

A G E N D A
REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS
SEAL BEACH MUTUAL ELEVEN
December 17, 2020
Meeting begins at 1:30 p.m.
Zoom Video and Call Conference Meeting

TO ATTEND: The Shareholder will be provided with instructions on how to access the call via telephone or via video upon the Shareholder contacting GRF Mutual Administration at mutualsecretaries@lwsb.com or (562) 431-6586 ext. 313 and requesting the call-in or log-in information, by no later than 3:30 p.m., the business day before the date of the meeting.

TO PROVIDE COMMENTS DURING MEETING: In order to make a comment during the open Shareholder forum, the Shareholder must submit their information, including their name, Unit number, and telephone number, via e-mail at mutualsecretaries@lwsb.com, by no later than 3:00 p.m. on 12/16/2020, the business day before the date of the meeting.

1. CALL TO ORDER
 2. SHAREHOLDER COMMENTS (2-3 minutes per shareholder; agenda items only)
 3. ROLL CALL
 4. INTRODUCTION OF GRF REPRESENTATIVE, STAFF, AND GUEST(S):
 - Ms. Heinrichs, GRF Representative
 - Ms. Hopkins, Mutual Administration Director
 - Mr. Rocha, Security Service Director
 - Mr. Harper, Building Inspector
 - Ms. Barua, Portfolio Specialist
 - Ms. Givehand, Recording Secretary
 5. GUEST SPEAKER Mr. Rocha
 - a. GRF Security Guidebook (pp. 3-6)
 6. APPROVAL OF MINUTES:
 - a. **Regular Monthly Meeting Minutes of November 19, 2020**
 7. BUILDING INSPECTOR'S REPORT Mr. Harper

Permit Activity; Escrow Activity; Contracts & Projects; Shareholder and Mutual Requests (pp. 7-10)
 8. GRF REPRESENTATIVE Ms. Heinrichs
 9. CONSENT CALENDAR
 - a. Discuss and vote to approve authorization of transfers of funds for Mutual Eleven (p.11)
 10. **UNFINISHED BUSINESS**
 - a. Discuss and vote to ratify Article 17 Leasing Rules and Regulations. (pp.12-21)
- (12/02/2020 kg)

- b. Discuss and vote to ratify Exhibits D & E (pp. 22-24)
- c. Discuss and vote to approve the Notice of Dual Ownership. (p.25)

11. **NEW BUSINESS**

- a. Approval of Mutual Monthly Finances (p.26)
- b. Discuss and vote to censor Denis Craig for breach in Fiduciary Duties and to send drafted letter (first attachment) the motion would read. (pp.27-34)
- c. Discuss and vote to create and Executive Committee. (pp.35-38)
- d. Discuss and vote to approve the revised Occupancy Agreement. (pp.39-75)
- e. Discuss and vote to approve the Occupancy Agreement Addendum for all shareholder/landlord. (pp.76-94)
- f. Discuss and vote to approve Seal Beach Mutual Eleven Renewal of General Counsel Annual Retainer (pp.95-98)
- g. Discuss and vote to approve the Schwab Transfer. (pp.99)
- h. Discuss and vote to approve gutter cleaning. (p.100)
- i. Discuss and vote to accept proposal for legal opinions regarding AB 3182 from Roseman Law Firm (p.101)
- j. Discuss to increase washers to \$1.00.

STAFF BREAK BY 3:00 p.m.

- | | | |
|-----|----------------------------------|-------------|
| 12. | SECRETARY / CORRESPONDENCE | Mrs. Juchna |
| 13. | CHIEF FINANCIAL OFFICER'S REPORT | Mrs. Basner |
| 14. | MUTUAL ADMINISTRATION DIRECTOR | Ms. Hopkins |
| 15. | ANNOUNCEMENTS | |

NEXT MEETING: January 21, 2021 at 1:30p.m. via Zoom Video and Call Conference

- 16. COMMITTEE REPORTS
 - a. President's Report
 - b. Landscape
 - c. Bylaws
 - d. Emergency Information
- 17. DIRECTOR COMMENTS
- 18. SHAREHOLDERS' COMMENTS (2-3 minutes)
- 19. ADJOURNMENT
- 20. EXECUTIVE SESSION

STAFF WILL LEAVE THE MEETING BY 4:00 p.m.

(12/02/2020 kg)

Knob Lock Procedures

A knob lock device is designed to lock around a door knob to prevent the knob from turning and accessing the keyhole. These devices are used by security to secure a residence for a variety of reasons. The most important reason a residence is 'knob locked' is to ensure anyone accessing the residence (such as after a death of a resident) has the legal authority to do so.

Security may be asked to install a knob lock by:

- Stock Transfer Department
- Mutual President

All requests for use of a knob lock will be noted on a Knob Lock Report. This report documents information regarding the initial request, who installed the device, and who removed the device.

Some knob lock devices will not fit certain types of locks (such as custom locks). Mutuals may have other types of locking devices or systems to secure a door. Any additional type of equipment or device beyond the basic knob lock system (such as boarding up a unit with plywood) will be ordered and installed by the Mutual or installed by the Service Maintenance Department.

Resident Welfare Checks

The Security Department conducts resident checks after being notified by someone who is concerned about a resident's safety. When a security officer is called out to a residence to conduct a resident check:

- Whenever possible, two security officers should be present when entry is made to the residence.
- Knock on the door loudly and state you are from the Security Department.
- If there is no answer, use the residence key found in the lockbox to gain entry.
- When entering the residence state in a loud voice you are from the Security Department.

If all rooms are checked and no one is found, please ensure you have checked the following areas for someone:

- Shower
- Underneath the bed
- All closets
- Underneath large piles of clothes or blankets

If a person is found and they require immediate medical attention:

- Call 911 immediately from the resident's phone.
- If a resident's phone is not available, use a two-way radio to advise dispatch to call 911 immediately.
- After calling 911, security officers should remain outside of the residence and wait for police, fire, and/or a coroners' unit to arrive.

The watch commander will complete the Resident Check Log to document the resident check.

Occupancy Checks

An occupancy check is a procedure where a Mutual verifies all people residing inside a unit to ensure that all regulations of the occupancy agreement are being followed.

If it is not an emergency and a Mutual representative wishes to conduct an occupancy check, please refer them to the Mutual Administration Department. Mutual Administration has the expertise to advise a Mutual of the best course of action to take to ensure occupancy agreement compliance.

If it is decided that an occupancy check is warranted, Mutual Administration will send an e-mail request and approval to the watch commander. The patrol unit completing the occupancy check will complete an Occupancy Check Report and send a copy to the Mutual Administration Department.

Death Investigations

If security is called to a location where someone is deceased or if during a resident check a person is found deceased:

- Call 911 immediately from the resident's phone.
- If a resident's phone is not available, use a two-way radio to advise dispatch to call 911 immediately.

On most occasions, police and coroner units will be taking over the investigation. Remain outside of the residence until the police and/or coroner clear the scene.

When there is activity of this type at a residence, other resident's may ask a security officer what is happening at the location. To maintain confidentiality, Security will advise anyone who is asking about the incident, "We received a request for medical aid at this address." *EXCEPTION: If a Mutual President or Director ask about this type of incident, the security officer may share that there is an on-going death investigation at the scene.*

The security officer at the scene will complete a Death Investigation Report as soon as possible after the incident. If the Mutual President was not at the scene, the watch commander on duty will immediately e-mail the Mutual President to advise them of the incident.

Interactions Involving Family Members at a Death Investigation

The loss of a loved one is a very stressful event for a family. As the security officer at the scene, you may be dealing with a wide range of emotions, even if a death was expected.

When loved ones are at a residence of a deceased person, be patient and give family members the time to grieve. **NEVER** say to a grieving person:

- "He's in a better place."
- "It was his time."
- "There's a reason for everything."
- "I know how you feel."

It is best to be silent or you may simply say, “I’m sorry for your loss.”

Establishing Legal Authority

After a death investigation is completed, security must ensure that anyone who wants to stay at the residence after the scene has been cleared by police and/or coroner has ‘legal authority’ to remain inside the residence.

Establishing who has legal authority to remain at a residence with unlimited in and out and overnight stay privileges can be confusing. Family members and/or caregivers may be advise you that they have legal authority of a residence due to the fact they have a “Power of Attorney”, an “Executor of a will”, a “Non-resident co-owner” or “Head of a trust and an inheritor.”

The only people with legal authority to stay in a residence after a resident death are:

- Member resident
- Co-Occupant

Security officers do not have the power to review or interpret legal documents or determine who has legal authority to stay in a residence. All legal authority issues must be reviewed and approved by the Stock Transfer Department.

Caregivers have no authority to stay after a resident is deceased.

Security may not allow any unauthorized person to stay at a residence of deceased shareholder. Security should advise anyone remaining in the unit in a firm but polite manner:

“I’m Security Officer _____. Your name, Sir/Ms. _____? Mr/Ms _____, unfortunately, since there is no member resident or a co-occupant present, I must ask you to leave. You may call the Stock Transfer Office during regular business hours and they will be able to assist you in how to gain access to the unit.”

If unauthorized people still refuse to leave the unit, The Security Officer will state:

“Please understand we must protect the interest of the deceased, so I must ask you to leave.”

If unauthorized people continue to stay, the security officer will notify the watch commander. The watch commander will notify the Mutual President immediately regarding the refusal to leave, regardless of the date or time. The Mutual President has the authority to allow someone to stay in a unit or ask them to leave.

If the Mutual President denies anyone from staying in the unit and they still refuse to leave, the Mutual President can ask us to contact the Seal Beach Police Department for assistance. Security will follow the instructions of the police department at the scene. If police officers allow unauthorized persons to stay in the unit and police will take no further action, ensure you receive the name and serial number of the police officer at the scene to document on the report.

If a Mutual President allows someone to stay in the unit, ensure this information is noted in the report.

Coroner's Investigations

When a Coroner is conducting a death investigation they may place a 'Coroners Seal' on the door when they leave the residence. This seal forbids anyone from entering the residence (including those who have legal authority to do so) until they have completed their investigation.

After a Coroner's investigation is completed, they will usually notify the next of kin to the deceased that their investigation is complete and they may enter the residence. However, there are two important issues to remember:

- Even though the next of kin are stating the Coroner is allowing entry, this information must be verified with the Orange County Sheriff-Coroner/Coroner Division. This information will be documented by the watch commander on a Coroner's Information Report.
- If the coroner verifies that entry is allowed, the Security Department must ensure that the next of kin must have legal authority to enter the residence. If the next of kin does not have legal authority, they may not enter.

Refer any next of kin claiming legal authority to the Stock Transfer Department.

INSPECTOR MONTHLY MUTUAL REPORT

MUTUAL: **11**

INSPECTOR: **Mark Harper**

MUTUAL BOARD MEETING DATE: **December 17, 2020**

Print Date: **12/9/2020**

PERMIT ACTIVITY

UNIT #	DESCRIPTION OF WORK	GRF/CITY PERMIT	START DATE	COMP. DATE	CHANGE ORDER	INSPECTION	CONTRACTOR / COMMENTS
261-G	HEATPUMP	BOTH	11/05/20	12/05/20	NO	11/19/20 FINAL	ALPINE
262-E	FLOORING	GRF	11/04/20	11/26/20	NO	11/23/20 FINAL	MAMUSCIA CONSTRUCTION
262-L	HEATPUMP	BOTH	10/14/20	01/14/21	NO	11/20/20 FINAL	GREENWOOD
263	REROOF	BOTH	10/26/20	02/28/21	NO	11/23/20 RSHEAT	HOWARD ROOFING
263	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
265-H	WINDOW AWNING	GRF	10/30/20	10/30/20	NO	10/30/20 NONE	AAA AWNINGS INC.
265-K	FLOORING	GRF	11/25/20	12/25/20	NO	NONE	KARYS CARPET
268-H	WASHER/DRYER	BOTH	09/25/20	10/30/20	NO	10/06/20 FRAME	JC KRESS
268-H	WASHER/DRYER	BOTH	09/25/20	10/30/20	NO	10/06/20 RPLUM	JC KRESS
268-H	WASHER/DRYER	BOTH	09/25/20	10/30/20	NO	10/06/20 RELECT	JC KRESS
268-H	WASHER/DRYER	BOTH	09/25/20	10/30/20	NO	NONE	JC KRESS
268-H	PATIO TILE	GRF	06/11/20	07/30/20	NO	07/30/20 NONE	J.C.KRESS
269-C	FLOORING	GRF	08/15/20	09/15/20	NO	11/30/20 FINAL	KARYS CARPET
269-C	REMODEL	BOTH	09/14/20	12/23/20	YES	09/02/20 FRAME	BERGKVIST
269-C	REMODEL	BOTH	09/14/20	12/23/20	YES	09/02/20 RWIRE	BERGKVIST
269-C	REMODEL	BOTH	09/14/20	12/23/20	YES	09/02/20 GPLUM	BERGKVIST
269-C	REMODEL	BOTH	09/14/20	12/23/20	YES	09/02/20 RPLUM	BERGKVIST
269-C	REMODEL	BOTH	09/14/20	12/23/20	YES	10/28/20 LATH	BERGKVIST
269-C	REMODEL	BOTH	09/14/20	12/23/20	YES	10/29/20 DWALL	BERGKVIST
269-C	REMODEL	BOTH	09/14/20	12/23/20	YES	12/07/20 FINAL	BERGKVIST
269-C	HEATPUMP	BOTH	10/20/20	01/20/21	NO	11/13/20 FINAL	GREENWOOD
269-C	REMODEL	BOTH	09/14/20	12/23/20	YES	NONE	BERGKVIST
269-F	WINDOWS	BOTH	01/17/21	02/17/21	NO	NONE	RYDEN CONSTRUCTION
270-J	HEATPUMP	BOTH	12/14/20	03/14/21	NO	NONE	GREENWOOD
271	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
271	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING

INSPECTOR MONTHLY MUTUAL REPORT

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273	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
273	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
274-F	CART PAD	GRF	09/30/20	10/31/20	NO	NONE	ANGUIANO LAWN AND CARE
274-H	14' SOLA TUBE	BOTH	12/19/19	01/14/20	NO	01/14/20 NONE	SOLATUBE HOME
276-A	AWNINGS	GRF	10/30/20	12/30/20	NO	NONE	AAA AWNINGS
276-I	SOLATUBE	BOTH	12/19/19	01/14/20	NO	NONE	SOLATUBE HOME
277-H	PATIO SHADES	GRF	11/20/20	12/20/20	NO	NONE	AAA AWNINGS
277-J	FLOORING	GRF	11/15/20	12/15/20	NO	11/23/20 FINAL	KARYS CARPET
278	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
278	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
279-G	BAY WINDOW	BOTH	10/20/20	01/30/21	NO	NONE	MAMUSCIA
280-F	HEATPUMP	BOTH	11/03/20	12/03/20	NO	NONE	ALPINE HEATING & AIR CONDITIONING
282	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
286	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
286	REROOF	BOTH	10/26/20	02/28/21	NO	NONE	HOWARD ROOFING
285-A	HEATPUMP	BOTH	12/17/20	03/17/21	NO	NONE	GREENWOOD
286-D	PATIO CARPET	GRF	09/15/20	11/15/20	NO	NONE	ACE MAINTENANCE
286-H	FLOORING	GRF	12/05/20	12/08/20	NO	NONE	LW DÉCOR
286-L	SHOWER	BOTH	11/02/20	11/30/20	NO	NONE	CAL BATH

INSPECTOR MONTHLY MUTUAL REPORT

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Escrow Activity								
	NMI	PLI	NBO	FI	FCOEI	COE DATE	ROF	
264-D		10/13/20						
267-A		06/04/20						
269-F		03/27/20	09/03/20	09/22/20	09/22/20	09/24/20	11/17/20	
273-J		08/06/20						
275-K		04/03/19	04/13/20	04/14/20				
278-C		06/04/20						
278-J		04/19/19						
278-K		08/04/20						
278-L		10/14/19	04/06/20	04/06/20				
279-I		11/17/20						
280-J		06/22/18						
280-K		11/10/20	11/25/20	12/01/20				
281-A		12/27/19	07/06/20	07/06/20				
285-H		10/05/20						

INSPECTOR MONTHLY MUTUAL REPORT

MUTUAL: **11**

INSPECTOR: **Mark Harper**

MUTUAL BOARD MEETING DATE: **December 17, 2020**

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Contract Services	Project Discription
Empire Pipe Cleaning	Sewer Cleaning For The Next Three Years Ex 12/31/
Fenn Termite + Pest Control	Termite And Pest Control Ex 07/14/2020
Innovative Cleaning Services	Carport and Cleaning Services Ex 04/30/22
Howard Roof	Roof Replacement Ex 2/30/21
JC Kress	Kitchen Hood Replacement for Reroof Ex 2/30/21
John Bergkvist	Attic Work, Fascia Replacement Ex 2/30/21
Totoal landscape Maintance	Landscaping Contract For Three Years Ex 12/30/21
Site Visits	
265-K 11/19/2020	Flood Damage Meet With Shareholder
267-G 11/19/2020	Sign Permit
271-F 12/3/2020	Flood Damage Meet With Shareholder
271-G 12/3/2020	Flood Damage
267-G 12/3/2020	Sign Permit
269-I 12/3/2020	Water Heater replacement
267-G 12/4/2020	Sign Permit
271-F 12/4/2020	Flood Damage Report

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO APPROVE AUTHORIZATION OF TRANSFERS OF FUNDS FOR MUTUAL ELEVEN (CONSENT CALENDAR, ITEM A)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move that the Board authorizes the following transfers of funds, per detailed and dated resolutions, by consent calendar.

Transfer/ Invoice Date	Amount	Originating/Destination Accounts or Payee
9/30/2020	\$33,950.00	US Bank Checking to US Bank Restricted Money Market
10/01/2020	\$12,285.00	Total Landscape Maintenance
10/06/2020	\$52,005.08	US Bank Checking to US Bank Impound
10/5/2020	\$132,983.25	ACH Direct Debit from multiple shareholders to US Bank Checking
10/05/2020	\$70,405.61	US Bank Checking to GRF – US Bank Checking
10/30/2020	\$33,950.00	US Bank Checking to US Bank Restricted Money Market
11/01/2020	\$12,285.00	Total Landscape Maintenance
11/05/2020	\$76,720.98	US Bank Checking to GRF US Bank Checking
11/06/2020	\$52,616.14	US Bank Checking to US Bank Impound

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO RATIFY ARTICLE 17 LEASING RULES AND REGULATIONS. (UNFINISHED BUSINESS, ITEM A)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to ratify Article 17 Leasing Rules and Regulations in Mutual Eleven Rules and Regulations.

**SEAL BEACH MUTUAL NO. ELEVEN
ARTICLE SEVENTEEN – LEASING RULES AND REGULATIONS**

INTRODUCTION

The Board of Directors (“Board”) of Seal Beach Mutual No. Eleven (“Mutual”) has adopted the following Leasing Rules and Regulations (“Leasing Rules”) in accordance with Civil Code §4740, et seq., to establish certain procedural rules for the rental of Units within the Mutual. To the extent that these Leasing Rules conflict with the Governing Documents of the Mutual, these Leasing Rules are intended to replace and supersede the provisions of the Mutual’s Governing Documents, including without limitation, the Occupancy Agreement, Rules and Regulations and Policies, that discuss the rental or lease of a Unit. These Leasing Rules were revised and adopted by the Board to comply with the changes to California Civil Code §§ 4740 and 4741 which take effect on January 1, 2021, pursuant to California Assembly Bill 3182.

DEFINITIONS

For the purposes of these Leasing Rules the definitions set forth below shall apply. To the extent any term is capitalized herein but not defined, the definition set forth in the Mutual’s Bylaws shall apply.

Lease: a lease or rental agreement, whether or not in writing and regardless of whether any consideration is paid, entered into between a Shareholder and a Tenant for the Tenant’s occupancy of the Shareholder’s Unit.

Tenant: any person who: (i) meets the age requirements set forth in California Civil Code Section 51.3, et. seq.; and (ii) occupies any portion of a Unit at the Development pursuant to a Lease, irrespective of any rent paid or compensation given to the Shareholder of the Unit for such occupancy. All Tenants must sign the Addendum as further described in these Leasing Rules. Only persons who have signed the Addendum may reside in the Unit.

RULES AND REGULATIONS

- 1. Leasing of Units.** The rental or leasing of any Unit shall be subject to the provisions set forth herein. When the term “rent” is used herein, it shall be deemed to mean and include the rental and/or leasing of a Unit.
- 2. Residential Purpose.** Each residence shall be used only as a residential dwelling for a single household. A Shareholder may rent/lease his or her Unit for such residential purpose under a Lease, pursuant to these Leasing Rules. The number of persons residing in a Residence at any time shall comply with the Shareholder’s Occupancy Agreement and Addendum, all City and County codes, regulations, and ordinances regarding the occupancy of residential dwellings, and may not exceed any occupancy limits established under such codes, regulations, or ordinances.
 - 2.1. Vehicle Limit.** Tenant may not park more than two (2) vehicles within the Mutual, including the one (1) vehicle that is parked in the Carport assigned to the Unit occupied by the Tenant.

SEAL BEACH MUTUAL NO. ELEVEN
ARTICLE SEVENTEEN – LEASING RULES AND REGULATIONS

2.1.1. If Tenant is a roommate contemplated under Section 5.3 of these Leasing Rules, the Tenant may only park one (1) vehicle within the Mutual.

3. Addendum to Occupancy Agreement. Any Shareholder approved by the Mutual to lease out his/her Unit is required to execute an addendum to his/her Occupancy Agreement (“Addendum”). Such Addendum will also require the signature of each Tenant. The failure of the Shareholder and/or the Tenant to sign the Addendum shall be deemed a waiver of the Shareholder’s right to rent the Unit.

3.1. Cost of Addendum. Shareholder shall pay the cost incurred by the Mutual for the Mutual’s legal counsel to prepare such Addendum, in addition to the cost to have the Addendum notarized and recorded, if required by the Mutual, promptly upon request.

4. Restriction on Number of Units Leased.

4.1. No more than twenty-five percent (25%) of the Units in the Mutual shall be rented at any time (the “Leasing Cap”).

4.2. A Shareholder desiring to rent his or her Unit may submit to the Board a written request for approval to rent. No Shareholder shall rent his or her Unit prior to receiving written approval from the Board.

4.2.1. The Board shall respond to any Shareholder’s written request for approval to rent the Shareholder’s Unit within forty-five (45) days of the Board’s receipt of such request. If the Board does not respond to the Shareholder’s written request at the Shareholder’s last known address of record within this time period, permission to rent shall be deemed to have been approved by the Board.

4.2.2. The Board shall deny a Shareholder’s request for approval to rent the Shareholder’s Unit if the number of rented Units, plus the number of Units for which other Shareholders have received Board approval to rent but which are not yet rented, plus the Shareholder’s Unit (the “Leased Unit Calculation”) exceeds twenty-five percent (25%) of the Units in the Mutual. If the Leased Unit Calculation does not exceed twenty-five percent (25%) of the Units in the Mutual, the Board shall grant a Shareholder’s request for rental approval.

4.2.3. In the event a Shareholder’s request for approval to rent is denied, the Shareholder shall be placed on a waiting list maintained by the Mutual, and the Shareholder shall be given an opportunity to rent his or her Unit when such Shareholder’s name is first on the waiting list and the Leased Unit Calculation no longer exceeds twenty-five percent (25%) of the Units in the Development.

4.2.4. If a Shareholder who has been approved to rent his or her Unit fails to rent his or her Unit within ninety (90) days of the date of rental approval, the Shareholder’s written approval to rent from the Board shall expire. In such event, the Shareholder shall be required to submit a new written request to

**SEAL BEACH MUTUAL NO. ELEVEN
ARTICLE SEVENTEEN – LEASING RULES AND REGULATIONS**

rent his or her Unit in accordance with the foregoing provisions.

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

4.2.6. At no time may a prospective Shareholder or any non-Shareholder be added to the Wait List.

5. Lease Requirements.

5.1. Subject to the Leasing Cap, and the provisions set forth above, a Shareholder may rent his or her Unit pursuant to a Lease that is: (A) in writing; (B) for a term of at least thirty (30) days (the “Minimum Lease Term”); and (C) subject in all respects to the Governing Documents, including, but not limited to, the Occupancy Agreement, provided it does not conflict with the terms contained herein.

5.2. The Shareholder is required to provide the Tenant with a copy of all Governing Documents, and any amendments thereto for the duration of the tenancy and Lease and ensure that the Tenant understands and acknowledges, and agrees to be bound by the same. The Shareholder must provide the Mutual with written confirmation of the foregoing. The Lease shall include a statement that any failure by the Tenant to comply with the Governing Documents will constitute a default under the Lease. The following paragraph, or a substantially similar paragraph, shall be included in each Lease:

In accepting this Lease, Tenant acknowledges that Tenant has received, read, and understands Occupancy Agreement for Unit ____, dated ____, and any addendum thereto, and the Bylaws, rules, regulations, and policies of Seal Beach Mutual No. Eleven (the “Governing Documents”). Tenant agrees to comply with the terms of the Governing Documents, and acknowledges that any failure by Tenant, or Tenant’s family members, social guests, houseguests, servants, employees, or agents, to comply with the terms of the Governing Documents shall constitute a material default under this Lease and may result in the early termination of this Lease.

5.3. No less than the entirety of a Unit may be rented under a Lease, or otherwise. Notwithstanding the foregoing, one (1) roommate paying rent to a Shareholder may reside simultaneously with a Shareholder in the Shareholder’s Unit. Any roommate contemplated under this Section 5.3 must also meet all requirements of a Tenant as set forth in these Leasing Rules, including without limitation, all age requirements set forth in California Civil Code Section 51.3, et.seq. The foregoing shall only apply to Units with two (2) bedrooms.

5.4. No sub-rental or sub-lease of a Unit shall be permitted, and no Unit may be used for

SEAL BEACH MUTUAL NO. ELEVEN
ARTICLE SEVENTEEN – LEASING RULES AND REGULATIONS

vacation rentals (for example only, listed on Airbnb, VRBO or a similar website) or rented to a corporate housing company.

- 5.5.** No Unit may be leased for hotel or transient purposes.
- 5.6.** The Lease must provide that upon the notice of intent to transfer Stock, the Lease shall terminate, and the Tenant must vacate the premises and remove all personal property within thirty (30) days. The transfer of Stock cannot take place unless and until Tenant has vacated the Unit.
- 5.7.** Each Shareholder shall be responsible for any and all violations of the Governing Documents committed by any Tenant, or any guest or invitee of Tenant, of the Shareholder's Unit.
- 5.8.** Each Shareholder shall be deemed to have agreed to save, hold harmless, indemnify, and defend the Mutual and its Directors, officers, agents, representatives, attorneys and employees from and against any and all claims, demands, actions, causes of action, liabilities, damages, and expenses arising out of, or incurred as a result of, the rental/leasing of the Shareholder's Unit, together with all costs, expenses, and actual attorneys' fees resulting therefrom.
- 5.9.** Tenant must acknowledge the Mutual's right to initiate an unlawful detainer action against the Shareholder in the event: (1) the Tenant fails to abide by the terms of the Mutual's Governing Documents and the Shareholder fails to initiate an unlawful detainer action within thirty (30) days of notice from the Mutual Board of the same; and/or (2) the Shareholder's Share of Stock is terminated. Any expenses and attorneys' fees incurred by the Mutual, shall be paid as set forth in Section 7.1.2 of these Leasing Rules.

6. Exemptions; Enforcement.

- 6.1.** Upon application by a Shareholder to rent his or her Unit, the Board shall be authorized and empowered, in its sole and reasonable discretion, to grant a hardship exemption for the Shareholder with respect to the Leasing Cap. For purposes of this subsection, a "hardship" shall be defined as the need of a Shareholder to rent his or her Unit as a result of an unforeseeable event and/or because enforcement of the Leasing Cap, against the Shareholder could reasonably subject the Shareholder to suffer a severe financial difficulty.
- 6.2.** If a Shareholder rents his or her Unit without approval from the Board, or otherwise in violation of the provisions of these Leasing Rules, the Mutual is authorized to pursue all of its available legal rights and remedies against the Shareholder to enforce such violation and the Shareholder shall be subject to disciplinary measures, including, but not limited to: (a) a monetary penalty in an amount to be determined by the Board; (b) other disciplinary measures; (c) termination of the Occupancy Agreement; (d) injunctive relief; and/or (e) a Reimbursement Assessment in an amount equal to the costs incurred by the Mutual related to addressing such violation, including, without limitation, attorneys' fees and costs, irrespective of whether the Mutual is able to obtain a court order to evict the Tenant or otherwise effectuate the legal eviction of

**SEAL BEACH MUTUAL NO. ELEVEN
ARTICLE SEVENTEEN – LEASING RULES AND REGULATIONS**

the non-compliant Shareholder and/or Tenant from the Shareholder's Unit.

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

7. Unlawful Detainer

7.1.1. Failure by a Shareholder to take legal action, including the institution of unlawful detainer proceedings to evict such Shareholder's Tenant, who is in violation of the Mutual's Governing Documents, including without limitation, the Articles, Occupancy Agreement and/or Addendum thereto, Bylaws, Rules and Regulations, or Policies, within ten (10) days after receipt of written demand so to do from the Board, shall constitute a default of the Shareholders Occupancy Agreement and/or Addendum thereto and entitle the Mutual, through the Board, to take any and all such action necessary, including without limitation, declaring forfeiture/termination of the Shareholder's Occupancy Agreement, and the institution of unlawful detainer proceedings against the Shareholder to recover possession of the Unit.

7.1.2. In any such unlawful detainer action against the Shareholder, the Mutual will seek an award of its attorney's fees and costs incurred in connection with the same pursuant to the Occupancy Agreement and/or Addendum thereto. Any other expenses incurred by the Mutual in connection with the enforcement of these Leasing Rules, including attorney's fees, shall be repaid to it by such Shareholder. Failure by such Shareholder to make such repayment within (10) days after receipt of a written demand therefor shall entitle the Board to levy a Special Assessment against such Shareholder and such Shareholder's Unit for all such expenses incurred by the Mutual.

- 7.2.** The authority granted by this Section 7 shall be cumulative with all other rights and remedies of the Mutual in enforcing its Governing Documents.

- 8. Shareholder Liability.** Shareholder shall be absolutely liable to the Mutual and other Shareholders and their families, guests, tenants, and invitees for any liability arising from the acts/or omissions of such Shareholder's Tenant. Each Shareholder who chooses to lease such Shareholder's Unit agrees to be held liable for all acts, whether negligent or non-negligent of such Shareholder's Tenant and/or any guests or invitees of Tenant.

9. Assignment of Rents.

- 9.1. Assignment of Rents.** Each Shareholder who is leasing or renting his or her Unit to a Tenant or Tenants hereby assigns to the Mutual all of the rents and any other income now due or which may become due to Shareholder pursuant to the Lease for the Shareholder's Unit (the "Rents"), together with any and all rights and remedies which

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the Mutual may have against the Tenant or Tenants, or others in possession of the Unit, for the collection or recovery of the Rents so assigned. Such assignment shall be effective only upon the Shareholder's failure to pay any Assessment within thirty (30) days after the due date, and under no other circumstances, if the Mutual accepts such assignment.

- 9.2. Process to Effectuate Assignment of Rents.** An assignment of rents pursuant to these Leasing Rules shall only be effective if it complies with the requirements of Section 2938 of the Civil Code and any other applicable law. Any costs and fees incurred by the Mutual in effectuating an assignment of rents pursuant to these Leasing Rules shall be considered a cost of collection of delinquent Assessments, for which the applicable Shareholder shall be responsible.
- 9.3. Mutual Not a Landlord.** The exercise and enforcement of the Mutual's rights under these Leasing Rules shall in no way constitute the Mutual as a landlord or lessor under any Lease, and the Mutual shall have no such responsibility. Each Shareholder hereby agrees to indemnify, defend, and hold harmless the Mutual and its Directors, officers, agents, representatives, employees, and attorneys, as may be applicable, from and against any and all claims by a Tenant or any third party that the Mutual failed to fulfill the duties of landlord or lessor under any Lease for the Shareholder's Unit.
- 9.4. Payment of Rents to Mutual.** Each Shareholder irrevocably consents that the Tenant or Tenants under a Lease for the Shareholder's Unit, upon receiving from the Mutual notice of an assignment of rents pursuant to these Leasing Rules, shall pay the Rents to the Mutual without incurring any liability for the failure to determine the actual existence of any Assessment delinquency claimed by the Mutual. Each Shareholder further agrees that such Tenant or Tenants shall not be liable to the Shareholder for nonpayment of the Rents to the Shareholder for Rents paid to the Mutual pursuant to these Leasing Rules. The full amount of the Rents received by the Mutual shall be applied to the Shareholder's account; however, application of the Rents to particular Assessments and charges owed by the Shareholder to the Mutual shall be at the Mutual's discretion to the extent not dictated by law.
- 9.5. Mutual Powers Upon Default.** The Mutual may at any time pursue legal action against a Shareholder and/or the Shareholder's Tenant or Tenants for, or otherwise seek collection of, any Rents not paid to the Mutual pursuant to these Leasing Rules. The Mutual shall deduct from the Rents received in any such action the costs and expenses of collection, including, but not limited to, reasonable attorney's fees.
- 9.6. Termination of Payment of Rents to Mutual.** The Mutual may continue receiving Rents assigned directly from the Tenant or Tenants of a Shareholder's Unit until any unlawful detainer action against the subject Unit is completed by the Mutual, or until the amount of money owed to the Mutual by the Shareholder, including Assessments, late charges, interest, and collection costs, including reasonable attorney's fees, is paid in full, whichever occurs first.

10. Shareholder Insurance Requirements.

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ARTICLE SEVENTEEN – LEASING RULES AND REGULATIONS

- 10.1. Property Damage and General Liability Insurance.** Each Shareholder is responsible for insuring his or her personal property located within the Mutual. Each Shareholder is also responsible for insuring all buildings, structures, and other Improvements contained within or located upon the Shareholder's Unit (including, but not limited to the Shareholders' Residences) against fire and other casualty. Nothing in these Leasing Rules precludes any Shareholder from carrying public liability insurance as he or she may deem reasonable, however, such insurance coverage may not adversely affect or diminish any coverage under any of the Mutual's insurance policies. If any loss intended to be covered by insurance carried by or on behalf of the Mutual occurs and the proceeds payable are reduced due to insurance carried by a Shareholder, such Shareholder shall assign the proceeds of the Shareholder's insurance to the Mutual, to the extent of such reduction, for application to the same purposes as the reduced proceeds are to be applied.
- 10.2. Renter's and Landlord's Insurance.** A Shareholder whose Unit is subject to a Lease shall require as a term of the Lease that the Tenant is required, at all times during the Tenant's tenancy and occupancy of the Shareholder's Unit, to obtain and maintain "renter's insurance" of no less than fifty thousand dollars (\$50,000.00), insuring, including without limitation, the Tenant for general liability, property damage, and the replacement value of the Tenant's personal property and belongings located in the Unit from damage and loss. Such Shareholder shall also be required to maintain "landlord's insurance" during the period of the Lease, under an insurance policy that covers the Shareholder's Unit from financial losses connected with the Unit; such policy shall cover standard perils such as fire, and, to the extent commercially available, include coverage for accidental damage, malicious damage by tenants, and rent guarantee insurance.
- 10.3. Proof of Insurance.** Duplicate copies of the insurance policies required under these Leasing Rules shall be submitted by a Shareholder to the Board upon request. Notwithstanding the foregoing, the Mutual shall not have the obligation to confirm that any Shareholder or Tenant carries the insurance required under these Leasing Rules and/or confirm the terms of any insurance purchased by a Shareholder or Tenant.
- 10.4. Lack of Insurance.** The Mutual shall not be responsible for any damage or loss to a Shareholder's Unit, another Unit, or the Common Area for which the Shareholder is responsible and the Shareholder does not maintain sufficient insurance coverage for the cost of repair and restoration of such damage or loss. Any failure by the Tenant to have renter's insurance shall be regarded as a material breach of the Lease.

11. Tenant Eligibility.

- 11.1. No Discrimination.** No Shareholder shall execute or cause to be recorded any instrument that imposes a restriction on the rental or occupancy of the Shareholder's Unit on the basis of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, or genetic information, nor shall any Shareholder discriminate against or harass any prospective Tenant, or Resident of the Shareholder's

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Unit because of such bases. Notwithstanding the foregoing, selection preferences based on age in the rental of a Shareholder's Unit, imposed in accordance with Section 51 of the Civil Code or a federally approved housing program, as may be applicable, shall not constitute age discrimination.

11.2. Criteria for Eligibility. All Tenants must meet the criteria for membership eligibility set forth in the Mutual's Governing Documents, specifically the Occupancy Agreement and by the Golden Rain Foundation, as the same may be amended from time to time.

12. Board's Right to Impose Additional Rules and Regulations. As long as Civil Code Section 4741, or similar statutes, is effective and has not been overturned by the Courts, repealed or otherwise amended by the state legislature, these Leasing Rules will remain effective. Should Civil Code Section 4741, or similar statutes, be overturned, repealed or otherwise amended, the Board retains the right to revoke and/or revise these Leasing Rules accordingly. The Board retains the right to establish and enforce additional Rules and Regulations to implement the leasing restrictions contained in these Leasing Rules and any other Governing Documents of the Mutual. The Board retains the right to establish and enforce additional Rules and Regulations to implement the leasing restrictions contained in these Leasing Rules.

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

13.1. Mutual Meetings and Events. Tenants may not participate in, or attend, meetings of the Mutual, including without limitation, any townhall meeting, open Board meeting, or any event intended only for the Shareholders of the Mutual.

13.2. Tenant and Shareholder Required to Attend Orientation. All new Tenants within the Mutual are required to attend a New Tenant Orientation. All leasing Shareholders will be required to attend such Orientation with the Tenant. The Mutual is entitled to charge a fee for such New Tenant Orientation, at the discretion of the Board.

13.3. Except in case of emergency, Tenant shall not contact the Director(s) of the Mutual or any vendor of the Mutual, including without limitation any employees or representatives of the GRF, for a maintenance issue. Tenant must contact the Shareholder-Landlord for any non-emergency maintenance issues.

13.4. Tenant is not permitted to have overnight guests.

14. Forfeiture of Shareholder Rights. Shareholder cannot utilize any common areas of the Mutual, including without limitation, laundry rooms, use of carport and storage cabinets therein, if a shareholder elects to lease out his/her unit to a tenant.

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

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

15.2. Tenant Contact Information. The telephone number and e-mail address, if applicable, of the Tenant, and information related to any vehicle of the Tenant, including the make, model, color, and license plate number.

**SEAL BEACH MUTUAL NO. ELEVEN
ARTICLE SEVENTEEN – LEASING RULES AND REGULATIONS**

15.3. Shareholder Contact Information. The telephone number, e-mail address, and any change in address of the Shareholder.

16. Fine Policy of the Mutual. Pursuant to the Mutual’s Governing Documents, the Shareholder will be called to a hearing for any Tenant violations of the Governing Documents, and the Mutual Board will determine what disciplinary measures and/or monetary fines to levy against Shareholder. The Mutual’s Fine Policy in effect at the time the violation occurs will be applied.

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO RATIFY EXHIBITS D & E (UNFINISHED BUSINESS, ITEM B)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to ratify exhibits D & E of Mutual Elevens Rules and Regulations.

Exhibit "E"
Fee Schedule

	<u>Amount</u>
Withdrawal Inspection Process Fee	\$1,000.00
Withdrawal Inspection Repair Deposit	\$5,000.00
New Tenant Orientation	\$750.00

Exhibit “D”

Fine Schedule

Including, but not limited to property alterations and/or improvements made without approval, repair and upkeep of property, unauthorized signs, and all other violations of the Mutual’s Governing Documents, except as otherwise set forth herein, may be assessed a monetary penalty in the following amounts:

Violation	1 st Offense	2 nd and each subsequent and/or continuation of offense
Residency/occupancy violations (e.g., unauthorized occupants, guests residing longer than permitted)	Notice to Comply in 48 hours	Notice and hearing and fine of up to \$500 and up to \$100 per/day for each additional day of non-compliance, for a maximum of 20 days.
Violation of Roof and Attic Access	Notice and hearing and up to \$1,000 and removal of unauthorized installation or non-compliant equipment if applicable	
Violation of Mutual Occupancy Agreement & all other Rules and Regulations	Written warning	Notice and hearing and fine of up to \$100 and up to \$100 per/day for each additional day of non-compliance, for a maximum of 20 days
Violation of Leasing Rules	Notice and hearing and fine of up to \$2,500.00	Notice and hearing and fine of up to \$5,000.00
Violation of Leasing Rules – Lease for Less than Thirty Days (Short-Term Rental)	Notice and hearing and fine of up to \$5,000.00	Notice and hearing and fine of \$2,500.00 to \$7,500.00

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO APPROVE THE NOTICE OF DUAL OWNERSHIP.
(UNFINISHED BUSINESS, ITEM C)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to approve the Notice of Dual Ownership.

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: APPROVAL OF MUTUAL MONTHLY FINANCES (NEW BUSINESS, ITEM A)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to approve that the review of the Mutuals' operating accounts, reserve accounts, current year's actual operating revenues and expenses compared to the current year's budget, the latest account statements prepared by financial institutions where the mutual has its operating and reserve accounts, and the income and expense statement for the mutual's operating and reserve accounts have been approved; and, further, that per Civil Code Section 5500(a)-(f), the check register, monthly general ledger, and delinquent assessment receivable reports have been reviewed for the months of October and November 2020.

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO CENSOR DENIS CRAIG FOR BREACH IN FIDUCIARY DUTIES AND TO SEND DRAFTED LETTER (FIRST ATTACHMENT)
THE MOTION WOULD (NEW BUSINESS, ITEM B)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to approve to censor Denis Craig due to the breach in Fiduciary Duties and send out letter drafted by attorney.

December 10, 2020

File No.: sea011917.001

VIA EMAIL

deniscraig@verizon.net

Denis Craig
Director at Large

Re: Seal Beach Mutual No. Eleven // Censure for Breach of Fiduciary Duties // Cease and Desist // Request for Resolution

Dear Mr. Craig:

As you are aware, this firm represents Seal Beach Mutual No. Eleven (“Mutual”), the corporation in which you own a share of stock and upon which you currently serve on the Board of Directors (“Board”). We are writing this letter at the direction of the Board regarding recent communications sent by you to shareholders of the Mutual and to advise you that the Board has voted to formally censure you for your breach of fiduciary duties to the Mutual as a Director of the corporation. Please direct, or have any legal counsel you retain direct, all further correspondence regarding this matter to the undersigned.

I. Breach of Fiduciary Duties

As you should already be aware, as a member of the Board, you are required to uphold various fiduciary duties pursuant to the California Civil Code, the Corporations Code, and case law¹. A fiduciary duty has been defined as a “high standard of conduct.” *Id.* at 800. The breach of a fiduciary duty may “subject [the director] to individual liability.” *Id.* For instance, as a Board member, you have a fiduciary duty to preserve confidential information and communication. Under Evidence Code section 952, written and oral communication between the Board and the Mutual’s attorney is considered privileged and confidential.

Notwithstanding these obligations and duties, you have shared this office’s October 30, 2020 communication to the Board with John Newport, Esq. In addition, on November 12, 2020, you exchanged disturbing email correspondence with Anne Walshe, advising her that you are “in agreement with her” in her commitment to “do anything I can to help you...we have to get a strong group together across mutuals to **outfox the ignorant shareholders who have power and don’t know what they are doing and hang on every word from Roseman**” (emphasis added).²

¹ *Raven’s Cove Townhomes, Inc. v. Knuppe Development Co.* (1981) 114 Cal.App.3d 783, 799.

² Your November 12, 2020 correspondence is enclosed herein for your review.

Most recently, and most disturbingly, on December 5, 2020, you sent a document, prepared by our office and protected by the attorney-client privilege, a privilege which a **majority** of the Board has not waived, along with a lengthy diatribe asserting that the Board of Directors, as a whole, is not working in the best interest of the Mutual, and providing **your** illegitimate and legally incorrect legal analysis of the Davis-Stirling Act and with the Corporations Code. In sharing such correspondence with John Newport, Esq., exchanging correspondence with Ms. Walshe, and distributing attorney-client privilege protected documents and composing an unlawful and slanderous e-mail about our law firm, you: (i) disseminated confidential and privileged Mutual legal matters to non-Board members/shareholders within the Mutual without Board approval; (ii) undermined the authority of the Board; and (iii) participated in fomenting animosity, strife, and discord within the Mutual. Accordingly, you have intentionally and/or negligently breached your duty of confidentiality, as well as various fiduciary duties you owe to the Mutual, thus potentially exposing the Mutual as a corporation, the Board, and yourself personally, to liability³.

Another of the primary fiduciary duties you owe to the Mutual is the duty to exercise undivided loyalty to the interests of the corporation⁴. For example, the duty of loyalty is breached if a Board member asserts any personal action or opinion which is against or inconsistent with the Mutual's best interests. As a director, you must place the Mutual's interests before any of your personal interests and you hold a position of trust as a fiduciary to the corporation and must exercise proper care in decisions. Furthermore, as a director, you cannot take unilateral actions, or any action for that matter, that may increase the potential of liability for the Mutual. As discussed above, you also owe a duty of confidentiality, which includes the obligation to keep matters pending before the Board, such as legal issues, private and away from the shareholders. As evidenced by your unilateral decision to share privileged Mutual communication with shareholders, as well as what appears to be you plotting to "outfox the ignorant shareholders" you are in violation of your duties of loyalty, confidentiality, and care. Please note that while the Mutual's insurance policy generally protects Board members if they are sued for their actions, this coverage does not extend to intentional acts in breach of your duties to the corporation.

You also have a fiduciary duty to act in good faith and in the best interests of the Mutual. As such, you may not circulate Board business and correspondence to shareholders without the prior knowledge and approval of a majority of the Board. Further, planning to orchestrate a "coup d'état" with shareholders of other Mutuals, specifically you named, "Franz, Bash, Croft, etc." is not an action made in good faith nor in the best interests of the Mutual. The above each represent separate and distinct breaches of your fiduciary obligations to the Mutual, each of which may be actionable.

Further, your December 5, 2020 e-mail correspondence attempts to interpret various provisions of the Davis-Stirling Act and Corporations Code, and then explain those laws to the shareholders

³ See Civ. Code §5800.

⁴ *Francis T v. Village Green Owners Ass'n* (1986) 42 Cal.3d 490, 513.

of each Mutual in Leisure World Seal Beach. As a non-attorney, you are prohibited from interpreting and explaining statutes to lay people. Here, please be mindful and careful of the fact that, by attempting to interpret and explain the Davis-Stirling Act and the Corporations Code to others, you may be engaging in the “unauthorized practice of law,” which is illegal in California.

II. Censure / Cease and Desist

In light of the foregoing, the remaining Board members have voted to censure you. Such censure will be conducted at the next duly noticed Board meeting, and pursuant to your request, will be conducted in an open meeting. This majority of the Board also demands that you immediately cease and desist from: (i) disseminating confidential and privileged Mutual legal matters to non-Board members/shareholders within the Mutual without Board approval; (ii) undermining the authority of the Board; and (iii) participating in fomenting animosity, strife, and discord within the Mutual.

If you refuse to comply with this demand to immediately cease and desist, the Mutual may have no other choice but to file a lawsuit against you in for breach of your fiduciary duties and seek an injunction against you for the same. In such an action, and among other relief, the Mutual will seek recovery of its attorney’s fees and costs incurred, pursuant to Civil Code section 5975 and the Mutual’s governing documents.

Further, if you are unwilling or unable to perform your fiduciary obligations to the corporation or to meet your responsibilities as a Director of the same, including, but not limited to conducting yourself in a manner consistent with this letter, the Board requests that you resign your position so that a shareholder who is willing to do so may be appointed in your place. We trust that your resignation will not be necessary and expect that this correspondence will prompt you to conduct yourself accordingly and to fulfill your fiduciary duties to the corporation in every respect.

III. Request for Resolution

Under California law, the Mutual is obligated to offer to engage in alternative dispute resolution (“ADR”) with you prior to filing a lawsuit. Please consider this correspondence as constituting the Mutual’s “Request for Resolution” as described in California Civil Code section 5935, with respect to the matters discussed above. The form of ADR which the Mutual proposes the parties engage in is mediation. The cost of this mediation shall be borne equally by the parties, as required by Civil Code section 5940(c). A copy of the above-referenced ADR provisions is enclosed.

Consequently, please take notice that you are required to respond to this Request for Resolution within thirty (30) days of receipt, or it will be deemed rejected. In the event this Request for Resolution is rejected, the Mutual may proceed with any and all legal remedies, including litigation, without further notice.

Please contact me if you have any questions regarding the foregoing. Nothing contained herein or omitted herefrom is intended, nor shall be construed, to operate as an admission, limitation, or waiver of the Mutual's rights, remedies or defenses, at law and/or in equity, all of which are hereby expressly reserved.

Sincerely,

ROSEMAN LAW, APC

DRAFT

STEVEN A. ROSEMAN, ESQ.

Enclosures
cc: Client

DRAFT



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CIVIL CODE - CIV

DIVISION 4. GENERAL PROVISIONS [3274 - 9566] (*Heading of Division 4 amended by Stats. 1988, Ch. 160, Sec. 16.*)

PART 5. Common Interest Developments [4000 - 6150] (*Part 5 added by Stats. 2012, Ch. 180, Sec. 2.*)

CHAPTER 10. Dispute Resolution and Enforcement [5850 - 5985] (*Chapter 10 added by Stats. 2012, Ch. 180, Sec. 2.*)

ARTICLE 3. Alternative Dispute Resolution Prerequisite to Civil Action [5925 - 5965] (*Article 3 added by Stats. 2012, Ch. 180, Sec. 2.*)

5925. As used in this article:

(a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decisionmaking process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

(b) "Enforcement action" means a civil action or proceeding, other than a cross-complaint, for any of the following purposes:

(1) Enforcement of this act.

(2) Enforcement of the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code).

(3) Enforcement of the governing documents.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

5930. (a) An association or a member may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.

(b) This section applies only to an enforcement action that is solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits stated in Sections 116.220 and 116.221 of the Code of Civil Procedure.

(c) This section does not apply to a small claims action.

(d) Except as otherwise provided by law, this section does not apply to an assessment dispute.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

5935. (a) Any party to a dispute may initiate the process required by Section 5930 by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:

(1) A brief description of the dispute between the parties.

(2) A request for alternative dispute resolution.

(3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.

(4) If the party on whom the request is served is the member, a copy of this article.

(b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.

(c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

5940. (a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.

(b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article, other than arbitration.

(c) The costs of the alternative dispute resolution shall be borne by the parties.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

5945. If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

(a) The period provided in Section 5935 for response to a Request for Resolution.

(b) If the Request for Resolution is accepted, the period provided by Section 5940 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to Section 5940.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

5950. (a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions are satisfied:

(1) Alternative dispute resolution has been completed in compliance with this article.

(2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.

(3) Preliminary or temporary injunctive relief is necessary.

(b) Failure to file a certificate pursuant to subdivision (a) is grounds for a demurrer or a motion to strike unless the court finds that dismissal of the action for failure to comply with this article would result in substantial prejudice to one of the parties.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

5955. (a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.

(b) The costs of the alternative dispute resolution shall be borne by the parties.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

5960. In an enforcement action in which attorney's fees and costs may be awarded, the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

5965. (a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

(b) The summary shall be included in the annual policy statement prepared pursuant to Section 5310.

(Added by Stats. 2012, Ch. 180, Sec. 2. (AB 805) Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)

From: DENIS CRAIG <deniscraig@verizon.net>
Date: November 12, 2020 at 4:17:43 PM PST
To: Walshe Anne <walshstein@aol.com>
Subject: Re: letter to M11 BOD

Hi Anne,

I greatly appreciate your support and willingness to get involved. As of now, I'm going to await whatever response my email elicits from the Board. They now have an opportunity to represent the Shareholders properly -or- not. We'll see. I am in agreement with you, Franz, Bash, Croft, etc.. This travesty should get the broadest disclosure possible to protect LW shareholders. More later - 1st got to see how my email gets handled.

Cheers,

Denis

On Nov 12, 2020, at 3:30 PM, <walshstein@aol.com> <walshstein@aol.com> wrote:

Denis...I've seen your letter to your Board...well done. But remember, a few years ago I witnessed your evisceration by the GRF Board when you recommended staggered 3 year terms and I do not want to see that happen to you again! Do you have any allies on your Board? They need to be speaking up with you. I am ready and willing to do anything I can to help you....we have to get a strong group together across mutuals to outfox the ignorant shareholders who have power and don't know what they are doing and hang on every word from Roseman. I fear the end of LW if we can't do this. Let me know your thoughts.

Anne

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO CREATE AND EXECUTIVE COMMITTEE. (NEW BUSINESS, ITEM C)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to approve the SEAL BEACH MUTUAL NO. ELEVEN BOARD RESOLUTION TO CREATE an EXECUTIVE COMMITTEE:

WHEREAS, it has come to the attention of the Seal Beach Mutual No. Eleven's ("Mutual") Board of Directors ("Board") that Denis Craig, a director serving on the Board, has intentionally breached his fiduciary duty of confidentiality by disclosing confidential information and communications of the Mutual; and

WHEREAS, it has come to the attention of the Board that Denis Craig has intentionally breached his fiduciary duty of loyalty, duty of confidentiality and duty of care by disseminating confidential information and communications of the Mutual to a Shareholder, namely, John Newport, Esq.;

WHEREAS, it has come to the attention of the Board that Denis Craig has intentionally breached his fiduciary duty of loyalty, duty of confidentiality and duty of care by exchanging disturbing email correspondence with a Shareholder, namely, Anne Walshe, advising her that Mr. Craig is "in agreement with her" in her commitment to "do anything I can to help you...we have to get a strong group together across mutuals to outfox the ignorant shareholders who have power and don't know what they are doing and hang on every word from Roseman";

WHEREAS, it has come to the attention of the Board that Denis Craig has intentionally breached his fiduciary duty of loyalty, duty of confidentiality and duty of care by you sending a document, prepared by Roseman Law and protected by the attorney-client privilege, a privilege which a majority of the Board did not and has not waived, along with a lengthy e-mail, asserting that the Board of Directors, as a whole, is not working in the best interest of the Mutual;

WHEREAS, Denis Craig has demanded to inspect and copy certain books, records, documents, and specifically, attorney-client privileged correspondences, of the Mutual. Further, Denis Craig has announced his intention to provide copies of such books, records, documents and specifically, attorney-client privileged correspondences, of the Mutual to Shareholders;

WHEREAS, pursuant to California Corporations Code Section 1602, every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of the

corporation of which such person is a director; however, “the absolute right, however, is subject to exceptions and may be denied where a disgruntled director announces his or her intention to violate his or her fiduciary duties to the corporation...” (Tritek Telecom, Inc. v. Superior Court, (2009) 169 Cal.App.4th1385, 1390.);

WHEREAS, all Mutual Board members owe the Mutual certain fiduciary duties, including the duty to maintain confidentiality. The duty to maintain confidentiality requires that Board members refrain from disclosing any confidential or attorney-client privileged information to anyone who is not on the Board;

WHEREAS, the Board desires to establish an Executive Committee (“Committee”) for the Board to discuss various Mutual legal matters, without Denis Craig present during such discussions and any subsequent decisions; and

WHEREAS, the Board is permitted to establish the Committee under California Corporations Code Section 311 and any other applicable statutes; and

WHEREAS, serving at the pleasure of the Board, and subject to the other limitations of Corporations Code Section 311 and other applicable law, the Executive Committee will, among other things, assist the Board in: executing all of its duties; managing the affairs of the Association between meetings of the Board; and protecting the interests of the Mutual as a whole; and

WHEREAS, a majority of the Board resolves to establish an Executive Committee at the Board meeting on this December ____, 2020; and

THEREFORE, IT IS RESOLVED THAT: pursuant to the Mutual’s Bylaws and any amendments thereto (“Bylaws”) and other governing documents (“Governing Documents”), and applicable statutes, the Board hereby establishes an Executive Committee to be made up of all directors currently serving on the Board except for Denis Craig, for the purpose of discussing legal matters, and to determine what, if any, documents should be provided to Denis Craig pursuant to his requests.

This resolution was adopted by the Board in executive session.

ADOPTED BY:

Signature of Authorized Board Member

Print Name of Authorized Board Member

Title _____ Date: _____

SEAL BEACH MUTUAL NO. ELEVEN

BOARD RESOLUTION TO CREATE EXECUTIVE COMMITTEE

Board of Directors – Executive Session

WHEREAS, it has come to the attention of the Seal Beach Mutual No. Eleven’s (“Mutual”) Board of Directors (“Board”) that Denis Craig, a director serving on the Board, has intentionally breached his fiduciary duty of confidentiality by disclosing confidential information and communications of the Mutual; and

WHEREAS, it has come to the attention of the Board that Denis Craig has intentionally breached his fiduciary duty of loyalty, duty of confidentiality and duty of care by disseminating confidential information and communications of the Mutual to a Shareholder, namely, John Newport, Esq.;

WHEREAS, it has come to the attention of the Board that Denis Craig has intentionally breached his fiduciary duty of loyalty, duty of confidentiality and duty of care by exchanging disturbing email correspondence with a Shareholder, namely, Anne Walshe, advising her that Mr. Craig is “in agreement with her” in her commitment to “do anything I can to help you...we have to get a strong group together across mutuals to outfox the ignorant shareholders who have power and don’t know what they are doing and hang on every word from Roseman”;

WHEREAS, it has come to the attention of the Board that Denis Craig has intentionally breached his fiduciary duty of loyalty, duty of confidentiality and duty of care by you sending a document, prepared by Roseman Law and protected by the attorney-client privilege, a privilege which a majority of the Board did not and has not waived, along with a lengthy e-mail, asserting that the Board of Directors, as a whole, is not working in the best interest of the Mutual;

WHEREAS, Denis Craig has demanded to inspect and copy certain books, records, documents, and specifically, attorney-client privileged correspondences, of the Mutual. Further, Denis Craig has announced his intention to provide copies of such books, records, documents and specifically, attorney-client privileged correspondences, of the Mutual to Shareholders;

WHEREAS, pursuant to California Corporations Code Section 1602, every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of the corporation of which such person is a director; however, “the absolute right, however, is subject to exceptions and may be denied where a disgruntled director announces his or her intention to violate his or her fiduciary duties to the corporation...” (Tritek Telecom, Inc. v. Superior Court, (2009) 169 Cal.App.4th 1385, 1390.);

WHEREAS, all Mutual Board members owe the Mutual certain fiduciary duties, including the duty to maintain confidentiality. The duty to maintain confidentiality requires that Board members refrain from disclosing any confidential or attorney-client privileged information to anyone who is not on the Board;

WHEREAS, the Board desires to establish an Executive Committee (“Committee”) for the Board to discuss various Mutual legal matters, without Denis Craig present during such discussions and any subsequent decisions; and

WHEREAS, the Board is permitted to establish the Committee under California Corporations Code Section 311 and any other applicable statutes; and

WHEREAS, serving at the pleasure of the Board, and subject to the other limitations of Corporations Code Section 311 and other applicable law, the Executive Committee will, among other things, assist the Board in: executing all of its duties; managing the affairs of the Association between meetings of the Board; and protecting the interests of the Mutual as a whole; and

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THEREFORE, IT IS RESOLVED THAT: pursuant to the Mutual's Bylaws and any amendments thereto ("Bylaws") and other governing documents ("Governing Documents"), and applicable statutes, the Board hereby establishes an Executive Committee to be made up of all directors currently serving on the Board except for Denis Craig, for the purpose of discussing legal matters, and to determine what, if any, documents should be provided to Denis Craig pursuant to his requests.

This resolution was adopted by the Board in executive session.

ADOPTED BY:

Signature of Authorized Board Member

Print Name of Authorized Board Member

Title _____ Date: _____

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO APPROVE THE REVISED OCCUPANCY AGREEMENT. (NEW BUSINESS, ITEM D)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to approve effective January 1, 2021 the revised Occupancy Agreement.

OCCUPANCY AGREEMENT

OF

SEAL BEACH MUTUAL NO. ELEVEN

OCCUPANCY AGREEMENT OF SEAL BEACH MUTUAL NO. ELEVEN

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OCCUPANCY AGREEMENT OF SEAL BEACH MUTUAL NO. ELEVEN

RECITALS

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

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

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

The Qualifying Resident shall occupy the Unit on the terms and conditions set forth herein, and the Governing Documents of the Mutual now or hereafter adopted pursuant thereto,

from the date of this Agreement for a term terminating on _____ (“Term”), automatically renewable thereafter for successive three-year periods under the conditions provided for herein unless earlier terminated pursuant to the provisions set forth in this Agreement or in the Governing Documents.

ARTICLE I INCORPORATION OF RECITALS/CAPITALIZED TERMS

Section 1.1 – Incorporation of Recitals.

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

Section 1.2 – Capitalized Terms.

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

ARTICLE II CONDITIONS OF POSSESSION

Section 2.1 – Breach of Conditions.

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

Section 2.2 – Governing Documents.

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

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

Section 2.3 – Unlawful Detainer Action.

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

Section 2.4 – Trustee has No Right to Possession of the Unit.

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

ARTICLE III RIGHT TO POSSESSION

Section 3.1 – Term.

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

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

Section 3.2 – Common Area.

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

Section 3.3 – Occupancy Termination.

Subject to California Civil Code § 51.3, if the Qualifying Resident shall cease to be entitled to occupy the Unit, the right of all persons in the Qualifying Resident's household, whether or not Shareholders of the Mutual (unless such Shareholder is also a Qualifying Resident

who executed this Agreement), and all other persons occupying or visiting the Unit, to continue to occupy or use the Unit, shall come to an end at the same time and without further notice being required.

Section 3.4 – Transfer of Share Ownership.

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

ARTICLE IV MEMBERSHIP IN THE GOLDEN RAIN FOUNDATION

Section 4.1 – Membership in the Golden Rain Foundation.

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

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

**ARTICLE V
ASSESSMENTS**

Section 5.1 – Payment of Regular Assessments.

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

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

The Qualifying Resident shall pay to the Mutual all Regular Assessments and other charges established and levied by the Mutual pursuant to the Governing Documents, including but not limited to, any and all Special Assessments and Reimbursement Assessments levied against the Qualifying Resident and/or Unit. Regular Assessments, Special Assessments and Reimbursement Assessments are collectively referred to herein as “Mutual Assessment(s)”. Assessments and any late charges, including reasonable attorney’s fees, and other fees and costs of collection, if any, and interest, if any, assessed in accordance with the provisions of the Governing Documents shall be a debt of the Qualifying Resident of the Unit at the time the Assessment or other sums are levied. No Qualifying Resident may waive or otherwise escape liability for Assessments by nonuse of the Common Area and/or abandonment of the Qualifying Resident’s Unit.

Section 5.3 – Qualifying Resident Payment.

The Qualifying Resident shall pay to the Mutual all Mutual Assessments and GRF Assessments (collectively referred to herein as “Assessment(s)”) in full upon notice of such Assessment. Assessments will be considered delinquent if not paid by or before the fifteenth (15th) day after which the Assessment becomes due. Any Assessment payment made by the Qualifying Resident shall first be applied to the Assessments owed, and only after the Assessments owed are paid in full, shall the payments be applied to the fees and costs of collection, attorney’s fees, late charges, and/or interest. Notwithstanding the foregoing, unless otherwise limited by law, the terms of a payment plan entered into between the Qualifying Resident and the Mutual may provide for a different application of payments. The Qualifying Resident shall pay to the Mutual all Assessments and any other amounts due to the Mutual under this Agreement and the Governing Documents of the

Mutual at the office of the Mutual; or at such other place as the Mutual may from time to time designate in writing, and in the form and manner determined by the Board of Directors of the Mutual with no right of set-off or abatement under any circumstances.

Section 5.4 – Rate of Regular Assessments.

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

- (a) the cost of all operating expenses of the Community and services furnished, including charges by the GRF, for facilities and services furnished by the GRF, in addition to any and all other charges required pursuant to the Agreement;
- (b) the maintenance of the corporate existence of the Mutual;
- (c) the amount of all assessments levied against the Community and the Mutual, including taxes, and the sums in lieu of taxes, which the Mutual and/or the GRF is required to pay. In the event the taxing authority levies a separate assessment as to the assessed value of each dwelling unit, the proportionate share of taxes to be paid with regard to each dwelling unit shall be determined by the ratio of the assessed value of the dwelling unit to the total assessed value of all dwelling units of the Mutual, and the Qualifying Resident agrees to and shall pay the amount of said taxes determined by the taxing authority for the Qualifying Resident's Unit, which shall be included in the Qualifying Resident's Assessments hereinabove referred to, in said amount as separately determined for said Unit;
- (d) the estimated cost of repairs, maintenance and replacement of Mutual property to be made by the Mutual;
- (e) the cost of necessary management, administration and professional services;
- (f) the amount of fire and extended insurance on the Community and such other insurance as the Mutual may effect;

- (g) the Mutual's cost of furnishing water, garbage and trash collection, sewage disposal, other government mandated responsibilities, and other utilities to the extent furnished by the Mutual;
- (h) the amount of all taxes and licenses, assessments, insurance, repairs, replacements, upkeep, maintenance, security and operations;
- (i) any and all other charges related to the Qualifying Resident's occupancy of the Unit including, but not limited to, repair orders, cable service and any other fees and charges unrelated to the Mutual's Regular Assessment, not paid for by the Qualifying Resident at the time it becomes due;
- (j) adequate contributions to a capital replacement reserve fund and to any other reserve funds, including but not limited to, general operating reserve, contingency reserve and the reserve for repair or replacement of Mutual property, established by the Mutual;
- (k) all other fees, costs and expenses incurred in the management of the Mutual and the Community;
- (l) the amount, if any, as may be required to meet any deficit in the preceding fiscal year; and
- (m) any other amounts required to accomplish the purposes for which the Mutual was incorporated.

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

Section 5.5 – Notice of Assessment Increases.

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

Section 5.6 – Delinquent Assessments.

- (a) Assessments, including but not limited to, Mutual Assessments and GRF Assessments levied pursuant to the Governing Documents shall be delinquent fifteen (15) days after they become due.
- (b) If Assessments are delinquent, the Mutual may recover all of the following:
 - i. reasonable costs incurred in collecting the delinquent Assessments, including reasonable attorney's fees;

- ii. a late charge not exceeding ten percent (10%) of the delinquent Assessments or ten dollars (\$10.00), whichever is greater; and
- iii. interest on all sums imposed in accordance with this Article 5, including the delinquent Assessments, reasonable fees and costs of collection, at an annual interest rate not to exceed twelve percent (12%), commencing thirty (30) days after the Assessments become due.

Section 5.7 – Failure to Pay Assessments.

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

Section 5.8 – NSF Payments.

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

Section 5.9 – Patronage Refunds.

The Mutual may refund or credit the Qualifying Resident within ninety (90) days after the end of each fiscal year, the Qualifying Resident's proportionate share of such sums collected in anticipation of expenses which are in excess of the amount needed for expenses of all kinds, including but not limited to reserves, in the discretion of the Board of Directors.

ARTICLE VI PAYMENT OF UTILITIES

Section 6.1 – Utilities.

- (a) The Mutual shall provide water, garbage and trash collection, sewage disposal and other government mandated services for exterior use. The cost

of these services shall be included in the Assessments as set forth in this Agreement.

- (b) The Qualifying Resident shall be responsible for and pay, all applicable electrical, telephone and any utility, cable, or similar charges or accounts. If the Qualifying Resident fails to pay the same, the Mutual may pay the same or any part thereof on behalf of the Qualifying Resident, and the amount so paid shall be due and payable by the Qualifying Resident, as an Assessment, to the Mutual, immediately upon written notice to the Qualifying Resident.

ARTICLE VII

COMPLIANCE WITH MUTUAL GOVERNING DOCUMENTS

Section 7.1 – Comply with Mutual Governing Documents.

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

Section 7.2 – Hierarchy of Governing Documents.

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

ARTICLE VIII

USE OF UNIT

Section 8.1 – Principal Residence.

The Qualifying Resident shall use the Unit and all parts thereof only as the Qualifying Resident's principal residence. The number of persons residing in the Unit, as a principal

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

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

differ from its residential character either by the use of colors, materials, construction, lighting, signs, or the emissions of sounds, noises and vibrations;

- (n) no use shall create or cause noise, dust, vibration, odor, smoke, glare, or electrical interference or other hazards or nuisances; and
- (o) activities conducted and equipment or material used shall not change the fire safety or occupancy classifications of the Unit.

Section 8.2 – Nuisance.

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

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

Section 8.3 – Residential Purposes Only.

The Qualifying Resident and other Co-Occupant(s) shall occupy the Unit as a private residential dwelling only, subject to the requirements as set forth in California Civil Code § 51.3. No commercial or retail use is permitted in the Unit or of the Community except as

provided for in this Agreement. So long as the Qualifying Resident continues to own the Stock of the Mutual, occupies the Unit and abides by the terms of this Agreement and the Governing Documents of the Mutual, the Qualifying Resident, in common with the other Qualifying Residents of the Mutual, may enjoy the use of all Common Area and facilities in the Community. Subject to the Governing Documents, the Qualifying Resident shall not own more than one share of stock in Leisure World. The Qualifying Resident is expressly obligated to fully divest ownership in the Mutual prior to acquiring, owning or occupying a dwelling unit in Leisure World, other than the Unit.

ARTICLE IX INSURANCE HAZARDS

Section 9.1 – Responsibility for Hazards.

- (a) The Qualifying Resident shall not:
 - i. cause or permit any nuisance, or activity in the Unit or in any part of the Community; or
 - ii. permit or suffer anything to be done or kept in the Unit, Community and/or anywhere within Leisure World, which will increase the cost or rate of insurance, including without limitation, fire, liability and other hazards insurance; or
 - iii. permit or suffer anything to be done or kept in the Unit and upon the Community which will obstruct or interfere with the rights of other persons, or annoy them by unreasonable noises or otherwise; or
 - iv. commit, permit or suffer any nuisance and/or any illegal act in the Community and/or the Unit, and/or Leisure World, and/or any other Mutuels within Leisure World, or any Common Area.
- (b) The Qualifying Resident shall comply with all requirements of all governmental authorities with respect to the Unit and the Community. If by reason of the Qualifying Resident's occupancy or use of the Unit and/or Community, the Mutual's rate of insurance increases, the Qualifying Resident shall be liable for the additional insurance premiums.

ARTICLE X
ALTERATIONS TO UNIT

Section 10.1 – Alterations Require Consent.

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

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

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

Section 10.2 – Restoration Costs.

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

- (a) cause maintenance, repair and restoration of the Unit to be made; and

- (b) enter, or cause their agents, employees, or contractors to enter the Unit for that purpose.

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

Section 10.3 – Governmental Compliance of Alterations.

When consent is given for alterations as provided herein:

- (a) all alterations, changes or additions made by the Qualifying Resident shall comply with applicable municipal, state and federal laws, regulations, building codes and requirements;
- (b) the Board of Directors may require such proof of compliance as may be necessary, including further improvements, to bring the said alterations, changes or additions to the standards required, with all costs to be borne by the Qualifying Resident;
- (c) if the Qualifying Resident fails to comply with the standards required, the Board of Directors may cause all measures to be taken so as to comply and may cause their agents, employees or contractors to enter the Unit for that purpose; and
- (d) all expenses and costs incurred by the Mutual in doing so shall be due and payable by the Qualifying Resident to the Mutual as a Reimbursement Assessment immediately upon written notice to the Qualifying Resident.

Section 10.4 – No Compensation for Alterations.

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

- (a) the Qualifying Resident shall not receive any compensation from the Mutual for alterations, changes or additions left in, on or affixed to the Unit or the Community by the Qualifying Resident;
- (b) at the sole option of the Board of Directors, the Qualifying Resident shall either: (i) remove the alterations, changes or additions to the Unit; or (ii) surrender to the Mutual possession thereof of all the alterations, changes or additions, fixtures and improvements. If the Board of Directors requires the Qualifying Resident to remove any alterations, changes or additions, the Unit must be left in the same condition as it was prior to the alterations, changes or additions having been made;

- (c) if the Qualifying Resident refuses or neglects for a period of ten (10) days following receipt of written notice from the Board of Directors to repair and restore the Unit to its original condition, or fails to provide the Board of Directors with evidence acceptable to the Board of Directors, in their sole discretion, that the Qualifying Resident has commenced with compliance of the written notice to repair and restore the Unit to its original condition, then the Board of Directors without further notice to the Qualifying Resident may cause repair and restoration of the Unit to be made, and may enter or cause their agents, contractors, or employees to enter the Unit for that purpose and the Qualifying Resident shall reimburse the Mutual as a Reimbursement Assessment for such repair and restoration, pursuant to this Agreement. If the Qualifying Resident fails to use reasonable diligence, in the sole discretion of the Board of Directors, to complete any required repair and restoration of the Unit timely, or if in the Board's sole discretion, the Qualifying Resident causes there to be undue delay in the required repair and restoration of the Unit, then the Board of Directors without further notice to the Qualifying Resident may cause repair and restoration of the Unit to be made, and may enter or cause their agents, contractors, or employees to enter the Unit for that purpose and the Qualifying Resident shall reimburse the Mutual as a Reimbursement Assessment for such repair and restoration, pursuant to this Agreement.

Section 10.5 – Compliance with Alteration Procedures.

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

ARTICLE XI

INTERIOR MAINTENANCE AND REPAIR OF UNIT

Section 11.1 – Repairs by Qualifying Resident.

Subject to Article 10 of this Agreement, the Qualifying Resident shall, at the Qualifying Resident's own expense, keep the interior of the Unit in good condition and repair as required by the Governing Documents and in keeping with the character of the rest of the Community. The Qualifying Resident further agrees to repair and maintain Qualifying Resident's Unit at Qualifying Resident's own expense as follows:

- (a) any repairs or maintenance necessitated by the Qualifying Resident's own negligence or misuse or the negligence or misuse by the Qualifying Resident's Co-Occupants, invitees, or agents;
- (b) any redecoration of the interior of the Qualifying Resident's Unit, and minor repairs thereto, including, but not limited to, light bulbs, filters and similar items;
- (c) any repairs or maintenance of improvements and component parts thereof that were added by the Qualifying Resident, Shareholder or previous Qualifying Residents and/or Shareholders (whether within the interior of the Unit or exterior to the Unit) and other added items within the interior surfaces of the perimeter walls, floors and ceiling of the Unit; and
- (d) any repairs, maintenance and/or replacement to non-standard items not available through the Purchasing, Maintenance and/or Physical Property departments of the GRF, located in or about Qualifying Resident's Unit, whether installed by the Qualifying Resident and/or Shareholder or previous Qualifying Residents and/or Shareholders.

Section 11.2 – Repairs by Mutual.

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

Section 11.3 – Damage Caused by Leakage.

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

Section 11.4 – Liability for Damage.

The Mutual shall determine whether to restore the damaged Unit in the event of loss or damage by fire or other casualty to the Unit without the fault or negligence of the Qualifying Resident. The Mutual shall further determine, in its sole and absolute discretion,

in the event such Unit shall not be restored, the amount which shall be paid to the Qualifying Resident to redeem the Stock of the Qualifying Resident and to reimburse the Qualifying Resident for such loss as the Qualifying Resident may have sustained.

Section 11.5 – Repairs as Required.

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

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

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

Section 11.6 – Report Defects.

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

Section 11.7 – Repairs on Vacating.

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

Section 11.8 – Inspection on Withdrawal or Termination.

The Board of Directors shall cause the Unit to be inspected on, before, or within a reasonable time after withdrawal from or termination of Share Ownership and provide the Qualifying Resident with a written list of cleaning, repairs, changes, alterations and

restorations which the Mutual requires to be carried out at the Qualifying Resident's expense. All expenses and costs incurred by the Mutual in conducting such inspection shall be due and payable by the Qualifying Resident to the Mutual upon written notice to the Qualifying Resident, pursuant to the Governing Documents of the Mutual.

Section 11.9 – Cost of Repairs and Cleaning.

After the Qualifying Resident vacates the Unit:

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

Section 11.10 – Cost of Relocation.

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

ARTICLE XII

QUALIFYING RESIDENT REQUIRED TO OBTAIN INSURANCE

Section 12.1 – Qualifying Resident Insurance.

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

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

Section 12.2 – Qualifying Resident May not Claim Under the Mutual's Insurance Policy.

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

ARTICLE XIII
LIENS

Section 13.1 – Qualifying Resident not to permit Mechanics’ Liens.

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

Section 13.2 – Mutual may pay Mechanics’ Lien.

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

- (a) pay and discharge any such lien or purchase any such lien; and
- (b) the amount so paid shall be a Reimbursement Assessment against the Qualifying Resident.

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

ARTICLE XIV
ASSIGNMENT AND SUBLETTING/FAILURE TO RESIDE

Section 14.1 – Subletting and Assignment.

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

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

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

failure of the Shareholder and/or Tenant to sign the Addendum shall be deemed a waiver of the Shareholder's right to rent the Unit.

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

Section 14.2 – Failure to Reside.

If the Qualifying Resident shall cease or fail to reside in the Unit on a full-time permanent basis for a period exceeding one hundred eighty (180) days, the Qualifying Resident must first provide written notification to the Board of Directors. If the Qualifying Resident shall cease or fail to reside in the Unit on a full-time permanent basis for a period exceeding one hundred eighty (180) days, and fail to provide the Board of Directors with prior written notice of the same, the Board of Directors, in their sole discretion, may determine that the Qualifying Resident has vacated such Unit ("Vacancy").

ARTICLE XV

TERMINATION OF SHARE OWNERSHIP AND AGREEMENT

Section 15.1 – Right of Occupancy.

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

Section 15.2 – Material Conditions.

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

Section 15.3 – Termination on Vacancy.

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

ARTICLE XVI
WITHDRAWAL FROM SHARE OWNERSHIP

Section 16.1 - Withdrawal from Share Ownership.

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

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

Section 16.2 – Stock Redemption.

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

ARTICLE XVII
RIGHTS AND REMEDIES/WAIVERS

Section 17.1 – Cumulative Rights.

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

Section 17.2 – Failure to Pursue Remedies.

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

any of the Mutual's rights hereunder or as an implied future waiver or extension on any subsequent default by the Qualifying Resident.

Section 17.3 – Non-Waiver of Remedies.

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

Section 17.4 – Waiver to be in Writing.

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

ARTICLE XVIII

DEFAULT BY QUALIFYING RESIDENT AND EFFECT THEREOF

Section 18.1 – Definition of Default by Qualifying Resident.

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

apply to the eviction of the tenants by force or otherwise, and to repossess the Unit in its former state as if this Agreement had not been made:

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

Section 18.2 – Effect of Default.

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

Section 18.3 – Landlord-Tenant Relationship.

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

Section 18.4 – Qualifying Resident Waiver.

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

Section 18.5 – Mutual Remedies.

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

ARTICLE XIX

RIGHT TO ENTER/INSPECTION OF UNIT

Section 19.1 – Entry for Emergency.

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

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

Section 19.2 – Costs of Emergency Entry.

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

Section 19.3 – Entry for Non-Emergency.

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

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

Section 19.4 – Definition of "Reasonable Purpose".

"Reasonable purposes" shall include:

- (a) entry to access, inspect, or repair structures or systems of the Unit and/or the Community;
- (b) entry for the purpose of determining if the Qualifying Resident is in compliance with this Agreement, and any other Governing Documents of the Mutual;
- (c) entry for the purpose of determining if the Qualifying Resident has ceased to occupy the premises or has otherwise vacated the same;
- (d) entry for the purpose of the Board to determine, in its sole discretion, if the Qualifying Resident and/or Co-Occupants of the Unit have created or allowed conditions to persist that are hazardous to themselves or other Qualifying Residents, Shareholders and residents in the Community, including but not limited to, unsanitary conditions, the overabundance and/or hoarding of items such that high fire loading conditions exist and/or ingress and egress within and to the Unit is restricted, and wellness checks; and
- (e) entry for the purpose of inspecting the Unit for damage, any deferred maintenance or other issues requiring immediate attention if the Unit has

been vacated, as described in Section 14.2 of this Agreement. The Mutual and/or any of its agents, vendors, contractors, Board of Directors, personnel or anyone acting on behalf of the Mutual may enter such vacated Unit to inspect for damage, deferred maintenance or other issues that may require immediate attention every three (3) months, at a minimum. The cost of such inspection and any maintenance performed pursuant to such inspection shall be billed back to the Qualifying Resident of the Unit.

Section 19.5 – Time of Entry.

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

Section 19.6 – No Refusal to Enter Unit.

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

**ARTICLE XX
SERVING NOTICES**

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

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

ARTICLE XXI
LIMITATION OF LIABILITY

Section 21.1 – Liability Limited.

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

The obligation to indemnify shall be effective even if active or passive negligence or misconduct of the Mutual contributes to the loss, claim or damage. This indemnity will not extend to: (i) claims arising from the sole negligence or sole willful misconduct of the Mutual; or (ii) claims occurring after the Agreement is terminated.

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

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

ARTICLE XXII
MISCELLANEOUS PROVISIONS

Section 22.1 – Amendments to the Agreement.

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

Section 22.2 – Oral Representation Not Binding.

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

Section 22.3 – Rules of Interpretation.

Except as otherwise expressly provided in this Agreement, the following rules shall apply hereto: (i) the singular includes the plural and plural includes the singular; (ii) “or” is not exclusive and “include” and “including” are not limiting; (iii) a reference to any agreement or other contract includes any permitted supplements and amendments; (iv) a reference in this Agreement to a section, article or exhibit is a reference to a section, article or exhibit within or attached to this Agreement unless otherwise expressly provided; (v) a reference to a section or article in this Agreement shall, unless the context clearly indicates to the contrary, refer to all sub-parts or sub-components of any said section or paragraph; (vi) words such as “hereunder,” “hereto,” “hereof,” and “herein,” and other words of like import shall, unless the context clearly indicates to the contrary, refer to the whole of this Agreement and not to any particular clause hereof; (vii) the headings of the articles or sections and the ordering or position thereof are for convenience only and shall not in any way be deemed to affect the meaning of this Agreement; (viii) a reference in this Agreement to a “person” or “party” (whether in the singular or the plural) shall (unless otherwise indicated herein) include both natural persons and unnatural persons (including, but not limited to, corporations, trusts, etc.); (ix) wherever the masculine is used in this Agreement, the same shall be construed as meaning the feminine where the context or the parties hereto so require; and (x) where there are two or more Qualifying Resident parties hereto, all obligations to be performed by the Qualifying Resident shall be deemed to be joint and several.

Section 22.4 – Successors and Assigns.

The obligations in this Agreement shall be binding upon the Qualifying Resident, the respective heirs, executors, administrators, and successors of the Qualifying Resident as if the same had been signed and sealed by the Qualifying Resident. This Agreement shall be

binding upon and ensure to the benefit of the permitted assigns of the respective parties hereto and replaces in its entirety any agreement entered into heretofore with respect to occupancy and use of the Unit.

Section 22.5 – Enforceability.

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

Section 22.6 – Attorney’s Fees and Costs.

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

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

SEAL BEACH MUTUAL NO. ELEVEN

By: _____

Its: _____

Qualifying Resident: _____

Qualifying Resident: _____

Qualifying Resident: _____

[End of Document]

DRAFT

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO APPROVE THE OCCUPANCY AGREEMENT
ADDENDUM FOR ALL SHAREHOLDER/LANDLORD (NEW BUSINESS, ITEM E)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to approve the Occupancy Agreement Addendum "Addendum to Occupancy Agreement Seal Beach Mutual No. Eleven" for lease of unit, effective January 1, 2021.

**ADDENDUM TO OCCUPANCY AGREEMENT
SEAL BEACH MUTUAL NO. ELEVEN**

RECITALS

This ADDENDUM TO OCCUPANCY AGREEMENT (“Addendum”), made and entered into this _____, 20____
by _____ and _____ among _____,
_____, (“Shareholder”), and _____
_____, (“Tenant”) and SEAL
BEACH MUTUAL NO. ELEVEN (“Mutual”), a California corporation having its principal office and
place of business in Orange County, California who joins in this Addendum solely for the purposes
of the agreements between the Shareholder and the Mutual contained herein.

- A. WHEREAS, the Shareholder is the owner and holder of one share of common capital stock of the Mutual;
- B. WHEREAS, the Shareholder and the Mutual entered into an Occupancy Agreement dated _____, (“Occupancy Agreement”) which governs the relationship between the Shareholder and the Mutual. The Occupancy Agreement provides that the Shareholder shall not assign the Occupancy Agreement, or lease or sublet any whole or part the Unit;
- C. WHEREAS, this Addendum amends such sections of the Occupancy Agreement, and provides that the Shareholder can lease out the Unit pursuant to a written lease (“Lease”) in accordance with this Addendum and in compliance with the Mutual’s Rules and Regulations;
- D. WHEREAS, this Addendum to the Occupancy Agreement provides that the Tenant can occupy the Unit for residential purposes only, and subject to the terms of the Lease, Leasing Rules and all other Governing Documents of the Mutual. Tenant may utilize the carport provided to the Shareholder in conjunction with the Unit, subject to the terms of the Mutual Governing Documents. Tenant may utilize common area of the Mutual, subject to the terms of the Mutual Governing Documents.

NOW, THEREFORE, in consideration of the mutual promises set out in this Addendum, the parties hereto agree as follows:

ARTICLE I

INCORPORATION OF RECITALS/CAPITALIZED TERMS

Section 1.1 – Incorporation of Recitals.

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

Section 1.2 – Capitalized Terms.

Capitalized terms used herein which are undefined in this Addendum, shall have the same definition as set forth in the Governing Documents.

ARTICLE II

CONDITIONS OF POSSESSION

Section 2.1 – Breach of Conditions.

This Addendum and the Term hereby created shall be subject to the conditions herein set forth, and shall come to an end upon the earliest of either: (i) the termination of this Addendum; (ii) termination of the Occupancy Agreement; and/or (iii) the termination of Share Ownership. This Addendum shall terminate as to the Tenant upon termination of the Lease.

Section 2.2 – Governing Documents.

The Term of this Addendum and possession of the Unit by the Tenant, through the Lease, is subject to:

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

The Shareholder is required to provide the Tenant with a copy of all Governing Documents, and any amendments thereto for the duration of the tenancy and Lease and ensure that the Tenant understands and acknowledges, and agrees to be bound by the same. The Shareholder must provide the Mutual with written confirmation of the foregoing. The Lease shall include a statement that any failure by the Tenant to comply with the Governing Documents will constitute a default under the Lease. The following paragraph, or a substantially similar paragraph, shall be included in each Lease:

In accepting this Lease, Tenant acknowledges that Tenant has received, read, and understands Occupancy Agreement for Unit _____, dated _____, and any addendum thereto, and the Bylaws, rules, regulations, and policies of Seal Beach Mutual No. Eleven (the “Governing Documents”). Tenant agrees to comply with the terms of the Governing Documents, and acknowledges that any failure by Tenant, or Tenant’s family members, social guests, houseguests, servants, employees, or agents, to comply with the terms of the Governing Documents shall constitute a material default under this Lease and may result in the early termination of this Lease.

Any expenses incurred by the Mutual in connection with the enforcement of this Addendum, the Occupancy Agreement, and/or any of the Mutual's Governing Documents, including attorney's fees, shall be repaid to it by such Shareholder. Failure by such Shareholder to make such repayment within (10) days after receipt of a written demand therefor shall entitle the Board to levy a Special Assessment against such Shareholder and such Shareholder's Unit for all such expenses incurred by the Mutual.

Shareholder acknowledges and agrees that the language of this provision must also be included in the Lease executed by Tenant.

Section 2.3 – Unlawful Detainer Action.

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

Tenant acknowledges the Mutual's right to initiate an unlawful detainer action against the Shareholder in the event that: (1) the Tenant fails to abide by the terms of the Mutual's Governing Documents and the Shareholder fails to initiate an unlawful detainer action within thirty (30) days of notice from the Mutual Board of the same; and/or (2) the Shareholder's Share of Stock is terminated.

In any such unlawful detainer action against the Shareholder, the Mutual may seek an award of its attorney's fees and costs as set forth in this Addendum.

Section 2.4 – Common Area.

The Mutual hereby revokes from the Shareholder, during the Term of this Addendum, and any extension thereof, the right to use of the entrance, passageways, roadways, sidewalks, common grounds and other Common Areas of the Community, other than for accessing the Unit in connection with anything arising out of or related to the Lease, or for purposes normally associated with the duties of a landlord. All such Common Area privileges are delegated to the Tenant during the term of the Lease.

Section 2.5 – Occupancy Termination.

Subject to California Civil Code § 51.3, if the Shareholder shall cease to be entitled to occupy the Unit, or if the Shareholder's ownership of Stock is terminated, the right of all persons in the Unit, including without limitation, Tenants, Qualifying Residents, Shareholders, and all other persons occupying or visiting the Unit, to continue to occupy or use the Unit, shall come to an end at the same time and without further notice being required.

Section 2.6 – No Assignment of Addendum.

The Tenant's right of occupancy set forth under the Lease between the Shareholder and Tenant shall not be transferable or assignable.

ARTICLE III

COMPLIANCE WITH MUTUAL GOVERNING DOCUMENTS

Section 3.1 – Comply with Mutual Governing Documents.

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

Any expenses incurred by the Mutual in connection with the enforcement of this Addendum, the Occupancy Agreement, and/or any of the Mutual's Governing Documents, including attorney's fees, shall be repaid to it by such Shareholder. Failure by such Shareholder to make such repayment within (10) days after receipt of a written demand therefor shall entitle the Board to levy a Special Assessment against such Shareholder and such Shareholder's Unit for all such expenses incurred by the Mutual.

ARTICLE IV

USE OF UNIT

Section 4.1 – Principal Residence.

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

- (a) the home office use is not apparent or detectable by sight, sound, or smell from outside of the Unit;
- (b) the home office use complies with applicable laws and zoning ordinances;
- (c) no employees, clients, customers, patrons, messengers, or delivery personnel regularly visit the Unit or any portion of the Community in relation to the home office use;
- (d) the home office use does not increase the liability or casualty insurance obligations or premiums of the Mutual;

- (e) the home office use is consistent with the residential character of the Community and conforms with the provisions of the Governing Documents;
- (f) there shall be no direct sales of products or merchandise;
- (g) there shall be no displays, inordinate amount of delivery of mail or merchandise;
- (h) there shall be no advertising which identifies the home office by street address;
- (i) Pedestrian and vehicular traffic will be limited to that normally associated with residential districts;
- (j) the home office shall not involve the use of commercial vehicles for the delivery of materials to or from the Unit beyond those commercial vehicles normally associated with residential uses;
- (k) there shall be no outdoor storage of materials or equipment, nor shall merchandise be visible from outside the Unit;
- (l) the home office shall be confined within the Unit;
- (m) the appearance of the structure shall not be altered nor the occupation within the Unit be conducted in a manner which would cause the Unit to differ from its residential character either by the use of colors, materials, construction, lighting, signs, or the emissions of sounds, noises and vibrations;
- (n) no use shall create or cause noise, dust, vibration, odor, smoke, glare, or electrical interference or other hazards or nuisances; and
- (o) activities conducted and equipment or material used shall not change the fire safety or occupancy classifications of the Unit.

Shareholder acknowledges and agrees that the language of this provision must also be included in the Lease executed by Tenant.

Section 4.2 – Residential Purposes Only.

The Tenant shall occupy the Unit as a private residential dwelling only, subject to the requirements as set forth in California Civil Code § 51.3. No commercial or retail use is permitted in the Unit or of the Community except as provided for in this Addendum.

Shareholder acknowledges and agrees that the language of this provision must also be included in the Lease executed by Tenant.

Section 4.3 – Nuisance.

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

- (a) interferes with or disturbs other Qualifying Residents, Shareholders and/or Tenants' quiet or peaceful enjoyment of the Community;
- (b) unreasonably annoys or interferes in the operation and management of the Mutual by unreasonably annoying, harassing or interfering with any Officer or Director of the Board of Directors;
- (c) unreasonably annoys or interferes with the quiet use and enjoyment of other Qualifying Residents, Shareholders and/or Tenants of the Mutual by sound, noise,

- fumes and/or odors, pets and/or animals, pests, behavior, secondhand smoke or vapor, conduct or other activity;
- (d) obstructs or interferes with the rights of other persons;
 - (e) obstructs the roads, sidewalks or areas within the Common Area of the Community;
 - (f) injures the reputation of the Mutual;
 - (g) annoys, harasses or interferes with any visitor, guest, invitee, vendor, management, contractor, and/or similar contracted vendor retained by the Mutual and/or the GRF;
 - (h) annoys, harasses or interferes with any Qualifying Residents, Shareholders, Tenants or their invitees, visitors, guests and/or employees; or
 - (i) in any other way breaches this Agreement and/or the Governing Documents of the Mutual.

Shareholder acknowledges and agrees that the language of this provision must also be included in the Lease executed by Tenant.

ARTICLE V INSURANCE HAZARDS

Section 5.1 – Responsibility for Hazards.

- (a) The Tenant shall not:
 - i. cause or permit any nuisance, or activity in the Unit or in any part of the Community; or
 - ii. permit or suffer anything to be done or kept in the Unit, Community and/or anywhere within Leisure World, which will increase the cost or rate of insurance, including without limitation, fire, liability and other hazards insurance; or
 - iii. permit or suffer anything to be done or kept in the Unit and upon the Community which will obstruct or interfere with the rights of other persons, or annoy them by unreasonable noises or otherwise; or
 - iv. commit, permit or suffer any nuisance and/or any illegal act in the Community and/or the Unit, and/or Leisure World, and/or any other Mutuels within Leisure World, or any Common Area.

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

Shareholder acknowledges and agrees that the language of this provision must also be included in the Lease executed by Tenant.

ARTICLE VI

NO ALTERATIONS TO UNIT

Section 6.1 – No Alterations to Unit.

The Tenant shall not make any alterations to the Unit. Any alterations made to the Unit in violation of this section may require the prompt removal of any such item or equipment installed without consent of the Board of Directors, at any time. The Shareholder's failure to remove such item or equipment upon request of the Board of Directors shall constitute a default of this Addendum and the Occupancy Agreement.

Shareholder acknowledges and agrees that the language of this provision must also be included in the Lease executed by Tenant.

Section 6.2 – Restoration costs.

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

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

All expenses and costs incurred by the Mutual in doing so shall be due and payable by the Shareholder to the Mutual as a Reimbursement Assessment immediately after a notice and hearing provided to Shareholder.

ARTICLE VII

INTERIOR MAINTENANCE AND REPAIR OF UNIT

Section 7.1 – Repairs by Shareholder.

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

- (a) any repairs or maintenance necessitated by the Shareholder's or Tenant's own negligence or misuse or the negligence or misuse by the Shareholder or the Tenant's invitees, or agents;
- (b) any redecoration of the interior of the Shareholder's Unit, and minor repairs thereto, including, but not limited to, light bulbs, filters and similar items;
- (c) any repairs or maintenance of improvements and component parts thereof that were added by the Shareholder or previous Qualifying Residents and/or Shareholders (whether within the interior of the Unit or exterior to the Unit) and other added items within the interior surfaces of the perimeter walls, floors and ceiling of the Unit;

- (d) any repairs, maintenance and/or replacement to non-standard items not available through the Purchasing, Maintenance and/or Physical Property departments of the GRF.

Section 7.2 – Repairs by Mutual.

The Mutual shall provide and pay for all necessary repairs, maintenance and replacements, except as specified in this Addendum, the Occupancy Agreement and the Governing Documents. The officers, directors, agents, representatives or vendors of the Mutual shall have the right to enter the Unit in order to effect necessary repairs, maintenance and replacements and to authorize entrance for such purposes by employees of any contractor, utility company, municipal agency, or others, at any reasonable hour and upon reasonable notice, except in the event of an emergency at any time.

Section 7.3 – Damage caused by leakage.

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

Section 7.4 – Liability for damage.

The Mutual shall determine whether to restore the damaged Unit in the event of loss or damage by fire or other casualty to the Unit without the fault or negligence of the Shareholder. In the event that the Mutual determines to restore the damage Unit as described in this Section 7.4, the Mutual will only replace the damaged Unit with standard items available through Purchasing, Maintenance and/or Physical Property departments of the GRF. The Mutual shall further determine, in its sole and absolute discretion, in the event such Unit shall not be restored, the amount which shall be paid to the Shareholder to redeem the Stock of the Shareholder and to reimburse the Shareholder for such loss as the Shareholder may have sustained.

Section 7.5 – Repairs as required.

The Shareholder shall make all repairs as required by this Addendum, the Occupancy Agreement and the Governing Documents in a manner acceptable to the Board of Directors. If the Shareholder at any time fails, refuses or neglects for a period of ten (10) days after having received written notice from the Board of Directors to make repairs in a manner acceptable to the Board of Directors, or fails to provide to the Board of Directors, within ten (10) days after having received written notice from the Board of Directors, evidence acceptable to the Board of Directors, that the Shareholder has commenced with compliance of the written notice to repair the Unit, or to maintain the Unit in good condition, the Board of Directors may:

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

All expenses and costs incurred by the Mutual in doing so shall be due and payable by the Shareholder to the Mutual as a Reimbursement Assessment immediately after notice and hearing provided to the Shareholder.

Section 7.6 – Report defects.

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

Section 7.7 – Cost of Relocation.

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

ARTICLE XII

SHAREHOLDER AND TENANT REQUIRED TO OBTAIN INSURANCE

Section 8.1 – Property Damage and General Liability Insurance.

Each Shareholder is responsible for insuring his or her personal property located within the Mutual. Each Shareholder is also responsible for insuring all buildings, structures, and other Improvements contained within or located upon the Shareholder's Unit (including, but not limited to the Shareholders' Residences) against fire and other casualty. Nothing in this Restated Declaration precludes any Shareholder from carrying public liability insurance as he or she may deem reasonable, however, such insurance coverage may not adversely affect or diminish any coverage under any of the Mutual's insurance policies. If any loss intended to be covered by insurance carried by or on behalf of the Mutual occurs and the proceeds payable are reduced due to insurance carried by a Shareholder, such Shareholder shall assign the proceeds of the Shareholder's insurance to the Mutual, to the extent of such reduction, for application to the same purposes as the reduced proceeds are to be applied.

Section 8.2 – Renter's and Landlord's Insurance.

A Shareholder whose Unit is subject to a Lease shall require as a term of the Lease that the Tenant is required, at all times during the Tenant's tenancy and occupancy of the Shareholder's Unit, to obtain and maintain "renter's insurance" of no less than fifty thousand dollars (\$50,000.00), insuring, including without limitation, the Tenant for general liability, property damage, and the replacement value of the Tenant's personal property and belongings located in the Unit from damage and loss. Such Shareholder shall also be required to maintain "landlord's insurance" during the period of the Lease, under an insurance policy that covers the Shareholder's Unit from financial losses connected with the Unit; such policy shall cover standard perils such as fire, and,

to the extent commercially available, include coverage for accidental damage, malicious damage by tenants, and rent guarantee insurance.

Section 8.3 – Proof of Insurance. Duplicate copies of the insurance policies required under this Addendum and the Leasing Rules shall be submitted by a Shareholder to the Board upon request. Notwithstanding the foregoing, the Mutual shall not have the obligation to confirm that any Shareholder or Tenant carries the insurance required under these Leasing Rules and/or confirm the terms of any insurance purchased by a Shareholder or Tenant.

Section 8.4 – Lack of Insurance. The Mutual shall not be responsible for any damage or loss to a Shareholder’s Unit, another Unit, or the Common Area for which the Shareholder is responsible and the Shareholder does not maintain sufficient insurance coverage for the cost of repair and restoration of such damage or loss. Any failure by the Tenant to carry and maintain appropriate renter’s insurance shall be regarded as a material breach of the Lease.

Section 8.5 – Neither Shareholder nor Tenant May Claim Under the Mutual’s Insurance Policy. Neither the Shareholder or Tenant may make any claim or require or expect the Mutual to make a claim under the Mutual’s insurance policy for any matter for which the Shareholder or Tenant has or should have insurance coverage under this Addendum. If, in the discretion of the Board of Directors, it is in the best interests of the Mutual to make a claim under its policy, the Shareholder shall be liable for any applicable deductible payable by the Mutual.

ARTICLE IX

ASSIGNMENT AND SUBLETTING/FAILURE TO RESIDE

Section 9.1 – Subletting and Assignment.

The Tenant shall not:

- (a) assign this Addendum;
- (b) sublease or sublet in whole or part the Unit;
- (c) encumber any interest in this Addendum.

Violation of this Section shall, at the option of the Board of Directors, result in termination and forfeiture of the Shareholder’s rights under the Occupancy Agreement, and the institution of unlawful detainer proceedings against the Shareholder to recover possession of the Unit.

ARTICLE X

TERMINATION OF SHARE OWNERSHIP AND ADDENDUM

Section 10.1 – Right of Occupancy.

This Addendum and the right of the Tenant, and that of any person residing in the Unit, to possession or occupancy of the Unit shall terminate if the Share Ownership of the Shareholder is terminated under this Addendum, the Occupancy Agreement and/or the Governing Documents. The Mutual has the right to initiate an unlawful detainer action against the Shareholder in the event the Shareholder’s Share of Stock is terminated. In any such unlawful detainer action against the Shareholder, the Mutual may seek an award of its attorney’s fees and costs incurred

in connection with the same pursuant to the Occupancy Agreement and/or Addendum thereto. Any other expenses incurred by the Mutual in connection with the enforcement of this Addendum, and/or the Leasing Rules, including attorney's fees, shall be repaid to it by such Shareholder. Failure by such Shareholder to make such repayment within (10) days after receipt of a written demand therefor shall entitle the Board to levy a Special Assessment against such Shareholder and such Shareholder's Unit for all such expenses incurred by the Mutual.

Section 10.2 – Material Conditions.

All the terms and provisions of this Addendum shall be deemed material provisions and a breach of any term or provision shall be considered a default under Article 13 of this Addendum.

Section 10.3 – Termination of Share Ownership.

The Lease must provide that upon the notice of intent to transfer Stock, the Lease shall terminate, and the Tenant must vacate the premises and remove all personal property within thirty (30) days. The transfer of Stock shall not take place unless and until Tenant has permanently and completely vacated the Unit.

ARTICLE XI

WITHDRAWAL FROM SHARE OWNERSHIP

Section 11.1 - Withdrawal from Share Ownership.

Withdrawal of the Shareholder from Share Ownership of the Mutual shall terminate this Addendum and Lease, and withdrawal shall occur:

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

ARTICLE XII

RIGHTS AND REMEDIES/WAIVERS

Section 12.1 – Cumulative Rights.

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

Section 12.2 – Failure to pursue Remedies.

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

Section 12.3 – Non-waiver of remedies.

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

Section 12.4 – Waiver to be in writing.

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

ARTICLE XIII

DEFAULT BY SHAREHOLDER AND EFFECT THEREOF

Section 13.1 – Definition of Default by Shareholder.

It is hereby mutually agreed as follows: If at any time after the happening of any of the other events specified in this Article, the Mutual shall give to the Shareholder notice that the Shareholder’s right to occupy under the Occupancy Agreement will expire at a date not less than thirty (30) days thereafter (except that in the case of the default specified in 13.1(h) of this Article, such date in the notice shall be three (3) days and/or ten (10) days, whichever is applicable), the Shareholder’s right to occupy the Unit under the Occupancy Agreement will expire on the date so fixed in such notice, unless in the meantime the default has been cured in a manner deemed satisfactory by the Mutual, it being the intention of the parties hereto to create hereby conditional limitations, and it shall thereupon be lawful for the Mutual to re-enter the Unit and to remove all persons and personal property therefrom, either by summary dispossession proceedings or by suitable action or proceeding at law or in equity or by any other proceedings which may apply to the eviction of the tenants by force or otherwise, and to repossess the Unit in its former state as if the Occupancy Agreement had not been made:

- (a) in case at any time during the Term of this Agreement, the Shareholder shall cease to be the owner and legal holder of the Stock of the Mutual;

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

Section 13.2 – Effect of Default.

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

Section 13.3 – Landlord- Tenant Relationship.

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

13.3.1 Mutual Not a Landlord. The exercise and enforcement of the Mutual’s rights under this Addendum, the Occupancy Agreement, the Leasing Rules and/or the Governing Documents shall in no way constitute the Mutual as a landlord or lessor under any Lease, and the Mutual shall have no such responsibility. The Shareholder hereby agrees to indemnify, defend, and hold harmless the Mutual and its Directors, officers, agents, representatives, employees, and attorneys, as may be applicable, from and against any and all claims by Tenant or any third party that the Mutual failed to fulfill the duties of landlord or lessor under any Lease for the Shareholder’s Unit.

Section 13.4 – Shareholder Waiver.

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

Section 13.5 – Mutual Remedies.

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

ARTICLE XIV

RIGHT TO ENTER/INSPECTION OF UNIT

Section 14.1 – Entry for Emergency.

If any director, officer, employee or agent of the Mutual or any agent or director of GRF (“Inspection Representative”), and with the approval of the Mutual, the employees of any contractor, utility company, municipal agency or others, determines that an emergency exists in or about the Unit and the Shareholder or Tenant cannot be immediately contacted to authorize entry to the Unit, then any Inspection Representative is hereby authorized by the Shareholder and Tenant, without notice, to enter the Unit to remedy the emergency.

Section 14.2 – Costs of Emergency Entry.

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

Section 14.3 – Entry for Non-Emergency.

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

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

The Shareholder is responsible for communicating such consent to the Tenant.

Section 14.4 – Definition of “reasonable purpose”.

“Reasonable purposes” shall include:

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

Section 14.5 – Time of Entry.

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

Section 14.6 – No Refusal to Enter Unit.

The Shareholder and/or Tenant may not refuse entry to the Unit where Sections 14.1 to 14.5 apply.

ARTICLE XV
LIMITATION OF LIABILITY

Section 15.1 – Shareholder Liability. Shareholder shall be absolutely liable to the Mutual and other Shareholders and their families, guests, tenants, and invitees for any liability arising from the acts/or omissions of such Shareholder’s Tenant. Each Shareholder who chooses to lease such Shareholder’s Unit agrees to be held liable for all acts, whether negligent or non-negligent of such Tenant and/or any guests or invitees of Tenant.

Section 15.2 – Liability Limited.

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

The obligation to indemnify shall be effective even if active or passive negligence or misconduct of the Mutual contributes to the loss, claim or damage. This indemnity will not extend to: (i) claims arising from the sole negligence or sole willful misconduct of the Mutual; or (ii) claims occurring after this Addendum or the Occupancy Agreement is terminated.

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

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

ARTICLE XVI

MISCELLANEOUS PROVISIONS

Section 16.1 – Amendments to the Addendum.

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

Section 16.2 – Oral Representation Not Binding.

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

Section 16.3 – Rules of Interpretation.

Except as otherwise expressly provided in this Addendum, the following rules shall apply hereto: (i) the singular includes the plural and plural includes the singular; (ii) “or” is not exclusive and “include” and “including” are not limiting; (iii) a reference to any agreement or other contract includes any permitted supplements and amendments; (iv) a reference in this Addendum to a section, article or exhibit is a reference to a section, article or exhibit within or attached to this Addendum unless otherwise expressly provided; (v) a reference to a section or article in this Addendum shall, unless the context clearly indicates to the contrary, refer to all sub-parts or sub-components of any said section or paragraph; (vi) words such as “hereunder,” “hereto,” “hereof,” and “herein,” and other words of like import shall, unless the context clearly indicates to the contrary, refer to the whole of this Addendum and not to any particular clause hereof; (vii) the headings of the articles or sections and the ordering or position thereof are for convenience only and shall not in any way be deemed to affect the meaning of this Addendum; (viii) a reference in this Addendum to a “person” or “party” (whether in the singular or the plural) shall (unless otherwise indicated herein) include both natural persons and unnatural persons (including, but not limited to, corporations, trusts, etc.); (ix) wherever the masculine is used in this Addendum, the same shall be construed as meaning the feminine where the context or the parties hereto so require; and (x) where there are two or more Shareholder parties hereto, all obligations to be performed by the Shareholder shall be deemed to be joint and several.

Section 16.4 – Successors and Assigns.

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

Section 16.5 – Enforceability.

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

Section 16.6 – Attorney’s Fees and Costs.

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

Section 16.7 – Conflicting Provisions.

If any language or provisions of this Addendum should conflict with the Occupancy Agreement, this Addendum shall control.

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

SEAL BEACH MUTUAL NO. ELEVEN

By: _____
Its: _____

SHAREHOLDER(S)

Name Printed: _____

Name Printed: _____

TENANTS

Name Printed: _____

Name Printed: _____

[End of Document]

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO APPROVE SEAL BEACH MUTUAL ELEVEN
RENEWAL OF GENERAL COUNSEL ANNUAL RETAINER (NEW BUSINESS,
ITEM F)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to approve the annual General Counsel Attorney Retainer Program with Roseman Law, APC, effective immediately, at a cost not to exceed \$500.00 annually, funds to come from Legal Fees and authorize the President to sign the necessary documentation.

November 19, 2020

File No.: sea011917.001

VIA ELECTRONIC COMMUNICATION

jodih@lwsb.com

Board of Directors
Seal Beach Mutual No. Eleven
c/o Jodi Hopkins
P.O. Box 3519
Seal Beach, CA 90740

Re: Seal Beach Mutual No. Eleven – Renewal of General Counsel Annual Retainer Program

Dear Board of Directors:

Thank you for the opportunity to provide Seal Beach Mutual No. Eleven with legal services this past year. Our firm considers it a privilege to serve the association. We would like to take this opportunity to remind that you that your annual retainer due date is approaching. A reinstating amount of \$500.00 will be due on January 19, 2021. The annual retainer will be reinstated upon payment of \$500.00, for the Association to continue to receive services at a reduced hourly rate of \$280.00. Should we fail to receive the annual retainer amount of \$500.00 on or before January 19, 2021, all invoicing for legal services dated after January 19, 2021, will be billed at the following rates: managing partner Steven Roseman, Esq. is \$375.00 per hour, partners Sean Allen, Esq. and Jacqueline Pagano Esq. are \$345.00 per hour, and the rate for all other attorneys in our firm is \$295.00. The paralegal hourly rate is \$125.00.

With the annual retainer program, our firm offers a fiduciary duty seminar for all boards of directors at no cost to the association. Once your annual election is complete, please contact our office to schedule the seminar.

Designed to assist board of directors and homeowner associations when preparing their annual budget, the GCAR Program will offer associations an opportunity to manage their legal costs.

For an annual retainer fee of \$500.00, the GCAR Program will include the following:

- a. Attend one (1) annual election meeting choice (includes legal seminar regarding fiduciary duties of the board at the meeting) or client meeting of the Client's choice;

- b. Unlimited free telephone conversations with Attorney at no charge to the association. This service does not include research or review time for specific issues and review, drafting, and responding to written communication, documents and emails and executive session conference calls;
- c. Reduced hourly rate of \$280.00 for all other services provided by Attorney¹;

Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

ROSEMAN LAW, APC



TERESA AGNEW
PRESIDENT OF OPERATIONS

THE PARTIES HAVE READ AND UNDERSTAND THE FOREGOING TERMS AND AGREE TO THEM AS OF THE DATE ATTORNEY FIRST PROVIDED SERVICES.

ACKNOWLEDGED AND AGREED:

By: _____
Title: _____

SEAL BEACH MUTUAL NO. ELEVEN

Dated: _____

¹ For existing Clients, the Reduced Fee Services shall take effect upon receipt of this signed Agreement and the Retainer Fee by Attorney, and shall also apply to existing Matters, provided any overdue invoices are paid in full. The non-refundable amount must be paid in full on execution of this Agreement.

Roseman Law, APC

21650 Oxnard Street, Suite # 2000
Woodland Hills, CA 91367



INVOICE

Invoice # 119232
Date: 11/19/2020

Seal Beach Mutual No. Eleven
c/o Jodi Hopkins
P.O. Box 3519
Seal Beach, CA 90740

sea011917.001 - Seal Beach Mutual No. Eleven

Date	Description	Quantity	Rate	Total
11/19/2020	General Counsel - Annual Retainer	1.00	\$500.00	\$500.00
			Subtotal	\$500.00
			Total	\$500.00

Please make all amounts payable to: Roseman Law, APC. If you have any questions, or would like to pay via credit card or wire transfer, please contact Carmen Menendez at Menendez@Roseman.Law or call (818) 380-6700

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO APPROVE THE SCHWAB TRANSFER (NEW
BUSINESS , ITEM G
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move approve the transfer of \$38,869.91 from the SCHWAB account to US Bank Money Market to close the account.

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO APPROVE GUTTER CLEANING (NEW BUSINESS, ITEM H)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move approve gutter cleaning by Total Landscape at a cost not to exceed \$8.00 per unit. Funds to come from Infrastructure Reserves and authorize the President to sign proposal.

Mutual Corporation No. Eleven

MEMO

TO: MUTUAL BOARD OF DIRECTORS
FROM: MUTUAL ADMINISTRATION
SUBJECT: DISCUSS AND VOTE TO ACCEPT PROPOSAL FOR LEGAL OPINIONS
REGARDING AB 3182 FROM ROSEMAN LAW FIRM (NEW BUSINESS, ITEM I)
DATE: DECEMBER 17, 2020
CC: MUTUAL FILE

I move to approve the proposal for legal opinion regarding AB 3182 from Roseman Law, APC at a cost not to exceed \$390.00 and authorize the President to sign the necessary documentation. Funds to come from Legal Fees.