTS

1. Every member of the Mutual must comply with these MEMBERSHIP REQUIREMENTS. Applicants for membership must submit the fully filled out Ownership Application and Questionnaire (Attachment 1) in order to be considered for membership.

Approval of a Membership Application is subject to the sole discretion of the Board of Directors which is empowered to consider such factors as stability of income, other financial obligations, previous housing experience and expenses, credit history and future assured income when ruling upon an application. This discretion of the Board shall be exercised impartially and for the benefit of the Mutual and its existing members as a whole.

Documentation supporting compliance with all of the above Requirements and compliance with requirements of the Application and Questionnaire shall be submitted to the satisfaction of the Mutual Board of Directors.

2. Current Annual Income. Applicants' annual income shall not be less than four times the annual total of monthly carrying charges (coupon) for the subject manor.
 - a. The gross amount of your salary, wages, social security, and pension shall be stated.
 - b. Income from rental of real estate shall be computed on a net basis with taxes, insurance, maintenance, operating expenses, mortgage payments, and a reasonable allowance for probable losses due to vacancies and uncollected rents deducted from the gross rental.
 - c. Amounts received in repayment of the principal of a capital investment shall not be considered as income unless it is in the form of a continuing source of income such as annuities or trusts.
3. Liquid Assets. A minimum of \$75,000 excluding funds to be used for this purchase must be verified at the time of the application.
4. If the applicant has been recently divorced, copies of the Decree of Dissolution and Property Settlement shall be attached to the Application and Questionnaire.
5. If the applicant has been bankrupt or had a foreclosure within the last seven years, a signed statement explaining the circumstances of the bankruptcy or foreclosure in detail shall be attached to the Application and Questionnaire.

6. Responsible Parties. Applicant shall designate on the Application and Questionnaire a RESPONSIBLE PARTY whom the Mutual may contact in the event of an emergency, disability or other reasonable purpose related the membership in the Mutual.
7. As of February 20, 2003, a letter from the Applicants' accountant, lawyer, or other testifier will no longer suffice unless accompanied by complete financial documentation referred to in Paragraphs 1 through 6 above.
8. Share Loans. Applicants for membership purchasing with funds from a share loan from an approved lender are exempt from Paragraphs 2 through 5 above.