

CALIFORNIA LEGISLATURE
SENATE SELECT COMMITTEE
ON
MOBILEHOMES

Report and Transcript of Hearing on
MOBILEHOME PARK LEASES



MAY 5, 1986
STATE CAPITOL
SACRAMENTO, CALIFORNIA

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SENATOR JOHN DOOLITTLE
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SENATOR HENRY MELLO
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Senate Select Committee on Mobilehomes

SENATOR WILLIAM A. CRAVEN
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BACKGROUND PAPER

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CHAIRMAN

May 5, 1986

BACKGROUND PAPER

MOBILEHOME PARK LONG-TERM LEASES

MAY 5, 1986

HEARING

Introduction:

Modern mobilehome parks are direct descendants of yesterday's trailer and travel trailer parks, and even with the evolvement of larger residential mobilehome parks, tenancies have traditionally been on a month-to-month basis.

Because the month-to-month tenancy was adapted from conventional apartment rentals to fit mobilehome parks, a series of laws have developed over the years to protect mobilehome owners, who own their own units placed on rental land, from unreasonable eviction or other arbitrary practices. Today, the Mobilehome Residency Law protects residents in a number of ways.

Civil Code Section 798.55 (a) requires the park management to give residents a 60-day written notice of eviction, and Section 798.56 provides the only reasons for which a resident/tenant can be evicted.

Civil Code Section 798.15 provides a rental agreement shall include the terms of tenancy, the rent, and the rules and regulations of the mobilehome park, among other requirements.

Section 798.18 (a) obliges management to offer a mobilehome owner a rental agreement for a term of 12 months or a lesser term as requested by the homeowner, or optionally a term longer than 12 months if mutually agreed to by both parties.

Section 798.18 (b) provides that the terms and conditions for rent and charges cannot be different during the first 12 months of a rental agreement than the same terms and conditions afforded to residents on a month-to-month basis.

Advent of the Lease:

In the past both park owners and park residents have been apprehensive about utilizing long-term rental agreements or leases.

In some cases, owners of mobilehome parks which exist on conditional use permits, rather than permanent zoning, normally do not want to tie up the spaces in long-term leases if the land can be converted to other and more profitable uses in the future.

In this regard, evicting tenants with long-term leases upon a conversion - at least in the past - was potentially more troublesome than removing 30-day tenants.

Likewise, mobilehome park residents, many accustomed to apartments or other forms of rental housing, have usually been satisfied with the informal arrangement and simplicity of a month-to-month tenancy. Additionally, those who might contemplate moving do not want to be tied up with a long-term lease.

But as newer parks have been developed, accommodating larger mobilehomes and offering, in many cases, a more permanent lifestyle, as rents in mobilehome parks have increased, and as both park owners and residents have become more sophisticated about their needs, the advantages of long-term rental agreements or leases have become apparent.

1986 has seen a surge in lease offerings, which may be attributable in part to the fact that under new legislation, SB 1352, Chapter 1084 of the Statutes of 1985, effective January 1, 1986, mobilehome park spaces covered by a rental agreement in excess of 12 months' duration are exempt from any local rent control ordinance, at least during the term of the rental agreement.

Advantages and Disadvantages of the Lease:

There are advantages and disadvantages of a long-term mobilehome park lease or rental agreement for both park residents and park owners:

Advantages:

(1) The park resident may gain from a long-term rental agreement by knowing what his/her long-term rental costs, over the a period of a lease, exclusive of any increases or pass throughs in taxes or capital improvements, will be. In contrast, under month-to-month tenancy, park rents may increase dramatically, usually with only a 60-day written notice.

(2) Park owners are assured, over the duration of the lease, of a set and predictable amount of income. Lease income may provide greater stability, particularly for potential investors looking to purchase such a park. Many park leases or rental agreements include pass throughs of additional property taxes or governmental costs, as well as cost of living increases, so that the net lease income will remain steady over the period of the lease regardless of increases in taxes or inflation. Additionally, under SB 1352, on leases over 12 months' duration, the lease controls the rental terms, preempting any local rent control ordinance for the duration of the lease.

(3) Park rents and other terms and conditions of tenancy are spelled out in the lease. This gives either party the right to

sue for breach of contract if the terms or conditions of the lease are abrogated.

Disadvantages:

(1) Some park owners feel that leases may prevent them from increasing rents and making their income property competitive in the marketplace during times of economic change. The lease also may subject the park owner more clearly to legal action in cases of an alleged breach of the lease than under a month-to-month tenancy.

(2) For residents, a long-term rental agreement may be seemingly complicated and legalistic. The lease, by its nature, is offered by the park owner and is usually written by the owner's attorney. Residents are seldom in an equal bargaining position with a park owner in offering to negotiate terms or conditions of such a lease, as the lease is usually offered on a take it or leave it basis.

Problems:

With the increase in lease offerings has come an increase in complaints by mobilehome park residents to legislators' offices. The major complaints can be summarized as follows:

(1) Failure to give park residents sufficient time to review the lease. A number of park residents have complained that when they have been offered a lease, they are given only a short period of time, such as one week or less, in which to review and

sign it. Some residents say they need more time to review the lease or seek the advice of an attorney before signing, since they do not understand all the provisions of the lease.

(2) Failure to offer a month-to-month tenancy. Other residents contend that some park owners offer leases as the only tenancy available and as a substitute for a 30-day or month-to-month tenancy, which will no longer be offered. If true, this would appear to be a violation of Section 798.18 of the Civil Code, which provides that a homeowner shall be offered a rental agreement for a term of 12 months or a lesser period as the homeowner requests.

(3) Requiring residents on month-to-month tenancy to pay a higher monthly rent. In a number of cases where leases are offered, although the park owner gives the resident the option of remaining on a month-to-month tenancy, the resident is required to pay a higher rent than if he/she signs the lease for the same space. This policy may also be affected by Civil Code Section 798.18(b). Although the rent could differ after the first year, under 798.18 the question is whether the rent could be different in the first year of a long-term rental agreement than the rent on a month-to-month basis, for the same space.

(4) Pass through costs. Mobilehome owners have complained that in some cases the park owner is passing through all variable costs, including increases in government fees, taxes, insurance,

capital improvements and maintenance costs, in addition to the rent. In taking any risk out of the cost side of the equation, they say, the park owner is guaranteed a straight profit in the established lease rent. In these cases, tenants contend, they would be no better off than under a month-to-month tenancy.

These are just some of the complaints on leases which have been registered with the Senate Select Committee on Mobilehomes and various legislators by mobilehome constituents.

The purpose of the May 5th hearing is for the Select Committee to hear testimony from both park owners and park residents, as well as their representatives, concerning the issues involved with the offering of long-term mobilehome park rental agreements and leases.

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IV.

TESTIMONY

SENATOR CRAVEN: Good morning. We will call the Select Committee on Mobilehomes to order, and I will introduce to you the lady on my left, Mickey Bailey, who is Committee Secretary, and on my right, John Tennyson, the Consultant for the Committee. Some of my colleagues are really expected to attend the meeting this morning, but, as so frequently happens this time of year, they are involved with budget subcommittee hearings. Until they finish that particular chore, they will not join us. Despite the fact that we will miss their august presence, I think we can suffer through and do the best we can in their absence.

We have convened today to hear testimony concerning issues involving mobilehome park leases and long-term rental agreements. Within the last year more mobilehome parks have been offering leases or rental agreements of more than one year's duration to their residents as an option to month-to-month tenancy.

Traditionally, rental spaces in mobilehome parks have been offered on a month-to-month basis, in many cases only a very informal arrangement. But as rents have increased over the years, as parks have become larger, and as residents have considered mobilehome park living on a long-term residential, rather than temporary, basis, the relationship of park owners and residents has become more complex. Hence, the development of the lease.

Although leases have been offered in some parks for a number of years, and there has been a growing trend in this regard during the decade of the 80's, legislation passed last year, SB 1352, has helped to spur a recent increase in lease offerings. The bill gives park owners the right to have mobilehome park spaces exempted from any local rent control ordinance where a long-term rental agreement of over one year's duration governs the rents. This gives the park owner an incentive to offer a long-term lease.

There are advantages and disadvantages to mobilehome park leases for both residents and park owners. Primarily among those advantages are that the park owner gains a predictable and stable income, based on whatever number of years arrangement has been made. The park resident also benefits in knowing what his or her rent over the period the lease will be, as opposed to being surprised by a 60-day notice of a rent increase under a month-to-month tenancy.

Park owners, on the other hand, often are apprehensive about being locked in to the terms of a lease, which might otherwise limit their income during times of rapid economic fluctuation. Residents too are concerned that they may be locked in to a lease when their needs change and additionally are concerned about the inability to negotiate terms of a lease or contract equally with the park owner.

In any case, with the number of lease offerings now being made, our committee and the offices of many legislators, with whom I have been in contact, have within the past few months received many complaints involving lease offerings. Because the number of these complaints has mushroomed, issues involving mobilehome park leases have become, at least currently, one of the hottest topics other than "rent control" or "adult only" in mobilehome circles. We are therefore meeting today to hear about some of the problems from park residents and their representatives, as well as park owners.

The background paper, available up front and, hopefully, you have seen it, details some of the background and complaints, and it is there for your perusal.

With this general information in mind to set the stage, let me state how we will proceed today on our agenda. I will call upon those listed on the agenda, and when you reach the microphone here at the table, please state your name and your address for the record, so that any future information which is published by the committee, as a result of this hearing, can be forwarded to you. Without your address, of course, we will not be able to contact you in the future. Please speak directly into the mike; keep it as close to you as you can so it becomes audible. This hearing, I should tell you, is being recorded for transcription at a later time.

After all the scheduled witnesses have been heard, we will take testimony from anybody in the audience who wishes to speak extemporaneously. However, you must come forward as this mike does not have the power to pick you up if you are speaking to us from the audience, so all of your comments should be made here at the table.

Now, I don't believe there will be any dearth of witnesses. I have this list here, and we have to vacate the room in a relatively short period of time, so what I would ask you to do, please, is try to make your comments as succinctly as possible and get off so we can get to the next witness. I don't mean to cut you down so you can't say what you want to say, but try to do it as compactly as possible.

We will begin by calling on Cliff Rowland from Chula Vista. Cliff, please. I started with him early this morning. Also, I should mention that anything you wish to give us, of course becomes a portion of the committee hearing, and we keep it on file and if you have written remarks and would care to handle it the same, that also becomes part of the record.

CLIFF ROLAND: Thank you, Senator. My name is Cliff Rowland. I live at 1100 - I6 Industrial Boulevard, Chula Vista, Calif. 92011. We had our district meeting the other day, and in about five minutes I discovered I was selected to come up here to testify before you, and I am grateful for the opportunity to do

this. What you just said is almost exactly a thumbnail sketch of all the problems we have down in Chula Vista. I have here a letter that you wrote to a constituent concerning Section 798.18, the two-tier rent structure. This is a terrible, terrible dilemma in Chula Vista as practically every mobilehome park down - by the way, I want to say this that I am President of the GSMOL Chapter in our park, and I'm also President of District 4 in Chula Vista.

SENATOR CRAVEN: Cliff, let me interrupt you a moment to introduce one of my colleagues. Senator Bob Presley, who represents Riverside County, which is of course a county that is full of mobilehomes and mobilehome residents, so he is very familiar and obviously very interested in the problems. It is nice to have you here with us, Bob.

SENATOR PRESLEY: Thank you.

SENATOR CRAVEN: Go ahead, Cliff.

MR. ROLAND: Well, I'm here representing about 50 mobilehome parks, and almost to the park we have these problems. We have one park, Happy Hollow Mobilehome Park, that sounds like a happy place to live. . .

SENATOR CRAVEN: Sure sounds that way.

MR. ROLAND: Yes. They have challenged their park owner by going to court to challenge 798.18. The Golden State Mobilehome Owners League has given them \$1,000 to help them pay their

expenses, and we in the district are trying to collect money to help them pay for their legal expenses. So I'm here, hopefully, to say some little thing, and the rent increase in our park alone will show very distinctly the two-tier rent structure.

If you don't sign a lease, you are going to pay 9%. If you sign a lease, you will pay 7%. We think that's a gross error. I think it's wrong. I don't think they have the right to do that, and I have sent a letter to our park manager that when I pay my rent in June, if they are going to charge me 9%, then I'm going to see her in court. I'm going to challenge her in Small Claims Court. My recommendation to you, of all the things we have done, I'm not going to go into them because I know there are a lot of people here who wish to talk who will go into all the things I wanted to say, but our recommendation to you, Senator, is simply that Section 798.18(b) be repealed and in its place this be installed.

"No such agreement shall contain any terms or conditions with respect to charges for rent, utilities, or incidental reasonable service charges that would be different from the corresponding terms or conditions that would be offered to the homeowners on a month-to-month basis."

SENATOR CRAVEN: So there would be no differentiation.

MR. ROLAND: No differentiation at all, and it would do away with what these park owners are trying to do to us. Also,

because of SB 1352, and in the City of Chula Vista, we have a rent mediation board and the park owners are pushing - you'll see in my notice of a rent increase there, they are saying we are required - they are trying to demand that we sign a lease, and these are tactics that, for reasons unbeknown to us, that keep us from living a tranquil life. But it seems the park owners are always jabbing at us trying to make our lives anything but tranquil in our old age.

Thank you again for this opportunity, and the recommendation of changing Section 798.18 is from our district.

SENATOR CRAVEN: Thank you very much, Cliff. Next is Marvin Druckemiller from Sacramento.

MARVIN DRUCKEMILLER: I'm Marvin Druckemiller, an Alternate Director of GSMOL, and I reside at 10035-46 Mills Station Road, Sacramento, CA 95827.

My testimony is intended to provide this committee with a little insight into the inequities introduced by mobilehome park owners in the form of leases that in effect deprive us the residents and homeowners of our property rights without compensation. For example, a little over a year ago in Cordovan Mobile Estates, a mobilehome park in Sacramento County, the park owner prepared leases so one-sided in his favor that it was almost unbelievable. One of the principal objectives of the lease, apparently, was to ensure that the park owner landlord would be

protected from any county enacted statutes that would impose rent controls in any form, and that all of the increases he had made in prior months would be protected from rollback by such a statute.

Therefore, the first provision of the lease presented us to sign provided the park owner with that protection and would ensure that the residents, if they signed, would be deprived of any benefits under rent control statutes subsequently enacted.

The lease provided for a five or ten year period. The lease included a provision that the rent, if the mobilehome resident signed, would go up \$15 per month immediately. However, if any of the residents in Cordovan Mobile Estates decided not to sign the proffered lease, then the rent would go up an additional \$15, for a total of \$30 per month increase. I believe this is a direct violation of Section 798.18(b). This is discrimination against a resident homeowner and is obviously unfair intimidation and coercion.

Shortly after the lease was first presented to us as a demand, a meeting of park residents in Cordovan Mobile Estates was held and the residents were informed of their rights to not sign by the Golden State Mobilehome Owners League. However, approximately half of the residents in Cordovan Mobile Estates are elderly living on fixed income who became panic stricken at the thought of the threatened uncontrolled rental increases which

would be assessed against them for failure to sign the proffered lease. Consequently, they rushed to sign the lease even though it was clearly not in their interest to do so.

It is significant, in my opinion, that after the landlord heard of the meeting held by the Golden State Mobilehome Owners League where the tenants were informed of the illegality of this differential in rents, that the landlord backed away from the \$15 penalty. The \$15 penalty then was withdrawn and it was loudly proclaimed by the park owner to the Board of Supervisors of the County of Sacramento that it was a rent reduction of \$15.

On the first of this year, a notification of rent increase was delivered to the residents of Cordovan Mobile Estates which provided for a 6% increase for all of those who had signed the landlord's lease, and a \$20 increase per month for all of those who had not signed the landlord's lease. Again, it is my belief that this is illegal. The 6% would have averaged approximately a \$10 increase per month for signers versus the \$20 for non-signers.

The landlord bases these increases on the spurious proposition that increases in the CPI make the increases necessary. It is significant that although the CPI has now decreased, there is no decrease in rent contemplated for anyone. As it turns out the 6% increase will occur each year even if the CPI decreases continually from month to month and year to year.

It is my belief and the belief of everyone else subjected to these inequities that we are being victimized by our captive status in the mobilehome parks. These unprincipled increases in rent have resulted in some of the seniors in Cordovan Mobile Estates having to reduce their purchases of food and medicines.

The landlord is able to exact these rents by reason of a complete absence of competition. There are no vacancies - no place to move - no mobilehome parks under construction that we can afford. We are captives of the park system, and he can raise rents as he wills. Coupled with the fact that the landowner can raise rents anytime he chooses is his use of intimidation in obtaining the signature of these elderly people on these one-sided leases. It is the well considered belief of everyone knowledgeable of the mobilehome park situation that there should be a state law passed that makes these confiscatory leases forced upon these hapless residents illegal.

The ability of park managements to force the signature of these seniors to these monstrous leases is well documented. I have been told that in some parks the seniors were sat down in front of a tough management team, when they went to the park office to pay the rent, who insisted they sign the lease as a condition of remaining in the park. The seniors were told that the park management would not accept the rent unless they signed these one-sided leases. The only solution is to provide a state

law that specifically enables a mobilehome park resident to withdraw his signature from any lease obtained by threat, coercion, or by intimidation, and that specifically any lease signed by any resident at any time is void as a matter of public policy if it prohibits the benefits of rent control statutes enacted by the state, county, or city governments.

In conclusion, I would like to say that the mobilehome residents are systematically being deprived of their basic human rights and their property rights as homeowners by the workings of this distorted rental market and these monstrously unfair leases. The state should provide a gate for those oppressed seniors to escape from the bondage imposed by these unscrupulous landlords.

Thank you for your kind attention.

SENATOR CRAVEN: Thank you very much. Next is Berniece Kearns of Rancho Cordova.

MR. BREY (from audience): She isn't here, Senator.

SENATOR CRAVEN: All right. Thank you. From WMA, Craig Biddle. (no response). Dennis Amundson (no response). Brent Swanson (no response). OK, I'm confident that they will be here in time. Norm McAdoo (no response). They must be caucusing. How about Robert J. Crowe?

ROBERT J. CROWE: I am Robert J. Crowe and I live at 150 Apple Lane, Santa Rosa, CA 95407. Thank you for getting me on the committee. I notice you have Ormond Britton here. He's a regional director, and I think you should hear from him as well.

SENATOR CRAVEN: Well, we may, Bob.

MR. CROWE: Pretty much what has been said already covers our complaints in our park. We have an owner who came up with a 19-page lease, and we were advised by our attorneys individually not to sign it. However, a few did. In fact, only 15% signed it, and because the rest of us didn't sign, he raised our rent immediately by \$3.53 because we didn't sign.

SENATOR CRAVEN: Per month?

MR. CROWE: Per month, yes. During the course of the year he kept coming up with memos to the residents, telling us how foolish we were not to join the rest of the group who believed in it, and for new tenants coming in, they were forced to sign the lease or they couldn't move in. At the present time he has about 25% of the park under lease. The rest of us are not.

And after the first full year I contacted him and met with him personally and advised him I was going to have to go to Small Claims Court to get back my \$3.53 for the first 12 months according to the Civil Code. He advised me that it was fine for me to do that and then he would sue me for disturbing his park operations. He said it would cost me a lot more than it ever would him because he lives in Southern California and he would fly up here and he would probably have to bring his family because he would be up here for several days in court. And he said it would cost me because he could bill everything to me, and

he said he knew that he could beat me. Well, I'm not in a financial position to take him on so I backed off a little bit, but we are very concerned and we feel that the state should be doing something to really look into these leases and come up with a lease that is readable, understandable, simple, and not all the legal activities, because many of these seniors citizens don't understand it. It's real complicated.

SENATOR CRAVEN: Do you feel that the lease in question here is any different than a lease you may find outside a mobilehome park from the standpoint of its complexities?

MR. CROWE: Yes, I do. My lawyers advised me of such. He said it is outrageous and he can't believe such a lease would even be presented. He felt it had too many things in it for the park owner and nothing for us. Any renewal dates are strictly at his option. He continually raises the rent every year. It's open from 6% to 12% and any pass through, like he says he is going to fix the streets at a cost of \$50,000, he wants us to pay for.

SENATOR CRAVEN: As a pass through?

MR. CROWE: Well, that's what he thinks it is, but I don't see how it can be. If the capital improvement is making his park worth more if he goes to sell it - it doesn't make my mobilehome worth more for me to sell - so I don't mind paying rent, but I'd like to know what I'm getting for the money I'm paying.

SENATOR CRAVEN: I understand.

MR. CROWE: We're just not getting that type of information. I don't know. Where do you go to find out how to get the Civil Code enforced? We've written to the Attorney General. He tells us to see our own lawyer. I've contacted GSMOL headquarters and they said to get our own lawyer. If we have to go out and fight these guys individually, it's going to cost us a lot of money. Our park has 109 spaces; 68 of them are single wide. 60% of them are widows or widowers, and I would say that 50% of those are on SSI, along with social security, and they can't stand these continual raises. I can't see why a park owner can raise the rent every single year. I've rented a lot of homes and apartments over the course of my years, and I've never had them raise me year after year, and they maintained everything. Here we have to maintain everything.

That's about all I have to say. Thank you very kindly, and I hope you will hear from Mr. Britton as well.

SENATOR CRAVEN: Very well. Thank you very much. Well, I don't know that Mr. Britton is here now. Mr. Britton?

O. O. BRITTON: Good morning. I saw you down at our meeting in January.

SENATOR CRAVEN: Oh, yes, well, I get around from here to there.

MR. BRITTON: My name is Ormond Britton. I'm Director of Region 2 of the Golden State Mobilehome Owners League. My address is 825 Champagne East, Calistoga.

In Calistoga there are three mobilehome parks, good sized parks, and the youngest one is the park in which I live which is 12 years old. All three parks have been operating during this time on a month-to-month basis, no leases, and everyone has been quite happy, quite pleased with it. But since 1977 we've been attempting to get a rent review commission set up for Calistoga.

SENATOR CRAVEN: Is Calistoga a city?

MR. BRITTON: Yes, it is an incorporated city. We couldn't get any cooperation from the city council for some time. In fact we elected what we thought would be a favorable city council, but when it came to a vote, it didn't work. So, in 1984 we had another municipal election, and this time we managed to elect some city council people who would listen to reason. On June 4, 1984, a rent review commission ordinance was introduced before the city council. Two weeks later there was a public hearing on this ordinance. Then in the next month I got a call from the owner of one of these parks. He was quite upset about this, but we had a long conversation. He was in San Francisco, and I was at home. The result was that his park didn't do anything. On the 7th of August, 1984, there was a first reading of this ordinance, and two weeks later on the 21st of August it was

passed unanimously, 5-0, by our council, and it became the law of the city.

Now in the next month we received notice to the residents in our park that there would be a meeting between the park owner and his superintendent regarding a lease offer. Now that notice was given to us on the 12th and this meeting was held on the 18th, which is less than a week's notice, and we should have had at least a month's notice. But we met with management and we discussed this proposed lease that he had. He said that this was a lease he had put in in some of his other parks and, incidentally, he owns 17 parks around California. He's losing so much money that he keeps buying more and more of them. He suggested a committee of 10 residents to meet among ourselves and study over the lease that he had given us. So I went in to join this committee the next morning and found out from management that the committee was full. Therefore, I was not on the committee. Well, on May 1st of this last year we received a letter from the committee of 8, stating that they had studied this lease and suggested changes which the owner had agreed to make, and they came up with a 5-year lease.

On June 1st of last year there was a notice in the park bulletin that the leases were available. On July 1st there was another notice that the leases should be returned. On August 1st there was a notice that leases go into effect September 1st. On

September 1st there was a notice that management was forming a lease communications committee. On November 1st we were noticed to return leases signed or unsigned.

Now there are quite a few people who have not signed leases in this park, and they have no intention of signing them, and on March 28th we received notice of a rent increase, which is going to be 4% for residents with leases, \$15 across the board for those without leases. There is no justification for any of these increases. This increase of \$15 across the board ranges from 6.2% to 8% increase, and in this lease that he offered the residents, he said the increase would be based upon 60% of the Consumer Price Index. It sounds good on the surface, doesn't it? But the next clause says there is a provision that there will be a minimum of 4% and a maximum of 12%. He is tying up these people for an increase every year regardless of economic conditions or anything else. There is no provision ever for a reduction. We think it is quite unjust, and that is the kind of lease that should not be permitted at all.

SENATOR CRAVEN: Pardon me, sir, may I just ask you how long have you lived in a mobilehome environment?

MR. BRITTON: Eleven years.

SENATOR CRAVEN: During those 11 years have you ever experienced a time when leases reduced?

MR. BRITTON: Well, we haven't had any leases.

SENATOR CRAVEN: Rentals?

MR. BRITTON: No, they haven't, Senator.

SENATOR CRAVEN: So, in other words, what you are referring to is not any different from that which has been occurring for a decade?

MR. BRITTON: Quite true, but on the other hand, if you recall, during this year, two months, there has been a decrease in the CPI.

SENATOR CRAVEN: Oh, yes, I recognize that.

MR. BRITTON: So in that case there is a possibility that there should be no increase.

SENATOR CRAVEN: Are the leases couched in such a way that they may reduce, or does it just say minimums and maximums and has no reference to the fluctuation?

MR. BRITTON: That's right. It just reads about an increase and there is no provision in this lease for a decrease.

SENATOR CRAVEN: I see. So, presumably, if the CPI dropped, they would stay at the lower rate - presumably. Is that correct? In other words, there would be no change.

MR. BRITTON: No, because this lease guarantees a 4% minimum.

SENATOR CRAVEN: That's what I'm saying, no change beyond the 4%. OK. Very good. So, your feeling basically is that it is a punitive situation. In other words, you sign the lease or you are, in effect, punished by virtue of your payments accelerating.

MR. BRITTON: Yes, it is very retaliatory.

SENATOR CRAVEN: The other witnesses have said ostensibly the same thing. You are bearing out their contentions.

MR. BRITTON: Very well. Thank you, Senator.

SENATOR CRAVEN: You are very welcome. Thank you very much. I notice that some of the gentlemen who we skipped before are now here, so with that, I will go back and call upon Mr. Craig Biddle, who represents W.M.A.

CRAIG BIDDLE: Senator Craven and Senator Presley, I apologize for not being here when you called the witnesses earlier. We had some bills up in Assembly Housing that we had to take care of over there.

SENATOR CRAVEN: It's perfectly all right.

MR. BIDDLE: I represent the Western Mobilehome Association. Our association in delving into this subject matter and your hearings on this felt that the best way to present the testimony, I think, would be for four different witnesses: first, the Executive Director of our Association will give you a little summary of what our Association has done in connection with long-term leases over the last few years; and, secondly, a park owner who has been in the business for a good many years. .

SENATOR CRAVEN: You mean the old gray-haired fellow?

MR. BIDDLE: The old gray-haired fellow, Norm McAdoo. Then, third, will be Brent Swanson, who is an attorney who has been

drafting the long-term leases and has been intimately involved with these leases in the last few years, and, lastly, I would like to talk about some of the legislative intent of some of the legislation we have had over the last ten years.

SENATOR CRAVEN: That will be fine.

MR. BIDDLE: Let me start first with Mr. Amundson, who is the Executive Director of the Association, to tell you a little bit about what our Association has done with long-term leases in the last few years.

DENNIS AMUNDSON: Mr. Chairman and members, my name is Denny Amundson. I've been the Executive Director of Western Mobilehome Association for the past eight years. About 8 years ago I first noticed, brand new with the Association, that there was a major legislative push to foster long-term leases in mobilehome parks. This was largely the result of pushing, and good pushing, by the Golden State Mobilehome Owners League. Frankly, WMA at that time was a little slow to come on board.

In 1977 Senator Carpenter put in a bill that was sponsored by WMA that required the offering of one-year leases, and that was the first time I'm aware of in a state statute. A year later in 1978 in response to complaints that some park owners were very reluctant about offering these one-year leases and would do so only if they could charge a premium for them, former Assemblyman Walt Ingalls put in a bill, AB 3315, establishing that you

couldn't do that - that you could not charge a premium for long-term leases.

In 1980 there was a bill by Senator Carpenter that dealt with the issue of the Subdivided Lands Act and made clear that 5-year leases for new residents coming in would not require that you go through the Subdivided Lands Act as long as they were less than 5 years.

Then last year Senator Greene put in a bill that was jointly sponsored by WMA and GSMOL that exempts any long-term lease of more than one year from rent control, the idea being that freely negotiated leases were a much better option than government-imposed rent controls. We were delighted to see that pass and, as I said, it was jointly supported by us and the Golden State Mobilehome Owners League. In response to that legislation the Association has published a long-term lease manual, which I will provide you some copies. This was published in November just prior to the new law taking effect in January, and we made it available at our annual convention where we had about 1,000 people, and we spent a lot of time with seminars and general sessions on the concept of long-term leases, educating our own members. It's a fine document. It's more than just a step by step manual. It's how to go about long-term leases and how to negotiate them. It also includes a section on subsidies. We sponsor a voluntary subsidy program whereby residents who are

really needy can have special arrangements worked out with them, and have the park subsidize their rents below what the market rate would otherwise be. That's also contained in this manual.

SENATOR CRAVEN: Is that very commonplace? Do we run into that situation very frequently?

MR. AMUNDSON: It's growing and Mr. McAdoo, who will be up here in a minute, can talk about that in more detail. In addition to that, in January of this year we had six statewide seminars in different locations throughout the state for our members, where we got good attendance, and again for the education of long-term leases - what they are about, why they are good for both sides, and we truly believe that they are. The whole purpose of the long-term lease is to provide security for both residents and for the park, and most of the leases being drawn up are for a 5-year period, and they are voluntary and they are negotiated.

In the last testimony we heard where there was a lease offering based on 60% of the Consumer Price Index with a 4% floor and a 12% ceiling. While it's true in recent times the CPI has gotten very low, around the 3% mark, it wasn't more than a couple of years ago when it was up at 18%. So the idea again of the floor and the ceiling makes some sense. When it is very, very high, it protects the residents. When it is very, very low, it protects the park. And, again, it is a freely negotiated kind of

device. Norm McAdoo, who you will hear next from, has offered several alternative kinds of leases, and we think very appropriately so.

The whole subject of long-term leases involves a massive education program, and that is what the Association is trying to do. We are trying to educate our members. Every chance that we get, we tell them that leases are good for both sides and why, how to appropriately negotiate them. We see this as a give and take proposition where you give up something to get something else. It's interesting that mobilehome parks have taken so long to adopt the concept of long-term leases because it has been here in almost every other form of real estate. When we negotiate for our office buildings, we are always offered options of long-term leases of various lengths. In apartments that's also true, and mobilehome parks were late in buying this concept, but now we are fully on board. We support it. We are delighted to have the opportunity to testify today, and I'd like you to hear from our other witnesses as well.

SENATOR CRAVEN: Thank you, Denny.

MR. BIDDLE: Next we'd like to have Mr. McAdoo. Your Select Committee has heard him before, and he will tell you a little bit about what he has done with regard to long-term leases. He's made a change as the Association has. He used to be opposed to them, and now he is in favor of them. He will tell you the types of things he does in his parks.

NORM McADOO: Good morning, Senator Craven. It occurred to my partner and me in the early 80's that we were tired of going down to city hall with the two of us and 300 residents yelling at each other. It also occurred to us that we were entitled to know as they were entitled to know somewhat what their future held. And the future is hard for all of us to predict. For example, last year I wouldn't have predicted that my insurance premium would have gone from \$6,000 to \$40,000.

In 1984 in five of our parks we sent out a lease offering letter. We offered the people their choice of one of two five-year leases. One is straight CPI and government-mandated pass throughs. The other is CPI with 6% minimum and a 12% maximum, and the choice was theirs, or they could sign nothing. At that time we said that if you sign nothing, the first year we will treat you the same. The second year we probably will not because if we are going for five years, and you are not willing to go with us for five years, then after the first year it's open season, so to speak. Probably a poor choice of words, but I'll follow through on it.

About 98% of the people did choose to sign the lease. Two or three elderly women took our lease to an attorney and said which one shall we sign. The attorney advised them to sign the one with the minimum 6% and the maximum 12%. The second year rolled around, and that was when we were hit with the insurance premium

so I did write a letter and said, "You who signed the lease are protected from this increase in rent. You who did not, this is your proportionate share of the increase in our insurance premium." It was \$5 or \$6 in addition to the CPI which the rest of them accepted. And they recognized that they were probably entitled to pay that much, and they did.

In our park in Riverside when we opened the park, we put everybody on 25-year leases, CPI government-mandated pass throughs. You know, our residents are happy. I feel that if we commit ourselves for five or ten years, or whatever that commitment is, and they choose not to commit themselves, then they don't deserve the same treatment. They really don't because I don't have a crystal ball, I'm taking a chance, and they're taking a chance too. If they don't choose to take that chance with me, then if my prices go up and I'm locked into leases, then I'm going to slap a raise on those who didn't go along with me. I think that anything where you give somebody a longer agreement, you are entitled to give them a little discount for that agreement.

SENATOR CRAVEN: Norm, you probably heard some of the testimony from the other side. When you look at the option, in other words to sign a long-term lease or not to, there is a feeling on the part of those people who have testified that it becomes a rather punitive act on the part of the park ownership.

In other words, say, well, if you don't go on the long-term lease, we're going to penalize you because you have not done so. Now, you've covered most of that in your comments, but do you have any other comment on that or do you want to reiterate what you said?

MR. McADOO: Well, I don't think it should be a severe penalty, but I think, certainly, if you offer a long-term lease, you are both entitled to a better deal. I think the residents and the owners are both tired of yelling at each other. You know, who needs all this stuff down at the local level every Tuesday night?

SENATOR CRAVEN: That goes without saying.

MR. McADOO: You know, you just don't need it. I don't know. We feel comfortable with long-term leases. Our residents feel comfortable with long-term leases.

SENATOR CRAVEN: Are your leases tied to CPI?

MR. McADOO: Yes, they are tied to CPI...

SENATOR CRAVEN: With a floor of 6%?

MR. McADOO: Right.

SENATOR CRAVEN: So, in other words, they may not drop below 6% even though CPI may go to 3%?

MR. McADOO: That is correct on both ways. It's the tenant's option as to which he chooses.

SENATOR CRAVEN: As I understand it, if the tenant does not choose to sign a long-term lease, then they have nothing to fall back on other than the vagaries of the economics of the situation. In other words, things may go up and they are going to have to pay their proportionate share of those increases. Where the people who in effect have gone on the lease are in effect held harmless from those increases. Am I correct in assuming that?

MR. McADOO: That's correct, and you should also recognize that the long-term lease that I sign, and I think this is true of all park owners, I am obligated under that lease for the term of the lease. The resident may sell his home or may remove his home, and with 60 days' notice he is removed from the terms of that lease. He has that option which I do not have.

SENATOR CRAVEN: Now when I buy the unit which has been vacated, let's say, am I eligible for the same type of leasing arrangement or do you renegotiate at a higher scale, or what would be anticipated?

MR. McADOO: You would be subject to the same terms of the lease. However, I would bring the base of the lease up to a current market value at your inception.

SENATOR CRAVEN: I see. So that would mean that the ceiling and the floor would rise. Am I correct in assuming that?

MR. McADOO: The base rent would rise to you if that particular park is not up to a market area where it should be. But you make that determination when you come in, and then you are under the same terms as the previous tenant was.

SENATOR CRAVEN: Now, you have a lot of parks. How many parks do you have, Norm?

MR. McADOO: Seven.

SENATOR CRAVEN: I thought you had more than that. All right, that's a lot - seven. Now, recognizing that none of us keep our constituents, regardless of what it may be, happy all of the time. Would you say that the rental or lease agreements you have struck with your tenants have worked out well and that they are generally happy with them?

MR. McADOO: It's the best thing we ever did, without a doubt. It has forestalled a lot of complaints on the part of residents and all of them. You know, we have always maintained our properties anyway...

SENATOR CRAVEN: You are a good park operator, and I'm aware of that. And that may be one of the keys to the situation. In other words, the people, generally speaking, have been happy with the arrangement?

MR. McADOO: People know what's going to happen to them in the future. You know, people, their biggest nervous maker is, "I don't know what's going to happen tomorrow." If they know by document, even if it's bad, at least they know.

SENATOR CRAVEN: In other words, your side of the argument would be they have an assurance, they know. We used to have in the Legislature a situation that I guess is somewhat similar. When Bob Presley and I started in the Senate, we knew we were never going to get rich because there is not that much money involved, so we have no right, therefore, to complain about how much we earn because we knew going in, but one other thing we knew was that we were eligible to receive incremental increases, no more than 5% per annum. But we haven't always received it because we haven't chosen to do that, but then somebody comes along who wants to take that away. So that kind of, you know, destroys the playhouse.

I look upon what you are offering somewhat similarly. There's a certain assurance as to the fact that it is probably going to increase, but it may not increase any more than the given figure. Is that what you have told us?

MR. BIDDLE: That's correct. All right, let me make a couple of comments, Senator Craven, in connection with the program such as DeAnza has. Mr. McAdoo might want to comment on those where a tenant can come in and make application for a subsidy.

MR. MCADOO: The DeAnza Corporation, which owns parks across the United States, deals with this on a one to one basis, very confidentially between the property manager, not even the on-site manager, and the resident. If they can't pay the rent, he sits

down and meets with them. And they have told me that they have some parks where they are paying more of the tenant's rent than the tenant is because they have been there a long time. I have five people in my parks right now that I'm subsidizing. They couldn't afford the rent raise. I didn't go to anybody. I just didn't give them the rent raise. And I think you will find that most park owners are that way. You don't hear a lot about it. For those who cannot pay, we make a big distinction between those who can't pay and those who don't want to pay.

SENATOR CRAVEN: Yes, well, there is a great distinction there. Could you tell us how the subsidy actually works?

MR. McADOO: Well, generally, I just talk to them and see - I ask for a financial statement - what they have coming and what is the income and what the expenses are, and I just don't raise the rent beyond that point. And I have some of them who have been there for years that way. I just do that until they phase out and somebody else moves in that space.

SENATOR CRAVEN: There is no lien or anything on their property?

MR. McADOO: No, there isn't, but that is something that should be and is available. The state and county do that now. They put a second or first lien on the property until their death and then take it back. Most park owners do not do that because I don't think they want to go through the paperwork to do it. They would rather just do it.

SENATOR CRAVEN: Yes, I understand. Senator Presley?

SENATOR PRESLEY: A clarifying question. You say your parks are under a 25-year lease?

MR. McADOO: Just the one out in your area.

SENATOR PRESLEY: That's a long time down the pike.

MR. McADOO: It was a 5-year lease with 20 one-year automatic renewals, which they can get off.

SENATOR PRESLEY: You mean five years, then 20 one-year...

MR. McADOO: That's right. We can't give 25-year leases or we're getting into problems with the real estate "Subdivided Lands Act" or something. The most we can have is...

SENATOR PRESLEY: I think you said there is a 60-day - the tenant can break the lease by 60-day notice?

MR. McADOO: Yes. Now, he has to sell his home to somebody else or remove it, but he's not stuck for 25 years or even 5 years on a lease. I am, but he's not.

SENATOR PRESLEY: You can't break the lease?

MR. McADOO: No.

SENATOR PRESLEY: All right. Another thing I don't understand are the government pass throughs. What are those things?

MR. McADOO: Well, if you all decide you are going to put street lights out on the street outside of my park, and assess that property for those street lights, then I'll divide it up

among the folks who live there. Anything the government does to me I feel is fair, so I'm going to pass it on.

SENATOR CRAVEN: We appreciate the thought that whatever we may do is fair. That's something for debate at times, I think. Very good, Norm. Thank you very much.

MR. BIDDLE: Mr. Swanson is next. As he's coming up, Senator Craven, I'd like to clarify just one thing you talked about and that's the question of assignability of these leases. Mr. Swanson may address that, but I don't know if he's going to, but I would say there are varying provisions in the leases. Some of them provide that it is assignable, so that if you sell your coach in the park, the new purchaser gets the same lease that you do for the balance of that term. Some of them are written that way. Some of them are written that it's not assignable. If you sell your coach, this terminates the lease, and they do not have any rights under it. In the third, some of them say it is assignable but that the rent will be so much for the new tenant. I've seen them put out in more different ways than ours.

SENATOR CRAVEN: It becomes very obvious that there is a certain benign quality that I suppose is existent in some parks which is not in others, and it becomes pretty much the personality of ownership or the avariciousness of ownership. I think I could probably use that word. Some landlords, if you will, or the owners of the park, are more cooperative than

others. It's unfortunate that it isn't closer to being a common denominator, but I guess that's a little too much to expect.

MR. BIDDLE: I just thought I'd mention it because I've seen it three or four different ways, and you're right, each owner or management wants to deal with their particular park their way. Let me introduce Mr. Brent Swanson, who is an attorney who does a great deal of work in Orange County area, Santa Ana. He does a good deal of work for this area, and has been drafting and working on the specifics of long-term leases and the legal problems about them for the last year or two since our Association has changed its attitude about them and now is fully supporting them. He will talk a little bit about some of the legal problems, then I'll talk about some of the legislative problems that we have. Mr. Swanson.

BRENT SWANSON: Good morning, Senator. Our firm has consistently represented more park owners in California over the past ten years than all of the other firms specializing in this field combined. Because of that, we have made it our business to keep track of the legislation and the various litigations going on in various parts of the state.

Long-term leases have been offered at a discounted rate, a rate that was less than what was charged for a month-to-month or even a 12-month tenancy for a number of years, and the reason that that has been a common practice even before the Greene bill

went into effect this year is that because cities and counties have recognized that long-term leases were exempt from their local rent control ordinances. Because of that, many park owners have offered these leases in an effort to protect themselves against rent control. Our clients have typically been willing to give up a great deal to get their residents to sign long-term leases so they could have security against the threat of rent control, which is a growing, very popular movement throughout the state and has been for a number of years.

I know of only one case where the issue has been litigated in the state as to whether it was proper to offer a long-term lease at a lower rate than that for a 12-month or month-to-month tenancy. It was a case that we handled in the North San Diego Court involving a park in the City of Oceanside where the tenants brought a class action against the park owner because he had offered a 5-year lease at a substantially discounted rate over that which he would charge on a yearly basis. The park owner felt this was consistent with that of most of our clients as he was attempting to escape the effects of the Oceanside rent control ordinance that was enacted prior to his offering these leases. He was ultimately successful. Finally, over the course of several years, he ended up getting in excess of 75% of the residents signed up on these leases. We won that case, and we won it rather handily.

We won it on a summary judgment motion, which is a pre-trial motion. Summary judgments are extremely difficult to get. You are almost never successful in obtaining one. The sole issue in the summary judgment motion was the legislative intent in defining this particular statute and whether or not the Legislature intended in drafting the statute to preclude a discounted rent being offered on a long-term lease. The court concluded very clearly that it was not the Legislature's intent - I brought along a copy of the various legislative intent documents that we obtained through a service here in Sacramento that comes over here to the Legislature and pulls all the letters and speeches and various comments out of your files to show what the legislative intent and history of a particular statute is. This was given to the court and analysed extensively by both sides, and the court concluded in our favor.

SENATOR CRAVEN: Did you represent the organization at that time?

MR. SWANSON: I represented the park owners, yes, sir.

SENATOR CRAVEN: Who was the Judge in that case?

MR. SWANSON: The Judge was Gilbert Nares.

SENATOR CRAVEN: You were in Superior Court?

MR. SWANSON: In Superior Court, yes, sir.

SENATOR CRAVEN: Mr. Tennyson has a question.

JOHN TENNYSON: Was that within one year under 798.18, or was that after the one-year period? If you know what I'm talking about. In other words, Section 798.18 (b) addresses a difference in rent after a 12-month period, or, say, one year.

MR. SWANSON: That rate was offered from the very beginning. It did not kick in at the 13th month.

MR. TENNYSON: Very good.

MR. SWANSON: This case occurred in the spring of 1982, by the way, and that gets to be an important date as well. You will recognize, of course, that this litigation went on in Marie Malone's backyard. It was handled by an attorney who specialized in representing the home tenants. It was vitally publicized at the time throughout our industry, both among park owner attorneys and tenant attorneys. There have not been to my knowledge, and it could be that I am not aware of a case, but to my knowledge there has been no other case since that date that has dealt with this issue.

We have had periodically inquiries and comments from tenants' attorneys on this issue, but typically, in fact in all cases, they have been new attorneys who were just getting in the business for the first time or starting to represent mobilehome tenants. They have said to us on occasion - this probably happens once or twice a year - "Gee, you can't do that. This is the way the statute reads. You can't charge less for rent for a

long-term lease than you do on a year or less, and I have made to them on those occasions the explanation that I made to Judge Nares in this particular case, often even providing them with our briefs and the legislative history. And I've also said to them that they should call Maury Priest, and I've told them who Maury Priest is, that he is the attorney for GSMOL and he is their lobbyist, and he's in Sacramento and how to reach him. Now I don't know that they called Maury in fact, but I think what that demonstrates is that at least I was sufficiently confident that Maurice Priest, and other residents' attorneys in this state who are more experienced, concurred with me that there was no legal problem in offering a discounted rent on a long-term lease because, obviously, if that was not the case, I wouldn't have directed them to Maury Priest.

We've seen, in fact up and down this state time and time again, many cities and counties encouraging park owners to offer these long-term leases at discounted amounts as a way of avoiding rent control, and in many, many incidents the residents and their attorneys are involved in those negotiations and discussions, and not once have we heard an objection from any one of them that this is in some fashion or another illegal. The basic rule of law that we lawyers use in interpreting statutes is to interpret the statute so as to be consistent with the legislative intent, and, obviously, the whole purpose of the Mobilehome Residency Law

is to benefit residents. There is very little in there that benefits a park owner, in all honesty.

The sole purpose of this statute, and I was around at the time it first came into being, was to avoid a resident being charged more for a long-term lease than he was on a month-to-month tenancy. And this legislative history indicates that that is the sole concern that the Legislature had. Long-term leases are, obviously, a good solution to rent control. In fact I think they are the best solution that's available. The Greene bill recognized this, and I see no reason or purpose to attempt to construe this statute to come to some different intention. What the residents are doing, basically, is what I get when I go out and shop for office space. If I commit myself to a 10 or 20-year lease, I get a substantially better deal than if I am only willing to commit to a year or a month-to-month lease. You can look at it another way. If you would accept the proposition that it is unlawful to offer a discounted rent for a long-term lease, then offer the following, which we can do and it will have the same effect. If I'm a park owner, I can say to my residents, "I will give you a \$500 bonus in cash if you will sign my lease, or I will give you a free microwave or television or whatever." I can say to you, "I will give you free rent in the 13th and 14th months of the lease, or I will offer you free rent for the two months before the lease begins." Or as is very common in parks

that are filling, particularly in bad market areas, we will say to you, "Move into my park, move out of his park and into mine, and I will give you six months free rent." Now, all of those things would be perfectly legal, even under this literal interpretation of the statute that some ask you to accept. Yet all of those things have exactly the same effect as offering \$10 less a month rent on a discounted long-term lease. My point is that, obviously, the statute wasn't intended to preclude the kinds of things that I have just listed, and I don't think, just as obviously, that it is intended to preclude the discounted rent either...

SENATOR CRAVEN: Mr. Swanson, are you close to bringing this to a conclusion?

MR. SWANSON: Yes. I would just like to say that I have negotiated long-term leases now for a number of years, all over the state, for a number of clients, and in many instances GSMOL representatives, resident attorneys who specialize in representing residents, and I've not heard them say this. With respect to the other issues that are raised in your position paper, I would be happy to address those too as well if you would like. It's not my impression, and I've not seen a situation where a resident has been given a week or less to decide whether or not to accept a lease. I've just not seen that. Typically it's at least six weeks. Commonly, it's a period of a number of

months. I've not seen situations where only a long-term lease was offered and not also the 12-month or the month-to-month lease. In terms of the pass throughs, the typical pass throughs only cover the things that the park owner has no ability to control. It's not a triple-net lease. The bulk of the operating expenses of a park are not being set up as pass throughs, so it's certainly not a situation where the park owner is able to insulate himself entirely from economic realities and foist all of the risk upon the tenants. It's just not a reality. Thank you.

SENATOR CRAVEN: Thank you, Mr. Swanson.

MR. BIDDLE: Just one comment, if I may, Senator Craven, on this one specific code section. It's interesting, I think, when you have been lobbying 10 or 12 years now, and this one I can particularly remember as it went through the Legislature because it was from Jurupa Hills Mobilehome Park in Riverside. It was Walt Ingalls, and because of my background I particularly remember the case. It was when Senator Carpenter's bill went through, which said you had the right to the one-year lease. I can remember what happened in Jurupa Hills. They didn't want long-term leases back in those days - this was in 1978 - and the owner of the park at that time said that if anyone came in and demanded a long-term lease, their rent was going to be twice as much. I don't remember the amount. It was like \$200 if you

demanded a lease rather than the \$100. I can remember Walt Ingalls at that time immediately came to me and said, "We can't do this." I agreed that we couldn't, and I don't know whether I wrote the words exactly or Denny Kavanagh, back in those days, who wrote them down, but we specifically put that section in which is now the .18 section, 798.18, which said you can't do this. Our wording was you can't have it different. Probably if we went back and redid it, we were trying to say to Jurupa Hills you can't charge more. And that's the legislative intent. I think it is clearly there, and I think Mr. Swanson's arguments show that. If Mr. Tennyson will examine them, I think that's the flexibility that we believe is there, the flexibility we have in the lease. And I think that's what the Legislature has really said by these bills we have passed, by the Greene bill that was passed last year, have this flexibility, and always as the bills have gone through the Legislature, everyone has said this is voluntary, nothing mandatory. A couple of bills we didn't put in the language that it must be voluntary. It has always been the Legislature's attitude in the committee process to have the maximum flexibility but have it voluntary so it could be negotiated in the park. I think that's what the legislative intent will show.

SENATOR CRAVEN: Very good. Thank you both very much. Next is Mark Goldowitz.

MARK GOLDOWITZ: Thank you. Good morning. My name is Mark Goldowitz, and I am an attorney with, and the Executive Director of, the Contra Costa Legal Services Foundation. With me are Rozella Mandocino from the Circle S Mobilehome Park in San Pablo and Dale Clute from the El Rancho Mobilehome Park in San Pablo, who both, at the end of my remarks, will add a little bit from their personal experiences.

I am here today on behalf of low income residents of mobilehome parks in the City of San Pablo, and I want to bring to your attention problems that are currently being experienced by low income mobilehome residents in San Pablo. I think that most of these problems have been caused by the new Civil Code Section 798.17, and urge the members of this committee to sponsor and support legislation to repeal that provision.

That provision, Section 798.17, also called the Greene bill, or previously called the Greene bill, passed last year and allows leases in excess of 12 months to supersede local rent regulation protections for mobilehome residents. I think repeal of this provision is necessary for at least two important reasons: one philosophical and the other practical.

First, 798.17 establishes a special rule for mobilehome residents, and treats them as second class citizens. For no other tenants in the State of California may the conflicting and less protective provisions of a lease prevail over any local rent

protection ordinance. Only mobilehome residents suffer this fate. This conflicts with the fundamental policy statement that the Legislature made when enacting the Mobilehome Residency Law, which was that the special problems and circumstances of mobilehome residents require unique and additional protections for mobilehome residents, not fewer protections. Given that correct policy determination, certainly mobilehome residents should be no less entitled to protections under local ordinances than any other tenant in the state.

Second, the practical effect, which we have heard some testimony about earlier today, is to subject mobilehome residents to unreasonable pressure from park owners who now want residents to sign long-term leases so local rent protections will not apply.

For instance, no rent protections are currently on the books in San Pablo in Contra Costa County, but an initiative ordinance to establish them is on the ballot for this June 3. Without even the measure being on the books in an effort to prevent mobilehome residents from enjoying any protections from the proposed ordinance, if it should pass, mobilehome park owners in the City of San Pablo have engaged in a systematic campaign of threats and intimidation and punitive rent increases, to coerce residents into signing onerous multi-year leases.

At the largest mobilehome park in San Pablo, Circle S, where Rozella Mandocino lives, prior to December 1985, residents had never been offered a written rental agreement. In November 1985, mobilehome residents began circulating an initiative petition for a Mobilehome Residents Protection Ordinance. On December 31, 1985, Circle S sent residents a letter saying that the park would be closed unless they agreed to sign a long-term lease (see Exhibit A).

On January 13, 1986, Circle S sent residents a copy of a proposed 5-year lease (see Exhibit B). The proposed lease contained a number of objectionable provisions. Most significantly, the lease mandated rent increases for increases in the Consumer Price Index, and then on top of that, also increases for any increases in operating costs, thus double charging residents for the same expenses. The lease also required signers to falsely state that they had previously received copies of the Mobilehome Residency Law, which was not true as it had never been given out to residents, nor was a copy of the law attached to the lease, as required by the Civil Code.

Park management engaged in a campaign of threats and intimidation to force residents to sign the proposed lease. The witnesses that follow me will also testify about this. In addition to the threats that the park would be closed, residents were told by management that if they didn't sign the lease, their

rents could be increased every 60 days and would be increased more than they would be for those who signed the lease. The assistant manager at Circle S told residents that if they didn't sign the lease, they would have to pay subsequent rent increases, and could possibly lose their mobilehome. She also told residents that if they did not sign the lease, they were not wanted at Circle S. Residents were constantly pressured to sign the lease. These tactics put intense emotional pressure and stress on park residents, many of whom are elderly and very vulnerable to this kind of pressure.

Residents who did sign the proposed lease were given a \$10 per month rent increase, which was softened by a rebate of one-half month's rent. The combined effect of the two was that for the first 12 months of the lease term, the rent increase for those who signed the lease was only about \$3 per month.

Because of problems with the lease, many park residents refused to sign it. On January 30, 1986, those residents who had not signed the lease received a notice that their rent would be increased \$25 per month. This notice was accompanied by a letter from the park owner explaining that "this rent increase is only for those mobilehome owners who have not signed the lease agreement we have offered park residents. If you have signed the new lease agreement or will sign it, of course, this rent increase will not apply to your space." (see Exhibit C).

Thus, residents who did not sign the lease were being forced to pay punitive rent increases more than eight times greater than the ones given to those who did sign the lease.

Similar and worse has occurred at other parks in San Pablo. At El Rancho, management called residents in to the office and insisted that they sign the lease right then. Residents were not allowed to take a copy of the lease out of the office to show to a lawyer or friend. At Kimball's Park, residents were given blank leases and told that they must sign them within three days.

If this pattern of events has occurred in a community which does not even have a rent control ordinance on the books, I shudder to think what has been happening and will happen in the forty communities which do have local rent protections on the books.

To protect mobilehome residents against these kinds of practices, I urge you to repeal Civil Code Section 798.17 and to adopt Mr. Rowland's suggestion of amending Section 798.18 by striking the language "during the first 12 months of the agreement."

Thank you very much.

SENATOR CRAVEN: Thank you. Do your friends wish to make a comment?

ROZELLA MANDOCINO: I'm Rozella Mandocino, and I talked to some people in our court where they were forced into signing

these leases and one man right next door to me, who can't even take care of his own problems, somebody has to do it, was visited by the manager or the assistant manager. I live right next door to him, and he can't even read or write or do much of anything. She got him on the porch and said, "Here, I want you to sign this." He said that he didn't know that he should. She said, "Well, it's all right; it's all right, baby. You just listen to me and if I tell you it's all right, it's all right." And she helped him use his hand to sign it. I sat there in my own mobilehome watching her through the window and listening to this. That's the way she got him to sign that lease. He didn't even know what he was signing. She didn't give him time to get somebody else who was responsible to help him. There are lots of others in the court who I have talked to, and they have told me the same thing. They said if they don't sign the lease, they will get raised rent and higher rent than I can afford, and so they are scared. They don't want to sign the lease, but they sign it because they are afraid.

SENATOR CRAVEN: Rozella, did you sign the lease?

MS. MANDOCINO: No, I didn't get a lease to sign.

SENATOR CRAVEN: I see. You mean they didn't offer you a lease?

MS. MANDOCINO: They didn't offer me a lease.

SENATOR CRAVEN: So you are still on the old rent schedule?

MS. MANDOCINO: Yes.

MR. GOLDOWITZ: Rozella was one of the residents in the city who had been in the leadership of circulating the initiative petition, and several of those were not even offered leases but were told they had to pay \$25 rent increases. When that notice came down, we went to court and after filing a lawsuit challenging the punitive rent increases for those who refused to sign the lease, the landlord backed down. But if he comes back at any time, we may have to revive the lawsuit.

SENATOR CRAVEN: I see. So your activism has helped you a little bit?

MS. MANDOCINO: Yes.

MR. GOLDOWITZ: Although I think it caused quite a bit of emotional stress.

MS. MANDOCINO: Yes, it did cause a lot because since all of this I've had back trouble and I've been down on my back since November. I've always been a well person, and now I'm on pills. Of course, stress will do it - particularly when you are 71 years old.

SENATOR CRAVEN: I think you are doing very well.

MS. MANDOCINO: Thank you.

SENATOR CRAVEN: Thank you. Dale, do you have something to say?

DALE CLUTE: The first time I became aware of the lease was when I got a notice in my mailbox to please come to the office and read the lease. So I went there and found that I understood some of it and didn't understand some of it. I told them I wanted to take the lease to my lawyer. They told me I couldn't take it out of the office. So I told them I wasn't going to sign that damned thing and I walked out. That's all there was to it. Then about 3 or 4 days later I got another notice in my box to come up, and I could have the lease to take home and read it, which I did. It didn't sound good to me so I took it to my lawyer, and he told me definitely not to sign it. Everything is slanted their way; nothing is for you whatsoever. So that's the way it stands now.

SENATOR CRAVEN: So you, therefore, did not sign the lease?

MR. CLUTE: No, sir, I did not.

SENATOR CRAVEN: Have you had a resultant rent increase?

MR. CLUTE: My rent went up when the new owner bought it in January by \$42 a month.

SENATOR CRAVEN: \$42 a month?

MR. CLUTE: That's right.

SENATOR CRAVEN: May I ask what you pay in rental?

MR. CLUTE: Right now I pay \$232 for a 10 wide.

SENATOR CRAVEN: I see. So that was quite an increase.

MR. CLUTE: You're telling me!

SENATOR CRAVEN: Let me just ask you, Dale. Do you remember the lease well enough to know what it would have been if you had signed the lease?

MR. CLUTE: Not more than 10% a year.

SENATOR CRAVEN: I see, so it would have been considerably less than what you have to pay now?

MR. CLUTE: Well, 10% a year...

SENATOR CRAVEN: Say about \$25. OK. Is there anything else?

MR. GOLDOWITZ: I just realized that I neglected to give you an address so we can receive the materials. It is 1017 McDonald Avenue, Richmond, CA 94802.

MR. CLUTE: Do you want my address too? It's 13401 San Pablo Avenue, Space 5, San Pablo, California 94806.

SENATOR CRAVEN: Why don't you give us yours too, Rozella?

MS. MANDOCINO: 3613 San Pablo Avenue, San Pablo, Space 81.

SENATOR CRAVEN: OK. Thank you very much. Next is Ida Johnson from San Rafael.

IDA JOHNSON: Good morning, Senator Craven. My address is 389 Bryce Canyon Road, San Rafael, CA 94903. I'd like to take a minute and give you some personal information about me because it's pertinent to this discussion.

I moved for the first time into a mobilehome park last year in September. At that time the rent was \$315 a month for a double-wide space. That park was purchased in July by the DeAnza

Corporation. DeAnza Corporation notified the tenants in November that there would be a rent increase or roughly 18% or \$57 per month effective January 1st. The homeowners' association at Contempo Marin attempted to meet with DeAnza prior to the effective rent increase and talk about it because we felt that \$57 was a lot of money to raise the rent, and we wanted to know what we would be getting for \$57 a month. DeAnza finally met with the homeowners' association in December, probably about the middle of the month to talk. At that meeting nothing was accomplished except they did say they would meet with us again to talk about it.

Subsequently, the homeowners and local government supervisors and city councilmen did meet with DeAnza, with their president and their lawyers, and we were able to negotiate a decrease or a respreading of the proposed increase. We finally ended up with an increase of - it's 12, 12 and 12 over a four-year period. Everyone is talking about long-term leases and discounted leases. We were almost forced to sign those leases simply because if - \$57 is a lot of money, \$35 is a lot of money, and I'm not just talking about our population at Contempo Marin. It's broad. There are retired citizens and there is a diverse population. We're not just all senior citizens like some of the other parks. We have different needs and different incomes and for a lot of the people in the park this increase - and even the leases that

were offered - have now meant that they have to sell their homes and move out of the county. If you signed the lease, depending on which lease you signed, and I think they offered us 5 different leases, we are on a rate structure there. In the park there are 400 units. We're a good sized park. It's a big money producer. There is a structure that there are over 18 different rents in the park.

I personally signed the lease so that my rent increase for this year is only \$35 per month. Although I pay \$35 more, I don't get anything more from the park. I pay my own PG&E and I pay my own water, I pay my own gardener. So I don't know what I'm paying the \$35 a month for, and, mind you, I just moved in in September. So I would know what my expenses were over the next four years, I was forced to sign the lease. The lease provisions were almost unconscionable. We were able to renegotiate some of the terms of the lease. Again, only because local government got involved because it was DeAnza's position that it was their park and they didn't have to talk to us. To a certain extent I understand that. They have money involved, but I, too, have money involved because I'm paying for that coach. I cannot move that coach because it costs roughly about \$7,000 to \$10,000 to move it. So that makes it not very mobile.

SENATOR CRAVEN: True.

MS. JOHNSON: When I came into the park, I bought the coach. I knew nothing about mobilehome parks, nothing about mobilehome legislation, and all of a sudden I was confronted with all of these issues and all of these rules and regulations that as the owner of a conventional home I did not have to deal with. Now here I am again this morning listening to the association, the owners, and they are talking about educating their people about all the things they are doing. That service is not available to me as a tenant, as a resident, and how do I make decisions without consulting a lawyer, spending more money to learn what these rules mean?

SENATOR CRAVEN: I think the education process to which they have referred was really couched in your direction. Am I correct?

MS. JOHNSON: No, that material is not available to me. You are referring to the long-term lease booklet they've done?

SENATOR CRAVEN: Yes.

MS. JOHNSON: That's for park owners. I'm not an owner.

SENATOR CRAVEN: But aren't you given seminars in this field, throughout the park? Let me address this to the people involved.

MR. BIDDLE: Our seminars, Senator Craven, are for the members of our association.

SENATOR CRAVEN: Only?

MR. BIDDLE: Yes.

SENATOR CRAVEN: OK. So what you are saying is absolutely correct.

MS. JOHNSON: Thank you. The other concern from our park is that everyone is talking about percentage increases. At the end of my four years, my rental fee, which is not going to be improved unless I improve it, will be roughly \$450 per month.

SENATOR CRAVEN: By virtue of your lease arrangement?

MS. JOHNSON: My lease arrangement that I voluntarily signed.

SENATOR CRAVEN: Voluntarily?

MS. JOHNSON: Yes, pretty voluntary! I'm very familiar with our lease because I was one of the people who sat on the committee to negotiate that lease, and to try to get some language in it that was favorable to the residents. I had a stake in the outcome, so I jumped into the battle. We were able to get the property taxes and those kinds of things halted so they were not passed through to us, but the basic DeAnza lease - they were ownership - provided the residents with nothing. Absolutely nothing. And if you don't sign the lease, in 60 days they can raise your rent again, so how voluntarily did I sign the lease?

SENATOR CRAVEN: Probably not very voluntarily. That's it?

MS. JOHNSON: That's it.

SENATOR CRAVEN: Thank you very much, Ms. Johnson. Next is Myron Kern from Sonoma.

MYRON KERN: Good morning, Senator. My name is Myron Kern. I live at 133 Bear Flag Road, Sonoma, CA 95476. I just realized that my small problems are relatively small when I hear the abuses that have occurred in many other parks.

My reason for coming is to present to the committee what I believe to be a pattern that continues to escalate for those park owners who abuse their rights as owners, at least they abuse them in my opinion. I believe that I speak for all park residents who own their own homes. I'm a member of GSMOL. I believe the park owners should have a fair return on their investments. What most park owners - I'd say by far the majority - do not give us any kind of financial information regarding what constitutes a fair return. Is it 6% on his investment or is it 66%? I believe that the committee and the Legislature should incorporate some means within reason to have the park owners tell the residents what these increases consist of, what his increases were. A great number of these park owners, as you know, are corporations, and it's very difficult for us individuals or even as a group to meet with a corporation head. Most of them are absentee landlords who live hundreds of miles away. What I would like to see, if at all possible, is some legislation that says if we must have increases - and I'm wondering why all of a sudden in the last ten years increases have become a way of life. But why? Many times it's predicated, I believe, on the word you used very judiciously, and that is avarice.

In my case I live in Sonoma County, not within any city limits, and we have been attempting to get a rent review ordinance through the county. We did succeed a year and a half ago, but it had no teeth in it. It was a beautiful set-up but with no teeth, no protection, for the residents, only for the park owners. In other words, they could hear the complaint and if they agreed with us, there was nothing that the ordinance enabled the supervisors or the county to accomplish on our behalf. So my problems are relatively minor, but I think they are indicative of a trend of which, Senator, I am sure you are aware as is Senator Presley. And I think that maybe one of the greatest problems we face are park resales which result in great capital gains for the park owners and tremendous increases in the rent because now the new park owner has a new capital investment and he wants to recoup his investment as promptly as possible.

Thank you for your time.

SENATOR CRAVEN: Thank you very much, Mr. Kern. Next is Gaye Gaston from San Pablo.

GAYE GASKIN: First of all, my name is spelled Gaskin, and I'm with the GSMOL Chapter in San Jose...

SENATOR CRAVEN: Other than that, we have everything right?

MS. GASKIN: Yes. It's all right. It's Chapter 275.

SENATOR CRAVEN: You have an "e" on Gaye though, haven't you?

MS. GASKIN: You'd better believe it!

SENATOR CRAVEN: OK. All right.

MS. GASKIN: Well, I moved into a mobilehome park in 1984. At that time a majority of the residents in the park were in arbitration with the owners over a large rent increase. So I moved in, and they have this thing called vacancy decontrol. My rent immediately went from \$274 to \$374, and they said we were in arbitration and once it was settled, you know, we could have a chance to get in on the action too.

It was settled in February, 1985, and it came out pretty well for the people who had been in arbitratrion. There was a vacancy rent ordinance in San Jose at the time, it was 8%, and the sky was the limit on vacancy decontrol. The lease these people got together - the majority of the people in the park - was a 7% rent increase and an 18% cap on vacancy decontrol. So I sat around and I waited. I got a little note saying we could sign this and that and it would be made available, so time went by and nothing happened.

In June of 1985 I got a \$95 rent increase so, naturally, I filed for mediation. Well, in the meantime, mostly due to what had happened at our park, the council in San Jose saw the error of their ways with the old rent ordinance and decided to rewrite it and change it around somewhat. They rewrote it so there was a 5% limit on rent increases and zero vacancy decontrol. Two days before I was - well, in August I got my new rent statement which had added on the new rent, which brought it up to \$469...

SENATOR CRAVEN: \$469?

MS. GASKIN: \$469. So we paid the 5%, my husband and myself, and we waited around to go to mediation. Two days before our first mediation, I got an offer to sign a lease, which would have lowered my rent down to \$435.90 with an 18% vacancy decontrol which was written into the lease. Now that wasn't as good as I could get under ordinance, so finally, after many delays by the owners, we went to mediation in November, and they didn't show up. So the mediator found in our favor. Well, naturally, they appealed. After the mediator awarded us the decision, December 11, 1985, our January rent statement did not reflect anything. It came in saying I owed \$469 and that \$381.50 was in arrears for not having paid the other stuff. I know that is a misdemeanor according to the City of San Jose. So we went merrily along and went to arbitration, and after many delays because for some reason the owners are out of the city, they are down south some place. Finally, April 30th, the arbitrator said, "I'm making a decision and will let you know in three or four weeks what my decision is." In the meantime, many of the people who were in arbitration with me had gotten another rent increase. By this time it's \$150....

SENATOR CRAVEN: Is that \$150 a month?

MS. GASKIN: Yes. Next month I will get \$150 a month rent increase, and they keep saying, "Well, sign the lease." And I

keep saying, "If you give me as good a deal on the rent ordinance now as you gave the other people on the rent ordinance when they signed it, you know, the 8%, and now it's 5%, I'll sign it, but I'm not going to sign something and waive my rights, which is not nearly as good as I could have under the rent ordinance." And I anticipate that this will go on until 1989 when their lease runs out or is renegotiated.

SENATOR CRAVEN: Now the 8% - is this per annum? In other words, it may increase to that extent but no more than that, it's capped at 8%. . .

MS. GASKIN: Ho, ho, ho. I think - well, just a second. Isn't there (inaudible) above the 8% (asking someone in the audience the question).

GENTLEMAN IN THE AUDIENCE: (Inaudible).

MS. GASKIN: Come here, Jack, you can answer my questions on those things.

JACK McKEE: What was your question, Senator?

SENATOR CRAVEN: I asked about the 8% increase. Is that per annum?

MR. McKEE: No, the 8% is - under the old ordinance, the 8% was just 8%. In other words, the owner could get an 8% increase each year, and if he had any excessive expenses, then he could add that additional cost in.

SENATOR CRAVEN: Well, the expenses to which you refer would be what we call "pass throughs."

MR. McKEE: That's right. For example, new loans and things like that.

SENATOR CRAVEN: I see. So, in other words, this is the City of San Jose?

MR. McKEE: Yes.

SENATOR CRAVEN: The city in effect caps the increases at that figure, 8%, that allows ownership to pass through costs which may have accelerated?

MR. McKEE: That's right. Now, the current San Jose rent ordinance only allows 5%, but they can also pass through these expenses above that currently.

SENATOR CRAVEN: I see, so the rents may not be increased now more than 5% except for costs which are considered to be pass throughs

MR. McKEE: Capital improvements, rehabilitation, and...

MS. GASKIN: Arbitration.

MR. McKEE: In her arbitration, they also asked for the cost they spent while they were in mediation and arbitration with us.

SENATOR CRAVEN: Well, I would have to think that is probably legitimate. It may sound somewhat untoward, but I would think the cost of doing business - do we have this gentleman's name?

MR. McKEE: I'm Jack McKee, 2151 Oakland Road, Sp. 32, San Jose, CA 95131. Now, there's one question I would like to ask also. The owners - I feel this is not really fair to the mobilehome owners - when they have a capitalization, I can understand when they have to repair something or if they get permission from the residents to build a new building or something to that effect or new sewage improvement, when they amortize this over a certain number of years, say 5 years, to pay for it. Then they lay this on us to pay for it. I understand that. I have no arguments with that. What I have an argument with is when it is paid for, why doesn't it go back to what it was before? Do you understand what I'm saying? In other words, what we do - say, it costs us ...

SENATOR CRAVEN: Oh, I see. Instead of aggregating to take care of the amortization, once it is amortized to go back to the base figure that preceded the capital improvements. Is that what you're saying?

MR. McKEE: That's right. Because what happens is that we are paying compound interest on this thing forever and ever.

SENATOR CRAVEN: Do you want to make any comment on that, John?

MR. TENNYSON: (inaudible).

SENATOR CRAVEN: We may ask WMA on that point at a later time, Jack.

MS. GASKIN: (inaudible) - the majority of the people are out of the lease. They are people who signed because they were scared. They kept seeing this accruing on their rent, and it scared a lot of people, particularly ones on fixed incomes.

SENATOR CRAVEN: It would scare me.

MS. GASKIN: Yes. Young couples and everything, and they kept seeing that building up, so they signed the lease. They were coerced to sign the lease.

SENATOR CRAVEN: Well, it is a subtle kind of coercion, I believe.

MS. GASKIN: Yes, and so in June my rent will be up to \$619 a month.

SENATOR CRAVEN: Have you ever thought of buying a mobilehome park? (laughter).

MR. McKEE: We would be very pleased to buy this mobilehome park.

SENATOR CRAVEN: Well, I think you reach a certain millenium or point of no return or whatever you want to call it. I have a park - Marie Malone will be very familiar with it - in our district which is a very, very beautiful park, probably one of the finest in the State of California. But the rent schedule there is so exorbitant, and it's in your general range, that when they started having this problem, about half of the people left and went over to where Bob Presley is over in Riverside County.

You know, everybody wants to live on the coastal shelf down where we live, and that is where this park is located.

MR. McKEE: Right now, currently, this 18% decontrol is almost killing us. It's very, very difficult to sell a home. You can see with her rent if they are allowed to collect her rent at \$619 and she sells her home, you add 18% on to that and it's just out of the question.

SENATOR CRAVEN: Yes, I understand.

MS. GASKIN: Who will be able to get financing for one thing to move into a park, because they are young couples and older people, and if you can qualify to buy into our park, then you can buy a house.

SENATOR CRAVEN: Yes. Very good. Well, we thank you both very much. I would like to take this opportunity to introduce another one of our colleagues, Senator Paul Carpenter from the County of Orange, who is a member of this committee and who also has within his district a lot of mobilehomes. Paul, thank you for being with us. Next we have Christine Everitt from Portola.

CHRISTINE EVERITT: Good morning, Senator Craven, and members of the committee. I'm here this morning to - actually, I'm wearing two hats today - I represent the education and training chairman of GSMOL, and I'm representing myself as a mobilehome owner.

I would like to speak, first of all, to what has happened to my husband and me living in a mobilehome in regard to rent, leases and increases. We lived in a mobilehome park. We no longer live there, but we lived in a mobilehome park that was sold in 1982. The person, the individuals who bought the mobilehome park had no idea of what a mobilehome park was like, had never been inside a mobilehome park, and didn't know what was involved. Our park at that time was 25 years old and along with it went - you've heard all the horror stories and you've heard the whole litany of things that go wrong with the roads, the lighting, all of those were present in this park. These people had no experience with septic systems; they didn't know what they were about. Nevertheless, our rents went from \$99 a month at that time in 1982 to \$135. Now, our leases were one year leases and they had not been looked at or changed or updated or revised for ten years at least prior to that time. So it seemed that it was proper that perhaps we should look at the lease, make some revisions and make them more adaptable or meet whatever the situation was at that particular time.

The new owners did not know about leases. The park also - and I do have to give, shall we say "The Devil," and I say the devil advisedly, WMA their dues. Our park did not happen to be a WMA park and so the owners were not privileged to the things that WMA might have been able to provide for them or tell them about.

But we had a very interesting Christmas present. On December 25th of 1982 a letter was posted on the bulletin board at the park which was addressed to the then managers of the park, and it read - I will only read one paragraph: "It is my understanding that because of the language of the lease, there is a possibility that some tenants come January 1, 1983, will not sign a lease at lease rental terms. If this should occur, then that tenant shall be on monthly rental terms at \$160 per month."

They had raised the rent to \$135. If we did not sign the leases, we would be paying \$160 a month.

"You have my permission to make this discussion known to those tenants who are balking in signing the new lease for 1983."

My husband and I chose not to sign that lease. We chose on our own to see our attorney and see what could be done about this. Our park was not organized to where we had an in-park committee or a homeowners' association at that particular time. We hired an attorney and had him write a letter. He looked at things as we presented them, and looked at the lease and there were several areas in which the people were not in compliance with the Civil Code, first of all. The attorney wrote these owners a letter with a copy to the managers asking them to make changes and asking them if they made changes, brought the lease up to meet Civil Code requirements, that they should give the residents the opportunity to sign these leases until the first of

February. They still did not change the leases, did not change the wording of the leases, and as a result, we wound up - because we were pushing this - we wound up, not as Mr. and Mrs. Everitt, but we wound up as activists and militants. Be that as it may, we stayed in the park for awhile longer. We did not have to pay the \$160; we were allowed to pay \$135, like everybody else who was going to sign the lease. Most of the people, or many of the people, did not sign the leases. They did form a committee and petitioned to have the owners sit down and look at these, revise them and make them more applicable. I have these things documented for you for future reference.

At this point in time I would like to speak in behalf of the residents of mobilehome parks. In my role in education and training, and I certainly am very happy to hear about the educational programs that WMA is having. I would like to at some point in time to be able to attend their training sessions, their education sessions. I do feel that it is necessary that we do this, not only that WMA do this but that we do this and are a part of what they are trying to do with the owners, and in that way help the residents of mobilehome parks. But in my travels I have been in many parks in Southern California and some in Northern California. We're sort of half and halfers. In the wintertime we're in the south and in the summertime we're in the north fishing.

I have to say that, not only in talking to the people in the parks, not only are we concerned about the senior citizens and the elderly, but mobilehomes are affordable housing for the young. We have family parks, we have adult parks, and they all have economic constraints and with escalating rents and the types of things that are happening, they all have concerns. We have various kinds of managers in these parks, some trained, some WMA trained, and many who are untrained and who know less about mobilehomes than some of us who moved into them not knowing very much about them. We have many kinds of owners of mobilehome parks, absentee owners, corporations, individuals who may own several parks, and you know how that goes.

Now, on behalf of the residents, I find a great deal of confusion and fear. Many places have rent control, rent stabilization, whatever, some type or form of trying to help the residents with escalating rent problems. The fears stem and the confusion stems from not knowing which way they really should go. They don't want to come out from under rent control. That's a fearful situation. You've heard all morning long testimony to that effect. They also don't understand the leases and the lease situation. They don't understand the language of the leases, so I would submit that some of the things that we must address in behalf of both the residents and the owners, the length of the leases, the long-term leases, and by that I mean the rhetorical

length, not the numbers of years of the long-term leases. But what are the leases really saying to the people, the language of the leases? When they go into an office - we'll play this little scenario - you're going to go in and pay your rent and the manager says to you, "Here are ten pages of your new lease. Please sign it before you leave the office. That's something that if you have any brains, you would not do it. You have to be able to read it and understand it and agree with it because that is a contract for you. Now the residents are very concerned about that. They are concerned about pass throughs. They don't thoroughly understand all of the pass throughs that come to them, and I have had people say to me, "They pass through everything but the kitchen sink and they might do that." That's perhaps humorous, but maybe not. That's how the people feel. They talk about their concern about built-in rent increases, and we've heard something about that today. We also have seen it written in The Californian where a gentleman said that he had a 20-year lease with 6% annual increases and another 10% annual increase at the end of each 5-year period, and this would bring his monthly rent to \$1,169 over this period of 20 years, which is something that he couldn't afford. And I think we've heard testimony to that effect this morning.

We know that some of the leases are not in compliance with the Civil Code. I know that personally, and when I have listened

to the people in the parks, and they bring these problems, that's one of the things that we find. They are very concerned, and it was brought up this morning with assumability or transferability. Now that can be both good or bad, and it's an issue that needs to be addressed in a body, like we have here, to help us out there do the right things. We need to have some period of time, one of the things that people complain about is the fact that they are asked to sign a lease while they are sitting there paying their monthly rent. They need to have time to study it individually or study it at a resident meeting with the help of their committee. They need some access to the owner for discussion or review. Now whatever form that may take - I'm not going to sit up here and try to talk about things like that - but they do need access to the owners.

Then the last thing that they say to me is that they really don't know what recourse they have if they can't live with it. It may be an attorney; it may be litigation; it means a lot of expenses and we know that it costs money to move mobiles. We know that attorneys cost money. But what is their recourse if they can't live with it, and what happens to them if they sign or if they don't sign? We know there are only certain grounds for eviction and not signing a lease is not one of them, but also coercion is not or harassment is not one of the things that they can afford to have happen to them.

So with all of that my message from the field is we must address some of these issues that I have presented in a way which will be palatable, fair, equitable to both homeowners and park owners, and that's what I would like to see. I would like to sometime to be able to work with some of the people from WMA and see what we can do in the area of education to help our residents out in the mobilehome parks. Thank you very much.

SENATOR CRAVEN: You're entirely welcome. It appears that we have about ten more people to testify, and I think you have heard what is not only a common denominator in the testimony on the part of the tenants, but it has a certain redundant aspect to it, not to in any way denigrate what you have said, but just to make the point that we are hearing somewhat the same thing from each witness, so those of you who follow now as witnesses hopefully you will try to - if it's to say the same thing, do it briefly, or if it's a new item, fine. Next Willard Hicks from Rialto.

WILLARD HICKS: Senator Craven and members of the committee, my name is Willard Hicks. I am a mobilehome owner and reside in the Rialto Villa Mobilehome Park located at 250 North Linden, Space 202, in Rialto. I am sort of a novice at this mobilehome living. I've lived in a park for some 7 years. I agree with you. I've listened to a lot of testimony this morning, and much of the area that I have covered in my prepared report are things that have already been said. I'd just like to make a couple of observations.

SENATOR CRAVEN: Please do.

MR. HICKS: One of the things that strikes me as being - what the WMA is attempting to do, in my opinion, is where there are rent control laws existing, they are now coming in with leases trying to really dilute the forces as we see it. People they can get to sign the leases, of course, will in their minds dilute the effort for those who have been so active in seeking rent control laws.

In the City of Rialto where I reside we do have a rent review ordinance, and it has been very effective. We are experiencing the same thing. We are experiencing coercion and intimidation, and particularly the older citizens. And I think they are the ones we must be so very, very concerned about. Some of them, of course, have great difficulty even writing a check on the first of the month for the rent, let alone go into a 10 or 15 page lease that they know absolutely nothing about.

We don't negotiate these leases with the owners necessarily. We negotiate with management, and seldom do we see the owners. Perhaps the owners are immensely concerned about the welfare of the people in a park. It is certainly not exhibited by the folks that we deal with, the managers or management companies if you will.

So one other thing I want to say is that in all of these leases there is one thing that hasn't been discussed, and that's

the fact that we know that at some point during the term of that lease disputes are going to arise about the language contained therein. Who is going to make the decision? The person who wrote that lease or gave you that lease is going to draw a conclusion as to what that language means. They are going to interpret the language and the ordinance, and if we as residents disagree with it, we have no alternative but to seek legal help. And there are few who can do that, who have the wherewithall or the necessary funds to do it.

But to sum up very briefly what my experience has been and what those I have worked with towards rent control, the gentleman who owns the 7 parks put it very succinctly. "Those who do not sign the lease we consider it to be an open season on them."

Thank you very kindly.

SENATOR CRAVEN: Thank you very much, Mr. Hicks. Next is Arlene Barnhart. I have no address for you, Arlene, so when you get up here, if you would be so kind, please tell us from whence you have come.

ARLENE BARNHART: My name is Arlene Barnhart. I'm an Associate Director of GSMOL, but I live at 15432 Tulsa Street, Mission Hills in the San Fernando Valley. I basically work with the parks that are in the City of Los Angeles. There are about 50 of them within the San Fernando Valley confines. However, about three months ago I received a telephone call from a person

in a park called Indian Hills Mobilehome Village in Chatsworth. It happens to be in the unincorporated area of Los Angeles County. She informed me that they had heard the City of Los Angeles was going to be annexing that little small section up in the corner below the Simi Freeway and bounded on the west by Ventura County into the city, that there were going to be some hearings before a Planning Commission. I proceeded to attend those two meetings with the people from this park, and the Planning Commission of the City of L.A. has accepted an OK for the annexation of this particular area. The basic residency in it is this park. There is very little other residency. There is a school, a church being proposed, and that type of thing but very little residency other than this park.

After dealing with them on this annexation we have yet to find out exactly when this will be done by the Los Angeles City Council, and I'm hoping to work with them to get a proper base. We do have a good rent control ordinance in L.A. City, and I would like to see these people come in under it, but the owner of this park last year presented them with a lease and again this year, even to those who have already signed a 5-year lease last year. He has turned around and sent them another one, so the contract they signed last year is not even in effect and many of them did not sign and many of them signed it under duress. I am just concerned that this is trying to spoil the efforts of these

people and the rights of these people to come in under L.A. City rent ordinance and have an amenable rent increase. We have a 3% floor, an 8% top.

I also serve on a mobilehome task force for L.A. City, and we are trying to get some new parks built, trying to find some spaces for those who are being evicted under conversion, so we are trying to deal with some issues in the city, and I would like to see this park be able to come in on a proper base. Their rent is very high. I live in a newer park, brand new in 1978, and I've lived there since the beginning. I pay just under \$260 a month. I have no charges for pets. I have no excess charges for anything. We have a very nice park, and I wish other people could have it as good, but these people already are paying anywhere from \$290 to \$390 and more a month for a 10-foot wide, 40 or 50-foot length, an older park, and many of them are senior citizens. Therefore, I am here in support of them. There is one other resident here who will be speaking more directly about their lease in a few minutes, but I just came in support of them and I would like to see a way that this park could come into the city on annexation under the city rent control and not be forced to sign a lease that would negate the rent control to them.

Thank you.

SENATOR CRAVEN: Thank you very much, Ms. Barnhart. Next is Lyn Morrow, Region 5 of GSMOL.

LYN MORROW: My name is Lyn Morrow, and my address is 1925-87 East LaVeta, Orange, CA 92666. We face the some kind of problems down in the City of Orange where we have the management company which represents the park owners of two parks. You've heard most of the testimony, and mine would probably be no different except that I got a lease from one of the parks, Park Royale, which I thought was exceptionally creative because the percentage rate that was charged was not based on the base rent, but was based on what they considered to be a comparable rent. In their lease it says this space rent is \$342, but the comparable rent for your space is \$422, so when they institute the percentage increase, they increase it by the comparable instead of the actual rate. I thought that was particularly creative.

Also, something else that we never seem to address, and I don't have any reason why not. We never talk about gross receipts in our parks. I live in a small park. It's 86 paid spaces, and as a conservative estimate, I figured that our park would take in probably \$352,000 for this year just in gross receipts. The owner of the land, according to the lease agreement that I have, that was signed with the lessor, gets 20% of that. I went to the city and checked on the taxes, and his taxes will be less than \$20,000 a year. It seems that leaves him \$265,000 for the end of the year to just pay expenses whatever they may be or profits if they are. As such, the percentage increases just keep adding on to that.

I was able to sit down, after having 64 out of 69 leases in my park signed, and renegotiate and get some benefits back for our people. I was able to lower the percentage from 6% down to 5%, and I also was able to eliminate the 15% increase at the end of the 5th and 10th years. Many people in my park were unaware of the fact that at the time when they signed the lease, it was indeed a 15-year lease because of the way it was written into the lease and hidden down in about paragraph 5. They were surprised when we started discussing the 15% provision.

Also, we were concerned about the condition of the space in there because our park is on a landfill and has suffered some subsidence, and I was able to get an amendment into that so if there was a subsidence problem, you could at least make it known in the lease to the park manager.

SENATOR CRAVEN: Mr. Morrow, you obviously have been very successful in taking care of some of the items that arise, but in your experience has any park organization, loose as they may be, upon the proffering of a lease agreement, have they retained attorneys to interpret the lease forms, so everybody chips in and pays for the cost of the attorney, which shouldn't really be that much, to examine a lease, and then can advise them in a general sense? Do you find that that happens in parks at all?

MR. MORROW: Yes, we did that in our park, and we were advised that there really wasn't much we could do. Our attorney

did mention the fact that he thought there was some problem with the legality of the \$10 discount for a long-term lease over a one-year lease, but he said the options we had were either the one-year lease or the long-term lease or a month-to-month. And at the back of the one-year lease, in the last paragraph in capitalized letters it says that at the end of the term of this lease you will be on a month-to-month tenancy and that we can raise the rent to any amount we deem appropriate.

In my park we took a survey in 1984, and 75% of our people in my park are on social security and for 72% of them this is all that they have to live on.

SENATOR CRAVEN: Let me just ask you, those people who are on social security, obviously those benefits don't increase and if they do, it's hardly an appreciable increase, and if that's totally what they are depending upon, in your judgment, what is their future?

MR. MORROW: Well, the future for two of the people in my park right now is that they are going to have to sell their mobilehomes and find other places to live. This was one of the things I brought out in negotiations with the management company and the City of Orange. The fact was that social security for last year was only 3.1%, and they were basing their increase on the Consumer Price Index for the Los Angeles-Anaheim area which was about 4.5% for last year. I even tried to get them to let my

percentage float. I said let's make it 1% above the CPI and let it float. If it goes up, I'll gamble. If it goes down, you gamble. That wasn't acceptable to them, but we did get them to lower the annual percentage increase from 6% down to 5%.

SENATOR CRAVEN: Had you prior to today heard of park ownership underwriting certain of the tenants who may tend toward indigency?

MR. MORROW: No, I've never heard of this. In the negotiations our management company said that if there were certain circumstances, they might be able to give some of our tenants relief, but they didn't tell me how they were going to administer that program.

SENATOR CRAVEN: Well, that sounds like it may be the same thing that was discussed earlier.

MR. MORROW: Well, I didn't know how they were going to do it either because how do you approach somebody in the park and ask them if they want subsidized rents? Some of these older people, you know, this is all they have to cling to.

SENATOR CRAVEN: I think it probably has to stem from the other direction. I think I have to go to you as the owner and say, "Look, Lyn, I just can't spend another nickel." Then have to depend upon your good offices to try to help me. That it?

MR. MORROW: Yes, that's it. Thank you.

SENATOR CRAVEN: Thank you, Mr. Morrow. Next is Art Johnson, who is from Sacramento.

ART JOHNSON: May I stand here?

SENATOR CRAVEN: If you feel better there, please do. We may not vote for your bill, but...

MR. JOHNSON: Well, Senator Craven, I feel better standing here because then I can get up and run quicker if the flak gets a little too hot.

SENATOR CRAVEN: You are familiar with the environs of this building, I know.

MR. JOHNSON: Yes, about 12 years worth. Senator Craven and members of the Senate Select Committee on Mobilehomes. My name is Arthur Johnson. My wife and I live in a mobilehome. We are located in Southwind Mobile Estates here in Sacramento. I represent a group of residents in Southwind, and we are very thankful for this opportunity to present our views to your committee.

I sit back and feel very sympathetic for you, Senator. I think you have your problems already. I don't want to add too much to them. Unfortunately, I have a lot of my dialogue that I have to erase because you have already gone through it, and I don't think you want to hear the story for the 4th time.

SENATOR CRAVEN: No, probably not.

MR. JOHNSON: We do have cause for concern in Southwind Mobilehome Park. John told me to be specific, so I'm being specific. Preliminary to complaints, and we know what complaints amount to sometimes, we have lived in this park now for six years. We have enjoyed our stay there very much in Southwind. We have the best possible neighbors. The living environment is enjoyable and comfortable, and people visiting us say that it is a very nice park. We enjoy showing them the park. So that's the nice thing about the park.

However, the proposed lease to the residents of Southwind has posed several concerns to the residents of Southwind Park. It has met with overwhelming contempt by the members of Southwind. I don't know of a person or a person who knows of anybody who is satisfied with the lease that has been proposed, but I'm not going to go through the terms of the lease because you've already discussed all of them. We have discussed those pretty well.

I suppose my remarks deal mostly with a personal relationship between manager/owner and park resident which probably has not been dealt with enough, which may be the solution to many problems. It may be the solution to many problems. My letter that I got from the manager of Southwind says in part about the lease. In promoting the lease, the statement was made there were several advantages, elimination of potential expensive legal mediation or arbitration, costs on both sides, and maybe most

important of all the elimination of lengthy, unsettling fights every year. To me this is a kind of a series of incredible statements. Southwind advertises itself as a prestige, adult community. Southwind that alleges it screens all applicants to be people of good report. Southwind whose management demands observance of many rules and regulations to make the park high quality. Why should there be lengthy and unsettling fights? Why should we, as honorable people, as residents be placed in a position where only arbitration can be resorted to? Are we considered to be such an unreasonable group of people that we will not listen to reason? Many occupants of Southwind are or have been persons of business acumen, who have negotiated in the commercial world and fully subscribe to a reasonable profit being made. We also know that profit-making goes from reasonableness to blatant greed. Let's go first to the Consumer Price Index. I'm going to have to paraphrase that a little bit, but using the San Francisco-Oakland Price Index, I checked that out for a 5-year period pertaining to my specific payments. My prices on my rental space went up 47.6%, the CPI for San Francisco-Oakland went up 35%, and California-wide it went up 32%.

I'm far from convinced that the various items aggregated in the cost index bears a reasonable relationship to those identifiable in operating a mobilehome park. I would like to see that there is a relationship that's used, and perhaps we can

defend it, but I don't see a relationship. We're good enough to write checks, make payments and contribute to the aggregate wealth of LEASCO, but we're not good enough to talk to. We are subjected to a myriad of rules and regulations about maintaining our homes, but we're not good enough to be recognized with the fact that it is our own investment and our own homes, maintaining our homes in very high standards that keep their price and value level so the owner can reap a handsome profit.

I hope you appreciate the situation from the following. In a meeting with Keith Casenhiser, Harry Foulks, who is sitting right back there with me, a Southwind resident took this note from a statement by Mr. Casenhiser, who is a party to LEASCO management, stating approximately this: "Under present law without being in a locality without rent control we are legally entitled to charge all the traffic will bear and that is what we intend to do."

That is the attitude of the ownership at Southwind toward the residents of the park - charge all the traffic will bear. Is it any wonder then that there are now 35 homes in Southwind up for sale? This is by actual count on May 3rd. It is clear that the owner has the strong upper hand in bargaining. We can't take it or leave it. It's an euphemism to say "take it or leave it." We cannot. You heard testimony here today that we can't take it or leave it, and somehow or other they tell you that it is a free market, and it isn't. The bargaining is not in the marketplace

where reasonable men can differ and compromise to arrive at a mutually agreeable solution. Our hands are tied behind us. Ransom payments are going to be higher and higher. Sooner or later every mobilehome home will be sold. Will the charges be all the traffic can bear? I suspect the "For Sale" signs are going to stay up for a long time.

The ancients, and for countless centuries, used the number of cattle to index a person's wealth. Today it is mobilehome park spaces. Cattle had no voice in management. Neither do we.

Will the WMA attempt any corrective action, or by inaction silently applaud what is taking place?

Even so, this lease proposal has accomplished one thing in Southwind - we have joined in a common cause, and to use an expression of profound meaning, created a "community of adversity." It was so with the Israelites when Pharoah increased their burden to a point where after a series of events, they were let out of Egypt - only to be followed by greedy Pharoah, who subsequently drowned in the Red Sea. Perhaps there is some wishful thinking there.

Thank you very much, Senator. (applause) Thank you for taking the time to listen to us this morning. We think we have a right to be considered as human beings. I think there is a personal relationship that needs to be concerned and considered and perhaps these problems would vanish.

SENATOR CRAVEN: Thank you very much, Mr. Johnson.

Unfortunately in all of this activity we deal with perhaps the most fragile, as well as precious, commodity that is with us, and that is the human personality and there are no two that are the same. Some people are very benign in their attitudes, very accommodating and really, in a way I suppose, very loving. Others are not. They are very, very hard, cold and steely in their approach and attitudes, but trying to legislate those personalities is an impossibility, as you well know. So you have to try to approach the problem by virtue of legislative effort and that is not necessarily easy or a panacea as the case may be, and that has to be drawn very, very delicately in order to give equal say and balance to both sides of the issue. That requires, well, it requires testimony on the part of people like yourselves today from both sides of the aisle. That's why we have these hearings - to try to develop perhaps a thread or a common denominator that we can utilize that will serve the best interests of the greatest number. Next is Pat Lowery. Good morning.

PAT LOWERY: Good afternoon, Senator. . .

SENATOR CRAVEN: Oh, I'm sorry. It is afternoon.

MS. LOWERY: and members of the committee. I am Pat Lowery. My address is 11401 North Topanga Canyon, Chatsworth, CA 91311. I'm a resident of Indian Hills Mobilehome Park. Mrs. Arlene

Barnhart spoke before about the park that is going to be annexed by the city - this is the park.

SENATOR CRAVEN: Oh, you're in that park?

MS. LOWERY: Yes, sir. I will begin with the first long-term lease that we were offered in 1985. The homeowners were offered the lease at that time and the terms at 6% going up to 12% was the maximum that could be charged. It was mostly offered to the people who - the people were just then coming off county rent control - they were the first members of the park that were hit with this lease. The ones who did not sign were sent letters telling them that if they did not sign the lease, that their rent would be raised immediately up to the present, what they considered the present market value of the park. I have letters stating that rent was actually increased on these people 46% or \$120, and they could do nothing about it. They also were offered no other lease but the long-term lease. This lease actually is a 25-year lease. Each five years it can be renewed at the option of the park only. They have no say whatsoever whether they want to sign it. . .

SENATOR CRAVEN: The renewal is vested only in the ownership?

MS. LOWERY: Yes. They were also asked at that time - or told at that time - to sign a statement saying they were offered their choice of leases when in fact none existed. I was also offered one of these long-term leases in 1985, and I refused to

sign it. On April 24th of this year I was offered another 5-year lease, which is actually a 30-year now, at 4% per year. But at the end of each 5-year period it will go up 15%. Four days later on April 28th a letter was sent to me and a lot of the other residents in the park telling me that now I would get a higher increase in rent as of the same date of July 1st. I was told, first of all, on July 1st in the lease my rent would be \$395 a month. Four days later when I got the letter, it said on July 1st my rent would be increased to \$417 a month, with no explanation as to why. I did write a letter to the owner asking if this was a computer error because the second was a computerized letter. I have received no written reply. I asked for a written statement to be attached to the lease as to what my rent was going to be. I have received no written statement as to what my rent was going to be. The manager did stop me and attempt to explain, and I told her that I would prefer to have it written as I prefer to have everything written. She said the owner probably would not write anything for me.

Some of the homeowners in the park who did sign the 25-year lease last year have now been asked to sign the new lease this year. There is a clause in our lease that says we, the homeowners, cannot change any terms in the lease, but the lease can be changed at the owner's discretion any time, which is what he has chosen to do. So we don't even have any protection in our park.

SENATOR CRAVEN: I'm just wondering, based on what you said, what good is a lease. . .

MS. LOWERY: That's right. . .

SENATOR CRAVEN: . . .if it can be changed? In other words, presumably, the lease should offer to you certain protections which you may rely upon, but there is no reliance if they in fact have the option and the prerogative of making changes.

MS. LOWERY: If you would like to read this, sir. . .

SENATOR CRAVEN: No, that's. . .

MS. LOWERY: I mean within one year's time he changes the entire lease again and adds more clauses to it, of more things that we are going to have to pay for, and takes away more of our rights.

SENATOR CRAVEN: Yes.

MS. LOWERY: One of the things that he takes away now is that if we do not sign this long-term lease, we are not permitted to vote on the capital improvements in the park. We will still have to pay for them, but we can't vote on them.

There is something else in our lease. We are an older park and I know that we are going to be getting new sewers in the park. The owner of our park has let the roads go. There are large cracks in the roads. This new lease that is being sent around now he wants us to pay for the roads. Now that's not supposed to be. We are not supposed to pay for roads. He is

supposed to maintain the roads. He knows they are going to be dug up with the sewers, so now he just put it in the lease that we are going to have to pay for that also.

I also have statements and letters from some of the other residents in the park. This owner has sent rent increase notices with only 20 days notice to people. He also sent one person in the park a rent increase notice as of July 1st, and he has a letter from last year that says he will not be increased until October, 1986. Our owner's word is nothing. Even if we have it in writing, he goes right back on it, and I have statement after statement. I have letters from tenants saying that if they do not sign this lease, their rent is going to go up 19.9%. That's the highest I've gotten so far from people in the park, and they are still coming in. We have panic in the park, people are just terribly afraid, and it is just a horrible situation. I don't like living in a place where there is such fear and seeing such terror on people's faces when I walk around and look at my neighbors. It's awful. It's a sad place to be.

I think that's about the end of it. I just hope, sir, that you and your committee will be able to help, not only our park, but all of us to have a better way of life. This is what we all want. We understand that the owners have a right to make money, but we have a right to live and keep our homes, and the way it is going, none of us will have a home pretty soon. Thank you for your time, sir.

SENATOR CRAVEN: Thank you, Ms. Lowery. Mrs. Del Carmichael or Mr. Gene Stone. This is obviously Mrs. Carmichael.

DEL CARMICHAEL: I'm going to make this very short because if you are as hungry as I am, I think it's time we. . .

SENATOR CRAVEN: Well, I'll tell you. I just went out and took a bite of a doughnut.

MRS. CARMICHAEL: Oh, that's where you went. Senator Craven and all the members of the Senate Select Committee, my name is Del Carmichael. My husband and I reside in Rancho Paso Mobilehome Park, Theater Drive, Paso Robles, California, County of San Luis Obispo.

I have been given permission to read a letter written by one of our members and a few notes from myself added to it, which addresses many of the reasons that we cannot sign the lease offered to us in our park. I will present this letter to you after the meeting, and in which you will read about Measure A. This is referring to an existing ordinance in the unincorporated area of San Luis Obispo County, voted on in June of 1984 by all of the members in the county. And before I go on I would like to give you this ordinance to read if you like.

Also I am President of GSMOL Chapter 1551 at Rancho Paso, and I have been appointed Associate Director for Region 8. I taped this on the machine so it takes me approximately 6-1/2 minutes to read this.

SENATOR CRAVEN: Go.

MRS. CARMICHAEL: While mobilehome parks have been in existence for many years, the entire concept is still in its infancy. It is clear that the profiteer has been awakened to the enormous financial potential at his fingertips. How?

Buy a fully developed mobilehome park; proffer a long-term lease with dominant park-owner benefits prevailing; intimidate the vulnerable mobilehome owners who, in the majority, are retired and on a fixed income; intimidate, stretch and test current laws; feel secure in the percentages - how many mobilehome owners will undertake the financial burden of a lawsuit, or relocate their mobilehome? The long-term lease is the perfect tool.

The long-term lease is worth its weight in gold to a park owner. New park owners thus circumvent, in our case, Measure A; assure a captive income as there is no such thing as a vacancy factor in a fully developed park; the park, with its nice long-term signed leases, can now be turned over within a relatively short period of time at a substantial profit.

All of this can be accomplished before the wheels of justice stir into action, leaving the mobilehome owner to wonder how much of a rent increase the new owner, the next owner, will demand.

The phenomenal growth of mobilehome parks has matured without benefit of sufficient laws pertinent to its unique situation. We

cannot and must not be considered in the same category as that of an apartment or home renter. We have a substantial investment in our homes which, contrary to the term "mobile," are not mobile any more. Oh, yes, it can be relocated, but at a great expense and with resulting problems making it impractical.

It is a shame that the mobilehome owner is still desperately in need of government assistance. Rent control may have its inadequacies, but it's the only protection left to us.

Now we're being presented with the long-term lease strategy. We firmly believe that tactics being used and the unrealistic leases being presented by the current wave of mobilehome park realty speculators will ultimately cause the complete deterioration of the mobilehome parks for the senior citizen who has come to love this unique and affordable type of residence.

We believe and agree that a park owner should realize a profit on his investment, but it should be a reasonable profit. Don't take advantage because of the difficulty in moving our homes.

I would like to pass on just a few of the items from a very complex lease offered by our new park owner:

A 5-year lease with five 5-year automatic extensions added to the base period. The extensions renegotiable by park owner only. In other words, a 30-year lease. Later modified, a 10-year lease with four 5-year automatic extensions added to base period unless either party gives 3-month notice.

Base rent:

1. Annual adjustment by 90% of the Consumer Price Index for the 5-year lease; 100% of the CPI for the 10-year lease.
2. Owner intends to install water meters, and has installed water meters, and homeowner shall be billed for the usage.
3. Prorata share of all common area water and gas used in the park.
4. Prorata share of the increase in the actual expenditures made in any calendar year for the following:
 - a. Repairs and maintenance, labor, sewer system (we now have our own plant), water system, grounds and equipment.
 - b. Supplies, janitorial, pool and spa.
 - c. Taxes (property).
 - d. Insurance.
 - e. Trash.

Homeowner's prorata share of any capital improvements - the "cost" of capital improvements consist of actual cost of capital improvement plus interest relating to borrowing the amount of such cost. It's an open-ended lease. Turn over your checkbook!

This is not even the tip of the iceberg. I have sent you copies of our lease and of our rules and regulations. Please read No. 7 of the lease and 5(a) of the rules, and you will see the unfairness the owner has put on those of us who wish to sell our mobiles. The space rent goes up almost monthly. Could you

call that fair or reasonable? That's for those of us who want to sell.

In concluding, Senator Craven and members of the committee, the only way to get a comprehensive view of the mobilehome owners' fears and problems would be to hold a hearing, hopefully, in each county, and I'd be happy to assist you in setting up those hearings. Thank you for the opportunity to address you today and for the consideration we hope will be given to your studies on long-term leases, and that your final conclusion will be long-term leases must be fair and reasonable for the mobilehome owner. Thank you very much. (applause).

SENATOR CRAVEN: Thank you, Mrs. Carmichael. I think you actually did it in less than 6-1/2. Next we have Adele Babcock. Good morning.

ADELE BABCOCK: Good afternoon, Senator.

SENATOR CRAVEN: Oh, I keep saying good morning, I'm sorry.

MS. BABCOCK: OK. This has been so interesting. I really don't know what to say. I mean, I have heard problems - I thought we had problems in our park. No way! Like our lease, they didn't fill it in. They wanted us to sign it, and then they would fill it in. I told them no.

SENATOR CRAVEN: Good for you.

MS. BABCOCK: But we have - oh, I didn't give my name and address, did I?

SENATOR CRAVEN: Do you want to do it now?

MS. BABCOCK: Yes. I live at 103 Klamath, Pittsburg, CA 94565, The Meadows Mobilehome Park. All I can say is this is it. I never knew that people had so many problems.

SENATOR CRAVEN: You've never been to one of these hearings before?

MS. BABCOCK: This is my first time. There really is nothing I can say except that I have learned a lot.

SENATOR CRAVEN: Well, that's good.

MS. BABCOCK: We have 350 mobilehomes in our park, and the only thing they are doing wrong there is they rent out the space according to the lot, how deep the lot is. . .

SENATOR CRAVEN: According to the size of the lot?

MS. BABCOCK: That's right. So they have a single mobilehome, then they have a double, and they are one right on top of another.

SENATOR CRAVEN: Well, we have some legislation that affects that issue too, as a matter of fact.

MS. BABCOCK: And that's how we're being charged for rent.

SENATOR CRAVEN: I see. Do you have long-term leases in your park?

MS. BABCOCK: Oh, no.

SENATOR CRAVEN: Not at all?

MS. BABCOCK: No.

SENATOR CRAVEN: Well, you're kind of the old school when it comes to leases. You pay monthly rental?

MS. BABCOCK: Yes.

SENATOR CRAVEN: And how frequently do they raise your rent?

MS. BABCOCK: Every year. Now this year we had a \$20 a month raise. For me, that would be 9.6%, but I can't tell about anybody else's because the lots are different.

SENATOR CRAVEN: Yes, they are a different base figure. I understand. We appreciate the fact that you came down, Adele.

MS. BABCOCK: I enjoyed it.

SENATOR CRAVEN: Good, I'm happy that you did.

MS. BABCOCK: Thank you very much

SENATOR CRAVEN: You are very welcome. All right, now we will ask Marie Malone, who is President of GSMOL, to make her presentation. Oh, you've got a different list than I have. Well, if that be the case, will you wait a minute, please? John and I are operating from different lists. I have a Jim Phillips. He just left. All right, I timed that very well, didn't I? Margaret Yakes? Margaret, are you here? Very good. Margaret, you were in the office earlier this morning. I've been waiting for you, Margaret.

MARGARET YAKES: You have a good memory.

SENATOR CRAVEN: Well, it's hard to forget those blue stockings you have on.

MS. YAKES: I like them too.

SENATOR CRAVEN: Very attractive.

MS. YAKES: Good afternoon, Senator.

SENATOR CRAVEN: Good afternoon. I'll get it right this time.

MS. YAKES: My name is Margaret Yakes, and I live at 4205 Bouquet Way, Space 33, Sacramento, CA 95834.

SENATOR CRAVEN: What part of Sacramento is that?

MS. YAKES: It's in the Natomas area. After I have heard all these horror stories I think possibly I should sing or tell a joke because people have much larger problems than we do. The thing I would like to bring out is what our rents have been based on. I have an unacceptable lease, long-term lease, here that is 17 pages and LEASCO's song and dance on why we should sign it. I'm also Vice President of GSMOL Chapter 1024. The proposed lease which we have refused to sign at Garden West Mobile Estates base rental charges on the Consumer Price Index for the San Francisco, Oakland, Alameda, Contra Costa, Marin and San Mateo Counties. Sacramento County is approximately 80 miles north of the San Francisco area in northern California and we are still considered a major agricultural area, not a metropolitan area. If any rent should be compared, it should be within the community and the county, not an outside area. Comparable rent adjustment: the lease stated that our rent should be \$200 per month in the

year 1985 as we were historically much too low. The \$200 a month would be a start as a catch-up by this, but this was not even including any improvements, just a flat need for more money. If a 5-year lease was signed, the rent would have been \$9 a month less than for the person who either signed a month-to-month tenancy or one-year lease. This is absolutely contradictory to California Civil Code Mobilehome Residency Law dated January 1, 1986, which states in paragraph 798.18(b), "No such agreement shall contain any terms or conditions with respect to charges for rent, utilities or incidental reasonable service charges that would be different during the first 12 months of the agreement from the corresponding terms or conditions that would be offered to the mobilehome owner on a month-to-month basis."

The 5-year lease stated that any government services, insurance and property tax would be prorated to each home upon a 60-day written notice. Capital improvements will be passed on to each home. The lease will provide water as the well is available, but should we want to change to city water, we will pay for the installation and then monthly water charges.

A TV system now is available. Channels 3, 31, 6, 40, 10, 12 and 13. If a new system is installed, we pay for the installation and then will pay monthly TV charges. All these will be pass throughs to all tenants. We do not own the park, but we're being forced to upgrade its facilities without any

recourse or having any tax write-offs. The automatic renewal of this 5-year lease would be automatically extended another 60 months except that all the rent increases that have taken place in the first 5 years should be capped by 15% at the commencement or the extension term. This could continue to a maximum of 25 years. Five years is not practical for seniors 65 or older, let alone 25 years. And Mr. McAdoo is the rare park owner that mobilehome owners dream of being able to negotiate one's rent with.

And I would like to read a letter that was written by one of our tenants. "Dear Honorable Sirs: In March, 1985 our park, Garden West Mobile Estates, was purchased by an entrepreneur from the Bay Area that owns several other parks. He first presented us with a \$41 rent raise with no improvements, just simply that he needed the money. Also he offered the residents a long-term lease, 17 pages to be exact, that was so complicated that one had to hire their own lawyer to get the facts before signing. It was written in terminology so difficult to comprehend that we were so intimidated that even when LEASCO tap danced to us, we didn't understand it. This lease was expressly to confuse the average resident. The only person to benefit would be the owner and because of the pass through clauses, he could do exactly what he pleased concerning rent raises. As I remember, however, and I might stand corrected, the rents would be judged by CPI

adjustments to the rents in the Bay Area. They could better spend their time and their money having meetings regarding rent gouging of people on fixed incomes. Yes, Virginia, there is not a nice word for rent gouging. It's still the same old story - the little people are the scapegoat. Rent control would be defunct for those who are intimidated into signing a long-term lease. In less than three years my space rent has gone from \$143 to \$196.25, and this does not include utilities, garbage, sewage, and yet to come, \$6.01 for the owner's insurance. We are in a Catch-22 position. The rent is too high, and it is not feasible to pay \$5,000 to move and then where do we even go? We want rent control, not rent gouging, by entrepreneurs from the Bay Area. Respectully, a resident of Garden West Mobile Estates."

Thank you for hearing me, sir.

SENATOR CRAVEN: You're entirely welcome. Thank you very much. Now, Marie, having heard all this testimony, I will, of course, be expecting you to solve the whole problem.

MARIE MALONE: Thank you. I apologize, Senator, for being late this morning. As you know, I was at another meeting. . .

SENATOR CRAVEN: Don't be.

MS. MALONE: . . . but I was very, very pleasantly surprised to hear my name announced by Mr. Brent Swanson as I walked in the back door. I don't know whether I should be pleased or not, because I don't know what he said before.

SENATOR CRAVEN: We were planning ruffles and flourishes for you.

MS. MALONE: Unfortunately, but I hope fortunately, you now have the story from all sections of California as to what is happening to that wonderful term "lease." As you know, I am a very strong proponent of long-term leases, and as you also know, I live under a beautiful one of 18 years' length. I am also a strong proponent of purchasing the park, and have spent over four years in trying to work with the park owners and their association so that we could bring stability and equality into the community of the mobilehome parks.

I think if we just take a minute, let's look at why this is happening. And I would like to offer to the committee this document that you may wish to look at as one of the bases of why we are facing what we are facing today. We used to be known as an opportunity investment. Mobilehome parks have always been that, and they have always been kind to the park owner and up until the last few years a reasonably kind and a wonderful place to live for residents.

But something has happened. We are no longer an opportunity investment. We're a speculator's investment, and the book I want to give to you today is just the basis of that, not coming from GSMOL, but coming from the words of the people who are selling the investment. This one happens to be put out by E. F. Hutton,

and it is the name of the DeAnza Corporation real estate program, and no one needs even my bifocals to be able to read it. It very clearly states in here to the investors who are going to invest their money in mobilehome parks that they will triple your investment in seven years.

Now, an investor who invests expects that money to triple in seven years. Where is that money going to come from? It has only one source, and that is the residents in mobilehome parks. The current owners who are sitting out there, and many of them have been in this business a long time, and they were not tripling their money in seven years, began to look around not just at the DeAnza Corporation - I could run down the list, there are many more who are doing the same thing. And they say, "Hey, what's the matter with me? I'm crazy. I'm sitting here making a lower percentage return on my money, and all these wise guys are coming in here and tripling their profits. I must get mine up to that market value." And so throughout all the parks.

And rent control has sprung up all over California. If you doubt my word, the WMA just took a survey on it, and they tell me that it's in almost the majority of areas of California today. As this progresses, rent control is going to multiply because the one thing the mobilehome people will do is survive. What is the solution to this? I can't wholly blame the park owner, who has been in the business a long time sitting there and saying, "No,

I'm going to be noble. I'm not going to take a higher profit to get the market value." I don't know the legislation that could stop this from happening. I really don't. I do not have the answer.

Because you see, as you know, I have worked six years to get the people to buy their parks to bring a solution to this problem, and I have lived in fear of the day when something might damage that program, that would stop it and halt it. The same companies that are buying parks from the park owners are now competitively out there in the market against us, those residents who are trying to buy. The most recent example that we lost was around \$2 million that they have gone above the normal price of a park. And the residents of the park are trying to meet that additional \$2 million, but will that company or corporation rather again add another \$1 million to it? It is a point of no return, and it's a double edged sword because the residents must come up with that money somehow because if they don't, not only are they going to pay that additional \$2 million, they will pay a profit on top of it to the corporation that takes it. It seems like it's almost a dead end canyon, and the only thing, the only solution that I can see at the moment is an interim solution of an all-out effort for local rent control to hold this thing until the Legislature, somehow in your wisdom, can come up with some type of legislation that will place sanity back in the mobilehome park business. Thank you. (applause).

SENATOR CRAVEN: Fine. Thank you very much, Marie. Well, ladies and gentlemen, I think we have now gone through our witnesses. Let's see how many we had.

(Voice from Audience): You haven't had me yet.

SENATOR CRAVEN: We've had 22. Are you going to speak?

(Voice from Audience): Yes. Just a few minutes. My name wasn't on the list.

KATHY DOMINICK: I'm Kathy Dominick from Galt. Philadelphia, remember?

SENATOR CRAVEN: Oh, of course. How could I forget?

MS. DOMINICK: My telephone number is - or rather my address.

. .

SENATOR CRAVEN: We don't plan to call you.

MS. DOMINICK: OK. Don't call me, I'll call you.
604 Pringle, #38, Galt, CA 95632, and that's Three Palms Mobilehome Park. We have two other parks: Galt Mobile Estates, I guess I represent myself and a few others that are too lazy to come up here and speak. But we just got notice of a \$20 increase. I fought for a long time to get rid of, I did away with my garbage service because I had to put food on their table. I only get \$398 plus a little more, about \$500, and I couldn't live on it so I did away with the garbage because I didn't have enough to put in there every week, but they charge you whether you do or not, so I told them I was moving, planning to move, the

garbage service. So one year I didn't pay. I just did it. Took my own garbage somewhere else, a friend of mine.

All of a sudden the City Council found out there were people in the city not paying their garbage service, and there happened to be eight of us in the park, and I thought I was the only one. So to make a long story short, they said we would have to pay it. We went to Council meetings, and they put it on the owner, so along comes March, April and May, and he gives us a notice that it's going to be \$20 rent raise. He put it as \$7 for garbage, CPI \$10.50, and \$2.50 for insurance. So I wondered what that was, and so I called the office and asked the manager - not the manager of the park, but the owner's office - and asked him what the \$2.50 insurance was, and they said it is liability insurance. I said I have my own liability insurance on my home, and I'm not about to pay yours. They said I would or I'd find out why. And I didn't this month. When I paid my rent, I deducted the \$2.50. Sent them a note along with it. So whether I get an eviction notice or not I won't know for a couple of days.

But anyway, something has to be done for little people like me in that park. There's a new park opening up that wants a 3-year lease and \$175 to \$195 rent. Ours now will be \$172 plus gas and electric and the next thing will be water service. But now I'm back to having to pay the garbage again, I suppose. But you know how many times I've written you and how many times I've

been talking, and I've had the For Sale sign in my window for four years. I haven't had any luck selling. . .

SENATOR CRAVEN: But you're still glad you left Philadelphia, aren't you?

MS. DOMINICK: Well, yes. In a way. I still have family there.

SENATOR CRAVEN: We kid about this because I, too, am from Philadelphia.

MS. DOMINICK: So I think that rent control of some kind is the only answer. Now on May 27th we are having an all day session on this rent business for the parks down there - in the City Council.

SENATOR CRAVEN: To establish what, an ordinance?

MS. DOMINICK: An ordinance about the garbage and about the rents.

SENATOR CRAVEN: I think you're dead in the water on the garbage. I experienced the same thing when I first came to Sacramento. I didn't eat at home. I live by myself so I really didn't have any garbage to speak of, and I'll be very honest about it and be very frank. What little garbage I had, I used to take with me in a bag, and when I'd go to get gas, I'd put it in the dumpster. All of a sudden they said, "You're a resident here so you pay." And really the charge is rather high...

MS. DOMINICK: Even the homeowners down there - see, we weren't the only ones, even the homeowners were griping about it.

SENATOR CRAVEN: Well, now I create as much garbage as I can so I get my money's worth.

MS. DOMINICK: But, anyway, I mean it's nothing to sneeze at. When you only have \$500 and you have to pay rent, gas and electric, you can't even buy a new piece of furniture, you know.

SENATOR CRAVEN: Very understandable.

MS. DOMINICK: I'm 75, and now I have to go to work to make some more money if I can get a job. And you know the Green Thumb program. They're trying to get me a job, and I'm glad that Marie is our President now. I think she's doing a good job.

SENATOR CRAVEN: Yes, she is.

MS. DOMINICK: You see, the thing down there, the people who live in that park have never lived in mobilehomes before. I have lived in them when they were trailer parks, when your rent was only \$50 or \$100 for everything. They are afraid to speak up and say anything, so I get myself in trouble getting them all to say don't do this and don't do that.

SENATOR CRAVEN: I kind of get the impression today, listening to a lot of the witnesses, that those people who would have been the activists have really done pretty well. They have helped forestall some increases and some actions, and I get that impression so it can't be too bad. There comes a time when you have to stand up for yourself and what you believe in.

MS. DOMINICK: Well, you know us Philadelphians...

SENATOR CRAVEN: That's right. Yes.

MS. DOMINICK: So they call me their Fiery Leader.

SENATOR CRAVEN: That's right. Remember Ben Franklin, but he never lived in a mobilehome park.

MS. DOMINICK: OK, Senator Craven. Do what you can.

SENATOR CRAVEN: I will do my best.

MS. DOMINICK: And I'll pass the word on down.

SENATOR CRAVEN: Very well. Thanks.

MS. DOMINICK: And they'll say, "Those legislators don't do nothing; what's the use of going?" So I'll tell them there is a use.

SENATOR CRAVEN: Well, we could use a kind word.

MS. DOMINICK: Thank you.

SENATOR CRAVEN: I'm very big in Galt. They don't vote for me there, but...

MS. DOMINICK: How do you know they don't?

SENATOR CRAVEN: Well, if they do, they have a little bit of a problem, I think. All right. Now is it safe to say we're going to wrap this up? That being the case, Mickey, John and myself, as well as Senator Carpenter and Senator Mello and Senator Bob Presley, who joined us for a good portion of the proceedings this morning thank you very much for being with us.

It is as we said a very, very difficult problem, and the heartfelt testimony which we have received from the tenants, as well as the very sincere and expert testimony we received from WMA, is most appreciated. Hopefully, we can look into the problem and see if we can come up with some solutions. I think you should remember what Marie said because I think she hit it right on the head. The whole milieu has changed, and what started out rather innocuously has, in fact, taken on a different connotation, and how we deal with that, we really don't know. But we're going to look at it certainly, and we'll probably call on both sides to assist us as we see whether we can, in fact, correct a situation which seemingly is unsavory.

But I want to thank all of you for coming, and I really appreciate it. We look forward to these meetings because, as you know, they are generators, generally, of legislation. Out of hearings like this, we try to put together something that will solve the problem, problems which you bring to our attention. So we are most appreciative and thank you very, very much.
(applause).

v.

CONCLUSION

CONCLUSION

Letters, sample leases, and other material submitted by both park residents and park owners for this hearing have been voluminous. With all this information several points are apparent.

First, as in the past, mobilehome park residents are unhappy with rent increases.

Two, numerous parks in California are now offering long-term leases of more than one year, and most of these leases include annual rent increases over the life of the lease tied to a cost of living index or other indices.

Third, few park owners have offered leases in the past, and the great volume of mobilehome park leases now being offered is the result of SB 1352 (L. Greene), legislation effective January 1, 1986, which exempts mobilehome park spaces covered by long-term leases of over one year from any rent control ordinance.

Four, in most jurisdictions where rent control exists, residents would rather remain on a month-to-month tenancy or short term lease of less than one year because they feel their rent, in the long run, will be less under a rent control ordinance than under the terms of a long-term lease which has built in rent increases.

In California leases or the issues involving mobilehome park leases have become entwined with the issue of rent control. Rent control is an anathema to park owners, but many park residents feel that rent control is their only protection from ever-escalating rents.

Long-term leases do offer an opportunity to resolve the impasse over rent control if the lease is a fair agreement which has benefits for both parties. Unfortunately, many park residents believe that leases are simply a device used by the park owner to circumvent rent control and that the leases are one-sided and not the result of any mutually agreed to contract.

Many park owners and residents are polarized on the issues. Some park residents feel that leases should not include any rent increases throughout the life of the lease, but that rents should be fixed. Some park owners insist that annual cost of living rent increases in the lease remain at a higher percentage rate than is currently the cost of living index and would "pass through" most variable costs, such as property taxes, liability insurance premiums, cost of maintenance, capital improvements and the like.

Additionally, although testimony at the hearing would indicate that at least most members of the Western Mobilehome Association approach the issue of leases from a professional basis, apparently there are some park owners who have used veiled or direct threats or intimidation in an attempt to get tenants to

sign their leases. These tactics only serve to make park residents more suspicious about the desirability of signing leases to begin with.

What action can be taken by the Legislature in terms of new bills or laws regulating leases is questionable. Many park owners as well as residents would hesitate to recommend that government step into the process of dictating terms and conditions of private contracts, including lease agreements.

There are already several provisions of law on the books, including those in the Mobilehome Residency Law, which affect leases.

Section 798.18(a) provides that, "A homeowner shall be offered a rental agreement for (1) a term of 12 months, or (2) a lesser period as the homeowner may request, or (3) a longer period as mutually agreed to by both the homeowner and management." Clearly this provision would require the park owner/manager to offer the resident, if he or she requests it, an agreement of 12 months or a lesser period, (presumably month-to-month). If the park owner refuses to offer a resident a month-to-month tenancy, as has been alleged in several cases, it would appear that the resident would have grounds for legal action against the park owner under this subsection.

Another subsection, 798.18(b) is the subject of some controversy. It provides that, "No rental agreement shall contain any terms or conditions with regard to charges for rent,

utilities, or incidental reasonable service charges that would be different during the first 12 months of the agreement from the corresponding terms or conditions that would be offered to the homeowners on a month-to-month basis." Many homeowners cite this subsection as authority for prohibiting a park owner from offering a lease, at least in the first year of the lease, at a lower monthly rental than a month-to-month tenancy.

Park owners, on the other hand, point out that the legislative history of this subsection (AB 3315 Ingalls, Chapter 1032 of the Statutes of 1978) would indicate, rather, it was meant to prohibit the park owner from charging a premium for a lease, that is charging more for a rental agreement of 12 months or longer than would be charged the tenant on a month-to-month basis. Park owners contend that a 1983 Oceanside Superior Court case upholds their position, although further litigation in this regard may be possible.

Legislation could be considered to prohibit a difference in rent, but would the Legislature want to deny those who wish to sign a lease the ability to receive a lesser rent? Apartment and commercial leases are often offered at a reduced rate for those willing to commit to a longer term lease, rather than only month to month. It's a quid pro quo. The landlord gets the assurance that the tenant is committed to paying the rent for the period of the lease, while the tenant gets a reduced rate from that which he/she would have to pay under a month-to-month tenancy.

But where leases are proffered to existing month-to-month tenants with the admonition, as has been alleged, that, if they don't sign the lease, they will incur not only higher rents but continued rent increases, a sort of "open season" on month-to-month tenants, then park owners are walking the fine line of retaliation. How the park owner, who plays the game fair and square, can be permitted to offer leases at a discount, as is often done for other kinds of rentals, and at the same time prevent the park owner who is less than honorable from intimidating his tenants in this fashion, is difficult to determine. Perhaps a one-year grace period, as some have interpreted 798.18(b), would be the best compromise.

Another area which may be open to legislative consideration would be modification of the recently enacted Senate Bill 1352, which exempts long-term leases in mobilehome parks from local rent control ordinances. (Civil Code Section 798.17).

Requiring that park owners allow residents a certain minimum time to consider the lease before signing it, prohibiting an increase in rent for those who choose not to sign for a one-year grace period, requiring the park owner or management to meet with residents or a resident organization representative concerning such a lease, among others, are possibilities for placing conditions on the exemption of a mobilehome park lease from rent control under 798.17.

However, any changes in 798.17 may tend to discourage park owners from offering leases in the first place, and leases, if fairly negotiated and agreed upon, can benefit both park residents as well as park owners.

In summary, since the issues involved in the offering of mobilehome leases will not be easily resolved, perhaps they need further investigation.

One final point is, however, clear. Where mobilehome owners have come together and formed homeowner associations to meet and work with the park owner as a group, they have been the most successful in resolving problems and coming closer to a mutually agreeable lease. Alternatively, the only immediate remedy to abuses or violations of existing law is through civil action in the courts.

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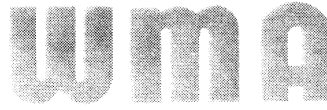
APPENDIX

APPENDIX CONTENTS*

- I. LETTERS & OTHER STATEMENTS TO THE CHAIRMAN
- II. SAMPLE MOBILEHOME PARK LEASES & MODEL LEASES
- III. SB 1352 (L. GREENE)

*Material in the Appendix is representative of the information submitted to the committee. Because of space limitations or the format in which material was presented to the committee (which made it difficult to reproduce), not all letters, leases, statements and information could be included.

I. LETTERS & OTHER STATEMENTS
TO THE CHAIRMAN



Western Mobilehome Association

May 7, 1986

Senator William Craven
State Capitol
Room 3070
Sacramento, CA 95814

Dear Senator Craven:

Thank you for your courtesy extended to WMA at your recent hearing on long-term leases. Norm McAdoo, Diana Wilks, Brent Swanson and I appreciated the opportunity to testify.

Through the course of the hearing you heard a great deal of negative testimony from GSMOL chapter leaders and park residents. In listening to their comments its clear that there is much confusion and fear about long-term leases. While WMA has done an outstanding job in educating its own membership, we have obviously not spent enough time in educating residents about the benefits of long-term leases. We firmly believe that carefully prepared leases present one of the best ways to provide long-term security to both park owners and residents. We are extremely concerned that the abundance of negative testimony at your hearing might lead the committee to think that the lease program is a failure. This is simply not the case.

While there is always some initial fear about any new program, we have found that if long-term leases are explained in simple terms and there is adequate time to review and negotiate changes, then they will receive widespread acceptance in mobilehome parks. In many parks, owners have been able to achieve 100% participation of the residents.


Unfortunately, the thousands of residents who are happy with their leases, did not show up to testify at the hearing. In addition, there were numerous instances of distortion and misrepresentation of facts during the hearing.

In order to be able to respond to these mis-statements, we would like to request a full transcript of the hearing as soon as it is available. We will then provide a written commentary and analysis of the testimony including WMA's recommendations to help resolve those problems that may need attention.

Senator William Craven
May 7, 1986
Page two

Again, thank you for your courtesy and support. Your oversight and guidance is greatly appreciated.

Cordially,

A handwritten signature in black ink, reading "Dennis G. Amundson". The signature is written in a cursive, flowing style with a large initial 'D'.

Dennis G. Amundson
Executive Director

Curriculum

Long-Term Leases

1 Benefits of the Long-Term Lease

- ☐ Predictable rents
- ☐ Protection from the destructive effects of rent control

2 Basic Elements of Leases

- ☐ Basic Rent
 - Inflation adjustments
 - Market rate adjustments
- ☐ Pass-throughs

3 Developing a Long-Term Lease Program

- ☐ Organizing for a successful lease
- ☐ Deciding the approach
- ☐ Negotiation

4 Communication

- ☐ In-park communication or problem review

5 Voluntary rental assistance

- ☐ Purpose
- ☐ Planning and conducting a rental assistance program

Locations

All seminars begin at 9:00 a.m. and end at 4:30 p.m.

Lunch and lease manual are included in registration fee.

January 9, 1986 — San Bernardino

Inland Empire Hilton
1-10 and Waterman

January 14, 1986 — Van Nuys

Best Western Airtel Plaza
7277 Valjean

January 14, 1986 — San Diego

Sheraton Harbor Island
1380 Harbor Island Drive

January 15, 1986 — Sacramento

Capitol Plaza Holiday Inn
300 J Street

January 16, 1986 — San Jose

San Jose Hyatt
1740 N. First Street

January 23, 1986 — Newport Beach

Sheraton Newport
4545 MacArthur Boulevard

**For further information
on these seminars,
call the WMA Local Government
offices: (916) 444-8847 or
(714) 581-6100.**

Long-Term Lease Agreements

Western Mobilehome Association is pleased to offer these seminars on long-term leases. Recently, WMA was successful in passing legislation effective January 1 that exempts long-term lease agreements of 12 months or longer from the provisions of local rent control ordinances. These seminars will review that legislation and help you comply with its provisions.

Included will be methods of developing a long-term lease program in your park, and how to set up in-park communications with your residents. In addition, the seminar will cover guidelines for conducting a voluntary rental assistance program.

The changes in state law provide you with the means to regain control over your investments, and these seminars will teach you how to use this opportunity to your advantage. Whether or not your park is under a rent control ordinance, you can't afford to miss the current information given in this seminar. Speakers include various industry professionals: attorneys, park owners and WMA staff with special expertise in the field.

The text for the seminar is WMA's new manual on leases, which will be provided free with paid registration (a \$20 value).

These seminars are primarily intended for mobilehome park owners. Your resident manager may attend only with your written permission.

Don't miss this opportunity to attend these seminars — sign up now as space is limited.

**ADVANCED RESERVATIONS REQUESTED
PLEASE RETURN THIS FORM WITH YOUR CHECK**

_____ Reservations @ \$60 per person (members) \$ _____

_____ Reservations @ \$250 per person (nonmembers) \$ _____

Name _____ ☐ Owner ☐ Manager

Park _____

Address _____

City _____ State _____ Zip _____

Membership No. _____ Phone () _____

Check location you wish to attend:

☐ San Bernardino — Jan. 9

☐ San Diego — Jan. 14

☐ San Jose — Jan. 16

☐ Van Nuys — Jan. 14

☐ Sacramento — Jan. 15

☐ Newport Beach — Jan. 23

Return to: WMA Long-Term Lease Seminar, c/o Local Government Division, 1121 L Street, Suite 400, Sacramento, CA 95814

Western Mobilehome Association

1121 L Street, Suite 400
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January 1986

**Long-Term Lease
Regional Seminars**

WMA

SUBJECT MATTER: MOBILE HOME PARK LEASES

I am Sol Becker, Alternate Director in Region Two and a member of Golden State Mobilhome Owners League. I reside in Marin County.
17 VIEW RIDGE DR. NOVATO, CA 94947

In the course of my activities, I attend many meetings at various Mobile Home Parks.

Leases are currently the most vital topic. We are not against leases, but we want leases that are fair and equitable. We are against leases being signed under threat or fear of harrassment. Some of the leases, landlords referred to them as fair, places one hand in your pocket and the other on your throat.

Automatic rent increases are without rhyme or reason. They are confiscatory and abhorrent. At best, if leases must be increased annually they should be tied to a very small percentage of the CPI, not over 50%.

We hear the old cry, that landlords are subsidizing the mobile-home owner. Rediculous, the business is so bad they keep buying more parks. Paying outrageous prices knowing that all they have to do is raise the rent, what can the poor suckers do?

Another troublesome area, known as Pass Thru Capital Improvements. We find landlords calling a variety of maintenance items as Capital Improvements. Depreciation over the years should provide an owner with ample provision for replacements of roofs, motors, pumps and the like.

No capital improvement over \$5,000 should be permitted without homeowners approval since they are called upon to pay for same.

The cost of capital improvements should be spread over a period of time, no less than, the schedule used by the government (IRS).

We have many communities in the state that have enacted rent ordinances at a time when the CPI was in the 18 and 20% area, and homeowners were glad to accept 8 and 9% increases. Now they find themselves up against it and must seek further review.

One and only one solution appears to be available and that is for the government to provide ample funds so that the residents may purchase their parks and end this murderous cycle of rising rents.

Members of the Senate Select Committee, the ball is in your park. Thank you for listening.

HARRY H. FOULKS
220 CALIFORNIA LOOP
SACRAMENTO, CA 95823
(916) 391 - 7205

May 12, 1986

William A. Craven, Chairman
Senate Select Committee on Mobilehomes
1100 J Street Room 511
Sacramento CA 95814

Dear Senator Craven:

I attended the hearing held by the Select Committee on May 5, 1986, but had not made an advance request to be placed on the agenda. When the hearing was about to adjourn, the hour was so late I did not request time for remarks, but thought this letter to the committee might be helpful.

1. The background paper distributed by the committee seems to indicate that a lease agreement during its first year should (among other things) not contain a monthly rental rate different than the monthly rate for a month to month tenancy. The remarks made by Mr. Brent Swanson (W M A) indicate that a superior court Judge has held, in effect, that the word different as used in the statute does not mean different but means that the longer lease rate cannot differ by being "more", but it can be "less".

If the Judge was wrong in the interpretation and the legislature actually meant the word different to mean different, it would appear that an amendment by adding after the word different the parenthetical phrase (neither more nor less) would amply clarify the statute.

2. In connection with the subject matter in division 1, above, Mr. Swanson pointed out that a number of other practices could be devised to skirt the legislative intent even though the superior court Judge had not held as indicated. It would seem that if the legislature intends (as I would hope would be the case) that this difference in rental rates and other matters is not to be avoided by these indirect devices, then there should be provided some general and broadly inclusive language to prevent such schemes.

3. It appears that the recent pressure on the part of Park owners to refuse terms of tenancy for one year or less has been brought about by the amendment which permits an escape from present or prospective rent control provided the rental agreement is for in excess of one year. Consideration should be given to statutory language which would permit a tenant to rescind the longer term lease if it were entered into by the tenant to avoid the prohibited difference discussed in 1 or 2, above, or to avoid any action taken by a Park which constitutes a law violation.

4. For reasons set forth in detail later, it seems to me to be of great importance that the provisions in the present law giving a court discretion to award a prevailing homeowner an amount in addition to damages (not to exceed \$500.00) be amended. The statute in its amended version should provide that the amount of the award in addition to damages be \$500.00 for each willful violation and that it be a mandatory award upon the finding of a willful violation.

5. The statutory scheme in the State in connection with consumer complaints should be strengthened to provide that the Department of Consumer Affairs of the State may make determinations and awards based upon a finding of a willful violation of any provision of the Mobilehome Residency Law and that it be empowered to make the mandatory \$500.00 award as in courts of law.

The following material in this letter is not of primary importance but it does aid in explaining the necessity (or at least, desirability) of the legislation requested in 4 and 5, above.

My wife and I established residence in California and commenced paying ground rent for a purchased mobilehome just a year ago on May 1, 1985. I had retired from a 35 year practice of law in Omaha Nebraska.

Now a lawyer (who, by definition, ALWAYS knows the law) never has an excuse for his mistakes so I am not seeking absolution for my sins-----Just setting forth a kind of case history which might be of some aid to a legislator.

We (my wife and I) were told that the Park manager would have to approve us as tenants. We had a meeting in the manager's office who apparently approved of us and made out a lease form for the space rent on a month to month basis. No offer was made for our rental of the space for one year. We signed the lease without examining it closely

and received our copy together with a copy of the rules and regulations and the 1985 Mobilehome Residency Law.

In December, 1985, we received a notice that we could accept a 5 year lease proposed by the management (in which case our rent would be increased by approximately six percent) but if we did not accept our rent would be increased by about 12 percent. The new rentals to be effective on March 1.

I wrote the management pointing out that I had read the Mobilehome Residency Law and that I noted that they had failed to offer a 1 year lease as mandated by the law and I felt that I was entitled to a one year term----in which case my term would not expire so that a raise in rental should not be effective on March 1---but that the date of commencement of any new term would not be until May 1, 1986.

The reply was that I had initialed a paragraph in the original rental agreement which paragraph had provided a month to month tenancy and that I had therefore opted for that type of tenancy. Despite the fact that I believed the controlling question was management's neglect to actually offer the one year term as mandated by law, I discontinued pressing the issue, and wrote that as I read the law their making of contemporaneous offerings of differing monthly rent rates was prohibited and I asked them to elect (and then inform me) what the rental rate would be for all of the types of tenancies----the six percent increase or the twelve percent increase. I asserted that their notice of rent increase (containing differing rates) was illegal, invalid and of no effect: a violation of my non-waivable rights and void as against public policy. I felt that with that I had added all of the legalese the situation would stand. I never received a reply.

In the meantime the inhabitants of the park were up in arms feeling that somehow as one vociferous individual put it they were being "blackmailed" into accepting the five year lease (which protected the park from rent control) by the double percent rent increase if they did not sign the long lease.

Meetings of residents were held and a committee was named with the assigned task of trying to negotiate changes in some of the lease terms which seemed most in need of correction because when the terms were considered in their overall impact they seemed to be providing the park owner with a blank check signed by the tenants with the amount to

be filled in by the owner.

A meeting finally took place at which the committee met with the park's chief negotiator from Pomona and two of his associates. The message at that time was that none of the terms of the lease were subject to any negotiation. At that meeting the man from Pomona stated quite but very clearly that under the existing California law, in an area where there was in existence no rent control ordinances, the park owner was free to charge all the traffic will bear and that is what the owner intended to do.

Seeing that there was nothing to be gained by negotiation and believing that the man's assessment of current California law was probably correct, I resolved that my overall tack for the future would be to do all in my power to try to persuade either the City or the County of Sacramento to adopt a stringent rent control ordinance to protect mobilehome tenants who have mobility in the market only if they expend somewhat more or less than \$5000.00 to move to another park---assuming another park to be available.

As to our (my wife's and my) personal situation I figured that it was time that a Nebraska lawyer with no particular knowledge of California law, consult a California lawyer for some general advice. I realize that the advice of different lawyers may certainly differ and that in fact any given opinion of a lawyer may be incorrect. But correct or incorrect I have (after consultation) the following picture.

Judges in cases brought under the Mobilehome Residence Law might or might not resolve the question of differing monthly rental rates in favor of the tenant (holding the word "different" to actually mean different) or in favor of the park owner on the question of legislative intent. Judges were not prone to award the aforementioned \$500.00 or any part thereof as a matter of discretion. So even if you had a class of 160 residents who objected to the imposition of the differing monthly rental rates you did not stand much of a chance of getting an award of 160 times \$500.00 for the violation if it were held to be a violation.

Even in the case of one individual (myself) who was consistently charged the higher rental rate and who paid the higher rent under protest so as to preserve his rights there was very little chance that if a Judge found a violation and that it was willful would he hold that each month's overcharge was a willful violation meriting an

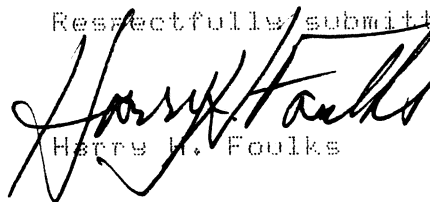
award of \$500.00 for each such violation.

Although additional details could be added to what has already been said it might be just coals to Newcastle. It is however my considered judgement that the park owners are going to continually commit violations unless each violation is made extremely costly to them and a remedy can be initially provided to a tenant through an inexpensive administrative proceeding (as well as in court proceedings) where the collection by the owner of each violating monthly charge is a separate violation and a mandatory \$500.00 award automatically follows the finding of a violation.

To sum up I suggest that administrative authorities be empowered to prosecute this type of consumer complaint under the Mobilehome Residency Law before hearing officers in the administrative agency and that in proper cases the above indicated mandatory penalties be assessed for the benefit of the tenant. It would appear that if violations in this field are not made extremely costly to the violator there will be very little chance that the protective provisions of the law will become operative.

Finally, I must apologize for the less than letter quality of the print face of my word processor.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Harry H. Foulks". The signature is stylized with a large, sweeping initial "H" and "F".

Harry H. Foulks

Paso Robles, CA
May 1, 1986

Senate Select Committee
State Capitol - Room 3070
Sacramento, CA 95814

To Committee Members

RE: The issue of long-time mobilehome
park leases.

We, as residents in a mobilehome
park and members of GSMOL, are extremely
interested in the above issue due to the
following circumstances.

Our park management told us that
if we signed a five or ten year lease
our rent, beginning April 1, of this
year, would be \$212.67.

If we were to sell our home, the
purchaser would pay 10% more than the
\$212.67 if he assumed the lease. If we
did not sign the lease a purchaser would
have to pay a monthly rent of \$262 and
if he or she wished to sign a lease at
the time of purchase, the rent still
would start at \$262.

This is, we believe, intimidation,
and it is going on in many other parks
besides the one in which we live.

Therefore, we hope you will consider
these facts during your committee meeting.

Sincerely,

Elizabeth Husspeit

CC
Senator William Craven

April 29, 1986

Senator Bill Craven R-Oceanside
38th Senate District
State Capitol, Rm. 3070
Sacramento, Ca. 95814

Dear Senator Craven,

Sir, I wish I were able to be at the MobileHome Hearings, starting on May 5th, 1986. There is much you do not know of and are unaware of, regarding long term leases being offered MobileHome Owners.

We received through Marie Malone, GSMOL State President, some of your statements and thoughts on long term leases. You ask in this release if, residents are told they will have to sign these leases as month to month will no longer be offered, or where month to month tenancies are still offered, they will be charged HIGHER rent than if they signed the lease. You then state 'if true' these practices are against the State Law.

Well Sir, not only are they true, but much worse, in our own park, you either sign the unfair and unreasonable lease, as some 13 attorneys have said it is, or if you want to sell, they have put the space rent to a new buyer so high there is no way you can sell. The owner has plain put a gun to you saying, sign or else. The horror stories go on and on. Just the tip of the iceberg, and you would be shocked and appalled to know what is really happening

I would as most in our Park would be happy to fill you in on the real truth, if you are ever by our way.

Sincerely,

John G. Carmichael



Rancho Paso MobileHome Park

Theatre Drive, Space 102

Paso Robles, California 93446

1-805-238-7465

May 1st, 1986

Senator William A. Craven
Senate Select Committee
State Captol- Room 3070
Sacramento, California 95814

Dear Senator Craven:

We would like to bring to your attention some of the facts about about the long term lease that was offered in our park.

The lease that was offered to us was for five years,-
It called for a ninety percent(90%) of C.P.I. raise in rent each year.

In addition we were tp pay for all expenditures in the park,-
(namely Capital Improvements, Maintenance of tha park, Water we use in our coach, water for common area) (such as pool watering of the green areas of the park, taxes of the park, insurance of the par etc.....

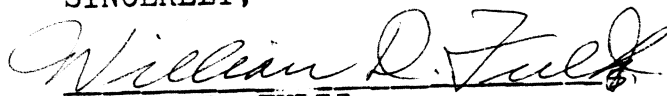
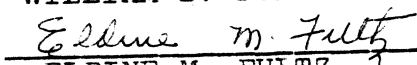
Because we could not afford to sign this lease we chose to remain under Measure " A " .

We have our home up for sale, if we had signed the lease, the rent to the New Owner would be 10% above what we pay now(We are paying \$218.84) but because we did not sign the lease , the rent to the New Owners will be \$262.00 a Month. and will be raised evry three months by 8% until we sell our home.

We were told by the management that they could raise the rent to the New Owner to any amount they wanted to. Thus we feel that this is a deterant to the selling of our home. Please bear in mind the we are not TENANTS we are home owners...Also that weare responsible for our own little plot of ground and in it's upkeep. We also pay taxes on the home each and every year,

The Management has now stated that there will be no more leases offered to the present residents of the park...(THOSE WHO DID NOT SIGN THE LEASE)...

SINCERELY,


WILLIAM D. FULTZ

ELDINE M. FULTZ

RANCO PASO MOBILE HOME PARK
SPACE # 10
PASO ROBLES, CALIFORNIA 93446

Clifford Roland
May 13, 1986

To: The Honorable W.A. Craven Chairman
and Members of the Senate Select
Committee on Mobilehomes.

From: Clifford Roland President
G.S.M.O.L. District #4 Southbay.

Dear Senator Craven:

I was prevaleged to have attended your Senate Select Committee on Mobilehomes meeting May 5, 1986 pertaining to long term leases. I came away convinced more than ever that it is not the intent of the Park Owners to give their Homeowner residents any kind of protection with their so-called long term leases, but instead the intent is to circumvent rent control that exists in at least 50 cities and or counties in the state of California.

With the passage of SB 1352, sign a lease and you are not covered by Rent Control.

Section 798.17 states: The first paragraph of a rental agreement entered into pursuant to this section shall contain a provision notifying the homeowner that the agreement will be exempt from any Ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that a landlord may charge for rent.

Park owners here in the National city, Imperial beach and Chula Vista areas have gone to almost any length to coerce Mobile home owners to sign leases because of their fear of Rent Control.

The Park Owners Association (PMA) has been defeated time and again in court fighting the Rent Control initiatives, they are now thru intimidation, coercion, threat of eviction, excessive rent increases demanding that we must sign the leases that they are offering, they have also devised what we believe to be an illegal two tier rent structure, sign a lease and pay less than those that will not sign.

I strongly feel that this is a local matter and that the State should not become involved in the matter of virtually killing local Rent Control issues. Each city where Rent Control exists has its own unique problems and this must remain a local issue.

If any law is to be written, it should be the change of Section 798.18- B. No such agreement shall contain any terms or conditions with respect to charges for rent, utilities, or incidental reasonable service charge that would be different during the first 12 months of the agreement from the corresponding terms or conditions that would be offered to the Homeowner on a month to month basis.

AS the President of District # 4 Golden State Mobile Home Owners Leauge Inc, and the recommendation of the District 4 council we are asking your very serious consideration to repeal of section 798.18- B of the civil code and in its place replace it with.

NO SUCH AGREEMENT SHALL CONTAIN ANY TERMS OR CONDITIONS WITH RESPECT TO CHARGES FOR RENT, UTILITIES, OR INCIDENTAL REASONABLE SERVICE CHARGES THAT WOULD BE DIFFERENT FROM THE CORRESPONDING TERMS OR CONDITIONS THAT WOULD BE OFFERED TO THE HOME OWNER ON A MONTH TO MONTH BASIS.

Respectfully submitted



Clifford Roland
1100- I-6 Industrial blvd
Chula Vista, Ca. 92011
(619) 420 9014

from Cliff Roland
-16-

Space No.: I-6

NOTICE OF RENT INCREASE;
NOTICE OF ADOPTION OF NEW FORM OF RENTAL AGREEMENT

DATED March 26, 1985

Rent Increase

You are hereby notified that, in accordance with California Civil Code Section 798.30, effective June 1, 1986 your monthly rent will be increased by 9% from your current monthly rent of \$ 235.80. Accordingly, effective June 1, 1986, your monthly rent will be the sum of \$ 257.02, not including such other costs or other expenses (such as utilities) which are also payable under the terms and conditions of your tenancy.

The rent increase effective June 1, 1986 is in part required by the Park to recover the increased cost of premiums paid by the Park for liability insurance coverage. Such premiums have increased over 50 % from the prior year.

Adoption of New Rental Agreement

You are hereby notified that effective June 1, 1986, each tenant at Brentwood Mobilehome Park (the "Park") that has resided at the Park for 12 months or longer shall be required to enter into and sign a new form of Rental Agreement. Each tenant shall be offered a rental agreement with a term of (i) 12 months, (ii) less than 12 months, (iii) a month-to-month tenancy, or (iv) 36 months. Each tenant shall have the option to select the length of the term.

It will be necessary for each tenant to come to the Park clubhouse prior to June 1, 1986 in order for that tenant to enter into and execute a new Rental Agreement. You are requested to contact the Park Office at 422-4645 in order to schedule an appointment as soon as possible or if you have any questions concerning this Notice.

Tenants that have not resided at the Park for at least 12 months shall be required to enter into the new form of Rental Agreement on the first anniversary of their tenancy.

Apart from the difference in length of the term, the primary difference between the new forms of Rental Agreements is that the 36 month Rental Agreement provides for an annual rental increase of only 7% on the anniversary date of the Rental Agreement.

BRENTWOOD MOBILEHOME PARK

13401 San Pablo Ave. Sp. #35
San Pablo, Ca 94806
May 8, 1986

Mr. Bill Craven, Senator
38th Senate District
State Capitol, Room 3070
Sacramento, Ca 95814

Dear Senator Craven:

My husband and I were the managers of Grace Lane Management (formerly Bishop El Rancho Mobilehome Park) where Mr. Dale Clute is a resident.

We offered all residents a 5-year Lease to our Park. Mr. Clute was offered the same Lease as all other tenants. My husband and I were both present in our contacts with Mr. Clute. In no occasion did we threaten nor did we in any way coerce Mr. Clute into signing the Lease. In fact, Mr. Clute did not sign the Lease because, according to him, he felt he would be betraying the 'pack' (group of tenants opposed to park owners in any way). He thanked us for our friendly attitude and he left our office saying that he now regarded us as "friendly enemies" (in his own words).

Mr. Clute does not want to resolve issues; he wants to create problems. As he himself has said: "I am retired and I have all the time in the world to fight you".

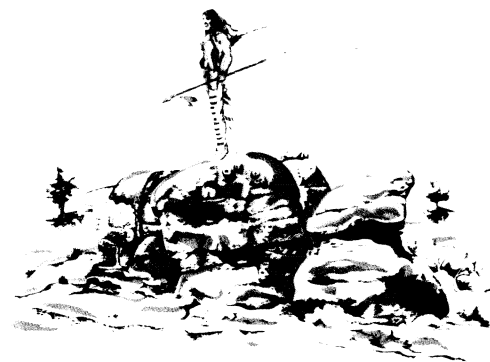
Please take this letter into consideration when you evaluate Mr. Clute's testimony as well as those of other tenants who like Mr. Clute have made it their objective to instigate unrest and to create problems for park owners and park residents as well.

Sincerely yours,

Joann and Charles Jacobson

INDIAN HILLS MOBILE HOME VILLAGE

11401 N. TOPANGA CANYON BLVD., CHATSWORTH, CA 91311
341-0017



May 19, 1986

Select Committee on Mobile Homes
1100 "J" Street Room 511
Sacramento, California 95814

Attention: Senator Bill Craven

Re: Hearing on or about May 5, 1986

Dear Senator Craven:

On or about May 5, 1986 a tenant from Indian Hills, the park I own, testified before your committee. Brent Swanson, the park attorney, and Frank Ford, a representative of WMA, were at the hearing. They related to me what was said by the tenant from Indian Hills. According to what they told me, there were many misrepresentations made about the operation of Indian Hills and the leases which were signed by a majority of the residents of Indian Hills.

I am presently working with WMA to present information to correct the misrepresentations made by the Indian Hills tenant. I think this approach will best answer the misrepresentations made and do it with a minimum of time expended by your committee and staff.

Senator Craven, thank you for taking your time to read this letter. Should you wish to speak to me about any matter related to the testimony, please call me at (818) 709-3513.

Sincerely,

INDIAN HILLS MOBILE HOME VILLAGE

PETER J. NOUGUIER,
General Partner

PJN:pm

LAW OFFICES OF
CONTRA COSTA LEGAL SERVICES FOUNDATION

MAIN OFFICE
1017 MACDONALD AVENUE, P. O. BOX 2289
RICHMOND, CALIFORNIA 94802

MARK GOLDOWITZ
EXECUTIVE DIRECTOR

TELEPHONE
(415) 233-9954

TESTIMONY OF MARK GOLDOWITZ
RE PROBLEMS WITH LONG-TERM LEASES IN MOBILEHOME PARKS
BEFORE THE SENATE SELECT COMMITTEE ON MOBILEHOMES
MAY 5, 1986

My name is Mark Goldowitz. I am an attorney with, and the Executive Director of, the Contra Costa Legal Services Foundation. I am here today on behalf of low-income residents of mobilehome parks in the City of San Pablo.

I want to bring to your attention problems currently being experienced by low income mobilehome residents in San Pablo. I believe that most of these problems have been caused by the new Civil Code Section 798.17, and urge the members of this Committee to sponsor and support legislation to repeal that provision.

Section 798.17, passed last year, allows leases in excess of 12 months to supersede local rent regulation protections for mobilehome residents. I believe repeal of this provision is necessary for at least two important reasons: one philosophical and one practical.

First, 798.17 establishes a special rule for mobilehome residents, and treats them as second class citizens. For no other tenants in the State of California may the conflicting and less protective provisions of a lease prevail over any local rent protection ordinance. Only mobilehome residents suffer this fate. This conflicts with the fundamental policy statement

that the Legislature made when enacting the Mobilehome Residency Law, which was that the special problems and circumstances of mobilehome residents require unique and additional protections for mobilehome residents. Given that correct policy determination, certainly mobilehome residents should be no less entitled to protections under local ordinances than any other tenants.

Second, the practical effect of this subsection is to subject mobilehome residents to unreasonable pressure from park owners who now want residents to sign long term leases so local rent protections will not apply.

For instance, no rent protections are currently on the books in San Pablo, but an initiative ordinance to establish them is on the ballot on June 3. In an effort to prevent mobilehome residents from enjoying any protections from the proposed ordinance, should it pass on June 3, mobilehome park owners in San Pablo have engaged in a systematic campaign of threats and intimidation, ^{AND PUNITIVE RENT INCREASES,} to coerce residents into signing onerous multi-year leases.

At the largest mobilehome park in San Pablo, Circle S, prior to December 1985, residents had never been offered a written rental agreement. In November 1985, mobilehome residents began circulating an initiative petition for a Mobilehome Residents Protection Ordinance. On December 31, 1985, Circle S sent residents a letter saying that the park would be closed unless they agreed to sign a long-term lease. (See Exhibit A.)

On January 13, 1986, Circle S sent residents a copy of a proposed 5-year lease. (See Exhibit B.) The proposed lease contained a number of objectionable provisions. Most significantly, the lease mandated rent increases for increases in the Consumer Price Index as well as for any increase in operating expenses, thus double charging residents for the same expenses. (See Paragraph 3.) The lease also required signers to falsely state that they had previously received copies of the Mobilehome Residency Law (see Paragraph 21), which was not true; nor was a copy of this Law attached to the lease, as required by Civil Code Section 798.15(c).

The park management engaged in a campaign of threats and intimidation to force residents to sign the proposed lease. The witnesses that follow me will also testify about this. In addition to the threats that the park would be closed, residents were told by management that if they didn't sign the lease their rents could be increased every 60 days and would be increased more than they would be for those who signed the lease. The assistant manager at Circle S told residents that if they didn't sign the lease, they would have to pay subsequent rent increases, and could possibly lose their mobilehome. She also told residents that if they did not sign the lease they were not wanted at Circle S. Residents were constantly pressured to sign the lease. These tactics put intense emotional pressure and stress on park residents, many of whom are elderly and very vulnerable.

Residents who did sign the proposed lease were given a \$10 per month rent increase, which was softened by a rebate of

one-half month's rent. The combined effect was that for the first 12 months of the lease term, the rent increase for those that signed the lease was only about \$3 per month.

Because of the problems with the lease, many park residents refused to sign it. On January 30, 1986, those residents who had not signed the lease received a notice that their rent would be increased \$25 per month. This notice was accompanied by a letter from the park owner explaining that "this rent increase is only for those mobilehome owners who have not signed the lease agreement we have offered park resident. If you have signed the new lease agreement or will sign it, of course, this rent increase will not apply to your space." (See Exhibit C.)

Thus, residents who did not sign the lease were being forced to pay ^{PUNITIVE} rent increases more than eight times greater than the ones given to those who did sign the lease.

Similar and worse has occurred at other parks in San Pablo. At El Rancho, management called residents in to the office and insisted that they sign the lease right then. Residents were not allowed to take a copy of the lease out of the office to show to a lawyer or friend. At Kimball's park, residents were given blank leases and told that they must sign them within three days.

If this pattern of events has occurred in a community which does not even have a rent control ordinance on the books, I shudder to think what has been happening and will happen in the forty communities which do have local rent protections on the books.

To protect mobilehome residents against these kind of practices, I urge you to repeal Civil Code Section 798.17.

Robert H. Johanson

Attorney at Law

520 Second Street

Rodeo, CA 94572

(415) 799-1600 • (415) 232-3010

December 31, 1985

Tenants' Committee
Circle S Corral Mobile Home Park
13613 San Pablo Avenue
San Pablo, California 94806

Dear Committee Members:

This letter is in response to the issues raised in our meeting of December 17, 1985. From my perspective, it appears that a review of Mr. Selix's notes of our meeting clarifies most issues. If we are able to reach agreement on a lease then certainly the park will not be closed. If an agreement cannot be reached, and the park residents want to promote passage of a rent control ordinance, then the only other alternative is to give notice the park's use will be changed to a commercial development.

On the issue of security, I have not been able to obtain estimate as to what a security patrol would run (because of holiday vacations) but am willing to pursue the issue for the benefit of the majority of park residents.

Concerning what costs are fixed, I am not aware of any costs that are absolutely fixed. The City of San Pablo levies a tax on the number of mobile homes in the park, and this amount is fixed as of this date. Most other expenses are somewhat fixed, but certainly vary depending on factors presently unknown (e.g. maintenance, repairs, utilities, garbage, etc.). That is, we have no long term contracts for the providing of certain services that would tell us today what something will cost us next year. Note: The front area of the park will be adequately maintained in the future, once this issue of a loan is resolved.

Lastly, the issue of past and current rent increases. As I informed you, it was management decision in 1984 to bring up the rents in order that they reasonably reflect rents charged in other parks in the Bay Area, and, in addition, provide an adequate return in consideration of the value of the land. As stated before, to attempt to sell the park at the previous low rents was not in the best interests of ownership.

EXHIBIT A

Tenants' Committee
December 31, 1985
Page Two

We consider the value of the park to be quite high. It is within walking distance to shopping, City services, Medical/Dental care, Brookside Hospital, Interstate 80, and will be across the street (almost) to the new 15-20 acre shopping center in San Pablo. Many residents have informed us they enjoy living at our park, wish to continue living here, are quite pleased with the management, and feel very secure and safe in their homes. Note that a small 2 bedroom apartment in the San Pablo area will rent for \$450.00/month, minimum. To respond to the 1984 rent increases please be reminded that when inflation was around 12% in the late 1970's, the rents were not increased in a like manner.

Very truly yours,



ROBERT H. JOHANSON

RHJ:lp

EXHIBIT A

MOBILE HOME PARK LEASE

MULTI-YEAR LEASE

PARK: CIRCLE S CORRAL MOBILE HOME PARK
OWNER: WALDO F. BECK MANAGER: URCLE RAY LONG

SPACE NO.: _____

LESSEE(S):

_____ INITIALS: _____

_____ INTIALSS: _____

THIS LEASE WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENT ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT THAT A LANDLORD MAY CHARGE A TENANT FOR RENT.

THIS LEASE, made and executed effective with the commencement date set forth below by and between Park Owner as set forth above, hereinafter referred to as Lessor, and the Resident Home Owners listed above, hereinafter referred to as Lessee.

1. DESCRIPTION OF THE PREMISES:

Lessor leases to Lessee and Lessee leases from Lessor the space indicated above within Lessor's Mobile Home Park to be used as a residence by Lessee and for no other purpose without prior written consent of Lessor.

2. TERM:

This Lease is a _____ year lease and shall commence on February 1, 1986, and end by 12:00 midnight on January 30, 198____.

3. RENT:

(a) Monthly Rent: The monthly rent for the period February 1, 1986 through January 30, 1987, will be \$_____.

EXHIBIT B

The monthly rent for each of the _____ remaining years of this lease will be increased on February 1st of each year (i.e., in _____ 1987, 1988, etc. by the percentage change in the Consumer Price Index ("CPI") for the San Francisco, Oakland area (All Urban Consumers) for the twelve month period ending three months before the increase is due to take effect (e.g., for the _____ 1, 1985 increase, the percentage change in the CPI for the period _____ 1, 198, through November 31, 1985) under the following formula:

- (i) 100% of any CPI increase up to 5%, plus
- (ii) 75% of any CPI increase from 5% to 10%; plus
- (iii) 60% of any CPI increase above 10%.

(b) In addition, for each of the _____ remaining years of this lease, Lessee will be charged on February 1st of each year a monthly amount to reflect Lessee's pro rata portion of the following, as incurred by Lessor for the twelve-month period ending three months before February 1st of each year;

(i) Any increased costs incurred by Lessor due to a governmental act or regulation;

(ii) Any increased operating expenses incurred by Lessor;

(iii) Any increases in Lessor's debt service expense incurred by virtue of variable rate financing in existence on the commencement date of this lease; and

(iv) All costs incurred by Lessor for capital improvements, including financial costs, which are under a cumulative sum of five thousand dollars (\$5,000.00) or are required to comply with a governmental act or regulation, and all costs incurred by Lessor for other capital improvements cumulatively costing in excess of \$5,000.00, so long as same have been previously approved by a fifty percent plus one (50% + 1) vote of the total number of occupied spaces within the Park. All such capital improvement costs shall be amortized over a five year period and any charges for same shall end upon their amortization.

4. UTILITIES

Lessee will pay utilities of gas and electric only that are presently individually metered to Lessee's residence. Lessee hereby promises to utilize conservation measures to keep consumption of non-metered utilities to a reasonable minimum.

5. SUBLETTING:

Lessee may sublet the premises or any mobile home located thereon in the event of personal hardship such as illness, death or incapacity, but only with the prior written consent of Lessor. Any sublease permitted by Lessor shall have a minimum duration of three months. In the event of any such subletting, Lessee remains responsible for performance of all obligations of this

EXHIBIT B

Lease, including without limitation, compliance with rules and regulations, maintenance of the space and payment of rent.

6. USE PROHIBITED:

Except as otherwise specifically permitted by the California Mobilehome Residency Law, Lessee shall not use or permit the premises or any part thereof to be used for any purpose other than as a residence for the persons listed above, nor shall any other person reside at the premises without the prior written permission of Lessor.

7. WASTE AND NUISANCE PROHIBITED:

During the term of this lease, Lessee shall comply with all Park rules and regulations, which may be changed from time-to-time pursuant to the California Mobilehome Residency Law as same may be modified from time-to-time, and pursuant to Paragraph 18 of this lease.

8. ABANDONMENT PROHIBITED:

Lessee shall not vacate or abandon the premises at any time during the term of this lease. If Lessee shall abandon, vacate or surrender the premises, any personal property belonging to Lessee left on the premises shall be deemed to be abandoned at the option of the Lessor.

9. LESSOR'S RIGHT OF ENTRY:

Lessee shall permit Lessor and the agents and employees of Lessor to enter into and upon the space at all reasonable times for the purpose of inspecting the same and for the purpose of posting notices of non-responsibility for alterations, additions or repairs without any rebate of rent and without liability to Lessee for loss of quiet enjoyment. Lessor shall not enter into Lessee's mobilehome except in cases of emergency or with the prior consent of Lessee.

10. ATTORNEY'S FEES AND COURT COSTS

If an action at law or equity shall be brought to recover any rent due under this lease or on account of any breach of, or to enforce or interpret any of the covenants, terms or conditions of this Lease or the Park rules and regulations for the recovery of possession of the premises, the prevailing party shall be entitled to recover from the other party as part of the prevailing party's costs reasonable attorney's fees, the amount of which shall be fixed by the court and made a part of any judgment or decree rendered.

EXHIBIT B

11. SALE:

In the event Lessee sells the mobilehome located on the premises to a third party during the term of this lease or any renewal or extension hereof, Lessee shall give notice to Lessor of Lessee's intent to sell the mobilehome as required by the Mobilehome Residency Law. Unless and until this lease has been validly assigned or terminated, Lessee shall continue to be bound by all provisions of this lease.

12. ASSIGNABILITY OF LEASE UPON RESALE:

During the first year of this lease, Lessee shall have the right to assign this lease without any increase in rent other than those provided in Paragraph 3 hereof. During the second year and thereafter the Lessor and Lessee shall consider rents paid in other Parks in the area and, if area rents for comparable mobilehome parks exceed those charged under this lease at that time or are expected to exceed same in the future, this provision will be renegotiated to provide for a reasonable additional rent increase on resale during the remaining years of this lease. In the event of any assignment of this lease, the person or persons to whom this lease is assigned must be approved by the Park management and must assume all of the obligations of the Lessee. Such approval will not be unreasonably withheld so long as the person or persons to whom this lease is assigned have the financial ability to pay the rent and charges under this lease and will comply with all rules and regulations of the Park.

13. CANCELLATION OF LEASE UPON REMOVAL:

In the event Lessee decides to remove the mobilehome coach from the Park, Lessee may cancel this lease upon giving Lessor 60 days' notice in writing of such removal and cancellation.

14. WAIVER

The waiver by Lessor or Lessee of, or the failure of Lessor or Lessee to take action with respect to, any breach of any term, covenant or condition herein contained, shall not be deemed to be a waiver of such term, covenant or condition herein contained. The subsequent acceptance of rent by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this lease other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of accepting such rent.

15. EFFECT OF LESSEE'S HOLDING OVER:

Any holding over after the expiration of the term of this lease shall be construed to be a tenancy from month-to-month at the same monthly rental as required to be paid by Lessee for the period immediately prior to the expiration of the term hereof.

The amount of rent for such period of holding over may be altered only by mutual agreement or pursuant to applicable law.

16. RESPONSIBILITY OF LESSOR AND LESSEE:

(a) It is the responsibility of Lessor to provide and maintain the physical improvements and the common facilities of the Park in good working order and condition. Lessor and Lessee shall comply with the requirements as set forth in the Mobilehome Residency Law.

(b) Lessor and Lessee agree to negotiate such differences that may occur between them regarding the implementation, interpretation or renewal of all or any part of this lease in a timely and business-like manner. Any negotiated agreements shall be subject to ratification by seventy percent (70%) of Circle S Corral Lessees.

17. SERVICES PROVIDED BY LESSOR:

The services to be provided by Lessor during the term of this lease, unless changed as provided under this lease or by law, are as follows: water, trash pick-up, sewer, night security patrol, lighting and laundry facilities.

18. NOTICE OF CHANGE:

Upon request by Lessor or at least 10 tenants of the Park, Lessor or Tenants shall, after having provided the other party with at least ten days prior written notice of the matter to be discussed, meet and consult on the following matters regarding general Park operation:

(a) Amendments to the Park rules and regulations;

(b) Standards for maintenance and physical improvements in the Park;

(c) Additions, alterations or deletions of services, equipment and physical improvements.

19. TIME IS OF THE ESSENCE:

Time is of the essence of this lease and for each and every covenant thereof.

20. SECTION CAPTIONS:

The captions appearing under the section number designations of this lease are for convenience only and are not part of this lease and do not in any way limit or amplify the terms or provisions hereof.

EXHIBIT B

21. INCORPORATION OF RULES AND LAW:

Lessee hereby acknowledges that the rules and regulations of the Mobile Home Park have previously been received by Lessee, as have copies of the Mobilehome Residency Law and that these documents are incorporated by reference into this lease and are made a part of it as though set forth in full.

22. ACKNOWLEDGEMENT:

Lessee agrees that this lease contains the entire agreement between the parties relating to the lease of space within Lessor's Mobile Home Park. All prior negotiations or stipulations concerning this matter which preceded or accompanied the execution herein, are conclusively deemed to have been superseded hereby. However, this lease may only be altered by written agreement of the parties.

LESSEE(S):

LESSOR:

By: _____
Manager

EXHIBIT B

January 29, 1986

Dear Resident:

Attached is your rent increase notice. Please be informed that this rent increase is only for those mobile home owners who have not signed the lease agreement we have offered all Park residents. If you have signed the new lease agreement or will sign it, then, of course, this rent increase will not apply to your space.

If you would like to discuss the lease agreement with me I will certainly be happy to review it with you by telephone, or personally. As the great majority, (over 75%) of the residents have signed the new lease I am convinced it is to your benefit to sign, but you will have to decide that for yourself. Please note that if the rent control initiative is defeated, delayed, or found illegal the present lease agreement WILL NOT be offered in the future.

Very truly yours,

A handwritten signature in dark ink, appearing to read "R H Johanson", written over the typed name.

ROBERT H. JOHANSON

RHJ:mr
Encl

EXHIBIT C

was paying \$⁴171

NOTICE OF RENT INCREASE

TO: Circle S Corral Mobile Home Park
13613 SAN PABLO AVENUE
SPACE NO. 126
SAN PABLO, CALIFORNIA

PLEASE TAKE NOTICE that beginning on April 1, 1986, which is 60 (sixty) days from the date of this notice, the rent for the premises in the mobilehome park which you are now leasing, SPACE No. 126, will be \$ 196.00 per month, to be paid in advance in monthly installments of \$ 196.00. This represents an increase of \$25.00 over the rent presently in effect.

Dated: January 29, 1986.

CIRCLE S CORRAL MOBILE HOME PARK

By

R. H. Johanson
ROBERT H. JOHANSON
Manager/Owner

EXHIBIT C

STATEMENTS FROM RESIDENTS OF CIRCLE S MOBILEHOME PARK:

(SAN PABLO, (A))

I signed the lease because it was causing me sleepless nights, and couldn't really do any diffrent. My income won't let me pay much more for rent, my health isn't very good, and this was causing me a lot of nervous tension and worry.

SIBYL LYLES, Circle S, #153, 2-3-86.

I was told that if I didn't sign the lease, my rent would be raised. I would have to pay garbage and water. I thought about it for 3 days. I came to the conclusion, that I didn't know which way to turn. I am a widow and live alone on a small income. I really wouldn't know where to go. I'm not in the best of health and all this hasn't help me any.

PAULINE DI MARINO, Circle S, #63, 1-31-86.

On January 20, 1986, Joyce Hairgrove came to my house to ask me to sign the new lease. I told her that "I had not made up my mind yet." She told me that I would get a thirty dollar rent increase if I did not sign. I asked her how come and she told me that a notice was sent to some of the people to tell them that if you didn't sign your rent would go up. I told her I never got the notice and she said well some did and some didn't. she also said that he will raise it each month, cut off my garbage and make me pay for water if I don't see it his way. I asked how much and was told "maybe fifty bucks each month or until I move out". I said that it sounds like a terrorist act and she told me that's what it is. He wants to terrorize us into the new lease. I asked her if we are good tenants and was told that "he did not care one way or the other" that all he wants to do is to force us off the land and sell it to the city. She then told me she and her husband signed the lease only because Johanson told her if she didn't she would be out of a job. Also that Johanson did not own the park but was acting for Mr. Rick. I said I would think about it and let her know. My neighbor and her granddaughter heard the whole thing from her front room window and came over after Joyce left and told me that the Hairgroves tried the same thing on them about the unfair rent raise.

ROBERT L. GALLAGHER, Circle S, #207.

II.SAMPLE & MODEL LEASES SUBMITTED
TO THE COMMITTEE

CASA del LAGO - San Jose, CA

**CASA DEL LAGO MOBILE HOME PARK
MOBILEHOME RENTAL AGREEMENT**

This Agreement is made on the date specified below by the parties identified as "Owner" and "Lessee" and on the following terms:

1. PARTIES:

"Owner" -- San Jose Investments, Ltd., a California limited partnership doing business as Casa Del Lago Mobile Home Park.

"Lessee" Robert & Geyla Rubin

2. SPACE NO. 559, located at 2151 Old Oakland Road, San Jose, California 95131.

Please Note: Subject to legal requirements, Casa Del Lago is divided into two sections, the "Adult Only" section where all permanent residents must be eighteen (18) or older and the "Family" section where residents of any age may live. The "Family" section is Space numbers 1 through 247, inclusive and the "Adult Only" section is Space numbers 248 through 618. No more than four (4) persons may regularly occupy the mobilehome in the "Adult Only" section and no more than two (2) persons per bedroom may regularly occupy the mobilehome in the "Family" section.

3. RENT & TERM: (Check one block only)

☒ A. This Agreement is for 41 months beginning Sept. 1, 19 85 and ending January 31, 1989.

☐ The initial monthly rent shall be \$ 435.90. Annual rent increases and adjustments will be as specified in Exhibit "A" which is attached and incorporated by this reference.

☐ B. This Agreement is a month-to-month tenancy beginning 198. The rent shall be \$ _____ per month. This base rent may be increased at any time upon sixty (60) days notice to Lessee from Owner (applicable only to month-to-month tenancies).

4. OTHER CHARGES: (Please see Paragraph 11 for explanation of these charges.)

A. Storage charge: \$ 15.00 per month for each vehicle stored.

B. Guest charge: Two Dollars (\$2.00) per day for each person.

C. A late or handling charge of Ten Dollars (\$10.00) will be required for rent and other charges not paid by the 5th of the month, and \$2.00 per day thereafter. There shall be a handling charge for all checks dishonored by the bank upon which they are drawn of \$10.00 plus bank charges, plus the foregoing late charges if applicable.

D. If Lessee fails to maintain Lessee's Space, Mobilehome or other improvements, landscaping, accessory equipment or structures in accordance with the Park Rules and Regulations, then the Owner may elect to give Lessee written notice as required by law requiring Lessee to either immediately do the work necessary or to hire someone to do this work. If Lessee fails to comply with this notice, then the Owner may either have its personnel, or another party hired by the Owner perform the necessary work. If the Owner or a party hired by the Owner performs the work, then Lessee will be billed for this maintenance at an hourly rate which shall not exceed Thirty Dollars (\$30.00) per hour for all hours actually worked plus the actual cost of all materials used. This option of the Owner to give Lessee this notice and to perform the work on behalf of the Lessee does not have to be exercised and is in addition to the Owner's other remedies at law, including the Owner's right to terminate Lessee's tenancy.

5. UTILITIES:

A. The following are provided and included within the monthly rent: Trash, water, sewer and 8 channel master antenna system.

B. The following are billed separately and are payable as additional rent: Electricity and natural gas.

C. The following are not provided and can be obtained independently: telephone, etc.

6. RENT OF SPACE:

Owner grants to Lessee the use and possession of the space in the Park, specified above, which is referred to in this Agreement as "SPACE", for the Term specified, subject to the restriction, limitations and obligations of Lessee, all of which are provided in this Agreement.

7. INSPECTION OF THE SPACE:

By signing this Agreement, Lessee has acknowledged that Lessee has carefully inspected the Space to be rented and all the Park services and facilities and has found them to be in every respect safe and as represented by Owner to the Lessee either orally or in writing, and to the extent that they are not exactly as represented, either orally or in writing, accepts them as they are.

8. RENT:

8.1 Lessee shall pay to Owner the rent and all additional amounts provided in this Agreement each month as and for rent. Rent is payable in advance, without demand, on the first day of each calendar month without any set off or deduction whatsoever. The rent shall be paid at the office of the Park Manager located within the Park or wherever Owner shall designate from time to time in writing.

8.2 All rents payable hereunder shall be paid IN FULL by check or money order. Owner may, upon ten (10) days' written notice to Lessee require payment be made in cash or equivalent. The acceptance by Owner of any late payment shall not constitute a waiver of any breach of any term or provision of this Agreement or any rule, regulation, term or

provision contained in any document referred to in this Agreement, nor shall it reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit hereunder.

9. UTILITIES:

In addition to the rent to be paid to Owner, Lessee will pay for those utilities set forth above, which will be billed monthly by Owner. Where applicable said billing will be made at the rate set by the Public Utilities Commission or any other governmental entity having statutory authority thereof and shall be based upon the applicable schedules of the Public Utilities Commission or other governmental entity as they relate to the total units of energy consumed. Owner shall post the applicable utility rates as required by law. In the event of non-payment, Owner shall have the same rights with respect to such non-payment as it has with respect to the non-payment of basic Space rent. Owner shall not be liable for any loss or injury, and Lessee shall not be entitled to, any abatement or reduction of rent by reason of Owner's failure to furnish any of said utilities when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Owner. (Please Note: The provisions of the paragraph entitled "INDEMNIFICATION" of this Agreement apply to this paragraph.) Lessee shall not connect, except through existing electrical, cable television lines, sewer outlets or natural gas outlets or water pipes on the Space, any apparatus or device for the purpose of using television transmissions, electric current, natural gas or water.

10. TAXES:

10.1 Lessee shall pay directly to the assessing body or party when due all municipal, county, state and federal, property taxes on Lessee's mobilehome and other property owned by Lessee, and other taxes (except for Owner's "Property Taxes" and Owner's income taxes and franchise taxes) levied upon the Premises, Lessee, or Owner in connection with the use and occupancy of the Premises by Lessee. This includes without limitation, the payment of property taxes and personal property taxes on accessory equipment and structures (including without limitation awnings, skirting, storage sheds, steps, porches) and other improvements made or installed by Lessee, former Lessees, or by persons other than Owner.

11. PAYMENT OF OTHER CHARGES:

Lessee agrees to pay to Owner on or before the first day of each and every calendar month during the term hereof the applicable charges set forth in paragraph 4 "OTHER CHARGES" above. The "Guest" charge shall not be applicable to extra Guests staying less than a total of twenty (20) consecutive days or a total of thirty (30) days in a calendar year. This additional charge shall not apply if the extra Guest is a member of Lessee's immediate family as defined by the Mobilehome Residency Law. All charges listed in paragraph 4 "OTHER CHARGES" above may be increased upon sixty (60) days notice to Lessee. In the event of non-payment Owner shall have the same rights with respect to such non-payment as it has with respect to the non-payment of the basic Space rent to be paid by the Lessee pursuant to this Agreement. Lessee shall not be entitled to occupy any vehicle in the storage area. Storage of vehicles in the storage area will also be subject to the terms of a separate agreement which Lessee will be required to sign.

12. RESIDENT MEETINGS:

The Management of the Park shall meet and consult with residents as required by the Mobilehome Residency Law.

13. CHANGES IN RULES AND REGULATIONS, STANDARDS OF MAINTENANCE, SERVICES, EQUIPMENT OR PHYSICAL IMPROVEMENTS:

The Park Rules and Regulations, may be changed from time to time during the term of this Agreement at Owner's sole discretion. It is understood, however, that if any change is made, Owner will comply with the applicable provisions of the Mobilehome Residency Law and other applicable law. No such changes shall be made to the amount of rent or other charges made by the Owner to Lessee unless permitted by the other provisions of this Agreement.

14. HOLD-OVER TENANCY:

If Lessee's tenancy hereunder is longer than a month-to-month tenancy and if Lessee remains in possession of the Space after expiration of the term of this Agreement and has not executed a new occupancy agreement with respect to the Space, said possession of Lessee shall be deemed a month-to-month tenancy. Owner may, on sixty (60) days notice, increase the rental rate and other charges of the Park charged Lessees who are on a month-to-month tenancy.

15. INDEMNIFICATION:

15.1 PLEASE NOTE: NOTHING CONTAINED IN THE FOLLOWING PARAGRAPH OR ELSEWHERE IN THIS AGREEMENT, THE RULES AND REGULATIONS OR OTHER RESIDENCY DOCUMENTS OF THE PARK SHALL HAVE THE EFFECT OF AN AGREEMENT BY LESSEE TO RELEASE, INDEMNIFY AND HOLD HARMLESS THE OWNER, PARK OR ANY OTHER PERSON FOR THE NEGLIGENT OR WILLFUL ACTS OR OMISSIONS OF THE OWNER, THE PARK OR ANY OTHER PERSON OR FROM A BREACH BY THE OWNER OR THE PARK OR ANY OTHER PERSON OF THIS AGREEMENT OR THE BREACH OF ANY OTHER DUTY OWED BY THE OWNER, THE PARK OR ANY OTHER PERSON TO LESSEE OR TO ANY OTHER PERSON.

15.2 Owner and Park shall not be liable for any loss, damage or injury of any kind whatsoever to the person or property of any Lessee or any of the employees, guests, invitees, permittees or licensees of any Lessee, or of any other person whomsoever, caused by any use of the Park or Space, or by any defect in improvements erected thereon, or arising from any accident on the Park or Space, or any fire or other casualty thereon, or occasioned by failure on the part of Lessee to maintain said Space, or any part thereof, in a safe condition, or by any nuisance made or suffered on the Park or Space by any act or omission of any Lessee, or any employees, guest or invitee thereof or arising from any cause whatsoever, unless resulting from circumstances described in paragraph 15.1 above. As a material part of the consideration of this Agreement, Lessee hereby waives all claims and demands against Owner and the Park and hereby agrees to indemnify and save Owner and the park free and harmless from liability for all claims and demands for any such loss, damage or injury, together with all costs and expenses arising therefrom or in connection therewith, unless resulting from the circumstances described in paragraph 15.1 above.

16. LIENS AND CLAIMS:

Lessee shall not suffer or permit to be enforced against Owner's title to the Park, or any part thereof, any lien, claim or demand arising from any work of construction, repair, restoration, maintenance or removal as herein provided, or otherwise arising and Lessee shall pay all such liens, claims and demands before any action is brought to enforce the same against said Park. Lessee agrees to hold Owner and the Park free and harmless from all liability for any and all such liens, claims or demands, together with all costs and expenses, including but not limited to, attorney's fees and court costs incurred by Owner in connection therewith.

17. DAMAGE TO MOBILEHOME:

In the event the mobilehome shall be damaged by fire, earthquake, the elements, or other casualty, the provisions of this section shall apply:

17.1 In the event the whole or partial destruction of the mobilehome is such that it may be repaired,

reconstructed, or restored within a period of sixty (60) days, Lessee shall promptly commence the work of repair, reconstruction, and restoration and shall diligently prosecute the same to completion at Lessee's expense, and this Agreement shall continue in full force and effect.

17.2 In the event the whole or partial destruction of the mobilehome is such that it cannot be repaired, reconstructed, or restored within a period of sixty (60) days, then in such event Lessee shall remove the mobilehome from the Park at Lessee's expense. If Lessee fails to do so, within ten (10) days of written notice from Owner to remove same, then Owner may, without further notice, remove it and the actual costs thereof shall be due and payable forthwith. Upon such removal, this Agreement shall terminate, unless Lessee elects to continue this Agreement by performance of all of his terms and conditions set forth in this Agreement.

18. LESSEE'S OPTION TO TERMINATE UPON REMOVAL OF MOBILEHOME:

Subject to the provisions of Paragraph 20, this Lease and the Lessee's tenancy may be terminated at the option of the Lessee on sixty (60) days written notice providing the Lessee moves from the Park and removes the mobilehome and all accessories and buildings from the Park. Upon removal of the mobilehome, this Lease shall be deemed terminated, the Space shall revert to Owner's control and Owner may Lease or rent the Space to any party on any terms he chooses.

19. SUBLETTING OR ASSIGNING:

19.1 No subletting:

Lessee does not have either the right or power to sublease or sublet the Space or the mobilehome located thereon. Any sublease or subletting shall be void and shall, at the option of Owner, terminate this Lease. Provided, however, if during the term of this Lease, or any extensions thereof, State Law is changed so as to require subleasing, then, Owner will consent to a sublease subject to the same conditions for an assignment, as hereinafter provided in paragraph 19.2 as though the sublessee were an assignee.

19.2 Assignment:

Lessee shall not assign this Lease, voluntarily or by operation of law, or any interest therein, or any right or privilege appurtenant thereto, without the written consent of Owner first had and obtained; and a consent to one assignment, shall not be deemed to be a consent to any subsequent assignment. Any such assignment without such consent shall be void and shall, at the option of Owner, terminate this Lease. Subject to the foregoing, Owner will consent to an assignment, provided all of the following conditions have been satisfied:

19.2.1. Notice of the sale or transfer together with a completed Application for Tenancy shall have been given by Lessee or Lessee's agent to the Owner prior to the close of sale or transfer in sufficient time to permit the Owner to make reasonable investigation of the proposed assignee as provided for investigation of a proposed purchaser in the Mobilehome Residency Law; and

19.2.2 Owner shall have approved of the proposed assignee; and

19.2.3 The proposed assignee shall have executed prior to sale and possession an Assumption of this Lease, in a form satisfactory to Owner, which Assumption shall provide, among other things that the prospective assignee will abide by the Park Rules and Regulations, including those limiting residency to adults (to the extent permitted by law), and agree to pay rent at the rate provided in Paragraph 19.2.8 or, at Owner's option, a new Lease agreement shall be entered into between Owner and assignee upon the same terms and conditions as set forth herein with the same remaining term of Lease but with rent as determined pursuant to paragraph 19.2.8; and

19.2.4 The mobilehome shall not be subject to removal as provided in the Mobilehome Residency Law, this Lease, or other applicable law, and

19.2.5 Lessee shall have permitted reasonable access to the mobilehome for purposes of determining compliance with the limitations of the Mobilehome Residency Law, Section 798.73 (a) through (d), inclusive; and

19.2.6 All of Lessee's responsibilities and liabilities to Owner regarding rent, utilities, compliance with Park Rules and Regulations including reasonable maintenance of the mobilehome and its Space shall have been satisfied. As used in this Paragraph 19.2 the term "assignee" does not include a sublessee (except as provided in paragraph 19.1), or an "heir or joint tenant", whose rights are provided in Section 798.78 of the Mobilehome Residency Law, or a "Legal Owner", whose rights are provided in Section 798.79 of the Mobilehome Residency Law, except that if such Legal Owner forecloses on the security, such Legal Owner shall be deemed an assignee; and

19.2.7 Any assignee shall at Owner's request pay to and deposit with Owner an amount equal to the initial rent for the first full month following the date of assignment. Said sum is to be held by Owner as security for the faithful performance of all of the terms, covenants and conditions of this Lease on assignee's part to be performed. Owner shall have the right, but shall not be obligated, to apply all or any portion of said deposit to the fulfillment of any of assignee's obligations or liabilities under this Lease and the curing of any defaults of assignee hereunder. The balance of said security deposit shall be refunded to assignee at the expiration of the term of this Lease, provided there is then no default under this Lease. The right to apply the security deposit as hereinabove set forth is in addition to any other rights and remedies which Owner may have by reason of any breach by assignee of the covenants, conditions and restrictions of this Lease. If Owner shall sell or transfer the reversion herein, Owner may transfer and deliver said security deposit to the purchaser of the reversion and thereupon be discharged from any further liability with reference thereto. In the event security deposits are outlawed, this provision shall be of no force or effect.

19.2.8 The rental rate for the assignee shall be that specified in Exhibit "B", which is attached and incorporated by this reference.

19.3 No Waiver:

Except as specifically provided in paragraphs 19.1 and 19.2, wherein Owner may consent to an assignment, the acceptance of rent from the Lessee, or any assignee or subtenant of Lessee, after any such assignment or subletting shall not constitute a waiver of the provisions hereof. The listing of any name other than that of the Lessee, whether on the doors of the Space or on the mailbox or otherwise shall not operate to vest any right or interest in this Lease or in the Space in any person other than the Lessee, it being expressly understood that any such listing is a privilege extended by the Owner, revocable at will by written notice to the Lessee.

20. REMEDIES OF OWNER ON DEFAULT:

In the event of default at any time by Lessee in the payment of the rent herein provided for, or any part thereto, or in the performance of any other of Lessee's agreements herein contained, or if Lessee vacates or abandons the Leased Space then Owner, besides other rights or remedies he may have, shall have the immediate right of re-entry; if the Space is vacated or abandoned. Owner may remove all property from the Space; (such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Lessee). Should Owner elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings, pursuant to any notice provided by law, it may either terminate this Lease or may from time to time, without terminating this Lease, relet said Space or

any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Owner in its sole discretion may deem advisable with the right to make alterations and repairs to said Space; upon each such reletting (a) Lessee shall be immediately liable to pay to Owner, in addition to any indebtedness other than rent due hereunder, the costs and expenses of such reletting and of such alterations and repairs, incurred by Owner and the amount, if any, by which the rent reserved in this Lease for the period of such reletting (up to but not beyond the term of this Lease), exceeds the amount agreed to be paid as rent for the demised Space for such period on such reletting; or (b) at the option of Owner, rents received by Owner from such reletting shall be applied: First, to the payment of any indebtedness, other than rent due hereunder from Lessee to Owner, second to the payment of any costs and expenses of such reletting and of such alterations and repairs; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by Owner and applied in payment of future rent as the same may become due and payable hereunder. If Lessee has been credited with any rent to be received by such reletting under option (a) and such rent shall not be promptly paid to Owner by the new tenant, or if such rentals received from such reletting under option (b) during any month be less than that to be paid during such month by Lessee hereunder, Lessee shall pay any deficiency to Owner. Such deficiency shall be calculated and paid monthly. No such re-entry and taking possession of said Space by Owner shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Owner may at any time thereafter elect to terminate this Lease for such previous breach. Should Owner at any time terminate this Lease for any breach, in addition to any remedy it may have, it may recover from Lessee damages it may incur by reason of such breach, including the cost of recovering the Space, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable value of the Space for the remainder of the stated term, all of which amount shall be immediately due and payable from Lessee to Owner. In addition to the rights and remedies herein granted, the voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Owner, terminate all or any existing subleases or subtenancies, or may, at the option of Owner, operate as an assignment to Owner of any or all such subleases or subtenancies.

21. PROHIBITED USE:

The mobilehome and Space shall be used only for private residential purposes and no business or commercial activity of any nature shall be conducted thereon. No persons other than those listed on the first page of this Agreement, and Lessee's guests, may reside at the Space without the prior written consent of the Owner. No person may regularly occupy the mobilehome unless they meet the age and other requirements specified in paragraph 2 for the "Adult Only" and "Family" sections of the Park. Owner may demand proof of age of any Lessee, guest or other persons. Lessees shall not abandon the Space at any time during the term of this Agreement or renewal or period of holding over. At all times at least one of the persons listed in the first page of this Agreement as a Lessee must be the "legal" or "registered" owner of the mobilehome which occupies the Space.

22. REMOVAL ON SALE:

The Owner will, in order to upgrade the quality of the Park, require the removal of mobilehomes from the Space upon their sale or transfer to a third party, in accordance with the provisions of the Mobilehome Residency Law and other applicable law.

23. TERMINATION OF TENANCY BY OWNER:

This Agreement at the sole option of the Owner may be declared forfeited and/or the tenancy may be terminated and/or Lessee's right to possession or to renew Lessee's tenancy terminated in accordance with the provisions of the Mobilehome Residency Law and other applicable law.

24. EMINENT DOMAIN:

If the entire Park, or a portion thereof so that in Owner's sole opinion the balance remaining is not suitable for a Park, is taken under the power of eminent domain, or is sold to any authority having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, then this Agreement shall automatically terminate as of the date the condemning authority takes possession. Any award for any taking of all or any part of the Space under the power of eminent domain shall be the property of Owner, whether such award shall be made as compensation for diminution in value of the Leasehold or for taking of the fee. Nothing contained herein, however, shall be deemed to preclude Lessee from obtaining, or to give Owner any interest in, any award to Lessee for the loss of or damage to Lessee's mobilehome or other removable personal property.

25. TRANSFER OF OWNER'S INTEREST:

In the event of any sale or conveyance by the Owner of the Park, or any part thereof containing the Space, Owner upon notice to its transferee of the existence of this Lease shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Agreement arising out of any act, occurrence or omission occurring after the consummation of such transfer; and the transferee shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such transferee, to have assumed and agreed to carry out any and all of the covenants and obligations of the Owner under this Agreement.

26. SUBORDINATION AND ATTORNMENET:

26.1 Owner hereby reserves the right to lease, place liens on, encumber, mortgage, or convey by deed of trust, the Park or any part containing the Space, and in such event this Agreement and the Leasehold interest hereby created shall at Owner's option, be subject and subordinate thereto and to any renewals, extensions, amendments, modifications or replacements thereof.

26.2 Lessee agrees to, and shall on written request of Owner to do so when and as required by him, execute, acknowledge and deliver to Owner, or to the recipient designated by him, all documents required to subordinate Lessee's rights under this Agreement to any such lease, lien, encumbrance, mortgage, or deed of trust, as the case may be.

27. ATTORNEYS FEES AND COSTS:

In any action arising out of Lessee's tenancy, this agreement, or the provisions of the Mobilehome Residency Law, the prevailing party shall be entitled to reasonable attorneys fees and costs. A party shall be deemed a prevailing party if the judgment is rendered in his favor or where the litigation is dismissed in his favor prior to or during the trial, unless the parties otherwise agree in the settlement or compromise.

28. TIME IS OF THE ESSENCE:

Time is of the essence of this Agreement and for each and every provision hereof.

29. WAIVER OF DEFAULT:

No delay or omission in the exercise of any right or remedy of Owner on any default by Lessee shall impair any such right or remedy or be construed as a waiver. No waiver by Owner of Owner's right to enforce any provision hereof after any default on the part of Lessee shall be effective unless made in writing and signed by Owner nor shall it be deemed a waiver of Owner's right to enforce each and all of the provisions hereof upon any further or other default on the part of Lessee. The acceptance of rent hereunder shall not be, or become construed to be, a waiver of any breach of any term or provision of this Agreement or any rule, regulation, term or provision contained in any document referred to in this Agreement, nor shall it reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit hereunder.

30. SUCCESSORS:

This Agreement shall be binding upon and shall inure to the benefit of the parties herein and to their heirs, assigns and successors in interest. Nothing contained herein shall be deemed to give Lessee the right to assign, sublet, or transfer the Space except as expressly authorized by this Agreement.

31. COMPUTATION OF PERIODS:

All periods of time referred to in this Agreement shall include all Saturdays, Sundays and state or national holidays, provided that if the date or last date to perform any act or give any notice with respect to this Agreement shall fall on a Saturday, Sunday or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday or state or national holiday.

32. HEADINGS:

The word titles of the paragraph and subparagraph designations contained herein are inserted solely for convenience and under no circumstances are they or any of them to be treated or construed as any part of this Agreement.

33. ENTIRE AGREEMENT:

This Agreement and the documents referred to herein constitute the entire agreement between Lessee and Owner pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties, whether written or oral.

34. ALTERATION OF THIS AGREEMENT:

This Agreement may be altered only by written Agreement signed by Owner and Lessee.

35. NOTICES:

All notices or documents of any kind which Owner may be required or may desire to serve on Lessee under the terms of this Lease may be served (as an alternative to personal service upon Lessee) by leaving a copy of such notice or document, addressed to Lessee, in the "notice tube" at the Space or by mailing a copy thereof at any post office in the State of California, addressed to Lessee at the Space. Service shall be deemed complete at the time of leaving the notices or documents or within three (3) days after the mailing thereof. All notices of documents of any kind which Lessee may be required or may desire to serve on Owner under the terms of this Lease may be served (as an alternative to personal service upon Owner) by mailing a copy thereof by registered mail in any post office in the State of California, addressed to Owner at the Park office. Service shall be deemed complete within three (3) days after the mailing thereof. Either Owner or Lessee may change its mailing address by notifying the other party in writing as to such new address.

36. FORCE MAJEURE:

Any failure or delay on the part of Owner, or of his agents, servants or employees, in the performance of any obligation contained in this Agreement shall be deemed excused if such failure or delay is due to causes beyond their reasonable control.

37. INSURANCE:

Owner does not carry public liability or property damage insurance to compensate Lessee, Lessee's guest or any other person from any loss, damage or injury except those resulting from those situations where Owner would be legally liable for such loss, damage or injury. Lessee is responsible, therefore, for obtaining at Lessee's own cost, extended coverage for Homeowner, fire and other casualty insurance on the mobilehome, other improvements and contents to the full insurable value and such other insurance as is necessary to protect Lessee, Lessee's guest or others from loss or liability. Lessee shall neither bring nor keep on the Space anything that will cause an increase in the insurance premiums on the Park, nor shall Lessee use the Space in any manner or for any purpose that will cause either an increase in insurance premiums, the cancellation of any insurance coverage, or the refusal of any insurance carrier to insure the Park against the specified hazards, and Lessee shall not permit his Guests, or others within the Park upon his authority to do any of the acts prohibited to Lessee herein. In the event Lessee engages in activities prohibited by the foregoing, Lessee shall be liable to Owner for all damages arising therefrom, including without limitation, the increased costs of insurance premiums.

38. DEFINITIONS:

The Definitions of the terms used in this Lease are contained in the First Addendum.

39. OWNER'S APPROVAL:

Whenever the terms "Owner's approval" or "approval of Owner", "Owner's consent" or "consent of Owner" or other similar terms are used in this Agreement or in other documents referred to in this Agreement or as provided by law, they mean that the owner's prior written approval must have been obtained by Lessee. If Owner's prior written approval is required, Lessee shall submit a written request to Owner which describes the action Lessee proposes to take and requests Owner to give prior written approval.

40. CHOICE OF LAW:

This Agreement and all documents referred to in this Agreement shall be construed and enforced in accordance with the laws of the State of California.

41. ENTRY UPON LESSEE'S SPACE:

The Owner shall have a right of entry upon the Space at any reasonable time for maintenance of utilities, reading of meters, for the protection of the Park, and for maintenance of the Space, Mobilehome or other improvements, accessory equipment or structures in accordance with the Rules and Regulations of the Park when the Lessee fails to so maintain these items, but not in a manner or at a time which would interfere with the occupant's quiet enjoyment. The Owner may enter a mobilehome without the prior written consent of the occupant in the case of an emergency or when the occupant has abandoned the mobilehome.

42. ACKNOWLEDGMENT:

Lessee acknowledges that he/she has read, understands and received copies of this Agreement, together with a copy of the Park Rules and Regulations and all other residency documents referred to in this Agreement, including exhibits hereto, and a copy of the Mobilehome Residency Law, and further, that he/she has read and understands each of these documents and the other Rules and Regulations posted in and about the Park, Lessee understands that by executing this Agreement he/she will be bound by the terms and conditions thereof.

43. INFORMATION PROVIDED TO OWNER:

Concurrent with Lessee's execution of this Lease, Lessee shall provide Owner with the following listed information. In addition, Lessee shall during the term of this Lease be required to keep this information correct by giving Owner written notification within ten (10) days of any change:

- (a) A photocopy of the registration or ownership certificate pertaining to the mobilehome; and
- (b) The name and address of all lien holders and persons claiming any rights or interest in the mobilehome whatsoever; and
- (c) Names and ages of all occupants, pet descriptions, and descriptions of vehicles of Lessee and his Guests.

44. INFORMATION PROVIDED TO LESSEE:

Pursuant to the requirements of the Mobilehome Residency Law Owner is notifying Lessee that the property upon which this Park is located is zoned APD and there is a conditional use permit without a termination date. This Park is on a Ground Lease which expires November, 2013. Owner makes no warranty or representation concerning any continued zoning of the Park.

45. MAJOR DESTRUCTION:

If, during the term of this Lease, the Space or the Park shall be destroyed by fire, flood, earthquake, ground fault or movement, act of God, or by any other causes (hereinafter referred to as "casualty"), either Owner or Lessee shall have the right to terminate this Lease upon ninety (90) days notice of one to the other. If, during the term of this Lease, the Space or the Park shall be damaged to the point that the Space or Park becomes economically unfeasible to operate or replace, Owner shall have the right to terminate this Lease upon ninety (90) days notice to Lessee. Upon any such termination, rent shall cease upon Lessee's removal of the mobilehome and all other property from the Space.

DATED: _____

Lessee

Lessee

SPACE NO. _____

SAN JOSE INVESTMENTS, LTD.
doing business as
Casa Del Lago Mobilehome Park

DATED: _____

By: _____

Its: _____

**EXHIBIT A
CASA DEL LAGO MOBILEHOME PARK LEASE**

RENT

The rent and rent pass-throughs payable by Lessee to Owner during the term of the Lease are expressed below in simplified language in Paragraph A (General Provisions). Exhibit A-1 attached hereto reflects, in general, rent increases and rent pass-throughs for various rent levels as of January 1984. A more detailed and technical description follows in Paragraph B (Detailed Provisions). In the event of a conflict, the Detailed Provisions shall prevail.

A. GENERAL PROVISIONS.

A.1 The base monthly rent under the Lease shall be as follows:

- (a) Commencing February 1, 1985, the base rent shall be (i) Lessee's base rent as of January 1984, plus (ii) \$37.00 plus (iii) 11% of the sum of (i) and (ii), which is the "Initial Monthly Rent".
- (b) Commencing February 1, 1986, the base rent shall be increased by 7.5% of the base rent in effect as of January, 1986.
- (c) Commencing February 1, 1987, the base rent shall be increased by 7.5% of the base rent in effect as of January 1987.
- (d) Commencing February 1, 1988, the base rent shall be increased by 7.5% of the base rent in effect as of January, 1988.

A.2 It is agreed that Owner is entitled to a \$37.00 per month rent increase for the year commencing February 1, 1984; provided, however, from February 1, 1984 Lessee has been obligated to pay only an 8% increase. Owner agrees to accept the 8% increase for the period February 1, 1984 through October 31, 1984 in return for Lessee's agreement to pay the difference between \$37.00 and 8% for the months of November, December 1984 and January 1985; such amount is paid over 12 equal monthly installments commencing February 1, 1985.

A.3 In addition to the rent specified above, Lessee's rent shall be increased on a per space basis (divided by 618 spaces), by any of the following costs, which are incurred or paid, during the term of the Lease:

- (a) Any new governmental imposition, tax, assessment, utility charge, or the like in excess of \$10,000 per item in any calendar year over the prior year;
- (b) Increase in any imposition, tax, assessment, utility charge or the like in excess of \$10,000 per item over the prior year's; and
- (c) Costs, in excess of \$10,000 per occurrence including reasonable interest and financing charges, as a result of any damage or destruction to the Park (whether insured or not) in excess of insurance proceeds, exclusive of deductible, or other third person recoveries to effect any capital reconstruction, like replacement, repair, or restoration, except as required by law. Such amounts shall be calculated based upon an amortization schedule of five years.

B. DETAILED PROVISIONS.

B.1 Definitions:

As used in this Exhibit, the terms listed below shall have the following meanings:

B.1.1 The term "Retroactive Rent" means the aggregate difference between \$37.00 per month and 8% of the January, 1984 base space rent payable by Lessee to Owner for the months of November and December 1984 and January 1985.

B.1.2 The term "Monthly Governmental Imposition Pass-Through Amount" refers to a possible rent increase due on each February 1 of the term of the Lease, to be determined pursuant to paragraph B.4 below.

B.1.3 The term "Monthly Damage Pass-Through Amount" refers to a possible rent increase due on each February 1 of the term of the Lease, to be determined pursuant to paragraph B.5 below.

B.2 Payment of Space Rent; Waiver of Receipt.

Owner and Lessee acknowledge and agree that the rent Owner is entitled to hereunder during the term of the Lease is equal to Lessee's January 1984 rent for each month of the Lease plus all rent increases and pass-throughs thereafter. Owner and Lessee or representatives of Lessee have negotiated extensively concerning payment of such rent increases and pass-throughs in light of Owner's increased debt service for 1984. Although all of such rent increases and pass-throughs are currently due as a result of such increased debt service, Owner agrees that so long as Lessee complies with the payment terms of the Lease, Owner shall waive portions of such rent increases and rent pass-throughs due from time to time by granting a temporary discount in return for Lessee's promise to pay rent each month in accordance with the following:

B.2.1 From February 1, 1985 through January 31, 1986, monthly rent shall be the Initial Monthly Rent.

B.2.2 From February 1, 1986 through January 31, 1987, monthly rent shall be equal to the sum of (i) the "February 1986 Base Rent", which is the Initial Monthly Rent increased by 7.5% plus any Monthly Governmental Imposition Pass-Through Amount which initially becomes effective on February 1, 1986, and (ii) all Monthly Damage

Pass-Through Amounts.

B.2.3 From February 1, 1987 through January 31, 1988, monthly rent shall be equal to the sum of (i) the "February 1987 Base Rent", which is the February 1986 Base Rent increased by 7.5% plus any Monthly Governmental Imposition Pass-Through Amount which initially becomes effective February 1, 1987, and (ii) all Monthly Damage Pass-Through Amounts.

B.2.4 From February 1, 1988 through January 31, 1989, monthly rent shall be equal to the sum of (i) the "February 1988 Base Rent", which is the February 1987 Base Rent increased by 7.5 % plus any Monthly Governmental Imposition Pass-Through Amount which becomes effective on February, 1, 1988, and (ii) all Monthly Damage Pass-Through Amounts.

B.3 Payment of Retroactive Rent.

In addition to the rent specified above, Lessee shall pay monthly, as additional rent, from February 1, 1985 through January 31, 1986 1/12th of the Retroactive Rent.

B.4 Monthly Governmental Imposition Pass-Through Amount.

At any time during the Lease term, if any utility, water, sewer, street or special assessment district, or if the United States Government, or any state, county, city or any political subdivision thereof in which the Park is situated, levies, assesses, creates or increases a real or personal property tax or assessment, or excise tax on rent, or any other tax, charge, fee, tariff or assessment however described, against the Park (including the improvements, furniture and fixtures thereat) or against Owner with respect to the Park, referred to as a "Governmental Imposition", then such Governmental Imposition shall be a pass-through to Lessee as additional rent in accordance with the following:

B.4.1 The amount of any new Governmental Imposition which may be passed through to Lessee commencing February 1 of any year shall be equal to 1/12th of 1/618th of the amount of such Governmental Imposition paid or incurred in the preceding calendar year in excess of a total Park-wide amount of \$10,000 per item.

B.4.2 The amount of any increased Governmental Imposition which may be passed through to Lessee commencing February 1 of any Lease year shall be equal to 1/12th of 1/618th of the amount of such increased Governmental Imposition paid or incurred in the first preceding calendar year in excess of a total Park-wide amount of \$10,000 over the second preceding calendar year.

B.4.3 Resident agrees to pay Owner commencing February 1 of each year and continuing throughout the remaining Lease term, the applicable Monthly Governmental Imposition Pass-Through Amounts pursuant to paragraphs B.4.1 and B.4.2, referred to as the "Monthly Governmental Imposition Pass-Through Amount", upon notice given as to any such item not less than 60 days prior to the February 1 on which such amounts are to become effective.

B.5 Monthly Damage Pass-Through Amounts.

B.5.1 As used in this paragraph, the terms listed below shall have the following meanings:

(a) The term "Damage or Destruction" shall mean every type of damage, destruction or loss affecting the spaces, the facilities, the Park, or any portion thereof, arising from any cause whatsoever, whether insured or not.

(b) The term "Damage Costs" means all actual amounts incurred or expended by Owner, or reasonably anticipated to be incurred or expended by Owner, for capital reconstruction, like replacement, repair or restoration arising from any Damage or Destruction. In addition, the term also includes costs of financing incurred, expended, or reasonably anticipated to be incurred or expended, including interest and points, broker's fees and commissions, and loan charges and fees.

B.5.2 If there is any Damage or Destruction during the Lease term (whether insured or not) which Damage or Destruction results in Damage Costs in excess of \$10,000 per occurrence, such Damage Costs in excess of the sum of \$10,000 per occurrence, net insurance proceeds (exclusive of deductible) and other third-person net recoveries, shall be passed through to Lessee on a per space basis and based upon a five-year amortization schedule.

B.5.3 Lessee shall pay Owner commencing each February 1 during the Lease term, the monthly amount of Damage Costs to be passed through to Lessee pursuant to Paragraph B.5.2, above, arising from Damage Costs upon 60 days written notice given prior to any February 1. The amount to be passed through commencing any February 1 during the Lease term is herein referred to as the "Monthly Damage Pass-Through Amount." Anticipated Damage Costs shall be adjusted upward or downward upon determination of actual Damage Costs.

B.5.4 Insurance Condition.

As a condition to the Owner being entitled to obtain any specific Monthly Damage Pass-Through Amount pursuant to paragraph B.5, above, Owner shall maintain insurance coverage and limits of liability which are satisfactory to John Hancock Mutual Life Insurance Company under the Lease dated as of September 19, 1973 for operation of the Park between it and Owner's predecessor. Such policy is not required to insure against the specific casualty which caused the Damage or Destruction. Owner will maintain a copy of the policy or abstract of the policy for review by Lessee in the Park office; provided, however, that breach of maintaining such policy or abstract for review shall not be deemed a condition to Owner receiving the Monthly Damage Pass-Through Amount.

EXHIBIT A-1

IF ON JAN 1, 1984 YOUR SPACE RENT WAS:

YOUR SPACE RENT WILL BE THE FOLLOWING:	BASE RENT									
	\$219.11	\$226.67	\$235.31	\$247.19	\$255.83	\$263.39	\$264.47	\$273.11	\$274.19	\$282.83
INITIAL MONTHLY RENT INCREASE 2/1/84	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00
BASE RENT 2/1/84 - 1/31/85	256.11	263.67	272.31	284.19	292.83	300.39	301.47	310.11	311.19	319.83
AGGREGATE RENT - 2/1/84 - 1/31/85 (Reflects amounts which should have been paid during the Year)	236.64	244.80	254.13	266.97	283.97	284.46	285.63	294.96	296.13	305.46
RENT INCREASE OF 11% EFFECTIVE 2/1/85	28.17	29.00	29.95	31.26	32.21	33.04	33.16	34.11	34.23	35.18
BASE RENT 2/1/85 - 1/31/86	284.28	292.67	302.26	315.45	325.04	333.43	334.63	344.22	345.42	355.01
RETROACTIVE MONTHLY RENT (Unless paid in lump sum on 2/1/85)	4.87	4.72	4.54	4.31	4.13	3.98	3.96	3.79	3.77	3.59
AGGREGATE RENT 2/1/85 - 1/31/86	289.15	297.39	306.80	319.76	329.17	337.41	338.59	348.01	349.19	358.60
GOVERNMENT PASS THROUGH IMPOSITION AMOUNT DAMAGE PASS THROUGH AMOUNT	-- SUBJECT	TO	ARBITRATION							

EXHIBIT A-1

RENT INCREASE OF 7.5% EFFECTIVE 2/1/86 - 1/31/87	21.32	21.95	22.67	23.66	24.38	25.01	25.10	25.82	25.91	26.63	28.33
AGGREGATE RENT 2/1/86 - 1/31/87	305.60	314.62	324.93	339.11	349.42	358.44	359.73	370.04	371.33	381.64	406.12
RETROACTIVE MONTHLY RENT [1984]	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
GOV'T IMPOSITION PASS THROUGH AMOUNT	- SUBJECT --- TO ----- ARBITRATION - - - - -										
DAMAGE PASS THROUGH AMOUNT	- SUBJECT --- TO ----- ARBITRATION - - - - -										
RENT INCREASE OF 7.5% EFFECTIVE 2/1/87 - 1/31/88	22.92	23.60	24.37	25.43	26.21	26.88	26.98	27.75	27.85	28.62	30.46
AGGREGATE RENT 2/1/87 - 1/31/88	328.52	338.22	349.30	364.54	375.63	386.32	386.71	397.79	399.18	410.26	436.58
GOV'T IMPOSITION PASS THROUGH AMOUNT	- SUBJECT --- TO ----- ARBITRATION - - - - -										
DAMAGE PASS THROUGH AMOUNT	- SUBJECT --- TO ----- ARBITRATION - - - - -										
RENT INCREASE OF 7.5% EFFECTIVE 2/1/88 - 1/31/89	24.64	25.37	26.20	27.34	28.17	28.90	29.00	29.83	29.94	30.77	32.74
AGGREGATE RENT 2/1/88 - 1/31/89	353.16	363.59	375.50	391.88	403.80	414.22	415.71	427.62	429.12	441.03	469.32
GOV'T IMPOSITION PASS THROUGH AMOUNT	- SUBJECT --- TO ----- ARBITRATION - - - - -										
DAMAGE PASS THROUGH AMOUNT	- SUBJECT --- TO ----- ARBITRATION - - - - -										

EXHIBIT B

CASA DEL LAGO MOBILEHOME PARK LEASE
RENT INCREASE UPON ASSIGNMENT OF LEASE

B.1 Subject to the provisions of Paragraph B.2, hereof, the monthly rent to be paid by any "New Lessee" upon assignment of the Lease pursuant to paragraph 20.2.8 of the Lease shall be determined as follows:

B.1.1 If the assignment becomes effective on the first day of any February during the term hereof, the monthly rent shall be that which the "Former Lessee" would have paid on such February 1 increased by 18%. Each February thereafter, monthly rent shall increase as provided in Exhibit A of the Lease.

B.1.2 If the assignment becomes effective on any day other than as set forth in B.1.1, above, during the term hereof, the following shall apply:

(a) Commencing on the date of assignment until the second succeeding February 1 after the assignment, the monthly rent shall be equal to the sum of (i) the Former Lessee's monthly rental rate immediately prior to assignment increased by 18% plus (ii) such increased amount multiplied by the "Annualization Adjustment". As used in the foregoing sentence, the term "Annualization Adjustment" means 7.5% multiplied by a fraction, the numerator of which is 12 and the denominator of which is the sum of 12 plus the number of full months between the assignment date and the next February 1. The reason for using the Annualization Adjustment for rent increases upon assignment is to prorate rent increases over a period of longer than 12 months in order to annualize rents on February 1 and avoid more than one increase within a 12-month period.

(b) Commencing on the second succeeding February 1 following the assignment date, and upon each February 1 thereafter, the monthly rent for the New Lessee shall be increased by an amount necessary to raise the monthly rent to the level that the Former Lessee would have paid had the Former Lessee's rent been increased by 18% on the assignment date. Such increased amount includes all applicable pass-through amounts and the 7.5% rent increases applicable to each February 1 after the assignment date.

B.2 The increases provided for in paragraph B.1 shall be in addition to all other increases contemplated pursuant to Exhibit A of the Lease such as Monthly Governmental Imposition Pass-Through Amounts, Monthly Damage Pass-Through Amounts and Retroactive Rent; provided, however, that the 18% increases reflected in paragraphs B.1.1 and B.1.2 which apply to any assignment, shall not be applied to any Monthly Damage Pass-Through Amounts or Retroactive Rent; provided, further, that if the date of assignment occurs prior to February 1, 1986, the New Lessee shall remain liable for any Monthly Retroactive Rent payable pursuant to Exhibit A from February 1, 1985 through January 31, 1986. Notwithstanding the foregoing provisions of this Exhibit B, Owner shall not be bound by any limitation on any rent increase set forth in this Exhibit B upon the expiration or earlier termination of the term of the Lease.

B.3 The following is an example of the application of Paragraph B.1, above:

ASSUMPTIONS:

1. Monthly Rent before assignment: \$300.00.
2. Date of assignment: August 1, 1985.
3. Pass-throughs: None

SOLUTION:

A. The monthly rent for New Lessee commencing August 1, 1985 is $\$371.70 = \$300.00 + \$54.00 (18\% \times 300.00) + \$17.70 (7.5\% \times 12/18)$. Such monthly rent shall continue in effect until February 1, 1987.

B. The monthly rent for New Lessee commencing February 1, 1987 is \$409.09 derived by calculating the amount of rent the Former Lessee would have paid in accordance with paragraph B.1.2(b), as follows:

- (1) $300 \times 18\% = 354$.
- (2) $(354 \times 7.5\%) + 354 = 380.55$.
- (3) $(380.55 \times 7.5\%) + 380.55 = 409.09$.

**FIRST ADDENDUM TO LEASE AGREEMENT
CASA DEL LAGO
BASIC SERVICE LEVEL**

This First Addendum to the Lease, made on the Effective Date of the Lease, by and between SAN JOSE INVESTMENTS, LTD., a California Limited Partnership, doing business as CASA DEL LAGO MOBILEHOME PARK, hereinafter referred to as "Owner", and the individual(s) who have executed the Lease to which this Addendum is a part, referred to as "LESSEE", is as follows:

RECITALS

A. Owner and Lessee are entering into a written mobilehome park rental agreement or Lease, which is referred to in this Addendum as "Lease", concerning the use and occupancy of a mobilehome park Space specifically identified therein; and

B. The said Lease provides pursuant to Section 798.15 of the California Mobilehome Residency Law that the Owner shall set forth the services and facilities to be provided to Lessee; and C. The City of San Jose Rent Dispute Mediation and Arbitration Ordinance (Chapter 17.23, hereinafter referred to as "the Ordinance") and the regulations promulgated thereunder by the City of San Jose Advisory Commission on Rents (hereinafter referred to as "the Regulations") provide that the basic level of services can be established by the express or implied agreement of the Owner and Lessee; and

D. Owner and Lessee desire to fully and specifically set forth in this Addendum the services and facilities to be provided as the basic service level of Casa Del Lago Mobilehome Park with the understanding that no other services or facilities are to be provided.

NOW, THEREFORE, in consideration of the foregoing facts and the mutual covenants and agreements herein contained parties agree as follows:

**ARTICLE I
AMENDMENTS TO LEASE**

1.1. INCORPORATION:

The recitals of this Addendum are incorporated herein by this reference as though set forth in full. Paragraph 7 of said Lease is deleted and, in place of Paragraph 7, the provisions of this Addendum are substituted. All the terms, covenants, and provisions of said Lease shall remain in full force, except Paragraph 7, and those in conflict with the provisions hereof, in which case the provisions of this Addendum shall prevail.

1.2 DEFINITIONS:

The terms used in this Lease, all Addenda and attachments thereto shall be governed by the definitions set forth hereinafter.

Basic Service Level:

This term means the services and use or enjoyment of facilities provided by Owner to Lessee during the term of the Lease as specifically set forth in this Addendum.

Common Area:

The term common area or common facilities shall refer to all streets, street lighting, lakes, fountains, decorative lighting, parking areas, recreational facilities, clubhouses, lawns, storage areas, and laundry facilities, and all other places in the Park, excluding all Spaces and those areas designated for management use only.

Contractor:

This term shall refer to persons or companies who render services and/or supply materials to Park.

Facilities:

This term means the structures, property and improvements described in Appendices E through P, inclusive.

Guest:

This term means all of Lessees, agents, employees, invitees, permittees or licensees or other persons in the Park or on the Space at the invitation, request or tolerance of Lessee.

Lessee:

This term refers to each adult person who signs the Lease and his or her spouse.

Owner:

The term owner shall refer to the Owner of the Park, including Owner's partners, directors, representatives, officers, and their agents and employees, including the resident manager and off-site manager of the Park, and the successors of each or all.

Park:

The use of the term "park" or "the Park" refers to the entire Casa Del Lago mobilehome community, including both Spaces and common area.

Reduction:

This term means a material, measurable and unreasonable deprivation of Lessee's Basic Service Level caused by an act or omission of Owner.

Rules and Regulations:

This term shall refer to the rules of conduct applicable to Lessee and Guests.

Services:

This term means those services described in Appendices A through E inclusive and Q, and the

Space:

supervision, maintenance and repair described in Appendices E through P inclusive.

The term Space refers to the entire area from curb (including side curb), to rear lot line and side yard party lines, including the driveway, yards, parking areas, and the area upon which the Lessee's mobilehome is located; and whenever the context concerns conduct upon the Space the term shall also include conduct and activities within the mobilehome itself. Notwithstanding the foregoing, the term Space does not apply to the common area adjoining those spaces adjacent to Club Drive.

Title 25:

This term shall refer to the provisions contained in Title 25 - Housing and Community Development - of the California Administrative Code and the Mobilehome Parks Act contained in the California Health and Safety Code commencing with Section 18000.

**ARTICLE II
LESSEE'S INSPECTION
OF
SERVICES AND FACILITIES**

2.1 INSPECTION OF PARK AND SPACE:

Lessee agrees that his execution of the Lease or taking possession of his Space shall constitute his acknowledgment that the Park and Space are in a good and tenantable condition and that there are no service reductions, violations of the Municipal Code of the City of San Jose, violations of Title 25, or any other city, county, state or Federal laws or regulations, or any other breaches or matters, including breaches of the warranty of habitability, whether applicable to services, facilities, or otherwise, which constitute the providing of less than the Basic Service Level. Moreover, Lessee acknowledges that he has found the Park and Space safe and habitable in every respect and as represented by Owner, either orally or in writing, and to the extent that the Park or the Space is not exactly as represented, accepts the services and facilities as they are.

**ARTICLE III
SERVICES AND FACILITIES
PROVIDED TO LESSEE**

3.1 RESPONSIBILITY OF OWNER:

The sole responsibilities of Owner to Lessee in relation to maintaining the physical improvements of the Park in good working order and repair and providing services during the term of said Lease shall be satisfied by providing the Basic Service Level as stated in this Addendum and the Appendices hereto.

3.1.1 Deterioration and Wear and Tear of Facilities:

Normal and abnormal deterioration and/or obsolescence of facilities is expected and shall not constitute a Reduction. However, Owner shall maintain each facility in a usable condition, including such periodic maintenance tasks as painting, cleaning, grouting, replacement of broken windows or fixtures so as to maintain each facility only as set forth in the Appendices.

3.2 SERVICES AND FACILITIES PROVIDED:

The Basic Service Level provided by the Owner to the Lessee is particularly described in the following Appendices to this Addendum, which are attached hereto and incorporated herein by reference as though set forth in full:

SERVICES

Appendix A
Appendix B
Appendix C
Appendix D
Appendix E
Appendix Q

Security Services
Street Cleaning
Rubbish Removal
Recreational
Utilities (Services)
Management

FACILITIES

Appendix E,
Appendix F
Appendix G
Appendix H
Appendix I
Appendix J
Appendix K
Appendix L
Appendix M
Appendix N
Appendix O
Appendix P

Utilities (Facilities)
Adult Clubhouse
Adult Swimming Pool
Family Clubhouse
Family Swimming Pool
Lake
Laundry Facilities
Storage Facility
Recreational Areas
Guest Parking
Streets, Signs & Lighting
Landscaping

3.3 SERVICES AND FACILITIES NOT WITHIN THE BASIC SERVICE LEVEL:

Only the services and facilities specifically set forth in this Addendum constitute the Basic Service Level. The following listed facilities and services are specifically not for the use or enjoyment of the Lessee and do not come within the Basic Service Level. These facilities are reserved for the sole and private use of the Owner in any manner he sees fit.

3.3.1 Maintenance Facilities:

The maintenance facilities include all areas used for the storage of Owner's tools, equipment, supplies and materials used for the maintenance and operation of the Park and its facilities and which are not available for the use of Lessee, including but not by way of limitation the restroom facilities located at the Northern laundry facility.

3.3.2 Tools, Supplies, Equipment and Vehicles:

All of Owner's tools, supplies, vehicles and equipment.

3.3.3 Management Facilities:

The management facilities, including the offices located in the adult and family clubhouses; the closets and storerooms therein; the supplies and equipment, including office and duplicating machines; except, however, that the Residents' Social Club has use of certain storage rooms as provided in the Appendices.

3.3.4 Security Facilities:

The security facilities, including, but not limited to the entry gatehouse and the office in the family clubhouse.

ARTICLE IV LIMITATIONS APPLICABLE TO BASIC SERVICE LEVEL

4. LIMITATIONS:

The Basic Service Level provided to Lessee, as specifically set forth in the this Addendum, is further subject to the limitations set forth in this Article.

4.1 LESSEE'S ENTITLEMENTS:

Lessee's entitlement to the Basic Service Level is subject to the limitations and Lessee's performance of his obligations contained in the Lease and the Rules & Regulations of the Park, as they currently exist, or may be amended pursuant to the law, together with any other obligations of Lessee as provided by law.

4.2 GUESTS/MINORS:

This Addendum creates absolutely no rights for any minors or Guests of Lessee. Their rights to services and use of the facilities are derived from Lessee, but do not constitute any continuing right to use or enjoy facilities or services.

4.3 MATTERS BEYOND OWNER'S CONTROL:

Owner shall be deemed to be providing the Basic Service Level even though there is any failure, suspension, stoppage or interruption of the use or enjoyment of services or facilities, or the repair, replacement, restoration or maintenance thereof, caused by riots, strikes, labor disputes, fire, flood, earthquake, ground faults or movement, acts of God, accident, weather conditions, unavailability of materials, delays, or any other cause or causes beyond the reasonable control of Owner. Moreover, it is Owner's right, in the event of any of the foregoing, to suspend or discontinue any affected service or facility, during the continuance of any such event and that any such suspension or discontinuance which affects any service or facility shall not be deemed or construed as a Reduction.

4.4 IMMATERIAL CHANGES IN BASIC SERVICE LEVEL:

Owner reserves the right to make immaterial alterations, changes, and substitutions and deletions ("Immaterial Change") in the Basic Service Level without liability for a Reduction.

4.4.1 Immaterial Change:

An immaterial change is any change which does not result in an unreasonable, material, and measurable deprivation of the Basic Service Level, or any change required by law.

4.4.2 Examples:

Examples of immaterial changes are the following:

- (a) A change in the Rules and Regulations by reason of a judicial decision affecting the "adult only" provisions of the park.
- (b) A change in the Rules and Regulations by reason of a change in law.
- (c) A change in the Rules and Regulations to regulate behavior within the Park.
- (d) A decision to substitute an employee or contractor for any reason.
- (e) A change in the method of maintenance or timing of maintenance procedures.
- (f) A substitution of like equipment, plants or accessories.

4.5 CONDUCT OF LESSEE:

Owner's obligation to provide the Basic Service Level does not include providing services or the use or enjoyment of facilities when Lessee's or any Guest's usage thereof reasonably exceeds the normal and customary usage, or when Lessee or any Guest does some act which will in any way increase Owner's obligation to provide the Basic Service Level.

4.6 CONDUCT OF OTHER RESIDENTS:

Owner's obligation to provide the Basic Service Level to Lessee includes enforcement of the Rules and Regulations only to the extent provided in the Appendices. To the extent that the conduct of another resident or his Guest causes Lessee to be deprived of a service or the use or enjoyment of a facility, beyond enforcement by Owner in accordance with the provisions in the Appendices, such conduct is a private matter between Lessee and such other person and shall not be deemed a Reduction.

4.7 VOLUNTARY DISCONTINUANCE OF SERVICES OR FACILITIES:

Subject to the following provisions, in addition to the provisions of Paragraph 4.4 of this Addendum, Owner may voluntarily elect to discontinue any material and measurable service or facility (except utilities) upon 60 days written Notice of Intention to Discontinue to Lessee:

4.7.1 Minimum and/or Non-use:

Owner shall be entitled to discontinue any service or facility, without liability for a Reduction, if there is a significant decrease in the use or enjoyment of a service or facility by the residents of the Park.

4.7.2 Unforeseen/Extraordinary Expenses or Replacements:

Owner shall be entitled to discontinue any service or facility, without liability for a Reduction, if to continue to provide and maintain a service or facility would require extraordinary or unforeseen expense or cost of replacement to the Owner. An extraordinary or unforeseen expense or cost of replacement is deemed to exist if the ensuing annual anticipated expenditures therefor are 250% more than the average annual amounts expended by the Owner over the three previous calendar years (to the extent records are available) for the facility or service.

4.7.3 Amount of Credit:

Should Owner elect to discontinue a service or facility under this Paragraph 4.7, Lessee shall be entitled during the term of the Lease to a monthly credit equal to 1/12th of 1/618th of the average annual amounts expended by Owner for the three previous calendar years (to the extent records are available) for the service or facility, which credit shall be deemed full and complete compensation for the discontinued service or facility.

4.7.4 Notice of Intention to Discontinue:

Owner shall give Lessee not less than 60 days written notice of his Intention to Discontinue. In said Notice Owner will specify the reason for the discontinuance and the amount of monthly credit which will be given to Lessee during the term of the Lease as a result of the discontinuance.

4.7.5 Restoration of Basic Service Level:

The discontinuance of a service or facility pursuant to this section shall not preclude Owner from restoring the service or facility and thereupon eliminate the credit given.

**ARTICLE V
SUPERVISION OF BASIC SERVICE LEVEL**

5.1 SUPERVISION OF BASIC SERVICE LEVEL:

The services provided and the facilities to be maintained in the Basic Service Level shall be supervised by Owner only in the manner and to the extent described in this Addendum and in the Appendices. So long as Owner supervises in the manner set forth, then Owner shall be providing the agreed Basic Service Level, as to supervisory obligations.

5.1.1 Termination of Contractor or Employee:

Owner shall, without liability for a Reduction, be entitled at any time and for any reason, to terminate and substitute a contractor or employee. In the event of any such termination, then Owner shall be entitled to a reasonable time to hire a different contractor or employee and, upon such employment, shall be additionally entitled to a reasonable period of time for such contractor or employee to acquaint himself with the duties and obligations of the contractor or employee and to restore the service or facility to the applicable Basic Service Level; all without liability for Reduction.

**ARTICLE VI
MISCELLANEOUS**

6.1 NEW SERVICES OR FACILITIES:

Owner shall, from time to time, be entitled to add new services or facilities and increase the Basic Service Level. However, such voluntary conduct on Owner's part shall not in any way compel Owner to continue any such added services or facilities. A subsequent termination or discontinuance of a new service or facility shall not in any way be deemed a Reduction.

6.2 CONSTRUCTION:

This Addendum shall be liberally construed as a whole and in accordance with its fair meaning and intent, the captions being for convenience only and not intended to fully describe or define the provisions in the portions of the Addendum to which they pertain. Any uncertainty or ambiguity, if any, existing herein shall not be interpreted against either party but rather in accordance to the applicable rules for interpretation of contracts.

APPENDIX A

SERVICE OR FACILITY: SECURITY SERVICES

BASIC LEVEL OF SERVICES OR FACILITIES:

The Owner shall provide a guard/security service to perform the following services for the Park. Owner shall be deemed to have fulfilled and complied with its obligation to provide guards/security services if it hires a licensed guard/security company which assigns its employees to duties specified herein for the following periods, subject to reasonable breaks and emergencies:

Entry Guard:

24 hours Daily

In-Park Rover:

Monday through Friday
One 6 hour shift daily
Commencing between 7 and 9 PM

Saturday and Sunday
One 6 hour shift daily
Commencing at the end of the
Adult Clubhouse guard shift.

Adult Clubhouse Guard:

Saturday and Sunday
One 7 hour shift daily
Commencing between Noon & 1 PM

Family Clubhouse Guard:

Sept 10 through June 15

Mon. thru Thurs:

2 - 5 PM
6 - 9 PM

Friday:

2 - 5 PM
6 - 10 PM

Saturday:

11 AM - 5 PM
6 - 10 PM

Sunday: Closed

June 16 through Sept 9

Mon thru Sat:
11 AM - 5 PM
6 - 10 PM

Sunday: Closed

DUTIES OF GUARD/SECURITY COMPANY

1. The entry guard shall be physically posted at the main entrance of the Park. His duties are to monitor entry into the Park by residents and guests. He shall obtain the identification and destination of each non-resident who seeks admission to the park, which information shall be maintained in an entry log containing the following information: the date, time, name, license number, and destination. Upon obtaining the specified information from the entrant, the guard shall issue to the entrant a temporary entry pass, which in the case of an admitted vehicle is to be displayed in the front window. The entry pass shall state the following:

"PARKING ON THE STREETS IN THE MOBILEHOME PARK IS PROHIBITED. YOU MAY PARK ONLY IN DESIGNATED GUEST PARKING FACILITIES UNLESS YOU ARE RESPONDING TO AN EMERGENCY CONDITION, OR HAVE MADE PRIOR ARRANGEMENTS WITH THE MANAGER OF THE PARK. FAILURE TO ABIDE BY THIS RULE AND REGULATION OF THE PARK WILL SUBJECT YOUR VEHICLE TO IMMEDIATE TOW-AWAY, THE COST THEREOF TO BE PAID BY YOU PRIOR TO RELEASE OF YOUR VEHICLE FROM A STORAGE FACILITY. THIS NOTICE IS GIVEN TO YOU IN COMPLIANCE WITH CALIFORNIA LAW. THE ADDRESS OF THE LOCATION OF YOUR STORED VEHICLE MAY BE OBTAINED FROM THE MANAGER OR GUARD AT THE ENTRANCE TO THE PARK."

2. The duties of the In-Park Rover are to drive through the Park during the times specified above, for purposes of observing illegal or suspicious conduct in the nature of burglary or malicious mischief. The In-Park Rover shall at least one time each evening, (i) drive through all of the streets in the Park; (ii) check the storage facility to determine that the gate is locked and the perimeter fence and barbed-wire are intact; (iii) assure that the family and adult clubhouses are locked at their closing time; (iv) assure that the family and adult swimming pools

are locked at their closing times; (v) spot check 3 non-resident vehicles to determine if they are located at or near the proximity of the declared destination. The In-Park Rover shall also (a) visit the adult clubhouse twice each evening prior to closing to determine whether minors or unauthorized persons are using the facility; if they are found therein then the guard will request that they vacate the premises and report their names, if available, to the manager; and (b) tag parking violations during his rounds and cause tow-away as provided in the Rules and Regulations. In this regard, his duties are limited to calling the designated tow service and upon request informing a person whose car has been towed of its location.

3. The duties of the adult clubhouse guard are to walk through the adult clubhouse facilities at least one time per hour during the times set forth above to determine if unauthorized persons are using the facilities. The adult clubhouse guard will have satisfied the Basic Service Level with respect to this duty by inquiring of a suspected unauthorized person whether he is authorized to use the facilities and requesting unauthorized persons to leave the facility. During time not required at the adult clubhouse, the adult clubhouse guard shall perform the duties described in clauses 2(i), 2(v), and 2(b) of this Appendix A.

4. The family clubhouse guard is limited to the family clubhouse and adjacent areas with duties as follows:
- (a) He is to observe that all persons are obeying the Park Rules & Regulations.
 - (b) He shall be deemed to have performed his services if he excludes from the clubhouse, on a temporary basis, all persons, whether they are residents or guests, when they are disorderly or causing destruction to the facilities.
 - (c) He is not obligated to supervise or assure the safety of all persons using the family swimming pool. The swimming pool is an unsupervised facility use of which is subject to the limitations and restrictions contained in the Park Rules & Regulations.
 - (d) He is obligated to monitor the facility to determine that it is not being used by unauthorized persons. In this regard his duties are the same as the adult clubhouse guard with respect to inquiry of suspected violators.

5. The guard/security personnel are not peace officers and they are neither obligated nor is it their duty to perform any of the functions of a peace officer, including arrest or detention. Their duties are satisfied by reporting suspicious activities observed by them to the San Jose Police Department, and by notifying Owner that such a call was made to the Police. The security personnel are not Park employees, but rather, are independent contractors performing guard/security services and duties as set forth above. They are not charged with the observation or enforcement of any of the Park Rules & Regulations except as specifically set forth in this Appendix A.

6. The swing arm gate at the entrance is ineffective and inoperative. Owner shall not be liable for a Reduction by discontinuance of its use.

7. Prior to January 15th of each year, Owner will re-issue to Lessee one vehicle sticker for each vehicle registered with the Park.

SUPERVISION OF GUARD/SECURITY SERVICES:

Owner shall supervise the level of performance of the guard/security service in the following manner:

- A. At least once a month determine that the entry gate guard is maintaining a visitors entry log.
- B. Four times a month, twice during regular office hours, and twice between 7:00 p.m. and midnight, drive through the Park for purposes of determining that parking violations are being reported.
- C. Twice a month observe that the In-Park Rover is driving through the Park on his rounds.
- D. Twice a month observe that the family clubhouse guard is supervising the conduct of persons in the Family Clubhouse.
- E. Twice a month observe that the adult clubhouse guard is monitoring the adult clubhouse, as specified above.

APPENDIX B

SERVICE OR FACILITY: STREET CLEANING

SERVICE LEVEL:

The Owner shall provide a street sweeping service company to sweep the streets of the Park. Owner shall be deemed to have fulfilled and complied with this obligation if it hires a company which regularly performs street sweeping services once each week, subject to reasonable delays, holidays and weather conditions, and supervises the service as provided herein.

DUTIES OF STREET SWEEPING SERVICE:

1. The street sweeping service shall sweep all of the streets within the Park. The duty to sweep is from gutter to gutter for the removal of leaves, vegetation, and debris. It is acknowledged that mechanical means will be employed by the service to perform this sweeping and that all leaves, vegetation, and debris cannot be removed. However, notwithstanding the foregoing, the service will be required to utilize manual means at those particular areas which cannot be generally swept with the automatic sweepers.

2. It is acknowledged that weather conditions such as winds and rain immediately following a regularly scheduled sweeping, may deposit an abnormal amount of debris in the streets. It shall not be deemed a Reduction to allow these accumulations to remain in the street until the next regularly scheduled sweeping unless the accumulation is to the extent that a Lessee cannot gain access to his space in a motor vehicle. In such case, and upon notice from the Lessee that such accumulation is preventing access to his space, the Owner will cause such accumulated debris to be removed within a reasonable time.

3. It shall not be deemed a Reduction if the service company fails to remove vegetation or debris placed into the gutters by Lessee or any other resident.

SUPERVISION OF STREET SWEEPING SERVICES:

Once a month, following a street sweeping Owner shall determine that the sweeping has been performed as outlined in "Duties" above.

APPENDIX C

SERVICE OR FACILITY: RUBBISH REMOVAL

BASIC LEVEL OF SERVICE OR FACILITIES:

The Owner shall employ a rubbish removal service company to remove the rubbish in the Park. Owner shall be deemed to have fulfilled and complied with this obligation if it hires and supervises a company which regularly performs rubbish removal services on the schedule provided herein as follows:

DUTIES OF RUBBISH REMOVAL SERVICE:

1. Once each week the rubbish removal service will pick up domestic refuse at the curb of each space. No more than two appropriate covered containers, subject to a 40-pound weight limitation, shall be picked up at each Space.

2. Three times each week refuse will be removed from the three 8 cubic yard trash bins located in the park. Following each pick-up of the trash bins, Owner will clean up any refuse not removed by the rubbish removal service; provided, however, that Owner shall not be liable for a Reduction regarding overflow, cleanup or removal of refuse improperly left by a resident in or around any bin, such as old mattresses, furniture or appliances. With respect to residents, such bins are provided for the collection of a resident's vegetation refuse, and for no other purpose. With respect to Owner, the bins may be used for any purpose.

SUPERVISION OF RUBBISH REMOVAL SERVICES:

Twice a month, Owner shall observe that the services are being performed as described in Paragraphs 1 and 2. above.

APPENDIX D

SERVICE OR FACILITY: RECREATIONAL SERVICES

BASIC LEVEL OF SERVICES OR FACILITIES:

The Owner provides the following recreational or social services to the residents of the Park, and no others:

- A. 6 - 16-20 lb. turkeys at Thanksgiving.
- B. 50 lbs. of uncooked boneless hams at Christmas.
- C. Owner will coordinate a schedule for special use of recreational facilities, including clubhouses, to minimize conflicts.

The use of the recreational facilities, more particularly described in Appendices F through P, inclusive, are available for resident use. None of the activities, either social, business, or recreational are supervised by Owner. All organized activities, if any, are by the Residents themselves.

Lessee is obligated to inform all his/her Guests that the use of the facilities are not supervised and that each person who utilizes the facilities must abide by the written Rules and Regulations of the Park as well as all posted notices in or about the facilities.

APPENDIX E

SERVICE OR FACILITY: UTILITIES

BASIC LEVEL OF SERVICES OR FACILITIES:

The Owner shall continue to maintain the utility distribution systems in and about the Park, including the water distribution system, electrical distribution system, gas distribution system, sewage distribution system and existing in-park 8-channel cable television system.

These utility systems made available to the residents of the Park as provided in the Lease are subject to the limitations contained therein, as well as the limitations within the Park Rules and Regulations.

The utility systems are, however, subject to break down. Upon notification, Owner will take all reasonable steps necessary to restore services.

Moreover, all the utilities systems shall be maintained in their current configuration, except that said systems will be updated or modified only in compliance with the final order or judgment of any appropriate governmental agency requiring upgrading, or upgraded at the Owner's discretion.

APPENDIX F

SERVICE OR FACILITY: ADULT CLUBHOUSE

BASIC LEVEL OF SERVICE OR FACILITIES:

So long as California and federal law permits mobilehome parks to provide adult only facilities, and subject to the limitations contained in the Lease and the Rules & Regulations, the Owner shall maintain the adult clubhouse for use by adult residents of the Park and their authorized guests each day from 8:00 a.m. to 10:00 p.m. Notwithstanding the foregoing, use of the adult clubhouse and some or all of its facilities may be restricted for maintenance, repairs, refurbishment and when reserved for special occasions, as more particularly provided in the Rules & Regulations.

Subject to the limitations on use provided in the Rules & Regulations, the following facilities within the adult clubhouse are available for the use of all adult residents of the Park and their authorized adult guests:

1. Kitchen and Cooking Facilities:

The following appliances are available to residents: double oven, grill, garbage disposal, one table and four chairs (no utensils supplied); for special use, the facility and appliances are subject to a reasonable deposit and charge for clean up.

2. Coffee Room: (adjacent to kitchen)

This facility includes a refrigerator, four tables and twelve chairs.

3. Card Room:

The facility includes four tables and sixteen chairs; facility shall not be used for any illegal activities.

4. Billiard Room:

This facility includes six stools, three pool tables, one bumper pool table and other existing pool room equipment. The facility shall not be used for any illegal activities and is further limited to the specific rules for use posted in the Billiard Room.

5. Beauty Shop/Room:

This facility/service is operated by an independent operator for in-park and out-of-park customers. The loss of such facility shall in no way be deemed to be a Reduction and does not obligate Owner to replace the same service, or any similar type or substitute in the event of cancellation, or to utilize said space upon cancellation for the use or benefit of the residents.

6. Men's and Women's Sauna:

The saunas shall be kept in a clean and usable condition as more particularly set forth in the following:

(a) The saunas shall be cleaned and swept twice each month.

(b) The equipment shall be maintained in accordance with state and local law pertaining to semi-public saunas, if any.

(c) Owner shall, twice a month, following a regular cleaning and sweeping, observe the saunas to determine that the foregoing duties and standards have been met.

7. Main Assembly Hall:

This facility includes a stage, operational public address system, piano, U.S. flag, and coat rack. The main assembly hall in the adult clubhouse is available for non-business and non-religious purposes of residents during the adult clubhouse hours (or as may be arranged with Owner), subject to reservation for use and deposits for cleaning.

8. Restrooms:

Two separate men's and two separate women's facilities are available. One of the men's facilities and one of the women's facilities includes two operating showers adjacent to each of the saunas.

9. Jacuzzi Room:

The facility includes two redwood benches. The jacuzzi shall be kept in a clean and usable condition as more particularly set forth in the following:

(a) The jacuzzi shall be cleaned and swept during the period of high use twice each week. During period of low use (October 1 through April 1), the jacuzzi shall be cleaned and swept once each week.

(b) The chemical levels shall be maintained in accordance with state and local law pertaining to semi-public jacuzzis.

(c) Management shall, at least twice a month, following a regular cleaning and sweeping, observe the jacuzzi to determine that the foregoing duties and standards have been met.

(d) During the hours that the jacuzzi is open the temperature shall be maintained at 102 degrees (F), plus or minus 2 degrees.

10. Exercise Room:

This facility contains the following equipment for residents' use: one treadmill, one exercycle and the existing Universal Gym Machine (including slantboard, bench and stool).

11. Bulletin Boards:

The bulletin boards are for use as follows:

(a) Kitchen Bulletin Board: For general Park non-political and non-business use including recognized residents' associations.

(b) The Bulletin Board in the Conference Room is for the sole use of the GSMOL Chapter located at the Park.

12. Conference Room:

This facility includes three tables, eight chairs and two book shelves; the conference room in the adult clubhouse is available for non-business and non-religious purposes of residents during the adult clubhouse hours, subject to reservation for use.

13. Lounge/T.V. Room:

This facility includes one 25 inch color television set, one love seat, four chairs, one coffee table, one

plant table, and one small game table with two chairs.

14. Storage Rooms:

The storage room, adjacent to the manager's office, is for Owner's storage, including tables, chairs and ladders for use with the Main Assembly Room; Residents' Social Club shall be entitled to also store equipment and supplies used for park-wide activities. The cloak room, across the hallway from the Beauty Shop, is for storage of card tables and game tables. The storage room at the south end of the stage is available for use by the Social Club. The storage room at the north end of the stage is for limited Social Club use.

15. Public Telephone:

The public telephone located in the south hallway, is available for the general use of residents; this telephone is owned by the telephone company and its continued availability is subject to the phone company's discretion, and shall not constitute a Reduction should it be removed by said company.

16. Drinking Fountain:

The drinking fountain located in the south hallway shall remain available for the general use of residents.

17. Outdoor Fountain:

This illuminated fountain and pool in front of the main entrance will be lighted from dusk to 10 PM.

DUTIES OF MAINTENANCE:

1. Twice a week Owner will do routine cleaning consisting of sweeping and/or mopping and vacuuming floors, dusting furniture, wiping counters, cleaning sinks and drinking fountain, emptying waste containers, washing ash trays, sanitizing restrooms, cleaning mirrors, refilling dispensers, and dusting and vacuuming pool tables.

2. Once every month, Owner will do routine monthly cleaning consisting of dusting light fixtures, window ledges, window blinds, cleaning mirrors in conference room, buffing and polishing floors, and cleaning and polishing chrome stove hoods.

3. In addition to the foregoing, windows shall be washed quarterly and twice a year Owner will strip and wax the restroom and kitchen floors. At least once every year, Owner will strip and wax the floor of the main assembly room and the halls.

4. The outdoor fountain will be drained and cleaned quarterly. Granulated "Cutrime-Plus," "Bluestone" or equivalent chemicals will be used once a month.

SUPERVISION OF ADULT CLUBHOUSE FACILITIES:

Once each month, following the routine cleaning, management will inspect the adult clubhouse facilities to determine that the maintenance as set forth above is being performed.

APPENDIX G

SERVICE OR FACILITY: ADULT SWIMMING POOL

BASIC LEVEL OF SERVICES OR FACILITIES:

So long as California and federal law permits mobilehome parks to provide adult only facilities, the Owner shall maintain the swimming pool adjacent to the adult clubhouse for use by adult residents and their adult Guests. Subject to periods of cleaning, maintenance and restoration, the pool shall be open each day from 9:00 a.m. to 10:00 p.m. (during the period commencing April 1 through September 30) and shall be heated to a temperature of at least 76 degrees (F), plus or minus 2 degrees, and from 9:00 a.m. to 10:00 p.m. upon request (during the period commencing October 1 through March 31) and shall be heated to a temperature of at least 72 degrees (F), plus or minus 2 degrees. Owner will post a sign specifying the pool hours. In addition, Owner will provide the following: outdoor furniture, consisting of three tables with umbrellas, eight lounge chairs and seven chairs, and six benches; outdoor shower and drinking fountain; the existing thermal pool cover (without obligation to use or replace); and the existing emergency equipment and pool safety rule signs. Owner will light the pool area from dusk to dawn.

There is no lifeguard on duty at the swimming pool. Lessee is obligated to inform all his/her Guests that the use of the facilities are not supervised and that each person who utilizes the facilities must abide by the written Rules and Regulations of the Park as well as all posted notices in or about the facilities.

DUTIES OF MAINTENANCE:

The swimming pool shall be kept in a clean and serviceable condition as more particularly set forth in the following:

1. The pool shall be cleaned and swept during the months commencing April 1 through September twice each week. During period of low use (October 1 through March 31), the pool shall be cleaned and swept once each week.

2. The chemical levels shall be maintained in accordance with state and local law pertaining to semi-public swimming pools.

SUPERVISION OF ADULT SWIMMING POOL:

Owner, shall, at least twice a month, following a regular cleaning and sweeping, inspect the swimming pool and adjacent area to determine that the foregoing duties and standards have been met.

APPENDIX H

SERVICE OR FACILITY: FAMILY CLUBHOUSE

BASIC LEVEL OF SERVICE OR FACILITIES:

Subject to periods of cleaning, maintenance and restoration, the limitations contained in the Rental/Lease Agreement and the Rules & Regulations, the Park shall provide the family clubhouse for the use by all residents of the Park and their authorized Guests each day according to the following schedule:

Sept 10 through June 15

Mon. thru Thurs:

2 - 5 PM

6 - 9 PM

Friday:

2 - 5 PM

6 - 10 PM

Saturday:

11 AM - 5 PM

6 - 10 PM

Sunday: Closed

June 16 through Sept 9

Mon thru Sat:

11 AM - 5 PM

6 - 10 PM

Sunday: Closed

However, use of the family clubhouse and some or all of its facilities may be restricted for maintenance, repairs, refurbishment and when reserved for special occasions.

Subject to the limitations on use provided in the Rules & Regulations, the following facilities within the family clubhouse are available:

1. Kitchen and Cooking Facilities:

The following appliances are available to residents: stove, refrigerator and garbage disposal, (no utensils supplied). For special use, the facility and appliances are subject to a reasonable deposit and charge for clean up.

2. Billiard Room:

This facility includes two pool tables with appropriate existing equipment. The facility shall not be used for illegal activities and is further limited to any specific rules for use posted in the Billiard Room.

3. Game Room:

The facility includes one ping-pong table (with equipment for two players).

4. Restrooms:

A separate men's and women's facility is available.

5. Storage Rooms:

The storage rooms in the family clubhouse are available only for use of Owner and recognized resident associations.

6. Main Assembly Hall:

This facility includes one 25 inch color television set and furniture consisting of two sofas.

DUTIES OF MAINTENANCE:

1. Twice a week Owner will do routine cleaning consisting of sweeping and/or mopping and vacuuming floors, dusting furniture, wiping counters, cleaning sinks and drinking fountain, emptying waste containers, washing ash trays, sanitizing restrooms, cleaning mirrors, refilling dispensers, and dusting and vacuuming pool tables.

2. Once every month, Owner will do routine monthly cleaning consisting of dusting light fixtures, window ledges, window blinds, buffing and polishing floors, and cleaning stove hood.

3. In addition to the foregoing, Owner will wash windows quarterly and twice a year strip and wax the restroom and kitchen floors. At least once every year, Owner will strip and wax the floor of the main assembly room and the halls.

SUPERVISION OF FAMILY CLUBHOUSE FACILITIES:

Once each month, following the routine cleaning, Owner will inspect the family clubhouse to determine that the maintenance as set forth above is being performed.

APPENDIX I

SERVICE OR FACILITY: FAMILY SWIMMING POOL

BASIC LEVEL OF SERVICES OR FACILITIES:

The Owner shall provide the swimming pool adjacent to the family clubhouse for the use of all residents and their Guests. Subject to periods of cleaning, maintenance and restoration, from April 1 through September 30, the pool shall be open each day from 9:00 am to 9:30 pm. The pool shall be closed from October 1 to March 31. Owner will post the hours of operation. During periods of use the temperature shall be maintained at 72 degrees (F), plus or minus 2 degrees.

In addition, Owner will also maintain the existing emergency equipment and pool safety rules signs. Night lighting of the pool area will be from dusk to dawn. Owner is not obligated to provide a thermal cover for the family pool. No pool or patio furniture is available.

DUTIES OF MAINTENANCE:

The swimming pool shall be kept in a clean and serviceable condition as more particularly set forth in the following:

1. The pool shall be cleaned and swept twice each week, from April 1 to September 30, and at least once each month from October 1 to March 31.
2. The chemical levels shall be maintained in accordance with state and local law pertaining to semi-public swimming pools.

SUPERVISION OF FAMILY SWIMMING POOL:

Owner shall, at least twice a month, following a regular cleaning and sweeping, inspect the swimming pool and adjacent area to determine that the foregoing duties and standards have been met.

APPENDIX J

SERVICE OR FACILITY: LAKE

BASIC LEVEL OF SERVICES OR FACILITIES:

The Owner shall provide the existing lake for the aesthetic enjoyment of residents. Swimming, boating or fishing is not permitted. Lake will be maintained at its current level, subject to subterranean seepage and evaporation. Also included are the existing lake fountains and waterfall, with night lighting from dusk to 10 pm.

DUTIES OF MAINTENANCE:

1. Owner will, once a month, skim off the excessive loose growth and debris from the surface of the lake. The lake is a natural bottom type; it is normal and usual for accumulations of algae and other lake growth to float upon the surface. This growth does, at times, particularly during the warm weather months, discharge a certain amount of odor.
2. Owner will, once a month, add appropriate amounts of granulated "Cutrime-Plus" or Bluestone", and "Symazine" or equivalent chemicals to the lake.
3. Owner will, at least once every 2 weeks, replace any burned-out spot lights in and around the lake.
4. Owner will maintain, subject to interruption of service caused by renovation and repairs, the lake fountains and waterfall in a serviceable condition.
5. Owner shall not be liable for a Reduction as a result of debris deposited into the lake by lakeside residents or the failure of lakeside residents to clean their spaces of weeds adjacent to the lake.
6. Water seepage which measurably interferes with an adjoining resident's use of space will be corrected.

SUPERVISION OF LAKE:

Owner will inspect the lake at least once a month to determine that the fountains and waterfall are functioning properly and that the foregoing duties and standards have been met.

APPENDIX K

SERVICE OR FACILITY: LAUNDRY ROOMS

BASIC LEVEL OF SERVICES OR FACILITIES:

Subject to the limitations of the agreements with the contractor of laundry room services, including the right of termination, Owner will provide three laundry rooms for coin-operated washing and drying machines. Owner or contractor may reduce the number of machines because of a reduction in their use. The charge for operation of the machines is subject to change at the discretion of Owner or contractor.

DUTIES OF MAINTENANCE:

1. Owner will clean the laundry rooms twice each week. Cleaning will consist of wiping off the tops of the appliances and mopping the floors. Cleaning of the appliance filters is the obligation of each user.
2. Once every 3 months, Owner will remove excess dust from the room and wash and clean the windows.

SUPERVISION OF LAUNDRY ROOM FACILITIES:

Once each month, following the routine cleaning, Owner will inspect the laundry rooms to determine that the maintenance as set forth above is being performed.

APPENDIX L

SERVICE OR FACILITY: STORAGE FACILITY

BASIC LEVEL OF SERVICES OR FACILITIES:

Owner shall provide an outdoor Storage Facility at the southwest corner of the Park for the uses provided in the Park's standard storage agreement, and for no other reasons. The Storage Facility shall be fenced and lighted from dusk to dawn. Access to the Storage Facility is by key, issued to the user by Owner. It is the user's responsibility to lock the gate after each use.

Owner does not assure or guarantee the security of the facility. Any loss or damage to any person's property within the storage area is at the user's risk.

DUTIES OF MAINTENANCE:

1. In May of each year, Owner will cause the appropriate areas of the storage facility to be sprayed with a weed abatement chemical. Maintenance shall include repair of the existing perimeter fence and barbed-wire and replacement of floodlights, as needed. This is the only maintenance which will be performed within the Storage facility.
2. Upon written notice of deficiencies, Owner will commence repairs within five (5) business days.

SUPERVISION OF STORAGE FACILITIES:

Following the annual weed abatement spraying, Owner will semi-annually observe that the chemical has been effective to control the growth of weeds, and once a month Owner will observe that the foregoing duties and standards have been met.

APPENDIX M

SERVICE OR FACILITY: OUTDOOR RECREATIONAL FACILITIES

BASIC LEVEL OF SERVICES OR FACILITIES:

Owner will provide the following outdoor recreational facilities:

putting green
tennis court
multi-purpose court
shuffleboard courts
children's playground
two barbeque grills
patio area
horseshoe area

There is no supervisor on duty at any of the outdoor facilities. Lessee is obligated to inform his/her Guests that the facilities are not supervised and that each person who uses the facilities must abide by the written Rules and Regulations of the Park as well as all posted notices in or about the facilities.

DUTIES OF MAINTENANCE:

1. All accumulated debris on these facilities will be removed once each month, or as needed.
2. The basketball and tennis court nets will be replaced only when they are no longer serviceable, regardless of their aesthetic appearance. The nets may be constructed of metal and are not required to meet any of the requirements of any sports sanctioning body.
3. The surface of the courts, except shuffleboard, will be replaced or repaired only if they contain potholes or are buckling. Existing markings on courts will be renewed as needed.
4. The fencing around the playing courts will be maintained in its existing condition.
5. The surface of the putting green will be swept once a month and washed twice a year as needed. Flags are not provided.
6. The children's playground will be maintained in its existing condition.
7. Lighting: Existing night lighting for use of the multi-purpose court, tennis court, shuffleboard courts, and patio area will be available upon prior request from dusk to 10:00 P.M.
8. The surfaces of the shuffleboard courts will be sealed and marked as needed. Owner will provide equipment sufficient for eight (8) players.
9. The patio area consists of a gas operated fire pit, two natural gas barbeque units, three tables with three umbrellas and ten chairs, and will be maintained in a useable condition.
10. Owner will provide existing horseshoe equipment.
11. Subject to deposits, recreational equipment is available from the manager's office only during regular office hours.

SUPERVISION OF RECREATIONAL FACILITIES:

Once a month Owner will inspect the outdoor recreational facilities to determine that maintenance of the facility as outlined above is being performed and that the condition of the surfaces and fences meets the requirements specified herein.

APPENDIX N

SERVICE OR FACILITY: GUEST PARKING

BASIC LEVEL OF SERVICES OR FACILITIES:

The Owner shall provide the existing guest parking spaces for use by Guests. Lessee is permitted to use Guest Parking spaces adjacent to the clubhouse and recreational facilities only during the hours that the particular clubhouse or recreational facility is being used by Lessee.

SUPERVISION OF GUEST PARKING:

Owner will on two (2) unannounced occasions each month, observe the guest parking areas to determine whether or not the parking rules are being violated.

APPENDIX O

SERVICE OR FACILITY: STREETS, LIGHTING, SIGNS, FENCES

BASIC LEVEL OF SERVICES OR FACILITIES:

The Owner shall provide the current existing internal street system for ingress and egress. In addition the Owner will also provide all exterior common area lights, light sensors, signs and present common area fences, only as follows:

Each of the streets will be marked with a street name sign. These streets are not dedicated public streets and the street designations are for the convenience of residents and their Guests. Existing stop signs will be maintained in a serviceable condition.

DUTIES OF MAINTENANCE:

1. The streets or any portion thereof, will be repaired, resealed, or slurried at such time as Owner determines that the conditions are preventing a resident from reasonable ingress or egress into his Space or constitutes a road hazard. Repairs will be commenced within fifteen business days after written notice. Areas of hazard will be posted within two business days of written notice, if deemed necessary by Owner.
2. Timer controls for exterior common area lights will be adjusted seasonally to correspond with scheduled lighting hours.
3. Burned-out lights and inoperable sensors will be replaced or repaired within 5 working days after discovery.

SUPERVISION OF FACILITIES

1. Owner will twice a year observe that all of the street signs and markings are legible.
2. Once each week, Owner will observe that exterior common area lights are working properly.
3. Once each calendar quarter, Owner will inspect the fences and repair all significant damage within two weeks.

APPENDIX P

SERVICE OR FACILITY: LANDSCAPING SERVICES

BASIC LEVEL OF SERVICE OR FACILITIES:

The Owner shall provide a landscaping service company to care for the vegetation of the common areas in the park. Owner shall be deemed to have fulfilled and complied with this obligation if it hires and supervises a company which performs landscaping services as provided herein.

DUTIES OF LANDSCAPING SERVICE:

1. The duty of the landscaping service is to maintain the aesthetic appearance of the vegetation of the common areas in the Park.

Lessee has the obligation to maintain all of the vegetation upon his/her Space as provided in the Rules and Regulations. The following duties shall be performed by the landscape company:

- A. Water as needed and mow the grass once a week during seasons of rapid growth, and every other week during seasons of slow growth.
- B. Remove weeds and debris from common areas once a month during seasons of rapid growth and once every other month during slow growth seasons.
- C. Trim bushes and shrubs growing in common areas twice a year, including trimming bushes which obstruct visibility of stop signs and street signs, or interfere with the illumination of common area street lights.
- D. Except for perimeter eucalyptus trees, trim common area trees once every two years if such trimming is necessary.
- E. Cut and remove those perimeter Eucalyptus tree limbs that are touching Lessee's mobilehome or are interfering with Lessee's use of the Space. Interference with Lessee's use of the Space shall be deemed to have occurred if a branch and its leaves are less than six feet above ground. Lessee shall remove perimeter Eucalyptus tree droppings and debris.
- F. Replace the flowering plants at the Park entrance and clubhouses with the same or similar type plants during the seasonal planting period.

SUPERVISION OF LANDSCAPE SERVICES:

Owner shall at least once a month observe that the landscape service is performing the duties as set forth above.

APPENDIX Q

SERVICE OR FACILITY: MANAGEMENT SERVICES

BASIC LEVEL OF SERVICES OR FACILITIES:

The Owner shall provide the following contractors or employees to perform the designated duties and services as set forth hereinafter. Owner shall be deemed to have fulfilled and complied with its obligation to provide Management Services if it hires the personnel listed herein, for the hours indicated, and who perform the designated duties:

	Hours Per Day	Days of Services
Manager:	8	Monday through Friday
Office Assistant:	8	same as Manager
Maintenance Supervisor:	8	same as Manager
Maintenance Assistant:	4	same as Manager

The office hours are Monday through Friday
9 AM to Noon
1 PM to 6 PM

DUTIES OF MANAGEMENT:

- The services provided by Owner to the residents are the following, and no other:
1. To deliver a monthly statement of individual rent, utilities and other charges set forth in the Lease. The statement shall be mailed or delivered to the Resident's notice tube.
2. To be reasonably available during office hours to receive rent and other charges and/to discuss the same, and to receive notices concerning alleged Reductions.
3. Supervise the services and facilities in accordance with the schedules set forth in Appendices A through P, inclusive. The Park manager shall supervise the performance and duties of other Park personnel as set forth in this Appendix.
4. The manager shall meet and consult with residents, and/or their representatives, as provided in the Mobilehome Residency Law. Moreover, the manager is specifically authorized to represent the interests of Owner in the Dispute Resolution Procedures, including the power to settle all matters with residents, and to fully make decisions affecting the operation of the Park, as may be specifically authorized from time to time.
5. Subject to the "meet and consult" requirements of the Mobilehome Residency Law, neither Owner nor the Manager are required to participate in or attend any resident meetings, including meetings of the Tenants Advisory Committee.
6. Upon written request, Owner will provide recognized resident associations with a list of names and addresses of those Lessees who have moved into the Park within the prior six months, subject to requests for privacy.
7. Once a month during regular business hours, Owner will permit inspection of Manager's Supervisory Log of Services and Facilities.

DUTIES OF OFFICE ASSISTANT:

1. The Office Assistant shall perform the duties of the manager during the manager's absence, except as may be limited by Owner.

DUTIES OF MAINTENANCE:

1. It is the duty of the maintenance personnel to perform the services of monitoring, maintenance, repair, and restoration of the facilities under the supervision of the manager as more particularly set forth in those Appendices dealing with Park performed maintenance. The maintenance personnel are not subject to direction or duty assignments from residents, and are not designated to receive any type of notice or notification provided to be given by residents to Owner; notices given to them for any purpose shall be ineffective.

SUPERVISION OF MANAGEMENT PERSONNEL:

1. The supervision of all park personnel, shall be the responsibility of the Park Manager. Supervision of the Park Manager shall be the responsibility of the Owner. Any notice concerning the Park Manager shall be in writing and mailed to Owner at 11340 West Olympic Boulevard, Suite 330, Los Angeles, California 90064, or such other address designated by Owner, and a copy shall be retained by sender.

ENFORCEMENT OF PARK RULES & REGULATIONS:

1. Responsibility of Lessee: It is the responsibility of Lessee to know and obey all Park Rules & Regulations. Lessee is also responsible for informing his/her minor children and Guests of the Park Rules & Regulations and shall be held responsible for the conduct of same. In the event that Lessee suspects or determines that an unauthorized person is utilizing any Facilities, or that any resident, or his Guest is violating the Park Rules, then it is Lessee's obligation to notify Owner.
2. Responsibility of Management: Upon written notice to Owner by Lessee as to any possible violation of the Rules by other residents or Guests, Management shall make a reasonable investigation of the complaint, including, if appropriate under the circumstances, a visit to the place or location where the problem or condition is said to exist.
3. Discretion of Owner: In the event of any violation of the Rules by any resident, Owner shall be deemed to

have complied with its obligations to enforce the Rules by giving a "Violation Citation" as described in Paragraph 3(b), below. Any other enforcement of the Rules up to and including the commencement of civil litigation, shall be within the discretion of Owner, and Lessee shall have no right to compel Owner to take any action other than issuance of a Violation Citation. This discretion to enforce the Rules shall be exercised in accordance with law. If upon making a good faith investigation of a written complaint, any action taken thereon, or a decision not to take any action, shall be written into Park records and shall be available for examination by the complaining resident, subject to all legal limitations concerning rights of privacy.

- (a) Owner may, in its discretion, inform a resident in a private, informal manner that a violation or potential violation exists and offer advice in an effort to alleviate the problem. It is only if private and informal discussions (if conducted) do not remedy the problem, in its discretion, will issue a Violation Citation.
- (b) As a part of its enforcement policy and commensurate with the severity of the problem existing at the time of a written complaint, Owner will give to the offending resident a Violation Citation. A Violation Citation requires a cessation of the prohibited conduct or correction of a prohibited condition within the time specified in the notice.
- (c) Nothing contained in this Paragraph 3 shall be a precondition to Owner's exercise of its rights and remedies provided in law or equity, including eviction.

**SECOND ADDENDUM TO LEASE AGREEMENT
CASA DEL LAGO MOBILEHOME PARK
DISPUTE RESOLUTION PROCEDURE**

THIS SECOND ADDENDUM to Lease Agreement, made by and between San Jose Investments, Ltd. a California Limited Partnership, doing business as Casa Del Lago Mobilehome Park [the "Owner"] and the resident of Casa Del Lago Mobilehome Park, whose name appears on the Lease to which this Addendum is attached [the "Lessee"] shall be effective as of the Effective Date of the Lease and shall provide for a dispute resolution procedure as is more fully described below.

**ARTICLE I
GENERAL PROVISIONS**

1.1 DEFINITIONS.

The terms used in the Second Addendum shall be governed by the definitions set forth in the Lease, the First Addendum thereto ["Basic Service Level"] and all exhibits and attachments thereto and, in addition, by the following definitions:

1.1.1 "Claim" means a written allegation of a dispute specifying those matters subject to mediation/arbitration as provided in Paragraph 1.4 of this Article.

1.1.2 "Claimant" refers to either Lessee or Owner, whichever the case may be, who is making a Claim.

1.1.3 "Respondent" refers to either Lessee or Owner, whichever the case may be, who is the party against whom a Claim is made.

1.1.4 "Dispute Resolution Procedure" or the "Procedure" means a two-stage mediation and arbitration process which is intended to resolve Claims and which is contained in this Addendum.

1.1.5 "Reduction" means a material, measurable and unreasonable deprivation of Lessee's Basic Service Level caused by an act or omission of Owner.

1.2 DISPUTE RESOLUTION PROCEDURE - PURPOSE.

As part of the Lease Agreement, the parties thereto hereby create a Dispute Resolution Process to resolve Claims. The Procedure is intended to provide a fair, speedy and inexpensive process through which Claims can be resolved, and one which is specifically tailored to the needs of the Owner and residents of Casa del Lago Mobilehome Park, San Jose, California. This Procedure, and the Lease of which it is a part, are contractual in nature and formed by agreement between Owner and Lessee, and are intended to be substituted for the Rental Dispute Mediation and Arbitration Hearing Process, provided in Chapter 17.23, San Jose Municipal Code. As a material element of the Lease, Owner and Lessee agree to use this Procedure exclusively to resolve all Reductions and other disputes over all matters which could otherwise be considered in the said San Jose hearing process. Owner is only willing to enter into the dispute resolution mechanism set forth in this Addendum so long as it is understood by all that the cure periods, notice provisions and other provisions contained in this Addendum are to be followed strictly in order to give Owner and Lessee sufficient opportunity to remedy any "Claim". Owner is only willing to enter into the Lease, and follow the rent levels established in Exhibits A & B thereto, so long as the provisions of this Addendum are valid and enforceable in their entirety.

1.3 PERSONS WHO CAN USE THE DISPUTE RESOLUTION PROCEDURE.

Only Owner and residents bound by a rental agreement containing this Addendum [hereinafter the "lessees"] can use the Procedure in the manner and to the extent provided for elsewhere in this Addendum.

1.4 CLAIMS WITHIN THE DISPUTE RESOLUTION PROCEDURE.

Claims within the Procedure must arise out of the Lease between Owner and Lessee and are limited to the following matters:

1.4.1. By Lessee, any alleged Reduction, including any Claim of Housing Code violations.

1.4.2. By Owner, any alleged violation of the Park Rules and Regulations.

1.4.3. By Owner, any "Rent Increase Pass-Through" concerning a rent increase noticed by Owner pursuant to Paragraph A.3 of Exhibit A to Lease.

1.4.4 By Owner, any "Discontinuance", or dispute concerning the amount of rent credit upon discontinuance, as provided in Paragraph 4.7 of the First Addendum to Lease.

1.5 CLAIMS NOT WITHIN THE DISPUTE RESOLUTION PROCEDURE.

Without limitation, the following matters are specifically excluded from the Procedure:

1.5.1 Claims of personal injury or property damage based on alleged negligence, recklessness or intentional misconduct of any person;

1.5.2 Claims of consequential personal injuries or property damage alleged to be suffered from Reductions, or violations of housing codes or the Rules and Regulations including, without limitations, such matters as pain and suffering, annoyance, emotional distress and the like and such matters as diminution of the value of Lessee's Mobilehome;

1.5.3 Claims for exemplary or punitive damages arising from intentional misconduct of any party, including without limitation, fraud, malice, oppression, deceit, bad faith, and the like;

1.5.4 Claims over non-payment, partial payment or late payment of rent;

1.5.5 Any dispute which alleges that Owner should abate a Reduction by reconstruction, rehabilitation, rebuilding or making any other capital expenditure; and

1.5.6 Claims made by one lessee against another.

1.6 OWNER'S RIGHT TO USE PROCEDURE FOR ALLEGED VIOLATIONS OF RULES AND REGULATIONS.

Owner shall have the right, but not the obligation, to use this Procedure to mediate and/or arbitrate, or arbitrate directly, Claims against Lessee for alleged violations of Park Rules and Regulations, provided, however, Owner may withdraw any such Claim at any time and proceed against Lessee according to law. Owner's refusal to use the Procedure or withdrawal from the Procedure for any alleged violation of the Park Rules and Regulations may not be asserted by Lessee as a defense or abatement, in any way, in any action at law or equity.

1.7 NON-SUSPENSION OF RENT AND CHARGES.

Neither the filing of a Claim, nor the pendency of any Claim in the Procedure, shall give a right to suspend or offset any rent or charges payable by Lessee to Owner. Any Notices by Owner pursuant to Paragraph A.3 of Exhibit A of the Lease which requires Lessee to pay increased rent are due and payable on the date noticed for such increase, provided, however, that reimbursements may be ordered by the Hearing Officer in an arbitration award, as provided herein.

1.8 ARBITRATION HEARINGS.

There shall be one regularly scheduled mediation/arbitration hearing, or one series of connected mediation/arbitration hearings, within a 60-day period. A regularly scheduled hearing shall occur on the first Tuesday of each even numbered month. All Claims which have been filed thirty days prior to that date shall be heard in that hearing. To the extent possible, hearings shall continue on a consecutive day-to-day basis. Claims filed after the thirty-day deadline shall be heard at the next scheduled hearing.

1.9 SELECTION OF HEARING OFFICER AND COSTS.

1.9.1 Selection and Replacement of Hearing Officer:

(a) Owner shall retain the services of a Hearing Officer for continuous six-month periods, if possible. At least 30 days prior to the commencement of each six-month period, Owner shall post on the kitchen bulletin board in the adult clubhouse a notice specifying the name and resume of the Hearing Officer selected for each such period.

(b) The Lessee may challenge the selected Hearing Officer without cause within 15 days following the posting of Owner's notice by giving written notice of such challenge to Owner signed by lessees who constitute 20% of the spaces in the Park. In such event Owner shall select a new Hearing Officer within 15 days.

(c) Should Owner not select a Hearing Officer, then either party may seek the selection of a Hearing Officer pursuant to California Code of Civil Procedure Section 1281.6 of the California Arbitration Act.

(d) Notwithstanding the foregoing, either party may challenge the Hearing Officer for any hearing upon the grounds of bias, prejudice or competency. Unless otherwise provided by law, such challenge must be made by a motion prior to the commencement of any mediation/arbitration. If all other parties join in such motion, then it shall be deemed an agreement between the parties and the Hearing Officer shall immediately withdraw from that particular hearing.

(i) If the party making the challenge gives all other parties at least 10 days advance notice of his intention to challenge the Hearing Officer as provided in (d) above, then if such challenge is successful, or is joined in by all other parties, then Owner shall, if possible, provide another hearing officer able to commence hearings on the next business day. If, on the other hand, no such notice is given, then the matter will be continued to the next regular mediation/arbitration hearing day.

(ii) Any replacement Hearing Officer shall, be appointed for the particular hearing.

(iii) Notwithstanding anything else contained herein, a disqualification of a Hearing Officer as to a particular hearing shall not itself cause disqualification of such Hearing Officer as to all other hearings for the balance of his term.

1.9.2 Hearing Officer's Fees and Costs:

(a) Owner shall pay the Hearing Officer's fees and costs for hearings, including the time necessary to hold the hearings, view the premises, read and review materials, write reports, decisions and awards, and other reasonable costs incidental to these Procedures, but Owner shall be entitled to pass through such fees and costs as herein provided.

(b) Owner shall be entitled to pass-through all such fees and costs incurred during each calendar year for Claims initiated by lessees, in excess of \$6,000.00 per calendar year, to the extent such \$6,000.00 is not spent in a calendar year any surplus shall be applied to subsequent years during the Lease Term. Fees and costs in excess of such \$6,000.00 shall be passed through to all lessees as provided in Section A.3 of Exhibit A of the First Addendum to Lease, but shall not be subject to the \$10,000 limitation referred to therein.

1.9.3 Parties Attorney's Fees and Costs: Except as provided in paragraph 2.2.16(b), neither party shall be entitled to recover their own attorney's fees or out-of-pocket costs from any other party.

ARTICLE II PROCEDURE

2.1 COMPOSITION OF THE DISPUTE RESOLUTION PROCEDURE.

The Dispute Resolution Procedure shall consist of a mediation phase and an arbitration phase.

2.1.1 Mediation:

(a) The purpose of a mediation phase is to give the parties an opportunity to resolve their dispute voluntarily. Only Claims of Reductions by a lessee and, at the option of Owner, violations of Park Rules and Regulations, subject to Owner's right to dispense with the Procedure as provided in Paragraph 1.6, shall be the subject of mediation hearings. Rent Increase Pass-Through and Discontinuance matters shall immediately proceed to arbitration.

(b) If requested, a Hearing Officer shall meet privately with each side to attempt to achieve a voluntary agreement. Private sessions shall not be recorded and confidential information provided during them shall not be used in decision making by the Hearing Officer. Unless otherwise agreed by the parties, all matters revealed or discussed in a private session shall be excluded by the Hearing Officer in making a Mediation Report.

(c) After meeting in private session, the Hearing Officer shall conduct the mediation hearing and dispose of the Claims the object being to dispense justice promptly between the parties. The parties shall have the right to offer evidence by witnesses at the hearing. The Hearing Officer may consult witnesses informally and otherwise investigate the controversy. If a party fails to appear, the Hearing Officer shall still require Claimant to present evidence to prove his Claim. Either party may reserve the right to introduce more evidence, or to conduct further cross-examination in the arbitration phase.

(d) If the parties arrive at a voluntary agreement which resolves the dispute, the Hearing Officer will write, or direct the writing of, that agreement, on a form or in a format, designed to make the terms of the agreement explicit and clear. Any voluntary agreement shall state the nature of the dispute, how the parties have chosen to resolve it, and the details of any agreed performance. Any alleged breach of a voluntary agreement shall be subject to mediation upon filing a Claim within 30 days after the discovery of the breach or which, through the use of reasonable diligence, should have been discovered, whichever is earlier.

(e) If the parties are unable to arrive at a voluntary agreement, the Hearing Officer shall within 10 days after hearing, make a written report which shall state his/her opinion as to whether the Claim is justified and, if so, shall state the reasonable curative action to be taken by either party and the reasonable time within which to cure, but the hearing officer shall have no right to make a monetary award or an injunctive order.

(i) The Mediation Report shall also state that either party shall have the right to request arbitration within 5 days after expiration of the cure period and that, if no request is made within that time, the mediation report shall be final and the alleged Claim shall be deemed conclusively cured. If the Mediation Report does not provide for a cure period, either party shall have the right to request arbitration within 5 days after issuance of the Mediation Report. The Mediation Report shall require the request for arbitration to be in writing and on a form or format to be specified herein.

(ii) Oral statements of intended mediation decisions made at the conclusion of the hearing are discouraged.

(iii) Upon stipulation of the parties not to seek arbitration or otherwise appeal, the parties may waive a written Mediation Report.

(iv) If the primary cause of any Reduction found to exist was a failure of an independent contractor, the Mediation Report shall specify the additional length of time reasonably necessary for Owner to obtain from an existing or new contractor the level of performance required by the Basic Service Level.

2.1.2 Arbitration:

(a) The purpose of arbitration is (i) to determine the amount of any Rent Increase Pass-Through requested by Owner, (ii) to determine any Discontinuance, and (iii) to determine whether there has been a violation of the Rules and Regulations, or a Reduction, and the amount of damages, if any, due either party.

(b) At any time during the arbitration, the Hearing Officer may, if requested, recess the hearing and return to a mediation format, including private meetings, in an attempt to achieve a voluntary agreement. This shall be done without prejudice to the status of the arbitration and without prejudice to the qualifications of the Hearing Officer to complete the arbitration.

(c) At the close of the arbitration, the Hearing Officer shall prepare a written statement of decision which shall explain the factual and legal basis of the decision as to each of the principal controverted issues. The conclusions and award shall also be specifically set forth.

2.2 INITIATION OF THE DISPUTE RESOLUTION PROCEDURE.

2.2.1 Filing or Noticing a Claim:

(a) Lessee may commence the Procedure by filing a written and signed Claim in a form or format provided for herein. The written Claim shall be delivered to and receipted by the Resident Manager or his/her designee, during normal business hours. The Claim shall not be made with any other employee or contractor of Owner such as security personnel, gardeners, garbage collectors and/or the like.

(b) Owner may commence the Procedure by sending a written Claim in a form or format provided for herein (i) to all of those residents of the Park who are subject to a Rent Increase Pass-Through or Discontinuance, or (ii) to Lessee in the case of a Claim against Lessee for an alleged violation of the Park Rules and Regulations, with a copy to any other lessee claiming a Reduction caused by the alleged violation.

2.2.2 Contents of Claim of Reduction:

With respect to the information to be provided by Lessee in the Claim, it is understood that Owner cannot correct broad allegations of acts or omissions and, therefore, only specific acts or omissions will constitute valid Claims. For example, allegations that streets are in disrepair, Rules and Regulations are not enforced, etc., are insufficient allegations of a Reduction. An example of a sufficient Claim would be that a hole in the street exists in front of the Adult Clubhouse. Each Claim of Reduction shall be made within sixty days of actual discovery of the condition or event constituting the Reduction, or within sixty days after the condition or event could, with the exercise of due diligence, have been and should have been discovered. Claims not made within this sixty day period shall be deemed waived and any Claim thereon shall be barred. Each Claim of Reduction shall be made in writing, signed and verified by the Lessee and shall state the following:

(a) The prior level of service established by Owner for Lessee's mobilehome space and common facilities used by that Lessee, including a reference to the specific Basic Service Level as defined in the First Addendum to the Lease;

(b) The specific changes in the Basic Service Level comprising the alleged Reduction as they affect Lessee;

- (c) The date the Reduction was first noticed or discovered by Lessee;
- (d) The date Lessee first gave written notice to Owner of the alleged Reduction, and to whom the notice was given;
- (e) When and how Owner responded to Lessee's notice;
- (f) Whether the condition was improved or corrected and, if so, when and to what extent has it been improved or corrected;
- (g) The status of the condition as of the date the Claim is made by the Lessee; and
- (h) How the alleged Reduction affects Lessee. (It is understood Lessee's use or enjoyment of a Service or Facility and/or physical proximity thereto is a requirement for any Reduction to be alleged by Lessee. Therefore, even though a Reduction may exist as to some residents of the Park, unless the impact on Lessee is material and measurable, the alleged matter shall not constitute a Reduction to Lessee.)

2.2.3 Response to Claim of Reduction:

Within fifteen days of receipt of any Claim of Reduction, Owner shall respond, in writing, to the Lessee making the Claim and shall state the following:

- (a) Whether, when, and to what extent, the Owner has investigated the Claim and whether it is valid, and the reasons therefor;
- (b) The conclusions, if any, from such investigation;
- (c) What repairs, or other corrective measures, if any, Owner has or will take to restore the Basic Service Level, and
- (d) If corrective measures are to be taken, an estimate of the time needed to restore the Basic Service Level.

2.2.4 Scheduling of Hearings on Claims of Reduction:

(a) If Lessee disputes the Owner's conclusions or proposals set forth in Owner's Response, or Owner fails to Respond within said 15 days, the Lessee shall have five days after the Response, or five days after the time for Response has ended, whichever is earlier, to request that the Claim be mediated. In order to place the Claim on a schedule for hearing, Lessee must make a signed request for same in a form or format specified herein. That request need not restate the entire Claim and is sufficient if it only refers to the date and subject of the original Claim made. The request for hearing shall be delivered to and receipted by the Resident Manager or his/her designee, during normal business hours.

(b) If Lessee fails to request mediation within the said five days, the Owner's Response shall have the same binding effect and enforceability as a voluntary agreement without right of arbitration or appeal. As such, the Owner shall then be required to complete the corrective measures, if any, as specified in the Response. If the Owner fails to perform in this fashion, the matter may be taken into mediation as though the breach were a Reduction. A request for hearing made under this subparagraph 2.2.4.(b), shall be deemed timely if it is made within thirty days after the Owner's time estimate to cure has elapsed.

(c) If the Owner denies all responsibility for the alleged Reduction in his Response, and indicates no intention to take corrective measures, and if Lessee does not request mediation within said five day time period, the dispute shall be considered resolved and dismissed and Lessee shall be barred from making the same Claim.

2.2.5 Contents of Claims Made by Owner:

Owner shall have the right, but not the obligation, to use this Procedure to seek relief from violations of the Park Rules and Regulations by Lessee and in addition, to proceed against Lessee for all damages resulting from a Reduction claimed by any other resident, caused in whole or in part by Lessee. However, Owner's use of the Procedure to seek such relief shall not be a prerequisite to the commencement of a legal action in a court of competent jurisdiction, including, without limitation, the commencement of an action to terminate a tenancy. The Owner shall initiate the Procedure as to any of its Claims as follows:

(a) Claims for rent increase from a Governmental Imposition Pass-Through:

These Claims shall be in writing, signed by Owner, and served on Lessee in the manner required for service of notices provided elsewhere in the Lease. The Claim shall notify Lessee of the date, time and location of the arbitration hearing which shall be scheduled by Owner at the time any such rent increase is noticed. The Claim shall disclose all facts reasonably required to make a determination of compliance with the pertinent provisions of Exhibit A of the Lease, including, without limitation, the following:

- (i) The nature, source and brief history of the new or increased governmental imposition;
- (ii) The total yearly dollar-amount of this imposition;
- (iii) The monthly dollar-amount, per space, of this imposition; and
- (iv) Its starting date, duration, and whether it is to be compounded in future rent increases.

(b) Claim for rent increase from a Damage Pass-Through:

These Claims shall be in writing, signed by Owner, and served on Lessee in the manner required for service of notices provided elsewhere in the Lease. The Claim shall notify Lessee of the date, time and location of the arbitration hearing which shall be scheduled by Owner at the time any such rent increase is noticed. The Claim shall disclose all facts reasonably required to make a determination of compliance with the pertinent provisions of Exhibit A of the Lease, including, without limitation, the following:

- (i) Date and nature of loss;
- (ii) Estimates of dollar-amounts to reconstruct and/or replace damaged facilities;
- (iii) Proposed yearly amortized amounts per space;
- (iv) The identification of all insurance companies and/or third parties to whom any Claim for indemnity or compensation has been made;
- (v) Brief description and dates of Claims or proofs of loss made to any insurance companies and/or demands to third parties for indemnity or compensation;
- (vi) A brief description of all written responses from such insurance companies and/or third parties, if any;
- (vii) Details of any financing arranged or anticipated to be arranged for the reconstruction and for

replacement of damaged facilities; and

(viii) A brief status of any pending litigation over the loss and the identity of the attorney for each party thereto.

(c) Claims for violation of Rules and Regulations:

These Claims shall be in writing, signed by Owner and served on Lessee in the manner required for service of notices provided elsewhere in the Lease. The Claim shall notify Lessee of the date, time and location of the mediation or arbitration hearing which shall be scheduled by Owner at the time the Claim is made. The Claim shall disclose all facts reasonably required to place the Lessee on notice that he/she has violated the Rules and Regulations and that the Lessee may be subject to financial liability, an order to compel performance and/or a termination of tenancy, including, without limitation, the following:

- (i) The nature of the alleged violation and the date on which it began, specifying the Rule or Regulation at issue;
- (ii) The date on which the violation has stopped or, if continuing, an indication of its current status and magnitude;
- (iii) A brief summary of all prior attempts to compel correction;
- (iv) An estimated dollar-amount, necessary to remedy the violation, or to compensate for a Reduction for which a Claim has been made, and if a composite figure, a breakdown of each such amount into its components;
- (v) A statement of what performance or forbearance of Lessee will be necessary, to remedy the violation; and
- (vi) The identity and status of any other mediation/arbitration proceedings which have been commenced on any issue pertinent to the Claim.

(d) Claims for Discontinuance of Services or Facilities:

These Claims shall be in writing, signed by Owner, and served on Lessee in the manner required for service of notices provided elsewhere in the Lease. The Claim shall notify Lessee of the date, time and location of the arbitration hearing which shall be scheduled by Owner at the time any such Discontinuance is noticed. The claim shall disclose all facts reasonably required to make a determination of compliance with Paragraph 4.7 of the First Addendum [Basic Service Level] of the Lease, including, without limitation, the following:

- (i) A description of the Services or Facilities which the Owner is proposing to Discontinue;
- (ii) As to each such Service or Facility, the date or dates on which it will be discontinued and the duration of any such discontinuance;
- (iii) For the maintenance and operation of each such service or facility, the average annual amount expended by Owner for the three previous calendar years and the source of this information;
- (iv) As for each such Service or Facility, the monthly credit to which Lessee is entitled;
- (v) As for each such Service or Facility proposed to discontinue for minimum and/or non-use:
 - (aa) The extent to which there has been a significant decrease in the use or enjoyment of the Service or Facility by residents and the period of time during which this decrease has occurred; and
 - (bb) A brief description of the manner in which this decrease was measured or observed and the identity of the persons who compiled these facts; and
- (vi) As for each such Service or Facility Discontinued for unforeseen or extraordinary expenses:
 - (aa) The amount of the anticipated annual expenditure for maintenance and/or replacement and the source of this information.

2.2.6 Group Claims:

Subject to the limitations in this paragraph, any Claims by Owner shall be consolidated at its option, and group Claims may be filed by lessees or any Claims may be consolidated on motion of any party as provided herein.

(a) Group or consolidated Claims are permitted to the extent that:

- (i) Each Claim is based on the same operative set of facts, even though in the case of each alleged Reduction the impact may not be the same on each lessee;
- (ii) Each lessee has given written and signed authorization to a representative or a small group of representatives in the form of a proxy or power of attorney which includes the power to represent lessee in the procedure and the power to settle, compromise or dismiss the Claim;
- (iii) There are no later amendments of Claims through which one or more lessees amend their Claims to include or match Claims made by other lessees who all have the same representative; and
- (iv) All Claims are timely and adequately made.

(b) Each representative of a group shall have the burden of proving at the beginning of the hearing, facts supporting the consolidation of Claims, and his/her authority to represent Claimants, as required in this Paragraph. At the beginning of the hearing, the Hearing Officer shall determine the composition of each group and the identity of its representative.

(c) Notwithstanding the above, the Hearing Officer must make individual findings and awards as to each lessee in a group or consolidated Claim. In the case of an alleged Reduction, each lessee in a group or consolidated Claim bears the burden of demonstrating how and to what extent the Reduction has affected his/her tenancy and what relief, including any monetary award, is appropriate to compensate him/her for any such loss. The Hearing Officer shall make an individual finding as to each lessee included within a group or consolidated Claim.

2.2.7 Conduct of Hearings:

(a) Notice of Hearings: Notices of all regularly and specially scheduled hearings shall be in writing, served at least twenty days prior to the hearing in which the Claim will be heard, posted on the kitchen bulletin board in the adult clubhouse and shall for each claim state the date, time and location of the hearing and, if known, the identity of the Hearing Officer. The notice shall also inform the Claimant of his/her right to attend, right to representation and that, if the Claimant does not attend, that the hearing will proceed in his/her absence and that a decision will be made which may affect his/her rights under the Lease and which may result in financial liability.

(b) **Hearing in the Absence of a Party:** The hearing may proceed in the absence of any party who, after being duly served with notice, fails to be present or fails to obtain a continuance. The Hearing Officer shall require the Claimant to present evidence to prove his/her Claim. The relief granted shall not exceed the relief requested in the Claim.

- (c) **Record of Hearing:** The record, with respect to each hearing, shall be maintained as follows:
- (i) **The Hearing File:** The Hearing Officer shall maintain, for at least one year, the original notices, documents and exhibits concerning each hearing.
 - (ii) **The Hearing Record:** Owner shall supply a tape recorder and blank tapes for recording all oral proceedings. The recorded tape of the proceedings shall be kept in the possession of the Hearing Officer for a period of one year. Any party to a proceeding is entitled to copies of original notices, documents, exhibits and tape recordings, upon payment of actual costs.
 - (iii) **Court Reporter:** Either party may obtain a Certified Shorthand Reporter (C.S.R.) at his/her own expense provided, however, that if any proceedings are transcribed at the instance of the party employing the reporter, then an uncertified machine-copied record of the proceedings shall be made available to any party for the cost of the copying only.

2.2.8 Closed hearings:

Only the parties to a dispute and their representatives and advisors are entitled to be present during the hearing, except that any advisor shall be excluded on a showing of good cause. Except as may be agreed upon, non-party witnesses are not permitted to be present during testimony of any other witnesses.

2.2.9 Order of Proceedings:

(a) A hearing shall be opened with an introduction by the Hearing Officer, a request to identify the parties, a request that any proxies be turned in and representatives identified and an explanation by the Hearing Officer of the Procedure. The Hearing Officer shall administer an oath to the parties and witnesses. The Hearing Officer shall record the place, time and date of the hearing, the identity of the parties and witnesses present, and shall indicate receipt of a statement of Claim and/or response, if any. The Hearing Officer may, at the beginning of the hearing, ask for statements clarifying the issues involved.

(b) The complaining party shall then present his/her Claim and proofs and present his/her witnesses who shall submit to questions or cross-examination. The defending party shall then present his/her defense and proofs and present his/her witnesses who shall submit to questions and cross-examination. The Hearing Officer may, at his/her discretion, vary this procedure but shall afford full and equal opportunity for all parties to present any material or relevant proofs.

(c) Relevant evidence in the form of Exhibits, when offered by either party, shall be received in evidence by the Hearing Officer. The names and addresses of all witnesses and exhibits, in order, shall be made a part of the record.

2.2.10 Evidence:

(a) Each party shall have the burden of proving its case by a preponderance of the evidence. The parties may offer such relevant evidence as they desire. The Hearing Officer shall be the judge of the relevancy and materiality of the evidence offered, but subject to the following, conformity to strict courtroom rules of evidence shall not be necessary. All evidence shall be taken in the presence of the Hearing Officer and all parties, except where any of the parties are in default or has waived his/her right to be present. Hearsay upon hearsay is not admissible; moreover, unsupported hearsay, to which a party has objected, is not sufficient to support a finding or decision.

(b) The Hearing Officer may request the submission of additional documentation or other information. When this request is made, the hearing may be recessed until the submission deadline for the administrative purpose of receiving and/or reviewing the additional information. In the event that the requested information is not provided or is incomplete, the hearing shall resume. Failure to produce information shall not prejudice a party's case, and a party's burden of proof shall not be affected by his/her inability or unwillingness to provide additional information.

2.2.11 Rules of Procedure:

(a) Where not in conflict with the express provisions contained herein, The Hearing Officer shall conduct all hearings in accordance with the provisions of the California Arbitration Act, C.C.P. Section 1280 et seq., and especially C.C.P. Section 1282 et seq..

2.2.12 Pre-Hearing Discovery:

Neither Owner nor Lessee shall be entitled to any type of discovery, except as provided in the following:

(a) **Exchange of Information:** Either party may, at least 15 days prior to the date on which the Claim is scheduled for hearing, serve upon the other party a Request for Information.

(b) **Information Requested:** Any or all of the following information may be requested, and no other:

- (i) The name, business and residence address of each witness whom the party expects to call in person.
- (ii) A brief narrative statement of the qualifications of such witness and the general substance of the testimony which the witness is expected to give.
- (iii) A request to produce reports and writings which the party expects to produce at the hearing.

(c) **Production of Information:** Not later than 10 days following service of a Request for Information, the party to whom the request has been made shall use reasonable efforts to produce the requested information. Costs of copying written materials which exceed \$15.00 shall be borne by the requesting party.

(d) **Failure to Produce Information:** If, for any reason, the party to whom a Request for Information has been sent fails to produce all or a portion of the requested information, the requesting party shall be entitled to justify the request before the Hearing Officer at the commencement of the hearing. The party to whom the request has been made may respond and shall be entitled to show the Hearing Officer that all or any portion of the information requested is irrelevant, immaterial, inadmissible or otherwise inappropriate for production. After giving the parties

a fair, but not an unduly long period of time to discuss these requests, the Hearing Officer may, in his/her discretion make a request for additional information, as provided for in Paragraph 2.2.10(b) above.

2.2.13 View of Park:

Upon the request of either party, the Hearing Officer shall physically view the specified condition in the Park.

2.2.14 Extensions of Time:

The parties may modify any period of time by mutual agreement. The Hearing Officer, for good cause, may extend any period of time established by these rules, except periods of limitations and time for rendering a decision/award/report. The Hearing Officer shall notify the parties of any extension of time and of the reason therefor. Provided, however, that if Lessee requests an extension or continuance for any reason, then such period of delay shall suspend any period to correct a Reduction during the period of the extension or continuance, but shall not excuse Lessee of making all rent payments including requested pass-through increases. If the continuance is requested by Owner, such delay shall not extend the period within which Owner shall act to correct a Reduction.

2.2.15 Communication with Hearing Officer and Service of Notices:

(a) There shall be no communication between the parties and the Hearing Officer over unresolved issues or Claims, other than at scheduled hearings. Any such oral or written communications between the parties and the Hearing Officer shall be done with a prior notice to all other parties and, to the extent possible, in their presence. For example, all written communications to the Hearing Officer by one party shall be sent to all other parties, or their representative(s), and to the extent possible, all telephone communications shall be made with conference calls.

(b) Each party to this Procedure shall be deemed to have consented that all papers, notices, and other process necessary or proper for the initiation or continuation of the Procedure may be served upon such party as provided in the Lease, or to such parties representative.

2.2.16 Sanctions or Dismissal without Award:

(a) The Hearing Officer shall be entitled to dismiss a Claim in either the mediation or arbitration phase without making an award on the merits of the Claim upon a finding that the Claim is not timely or is insufficient and does not satisfy the requirements of Paragraph 2.2.2, or the Claim is frivolous, petty, not made in good faith, or made solely for the purpose of harrassment.

(b) As part of a dismissal without award, Mediation Report or Arbitration Award and upon a specific finding of bad faith, frivolous, harrassment, dilatory tactics, or the like, the Hearing Officer may award the opposing party costs and a reasonable attorneys' fee actually incurred in opposing the Claim.

**ARTICLE III
ARBITRATION
AWARDS AND DETERMINATIONS
OF HEARING OFFICER**

3.1 TIME OF AWARD.

Each arbitration award shall be made no later than twenty one days from the conclusion or the closing of the hearing or, if oral hearings have been waived, from the date of transmitting the final statements, reports, briefs and the like to the Hearing Officer.

3.2 FORM AND DELIVERY OF AWARD.

The award shall be in writing and signed by the Hearing Officer. It shall be delivered to the parties and/or their representatives by placing a true copy thereof in the mail addressed to each such party or representative at his or her last known address, or as otherwise provided in the Lease. A written award or portion thereof may be waived by agreement of the parties.

3.3 AWARD UPON SETTLEMENT.

If the parties settle their dispute during the course of the arbitration, the Hearing Officer, upon request, shall set forth the terms of the agreed settlement in an award.

3.4 DETERMINATIONS AND AWARD FOR REDUCTIONS.

3.4.1. If the Hearing Officer finds that a valid Claim for Reduction was timely given and that a Reduction exists, then the Hearing Officer shall make the following written determinations:

- (a) Estimate of the type and extent of repair, restoration or other corrective measures which must be undertaken to restore the Basic Service Level; and
- (b) Time reasonably necessary to complete those corrective measures; and
- (c) Whether the primary cause of the Reduction was a failure of an independent contractor and, if so, any additional length of time reasonably necessary for Owner to obtain from an existing or new contractor the level of performance to which Owner and Lessee are entitled; and
- (d) The monetary value of the Reduction, on a daily or monthly basis, considering the following factors:
 - (i) The area affected;
 - (ii) The amount of time the occupant is exposed to the condition;
 - (iii) The degree of discomfort or hazard that the condition imposes;
 - (iv) The extent to which such condition causes Lessee to find the premises unpleasant, untenable or uninhabitable with a possible departure; and
 - (v) Similar factors.

3.4.2 Upon the issuance of the Mediation Report, Owner shall be given the stated period of time to correct the Reduction, including, if appropriate, the additional time found necessary to make adjustments with an independent contractor. During this entire time period, starting from the date on which the original Claim was filed, the Owner shall not be liable for any monetary damages for the Reduction, provided that the Owner shall make a good faith effort

to correct the Reduction after the Mediation Report is issued.

3.4.3 At the arbitration hearing, concerning any Reduction, the Hearing Officer shall determine whether, and to what extent, the original Reduction was corrected. If the Hearing Officer determines that it was not fully corrected within the time allowed, according to the Mediation Report, the Hearing Officer shall award the monetary damages to Claimant in proportion to that amount of correction actually achieved and over the period of time the correction was made, to be retroactively applied as of the date earlier set for completion of all corrective measures. If the Hearing Officer determines that despite a good faith attempt to cure, the Reduction could not be fully corrected within the time allowed by the Mediation Report, the Hearing Officer shall have the discretion to extend the time period for correction without imposition of damages. If the Hearing Officer finds that there was not a good faith attempt to apply these corrective measures, then the monetary damage shall be retroactively applied as of the date on which the Mediation Report was given. The duration of the award shall be set by the Hearing Officer and may be for a stated or indefinite period of time, subject to later review upon motion by the affected party, or its duration conditioned on future performance by Owner.

3.5 DETERMINATIONS AND AWARD FOR DISCONTINUANCE OF SERVICE OR FACILITY.

3.5.1 If a Claim is made by Owner for Discontinuance of a Service or Facility under any of the standards or criteria expressed in Paragraph 4.7 of the First Addendum to Lease, the Hearing Officer shall make the following written determinations:

- (a) The nature and/or extent of the Service or Facility which has or will be discontinued and whether the Discontinuance is to be permanent; and
- (b) Whether the Discontinuance properly falls within the standards and criteria expressed in Paragraph 4.7 of the First Addendum to Lease; and
- (c) The monetary value of the Discontinuance on a monthly or yearly basis, as determined pursuant to Paragraph 4.7 of the First Addendum to Lease.

3.5.2 If the Hearing Officer finds that the Discontinuance is appropriate under the standards and criteria expressed in Paragraph 4.7 of the First Addendum, an award shall be written, with adequate findings, for the amount, if any, to which Lessee shall be entitled during the time of the Lease.

3.6 DETERMINATIONS AND AWARD FOR RENT INCREASES BASED ON GOVERNMENTAL IMPOSITION PASS-THROUGH.

3.6.1 If a Claim is made by Owner to increase rents because of a Governmental Imposition specified in Exhibit A to the First Addendum to Lease, the Hearing Officer shall make a written determination of whether the proposed rent increase is proper under the criteria specified in Exhibit A.

3.6.2 If the Hearing Officer finds that the proposed rent increase does not meet the criteria specified in Exhibit A, the increase shall be disallowed, in whole or in part, and further Claims shall be barred except in the case of material change of facts or circumstances.

3.6.3 If the Hearing Officer finds that the proposed rent increase does meet the criteria specified in Exhibit A, an award shall be written, with adequate findings, for the amount of the rent increase which shall be due and payable in the manner provided for in Exhibit A.

3.7 DETERMINATIONS AND AWARD FOR RENT INCREASES BASED ON DAMAGE PASS-THROUGH.

3.7.1 If a Claim is made by Owner to increase rents because of a Damage Pass-Through specified in Exhibit A, the Hearing Officer shall make a written determination of whether the proposed rent increase is proper under the criteria specified in Exhibit A. This determination shall include, without limitation, that Owner has met the insurance coverage burden specified in Exhibit A; provided, however, that the limits of liability and covered risks of Owner's insurance are not subject to arbitration, the amount of any settlement with the carrier, or any third person, shall be in the sole and exclusive discretion of Owner and not subject to contest, including arbitration, and the Hearing Officer shall accept no evidence or issue any award or findings concerning such matters.

3.7.2 If the Hearing Officer finds that the proposed rent increase does not meet the criteria specified in Exhibit A, further Claims shall be barred except in the case of a material change of facts or circumstances.

3.7.3 If the Hearing Officer finds that the proposed rent increase does meet the criteria specified in Exhibit A, an award shall be written, with adequate findings, for the amount of the rent increase which shall be due and payable in the manner provided for in Exhibit A. A partial award may be made for partial compensation and findings with a subsequent award for final determinations.

3.8 DETERMINATIONS AND AWARD FOR VIOLATION OF RULES AND REGULATIONS.

3.8.1 If a Claim is made by Owner that Lessee has violated a Rule or Regulation of the Park, the Hearing Officer shall make the following written determinations:

- (a) The existence and nature of the violation and the duration of time it has existed; and
- (b) The identities of all persons responsible and all persons suffering monetary or non-monetary damages; and
- (c) The dollar amount of any monetary damages; and
- (d) Performance necessary to cure the violation; and
- (e) Other appropriate relief.

3.8.2 If the Hearing Officer finds that a Rule or Regulation has been violated, an award shall be written,

with adequate findings, which shall direct payment of money to Owner or to the injured party, and, if appropriate, shall order an abatement or cessation of the conduct or activity constituting the violation. Provided, however, that any such monetary award shall not be initially enforced through an increase in rent; rather, the Hearing Officer's award shall have the status and effect of an "arbitration award" and shall be confirmed through petition to a court of competent jurisdiction under provisions of the California Arbitration Act, CCP Section 1280, et seq., and, if confirmed, shall be enforceable as a civil judgment.

ARTICLE IV APPEALS

4.1 APPEALS THROUGH ADMINISTRATIVE MANDAMUS, CCP SECTION 1094.5.

Notwithstanding contrary provisions of the California Arbitration Act, CCP Section 1280 et seq., all appeals from final arbitration awards shall be taken under CCP Sections 1094.5 (Review of Administrative Orders or Decisions) and 1094.6 (Judicial Review). All final arbitration awards or directives shall have the instruction for appeal as set forth below or in words of similar meaning:

Under Sections 1094.5 and 1094.6 of the Code of Civil Procedure, you have ninety days following the date from which the arbitration award becomes final to appeal that decision to the Superior Court. These Code sections are applicable and govern judicial review of all final awards and orders of the Hearing Officer and of this Dispute Resolution Procedure. If you fail to appeal within the ninety-day period, you may lose your right to do so and the arbitration award shall become final and binding upon you, affecting your rights under the Lease, including financial obligations.

ARTICLE V MISCELLANEOUS PROVISIONS

5.1 PUBLIC POLICY - SAN JOSE ORDINANCE:

Owner and Lessee are entering into this Lease, including the Dispute Resolution Procedure of this Addendum, with knowledge and recognition of the provisions of the San Jose Rental Dispute Mediation and Arbitration Ordinance, Chapt. 17.23, San Jose Municipal Ordinance. To the extent permitted by law, Owner and Lessee each waives its rights to seek relief against the other by filing a petition to invoke the Rental Dispute Mediation and Arbitration Process under the Ordinance. It is understood and agreed that Owner is extending to Lessee the rent levels stated within Exhibits A and B of the Lease on condition that the Dispute Resolution Procedure contained within this Addendum remains valid and enforceable throughout the term of the Lease. Owner and Lessee acknowledge that the said Ordinance declares a waiver by Lessee of rights granted thereunder to be void as contrary to public policy. Owner and Lessee have drawn and entered into this Lease, and all its exhibits, addenda and attachments, in Recognition and accomodation of the provisions of the Ordinance. Neither Owner nor Lessee believe or intend that any term of the Lease or the Dispute Resolution Procedure in this Addendum is contrary to public policy.

5.2 REMEDIES ON BREACH:

In the event Lessee files a petition under the City of San Jose Rental Dispute Mediation and Arbitration Ordinance, or files an action to declare all or any portion of the Lease null, void or unenforceable, or if a final judgment of a court of competent jurisdiction declares all or any portion of the Lease null, void or unenforceable, then in any of these cases Owner shall have the right to take any or the following courses of action in addition to all other rights and remedies that Owner may have at law or in equity:

5.2.1 Immediately terminate the Lease in its entirety;

5.2.2 Immediately terminate the Dispute Resolution Procedure set forth in this Second Addendum and terminate the provisions of Exhibits A and B to the Lease so that the Lease shall become a month-to-month tenancy and Owner shall be entitled to increase rent at any time upon advance notice if otherwise in compliance with law; and/or

5.2.3 File an action against Lessee for declaratory judgment and/or damages arising as a result of Lessee's breach of the Lease, including acceleration of any rent waived under this Lease.

5.3 TERMINATION OF LEASE:

Upon expiration or earlier termination of the Lease, all rights and obligations of Owner and Lessee under the Procedure set forth in this Addendum shall immediately cease and become null and void except that any decision of the Arbitrator made prior to such expiration or termination may be enforced.

5.4 AMENDMENT OF SECOND ADDENDUM:

Notwithstanding the provisions of Lease Paragraph 34, this Second Addendum may be amended upon the written agreement of Owner and a majority of lessees. Such amendment shall be binding and enforceable upon all lessees, whether or not they agreed to the amendment, upon notice given pursuant to the notice provisions elsewhere in the Lease.

INDIAN HILLS PARK - CHATSWORTH

11401 N. Topanga Canyon Blvd.
Chatsworth, CA 91311
April 28, 1986

Senate Select Committee
State Capitol - Room 3070
Sacramento, CA 95814

Dear Committee Members:

This letter is in answer to the memo of April 15, 1986 issued by Senator William A. Craven regarding the committee hearing on Mobilehomes.

Enclosed you will find copies of two 25 year lease agreements that were offered to the homeowners of Indian Hills Mobile Home Village, Chatsworth, California. The first lease was offered in January of 1985 and the other, in April of 1986.

Regarding the 25 year lease offered in January 1985, we make the following comments:

1. The homeowners were offered only the 25 year lease. This was in direct violation of 798.18 of the Mobilehome Residency Law. The park owner stated to some of the homeowners that there was no one year lease.
2. A number of homeowners refused to sign the lease and were coerced or intimidated into signing. Copies of some of the letters stating that their rent would be increased by exorbitant amounts are included in this package.
3. A number of people that were forced to sign the lease did so and noted that it was signed under duress under their signatures.
4. The park owner is raising the base rent or market value rent to such a level that it has become increasingly difficult to find buyers for our homes and those wishing to sell must take a loss on their investment.

Page 2

April 28, 1986

11401 N. Topanga Cyn. Blvd.

5. Anyone signing one of these leases surrenders all their rights under any new law that may be passed to benefit the homeowners, but the park owner retains the right to change the lease to his benefit any time he sees fit.

Regarding the 25 year lease offered in April, 1986.

1. On April 24, 1986, a 25 year lease was received by the homeowners.

On page 2 of this lease, you will see that the present rent is \$379.85, as of July 1, 1986 the rent will be raised to \$395.04 per month. This is an increase of \$15.19

2. On April 28, 1986 (4 days later!) a letter was received from the management stating that the rent as of July 1, 1986 would be \$417.00. This is an additional increase of \$22.06

In a matter of 4 days the rent has been increased a total of \$37.25 to the same homeowner.

3. This new lease has been sent to all homeowners who did not sign the 25 year lease offered last year and has been followed up with a similar rent increase letter.

These two leases are not agreements, they are dictates. This practice must be ended!

The park owners who show such a flagrant disregard for the law should be brought to task.

One suggestion of how to accomplish this is for the HCD to have the power to fine any park owners if they do not adhere to the Mobilehome Residency Law.

We have a number of intimidating letters sent to the residents of this park and will be glad to supply them and any other additional information upon request.

Yours truly,



Patricia A. Lowery, Vice President
Golden State Mobile Homeowners League
Indian Hills Mobilehome Village
Homeowners Association
Space #126

~~#~~ / . LEASE LETTER

INDIAN HILLS MOBILE HOME VILLAGE
11401 N. TOPANGA CANYON BOULEVARD
CHATSWORTH, CALIFORNIA 91311

January 17, 1985

All Indian Hills Residents
11401 N. Topanga Canyon Boulevard
Chatsworth, California 91311

Re: Long-Term Lease Offer

Dear Residents:

Enclosed is a long-term lease. In this letter, we describe the lease and its many benefits. It is important for you to understand that all of the terms of this lease are within the guidelines adopted by the Los Angeles County Board of Supervisors.

WHY A LONG-TERM LEASE?

It has been evident for some time that the vast majority of you want a long-term lease. We've put a great deal of time, effort and money into developing this lease. We think the final, finished product is a good one and represents an exceptional alternative and opportunity for all of you.

Both residents and owners in the mobilehome park industry in California have recently recognized that leases are beneficial for both the residents and the park. Because of this, leases that run for several years are becoming more and more common.

As explained in detail in the following, the biggest benefit of the lease for those of you who have been under rent control is that it provides a 5-year phase-in period to bring your present below-market rent up to the amount now paid by residents not covered by rent control. This is an extremely important benefit to you and represents a substantial concession by us. A concession the law does not require and one which will be of significant economic detriment to us.

Before turning to the specifics of your long-term lease, you need to understand that during the last few years, over 40% of the spaces in Indian Hills have been decontrolled. In other words, people moving into the Park during these last several years have paid a fair market rent which was much higher than the rent paid by you and the other residents whose rents were still controlled by the ordinance. These new residents' rents are, today, approximately \$90.00 a month higher than the rent you now pay. What this means in a nutshell is, that over the past several years you have paid far less than the true market rent for your space. You have, in fact, saved somewhere between \$50.00 to \$90.00 per month on the rent you paid these past several years.

Even those residents who are paying approximately \$90.00 a month more than you are receiving an exceptionally good housing value. A recent survey I have made of other parks in the county comparable in quality to Indian Hills indicates that their rents for decontrolled spaces begin at \$395.00 per month and go as high as \$550.00 a month. This means that our rent range for decontrolled spaces of \$330.00 to \$360.00 per month is well below a fair market rate.

The lease will begin on the date you sign it and end on June 30, 1990. This does not mean you have to obligate yourself to live here during the entire period of the lease. You may cancel the lease without any obligation to us if you sell your mobilehome or move it out of the Park. The same is true of your family. If, because of your illness, death, or other reasons, your family takes over responsibility of your mobilehome, the lease can be canceled by them on the same terms.

Your present rent will remain the same until July 1, 1985. Beginning on that date and on every July 1st. from 1986 to 1989, we will have a rent adjustment as we have had in years past.

The formula for the rent adjustment is set out in detail in the enclosed lease and you should read it carefully, as we are only briefly summarizing its provisions here. Basically, there are three items which affect your rent adjustment and they are described below.

The first item is a \$20.00 increase each year to catch your rent up from its present below-market, controlled rent, to the rent now paid by the non-controlled spaces. As we said a moment ago, this is a very important feature and of substantial benefit to you. We could elect to bring your rent up to market during the 1985 phase-out provisions of the Los Angeles County ordinance. Instead of doing this, we are offering you the opportunity to take five full years before you will pay the full rent for your space. We don't see how we could be any fairer as this is a substantial concession and costs the Park a great deal of money.

The second rent adjustment item is a Consumer Price Index (CPI) adjustment. The way this works is that if the CPI has increased by more than 6% but less than 12%, your rent will be adjusted by that amount. If, however, the CPI increases by less than 6%, the rent adjustment will be 6%. On the other hand, if the CPI goes up by more than 12%, the rent adjustment will be limited to 12%. The CPI adjustment would be made on the market rent as determined and agreed upon in the lease. Again, this is a substantial concession by us, particularly as many are predicting a return to inflation rates well in excess of 12%. Even if inflation doesn't go up that much, this adjustment factor compares very favorably to the 9% adjustment the L.A. County ordinance now allows.

The third item adjusts your rent for certain increases in basic operating expenses. Commonly, these provisions are known as "pass-throughs". They will consist of passing along increases in the cost of government services, property taxes, capital improvements and uninsured losses.

*There is no
referring to this
section. Shown as \$2.00
on example it could be
\$100.00 or any thing owner
wishes. (Attachment #3)*

RENT ASSISTANCE

Although we do not believe the rent increases in the lease will work a hardship on any of you, we do not know the exact personal financial condition of each and every resident. Therefore, it is possible we may have overlooked someone. If so, if any of you will truly be unable to pay the new rent, then please let the Park Manager know, so that we may contact you individually and attempt to provide assistance.

There are various government programs you may not be aware of that provide rent assistance. Family members are also often available to provide help. If these traditional sources of assistance that Americans have relied on for years are not available to you, we would encourage you to apply to our new rent assistance program.

Obviously, the Park can't subsidize anyone unless they truly have no other place to turn. We do believe our voluntary program is an important "safety net" to help those who have no other resources and have accepted the lease. More importantly, as many of you do not know what is available, we'll help you contact governmental agencies and suggest other alternatives.

OTHER RESIDENT ASSISTANCE

Some of you may want to continue to spend as little as possible on rent so that you can have more money left over to do other things. If so, we have developed another idea to help you. Under a new section of the Mobilehome Residency Law which went into effect the first of this year, you can share housing with another person and reduce your monthly payments. This new law, Civil Code Section 798.34(b) reads as follows:

"The Homeowner who is living alone and who wishes to share his or her mobilehome with one person may do so, and a fee shall not be imposed by management for such person.

Such person shall be considered a guest of the Homeowner and the agreement between the Homeowner and such person shall not change the terms and conditions of the rental agreement between management and the Homeowner. Such guest shall comply with the provisions of the rules and regulations of the mobilehome park."

What this simply means is that if you are now living alone, you can have a friend help you pay the rent, utilities, and other expenses. The friend can be someone who does not now live in the Park. Or, if two existing residents want to live together, ⁸⁴⁶one can sell their mobilehome and move in with the other. In either case, there will be no extra rent or guest charge you'll have to pay. This new law was supported by both GSMOL and WMA at the encouragement of residents from all over California. We think it is a good idea, not just to reduce housing costs, but also to have a friend live with you to keep you company.

To help you find someone to share housing with, we are asking all interested residents to give their names to the Park Manager. He will then make up a list of everyone who is interested and give a copy to you upon your

request so that you may contact one another and work out your own arrangements. You can also contact friends and relatives, residents of other mobilehome parks, members of your church, etc.

Although there are only a very few parks of comparable quality which charge less rent than we do, these parks do have resales available for you to buy. There are also apartments and senior citizen housing in Los Angeles County and elsewhere. If you are interested in finding out about one of these other parks, an apartment, etc., we suggest you contact one of the many mobilehome dealers or realtors listed in the Yellow Pages. We are also developing a list with names and phone numbers of people you may contact. If you would like a copy of our list, please ask the Park Manager.

SUMMARY

A common human characteristic is that none of us like to pay more for anything we purchase. This is just as true of us as it is of you.

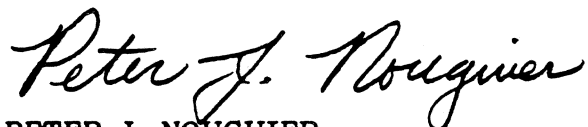
We think we have a nice mobilehome community. When you really think about it and compare our situation to that found in most of the rest of California, you enjoy excellent job opportunities and access to recreation, shopping, medical facilities, etc. When you rent or buy a place to live, these are all things you pay for. It's part of the housing value you buy with your rent dollars. We believe that the Park has provided a good housing value for many years. We think this will remain true with the new lease.

As we've said earlier, this lease offers many concessions and benefits. It really amounts to nothing more or less than our continuing a form of rent control for the next 5-1/2 years. The terms of this lease are within the guidelines adopted by the Los Angeles County Board of Supervisors. Residents who accept the lease will continue to enjoy below-market rents for that entire time. Residents who decide not to accept the lease should expect that their rents will be raised to market as soon as the L.A. County ordinance permits.

We would appreciate your signing and returning the enclosed lease just as quickly as possible to the Park Manager. In any event, if you want to accept the lease, you have to sign and return it before February 28, 1985. When you return the lease to the Park Manager, he will give you a copy signed by the Park.

Thank you for taking the time to read this letter and the lease. If you have any questions, please let the Park Manager know so that we can get back to you with the answer promptly.

Sincerely,



PETER J. NOUGIER
INDIAN HILLS MOBILE HOME VILLAGE

INDIAN HILLS PARK - Chatsworth, CA

25 YR LEASE" -78- TO THOSE NOT UNDER RENT CONTROL

INDIAN HILLS MOBILE HOME VILLAGE
11401 N. TOPANGA CANYON BOULEVARD
CHATSWORTH, CALIFORNIA 91311

LEASE AGREEMENT

THIS AGREEMENT is made as of the date specified below between Indian Hills Mobile Home Village (the "Park"), and those persons listed on the last page of this Rental Agreement (the "Agreement") as the resident (the "Resident").

1. SPACE:

Park rents to Resident and Resident rents from Park Space No. 126 (the "Space") in Indian Hills Mobile Home Village, (the "Park") located at 11401 N. Topanga Canyon Boulevard, Chatsworth, California 91311.

2. TERM:

2.1 The tenancy created under this Agreement shall be for a period of SIXTY ONE months beginning MAY 1 - 1985, and ending JUNE 30 - 1990, unless sooner terminated in accordance with the terms of this Agreement. This Agreement will be effective when signed by Park and Resident.

2.2 Resident acknowledges that Park has offered Resident the option of: a month-to-month rental agreement, rental agreement having a term of twelve (12) months; a rental agreement have a term which is longer than a month-to-month tenancy but less than twelve (12) months in length; or a rental agreement having the term specified in paragraph 2.1 above. Resident acknowledges his understanding that he may elect to accept anyone of these four (4) options and that this election is solely at Resident's option. Resident further acknowledges that even though he has these four (4) options, he has voluntarily elected the term of tenancy set forth in paragraph 2.1 above. (Resident's Initials X_____).

3. RENT:

3.1 Resident shall pay as rent to Park without deduction or offset (without waiving Civil Code Section 1942) and on the first day of each month:

A. The base rent (as it may be adjusted) as specified in Paragraph 3.2 below.

B. All utility charges billed to Resident by Park during each month. (Please Note: Utility rates for utilities billed to Resident by Park are set by the Public Utilities Commission and other governmental agencies. Therefore, charges for these utilities may be increased at any time in accordance with the rates established by these other parties and no advance notice or increases in these rates will be given to Resident by Park.

OK
X
C. Guest charge of One Dollar (\$1.00) per day for each guest staying more than a total of twenty (20) consecutive days or thirty (30) days in a calendar year. This additional charge for Guests shall not, however, apply if the Guest is a member of Resident's immediate family as defined by the Mobilehome Residency Law, or if the Guest comes within Civil Code Section 798.34(b).

D. Park may charge a reasonable fee for services relating to the maintenance of the land and premises upon which the mobilehome is situated in the event the Resident fails to maintain such land or premises in accordance with the Rules and Regulations of the Park after written notification to the Resident and the failure of the Resident to comply within fourteen (14) days.

E. Pet charge of SEVEN Dollars (\$ 7.00) per month.

F. Trash collection charge of Two and 36/100 Dollars (\$2.36) per month.

G. Other monthly charges (specify):

3.2 The base rent shall be THREE hundred fifty five Dollars (\$ 355.00) per month subject to adjustments as provided for in paragraph 3.3 below.

3.3 The rent will be adjusted each year on July 1st. The yearly rent adjustments will be made up of an annual percentage adjustment, government required services and utilities, taxes, capital improvements and uninsured losses.

3.3 A. ANNUAL PERCENTAGE ADJUSTMENT:

The annual percentage adjustment shall be based on the increase in the Consumer Price Index (CPI). Regardless of how much the CPI increases, the annual percentage adjustment shall not be less than six percent (6%) or more than twelve percent (12%) in any year. For example, if the CPI increases by 4%, the increase will be 6%; if the CPI increases by 18%, the maximum increase will be 12%. The increase in the CPI for the twelve months ending December of each year will be used to compute the percentage adjustment.

3.3 B. GOVERNMENT REQUIRED SERVICES, UTILITIES AND TAXES:

Increases in the cost of government required services and taxes for the twelve months preceding the month in which the current rent increase notice is given will be compared to those costs for the immediately preceding twelve months. The base figure for the twelve months of taxes which will be used for the first computation is \$13,769.86. One-twelfth of the amount of the increase will be divided by the number of Spaces in the Park and added to the monthly rent for the month immediately preceding the rent adjustment anniversary date. Park will pay the first 2% of the tax increase and ONLY the amount over 2% will be added to the rent.

3.3 C. CAPITAL IMPROVEMENTS:

Costs for capital improvements made during the twelve months preceding the month in which the current rent increase notice is given will be used to determine the rent adjustment. These costs will be equally amortized over sixty (60) months and all Spaces in the Park so that Resident only pays his prorata share.

X 3.3 D. UNINSURED LOSSES:

For rent adjustment purposes, uninsured losses will be treated as if they were "Capital Improvements" and the same formula will be used to calculate the rent adjustment for these items.

3.3 E. DEFINITIONS OF THE TERMS USED FOR ANNUAL RENT ADJUSTMENTS:

3.3 E.1 The Consumer Price Index that will be used to make rent adjustment is the "Consumer Price Index for all Urban Consumers, Los Angeles-Long Beach-Anaheim Average, all Items (1967 = 100)". This index is published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is changed so that the base year differs from that used on the date of this Agreement, the Index shall be converted in accordance with the conversion factor published by the U.S. Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this Agreement, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the index had not been discontinued or revised.

X 3.3 E.2 Government Required Services and utilities are defined as any existing or new, additional or changed services which the Park is required by government to provide or does provide to Residents of the Park and includes, without limitation, fees, bonds, assessments, charges or other costs and expenses for water, sewer (including changing the present Park owned and operated sewer plant and system to sewers operated by another party regardless of whether the Park is required to make this change or does so voluntarily), trash pick-up and trash bin rental and utilities provided by the Park. This term includes services provided by private parties and quasi-governmental entities as well as governmental entities. The cost of providing Residents any new, additional or changed service will be included in computing increases in the cost of these services.

3.3 E.3 Taxes does not include (i) income taxes or (ii) any amounts which may be included in the cost of governmental required services per this Agreement; therefore, any amount attributable to these items will NOT be used to compute tax increases. The term Taxes is defined as all general and special real estate taxes, personal property taxes, sewer and water fees or hook-up charges, bonds, fees, charges and surcharges and assessments, whether actually paid or unpaid, levied upon or payable in connection with or referable to the land and or Park's improvements to the land constituting the Park or the use thereof by Park, including any taxes, assessments or charges levied or assessed either on offsite or onsite improvements or in lieu of real property taxes and also including any tax or excise on rents or any such other tax however described which is levied or assessed against Park as a direct substitution in whole or in part for any real property taxes.

X X

3.3 E.4 "Capital Improvements" includes all items which the Park reports or treats for state or federal income tax purposes as capital improvements. The "cost" of capital improvements shall consist of the actual cost of the improvement, including legal and engineering fees, plus all interest, points, and other costs and charges related to the borrowing of any sums by Park to make such capital improvements. Any capital improvement cost over Twenty Thousand Dollars (\$20,000) for any one item shall be subject to a majority vote of Residents (only one (1) vote per each Space) except those capital improvement costs mandated by or resulting from either: a governmental or quasi-governmental entity or agency; a utility company or other entity providing natural gas, electricity, water, sewer, trash, telephone or other similar service including without limitation changing the present Park owned and operated sewer system to sewers operated by another party, regardless of whether the Park is required to make this change or does so voluntarily; or fire, flood, earthquake or other similar casualty loss or natural disaster or made to comply with Park's legal obligations. Residents shall have the right to vote on capital improvements, as set forth above, but only if Park chooses to pass on the increase to Residents.

X X

3.3 E.5 Uninsured Loss is any property loss for which the Park is not actually compensated by insurance. Park must keep an insurance policy or policies with extended coverage endorsements for 90% insurable replacement value of the buildings. Earthquake and flood insurance are not included in the insurance policies the Park is required to have. Park will bear the responsibility of five percent (5%) or \$2,000.00 deductible, whichever is greater, for each uninsured loss and resident will pay the balance. Park may pass on to Residents the cost of extra coverage based on a fifty-one percent (51%) or greater vote of Residents (only 1 vote per Space) that Residents desire extra coverage to be purchased. This extra cost may be passed on to Resident, upon sixty (60) days' notice, immediately after extra coverage is approved by Residents' vote.

3.3 F. EXAMPLE OF ANNUAL ADJUSTMENT:

For example, assume the rent on your space is \$350.00 per month. If on July 1 - 1985 when the first rent adjustment is made the CPI adjustment is 6% and the total adjustment for all pass throughs for governmental required services, utilities and taxes, capital improvements, and uninsured losses is \$2.00, the rent adjustment for your space would be calculated as follows:

1. CPI Adjustment:	\$350.00/Rent times 6%	equals	\$ 21.00
2. Total Pass-Throughs:		equals	<u>2.00</u>
TOTAL MONTHLY RENT INCREASE:		equals	\$ 23.00
NEW MONTHLY RENT: (\$350.00 + \$23.00)		equals	\$373.00

If the next year the CPI adjustment is 8% and the total adjustments for all pass throughs is \$1.50, the rent adjustment for your space would be calculated as follows:

- | | | | |
|------------------------------|------------------------|--------|-------------|
| 1. CPI Adjustment: | \$373.00/Rent times 8% | equals | \$ 29.84 |
| 2. Total Pass-Throughs: | | equals | <u>1.50</u> |
| TOTAL MONTHLY RENT INCREASE: | | equals | \$ 31.34 |

NEW MONTHLY RENT: (\$373.00 + \$31.34) equals \$404.34

3.3 G. PARK OWNER RESPONSIBILITIES:

Park shall have the following items available in the Park Office for Residents to examine: A copy of the CPI; Copies of the bills and statements showing the amount of increased costs of government required services, taxes, capital improvements and uninsured losses.

3.4 Homeowners shall pay directly to the assessing body, or party, when due, all municipal, county, state, or federal taxes on Homeowner's Mobilehome and other property owned by Homeowner, in conjunction with the use and occupancy of the Space by Homeowner. This includes without limitation, the payment of real and personal property taxes on accessory equipment and structures, including awnings, skirting, storage sheds, steps, porches, and all other improvements made or installed by Homeowner, former Homeowners, or by persons other than Park Owner.

3.5 Park Owner may charge a reasonable fee for services relating to the maintenance of the land and premises upon which the mobilehome is situated in the event the Homeowner fails to maintain such land or premises in accordance with the Rules and Regulations (Standards of Conduct) of the Park after written notification to the Homeowner and the failure of the Homeowner to comply within fourteen (14) days.

3.6 All rents payable hereunder shall be paid by check or money order. Park may, upon ten (10) days' written notice to Resident require payment be made in cash or equivalent. If the entire rent owed by Resident is not paid by midnight of the fifth (5th) day of the month, Resident shall pay a late charge of Five percent (5%) to Park. Resident shall also pay to Park a Five percent (5%) charge for each check of Resident's which is returned or dishonored for by Park's bank. The acceptance by Park of any late payment shall not constitute a waiver of any breach of any term or provision of this Agreement, or any rule, regulation, term or provision contained in any document referred to in this Agreement, nor shall it reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit hereunder.

X X 3.7 Park Owner may, on sixty (60) days' notice, charge for extra persons or guests and pets.

4. TERMINATION:

The Residents occupying the Space may elect to terminate this Agreement on sixty (60) days' written notice to such effect to Park if one of the following occurs:

A. All persons occupying the Space rented to Residents by this Agreement terminate their tenancy as to said Space and remove their Mobilehome from the Park. In such event, the Space shall revert to Park's control and Park may lease or rent the Space to any party on any terms he chooses.

B. All persons occupying the Space rented to Residents by this Agreement terminate their tenancy as to said Space and sell their Mobilehome to another party who has been approved by Park for tenancy in the Park in accordance with the terms of this Agreement.

5. SECURITY DEPOSITS:

On execution of this Agreement, Resident shall deposit with Park SEVEN HUNDRED TEN Dollars (\$ 710.00) as a security deposit for the performance by Resident of the provisions of this Agreement. If Resident is in default, Park can use the security deposit, or any portion of it, to cure the default or to compensate Park for any damage sustained by Park resulting from Resident's default. Resident shall immediately on demand pay to Park a sum equal to the portion of the security deposit expended or applied by Park as provided in this paragraph so as to maintain the security deposit in the sum initially deposited with Park. If Resident is not in default at the expiration or termination of this Agreement, Park shall return the security deposit to Resident. Park's obligations with respect to the security deposit are those of a debtor and not a Trustee. Park can maintain the security deposit separate and apart from Park's general funds or can commingle the security deposit with Park's general and other funds. Park shall not be required to pay Resident interest on the security deposit.

6. INCORPORATED DOCUMENTS:

6.1 The following documents as they may be amended, modified or otherwise changed from time to time as permitted by the terms of this Agreement, are incorporated herein by this reference, and Resident acknowledges receipt of a copy of the following documents listed below:

- A. California Civil Code provisions known as the "Mobilehome Residency Law" effective January 1, 1985;
- B. The Park's Rules and Regulations dated January 1, 1985;
- C. Swimming Pool and Recreational Facilities and Common Area Agreement;
- D. Pet Agreement dated January 1, 1985;
- E. Rental Application dated OCTOBER 5, 1984;

F. Other:

X 7. UTILITIES:

Park shall provide and separately bill to Resident natural gas, electric power, rubbish removal services, and water. Park shall provide without separate charge to Resident: sewage. Park may, however upon giving sixty (60) days' notice to Resident, elect to charge Resident without a reduction in rent or other charges, for any of the utilities presently provided to Resident without separate charge. (Note: If the present Park owned and operated sewer plant and system are changed to sewers operated by another party, all costs and changes related to the change will be passed through to residents without a reduction in rent or other charges. This will be true regardless of whether the Park is required to make this change or does so voluntarily. Costs and charges properly classified as "Capital Improvements" or "Government Required Services, Utilities and Taxes" will be passed through under those provisions of their Agreement. All other costs and charges not covered by one of these two pass-through provisions of this Agreement will also be passed-through immediately to residents as monthly service charges. If not covered by the "Capital Improvement" or "Government Required Services, Utilities, and Taxes" provisions, lump sum hook-up fees or other lump sum charges the Park is required to pay in connection with the charge will also be immediately changed to residents and will be equally amortized over sixty (60) months and billed monthly to residents.) Television channels 2, 4, 5, 7, 9, 11, and 13 are provided by a master antenna system operated by Park.

8. APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:

8.1 Resident may sell or transfer his Mobilehome at any time pursuant to the rights and obligations of Resident and the Park under the Mobilehome Residency Law and other applicable law. Resident must, however, immediately notify the Park in writing of Resident's intent to sell or transfer his Mobilehome. If the prospective buyer/transferee of the Mobilehome intends for the Mobilehome to remain in the Park, or to reside in the Park, said buyer/transferee must do the following before occupying the Mobilehome:

- A. Complete an application for tenancy;
- B. Be accepted by the Park;
- C. Execute a Rental Agreement or other agreement for the occupancy of the Space;
- D. Execute and deliver to the Park a copy of the Park's then effective Park Rules and Regulations and other residency documents.

IF THE PURCHASER/TRANSFEREE FAILS TO EXECUTE THE PARK'S RENTAL AGREEMENT, HE SHALL HAVE NO RIGHTS OF TENANCY. The rent and other charges of the Park, the rental and other agreements, Rules and Regulations and other residency documents signed by the new Resident may be different in their terms and provisions than this Agreement and the other agreements,

not prospective purchase
198.18 Violation
(a)

X Rules and Regulations and other residency documents now in effect. Park may require that a buyer, including a transferee or assignee accept, at a minimum, a lease having a term of not less than sixty (60) months. If the sixty (60) month lease is not accepted, the Mobilehome must be removed from the Park and the Space will revert to the Park's control.

X X 8.2 Except for guests, the requirements in paragraph 8.1 for completion of an application, approval by the Park, and the execution of documents shall also apply before any additional person other than the ones listed on the last page of this Agreement shall be permitted to become a Resident of the Park or reside with Resident on a semi-permanent or long term basis. Resident's monthly rent shall also be increased by the amount of Ten Dollars (\$10.00) per month for each such additional person. This additional charge shall not, however, apply if the guest is a member of Resident's immediate family as defined by the Mobilehome Residency Law, or if the guest comes within Civil Code Section 798.34(b).

X X 9. USE PROHIBITED:

(The Mobilehome and Space shall be used only for private residential purposes and no business or commercial activity of any nature shall be conducted thereon. No persons other than those listed on the last page of this Agreement, and Resident's guests, may reside at the Space without the prior written consent of the Park. No person may regularly occupy the Mobilehome unless they are eighteen (18) years of age or older. Park may demand proof of age of any Resident, guest or other persons. No more than two (2) persons may occupy the Mobilehome without Park's consent and Park agrees not to unreasonably withhold such consent. Resident shall not abandon the Space at any time during the term of this Agreement or renewal or period of holding over. At all times at least one of the persons listed in the last page of this Agreement as a Resident must be the "legal" or "registered" owner of the Mobilehome which occupies the Space and that person must regularly occupy the Mobilehome on a full time basis. In order to comply with the requirements of the Department of Housing and Community Development, Resident shall supply and provide Park with a copy of the current registration card on Resident's Mobilehome.

10. REMOVAL ON SALE:

The Park may, in order to upgrade the quality of the Park, require the removal of Mobilehome from the Space upon their sale to a third party, in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any such rights granted the Park due to amendments, deletions, or modifications of the Mobilehome Residency Law and other applicable law may be enforced by the Park at its option.

11. ENTRY UPON RESIDENT'S SPACE:

The Park shall have a right of entry upon the land upon which a Mobilehome is situated for maintenance of utilities, for maintenance of the Space where the Resident fails to maintain the Space in accordance with the Rules and Regulations, and the protection of the park at any reasonable time, but not in a manner or at a time which would interfere with the occupant's quiet enjoyment. The Park may enter a Mobilehome without the prior written consent of the occupant in the case of an emergency or when the occupant has

abandoned the Mobilehome.

12. INDEMNIFICATION:

Park shall not be liable for any loss, damage or injury of any kind whatsoever to the person or property of any Resident or any of the employees, guests, invitees, permittees, or licensees of any Resident, or of any other person whomsoever, caused by any use of the Park or Space, or by any defect in improvements erected thereon, or arising from any cause whatsoever, unless resulting from the negligence or willful act of the Park.

X X 13. RENTING, SUBLETTING OR ASSIGNING:

(Resident shall not sublease, or otherwise rent all or any portion of Resident's Mobilehome or the Space. Resident shall not encumber its interest in this lease or the Space. Resident may assign this Agreement but Park has the right to increase the rent and other charges by any amount deemed appropriate by Park and require acceptance of a term at least sixty (60) months in length as provided for in Paragraph 8.1 above. No consent to any assignment, encumbrance, sublease or other renting shall constitute a further waiver of the provisions of this paragraph. If Resident consists of more than one person, a purported assignment, voluntary, involuntary, or by operation of law, from one person to the other shall be deemed an assignment within the meaning of this paragraph. If the law is changed so that Park is required to permit subletting, then, unless prohibited by law, Park shall require Resident to notify Park in writing in advance of Resident's intent to sublet his Mobilehome and/or Space. Park may also require that Resident and sublessee execute those documents reasonably necessary to protect Park's interest. Sublessee must also be approved for residency by the Park as provided for in paragraph "8", above. If Resident or sublessee fails, in advance of sublessee taking possession of the Mobilehome/Space to execute the documents or obtain Park's approval of the sublease, then sublessee shall have no rights of tenancy and may not reside on any basis in the Park. Park may, at its option, increase the rent by not more than Twenty-five percent (25%) or increase the other charges upon the subletting of the Mobilehome or Space. If the change in law limits the increase in rent and other charges to less than provided for in this Agreement, the rent and other charges may be increased by the maximum amount allowed by law. Park agrees that in the event Resident sublets his Mobilehome or Space, Park will only withhold approval of sublessees for the reasons set forth in the Mobilehome Residency Law or applicable laws or because of a breach of this Agreement by Resident; provided the Space and Mobilehome are brought up to the then Park maintenance and improvements standards before the sublease begins. For purposes of this paragraph, subletting means any renting, regardless of the time period, of the Mobilehome or Space.

14. COMPLIANCE WITH LAW AND RULES AND REGULATIONS:

Resident agrees to abide by and conform with all applicable laws ordinances, regulations and all terms and provisions of this Agreement, the Rules and Regulations, and all rules, regulations, terms and provisions contained in any document referred to in this Agreement, as said rules, regulations, terms and provisions may from time to time be amended, modified or otherwise changed by Park as permitted by the terms of this Agreement.

Park 7/1/71
2/1/71

15. MODIFICATION OF RESIDENCY DOCUMENTS:

Park may, pursuant to the rights granted to it by the Mobilehome Residency Law or any other law now in effect or as amended, modify, amend or otherwise change any term, provisions, rule or regulation contained in this Agreement, the Rules and Regulations or in any document referred to herein. Except for the term of this Agreement, and the amount to be charged (including utilities), each provision of this Rental Agreement shall be deemed to be a Rule and Regulation as well, and may be amended, modified or otherwise changed and enforced as a Rule and Regulation under the Mobilehome Residency Law. If this Agreement is for a term in excess of a month-to-month tenancy, then the term of this Agreement may not be changed and the rent to be charged may only be changed in accordance with the rent adjustment provisions of this Agreement.

16. CHANGES IN STANDARDS OF MAINTENANCE, SERVICES, EQUIPMENT, OR PHYSICAL IMPROVEMENTS:

The Park's general standards of maintenance, standards of maintenance of physical improvements in the Park, together with services, (including utilities), equipment and physical improvements within the Park may be changed from time to time as provided by the Mobilehome Residency Law and other applicable law. Resident acknowledges that this provision applies to all Residents, including those on other than a month-to-month tenancy. Any such rights granted to the Park due to any amendments, deletions or modifications of the Mobilehome Residency Law and other applicable law may be enforced by the Park.

17. TERMINATION OF TENANCY BY PARK:

17.1 This lease at the sole option of the Park may be declared forfeited and/or the tenancy may be terminated and/or Resident's right to possession or to renew Resident's tenancy terminated in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any such rights granted to the Park due to any amendments, deletions or modifications of the Mobilehome Residency Law and other applicable law may be enforced by the Park. The issuance of a termination of tenancy notice shall be considered an election to forfeit the tenancy within the meaning of this Agreement.

17.2 The rent and utilities not paid when due shall bear interest at the rate of ten percent (10%) per annum from the date due until paid.

18. RESPONSIBILITY OF THE PARK:

A. It is the responsibility of the Park to provide and maintain the physical improvements in the common facilities of the Park in good working order and condition. The Park shall provide all of the physical improvements and services which are now in existence in the Park and provided to Residents or which may be added at a later date. These physical improvements include the non-exclusive use of all of the common areas and common facilities of the Park which includes without limitation all streets, non-restricted parking areas, master t.v. antenna, all recreational facilities and equipment, pools, lawns, laundry facilities and all other facilities, equipment and conveniences located in the common areas and common facilities for the use of Residents.

These services include the services provided by the Park Manager and other persons employed by the Park and the utilities specified in this Agreement. (Please note: Furniture, equipment and other items of personal property located in the common facilities which belong to Residents or Residents' clubs, associations or other organizations or services provided by Residents or such organizations are not the responsibility of the Park to provide or maintain.) The clubhouse will be kept ventilated as required by law, but the air conditioning and heating systems will not be operated on a constant basis in order to conserve energy. Rather, air conditioning and heating will be turned on as required to maintain temperature levels. The swimming pool will not be heated from approximately October First to June First of each year.

X
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(→ B. With respect to the Park's providing any services or facilities, (including utilities) to Resident, any prevention, delay or stoppage due to strikes, walkouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes thereof, governmental restrictions, regulations or controls, judicial orders, fire or other casualty, breakage, repairs and other causes beyond the reasonable control of the Park will excuse the Park's performance of the Park's obligations in these areas for a period equal to any such prevention, delay, stoppage or repair time. (Resident will remain responsible for the rent, utilities, and other charges to be paid by Resident pursuant to the terms of this Agreement.

19. NOTICES:

All notices required or permitted under this Agreement must be in writing and may be served upon Park or Resident by any means then permitted by law. Resident understands that any notice terminating Resident's tenancy must be given to Resident in writing in the manner described by Section 1162 of the California Code of Civil Procedure. The service of any other notice on Resident, including but not limited to, a notice of rent increase; a notice of amendments to the Park's Rules and Regulations/Standards for Maintenance of Physical Improvements in the Park/Additions, Alterations or Deletions of Services, Equipment, or Physical Improvements; notices relating to other matters in Articles 1 through 5, inclusive and Article 7 of the Mobilehome Residency Law; or future copies of the Mobilehome Residency Law, may be duly and validly served if the notice is mailed to the Resident at his address in the Park by First Class United States mail, postage prepaid.

20. WAIVER OF DEFAULT:

No delay or omission in the exercise of any right or remedy of Park on any default by Resident shall impair any such right or remedy or be construed as a waiver. No waiver by Park of Park's right to enforce any provision hereof after any default on the part of Resident shall be effective unless made in writing and signed by Park nor shall it be deemed a waiver of Park's right to enforce each and all of the provisions hereof upon any further or other default on the part of Resident. The acceptance of rent hereunder shall not be, or become construed to be, a waiver of any breach of any terms or provision of this Agreement or any rule, regulation, term or provision contained in any document referred to in this Agreement, nor shall it reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit hereunder.

21. ENTIRE AGREEMENT:

This Agreement and the documents referred to herein constitute the entire agreement between Resident and Park pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties, whether written or oral.

22. ALTERATION OF THIS AGREEMENT:

This Agreement may be altered by the Resident only by written Agreement signed by both of the parties or by operation of law. This Agreement may be altered by the Park by written agreement signed by both of the parties, by operation of law or in any manner provided for by the Mobilehome Residency Law or other applicable law.

23. ATTORNEYS' FEES AND COSTS:

In any action arising out of Resident's tenancy, this Agreement, or the provisions of the Mobilehome Residency Law, the prevailing party shall be entitled to reasonable attorneys' fees and costs. A party shall be deemed a prevailing party if the judgment is rendered in his favor or where the litigation is dismissed in his favor prior to or during the trial, unless the parties otherwise agree in the settlement or compromise.

24. TIME OF ESSENCE:

Time is of the essence with respect to the performance of every provision of this Agreement in which time is a factor.

25. INVALIDITY OF PROVISIONS:

If any term or provision of this Agreement or any document referred to in this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the other document or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement or the other document shall be valid and be enforced to the fullest extent permitted by law.

26. HOLD OVER TENANCY:

If Resident remains in possession of the Space after expiration of the term of this Agreement and has not executed a new occupancy agreement with respect to the Space, said possession of Resident shall be deemed to be a month-to-month tenancy and Park may terminate or refuse to renew Resident's tenancy in accordance with the paragraph in this Agreement entitled "Termination of Tenancy by Park". Park may also, on sixty (60) days' notice, increase the rental rate and other charges of the Park charged Resident and these increases will go into effect immediately after the expiration of the term.

27. ZONING AND CONDITIONAL USE PERMIT INFORMATION:

The Park is zoned Agricultural 1 and 2. The Conditional Use Permit under which the Park operates expires in 1991, and that Use Permit allows the Park to be operated only as a mobilehome park. The Park does not operate under a ground lease.

28. SUBORDINATION AND ATTORNMENMENT:

A. Park hereby reserves the right to place liens on, encumber, mortgage or convey by deed of trust the Park or any part containing the Space rented to Resident by this Agreement, and in such event this Agreement and the leasehold interest hereby created shall at Park's option be subject and subordinate thereto and to any renewals, extensions or replacements thereof.

B. Resident agrees to, and shall when requested in writing by Park, execute, acknowledge and deliver to Park, or the recipient designated by him, all documents required to subordinate Resident's rights under this Agreement to any such lien, encumbrance, mortgage or deed of trust, as the case may be.

29. GOVERNING LAW:

The Mobilehome Residency Law has been previously incorporated in this Agreement. It contains provisions which benefit Owner and Homeowner. Even though specific reference has not been made to all of the Mobilehome Residency Law provisions, they will apply in their entirety to this Agreement. Homeowner agrees to comply with all applicable laws, ordinances, and regulations enacted by federal, state or local government. This Agreement shall be governed by and construed pursuant to the laws of California.

30. AUTOMATIC RENEWAL OF THIS AGREEMENT:

30.1 UNLESS OWNER NOTIFIED HOMEOWNER IN WRITING AT LEAST ONE HUNDRED TWENTY (120) DAYS IN ADVANCE OF THE EXPIRATION OF THE PARTIAL TERM OF THIS AGREEMENT, THE TERM OF THIS AGREEMENT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL SIXTY (60) MONTHS ON THE SAME TERMS AND CONDITIONS, (HEREINAFTER REFERRED TO AS THE "EXTENSION TERM"). THE AUTOMATIC RENEWAL OF THIS AGREEMENT WILL CONTINUE FOR FOUR (4) SUCCESSIVE SIXTY (60) MONTH EXTENSION TERMS UNTIL IT HAS BEEN AUTOMATICALLY RENEWED FOR A TOTAL PERIOD OF TWO HUNDRED FORTY (240) MONTHS UNLESS OWNER NOTIFIED HOMEOWNER IN WRITING AT LEAST ONE HUNDRED TWENTY (120) DAYS IN ADVANCE OF THE EXPIRATION OF ANY OF THE EXTENSION TERMS THAT THE AGREEMENT IS NOT BEING EXTENDED. SIMULTANEOUSLY, WITH THE NOTICE THAT THE AGREEMENT IS NOT BEING EXTENDED, OWNER MAY ALSO NOTIFY HOMEOWNER OF THE NEW RENTAL RATE WHICH WILL BE APPLICABLE.

30.2 THIS AGREEMENT WILL BE IN EFFECT FOR AN EXTENDED PERIOD OF TIME WHICH IS MUCH LONGER THAN THE PERIOD OF TIME REQUIRED FOR A RENTAL AGREEMENT BETWEEN A MOBILEHOME COMMUNITY AND ITS HOMEOWNERS. OWNER HAS ADDITIONALLY MADE OTHER COMMITMENTS IN THIS AGREEMENT TO HOMEOWNER WHICH OWNER IS NOT OBLIGATED TO MAKE. IT IS ESSENTIAL, THEREFORE, THAT OWNER BE PERMITTED DURING THE TERM HEREOF TO CHANGE RENTS WHICH REASONABLY RELATE TO THE VALUE OF OWNER'S PROPERTY. THEREFORE, AT THE END OF THE INITIAL TERM OF THIS

AGREEMENT OR AT THE END OF ANY OF THE EXTENSION TERMS, OWNER SHALL HAVE THE OPTION TO INCREASE THE AMOUNT OF THE RENT WHICH WILL BE APPLICABLE AT THE BEGINNING OF ANY OF THE EXTENSION TERMS. IF THIS OPTION IS EXERCISED, THEN OWNER WILL GIVE WRITTEN NOTICE TO HOMEOWNER AT LEAST ONE HUNDRED TWENTY (120) DAYS IN ADVANCE OF THE EXPIRATION OF THE INITIAL TERM OF THIS AGREEMENT OR THE EXPIRATION OF ANY OF THE EXTENSION TERMS. EACH OF THESE INCREASES IN BASE RENT SHALL NOT, HOWEVER, BE MORE THAN FIFTEEN PERCENT (15%) GREATER THAN THE RENT WHICH WOULD OTHERWISE BE IN EFFECT FOR THE HOMEOWNER. OWNER MAY ELECT NOT TO INCREASE THE RENT BY AN ADDITIONAL FIFTEEN PERCENT (15%) AND INSTEAD ELECT NOT TO EXTEND THIS AGREEMENT AS PROVIDED FOR ELSEWHERE IN THIS PARAGRAPH 30. IF HOMEOWNER REMAINS IN POSSESSION OF THE HOMESITE AFTER BEING NOTIFIED BY OWNER THAT THE TERM OF THIS AGREEMENT WILL NOT BE AUTOMATICALLY EXTENDED, THEN OWNER MAY INCREASE THE RENT AND OTHER CHARGES. IN SUCH EVENT, THE AMOUNT OF THE INCREASE WILL NOT BE LIMITED BY THE PROVISIONS OF PARAGRAPH 3 OR ANY OTHER PROVISION OF THIS AGREEMENT AND THE INCREASE WILL GO INTO EFFECT IMMEDIATELY AFTER THE EXPIRATION OF THE TERM.

31. ACKNOWLEDGMENT:

Resident (which includes each of the people whose names are listed below), acknowledges that they have read, understood and received copies of this Agreement, together with a copy of the Park's Rules and Regulations and all other residency documents referred to in this Agreement, and a copy of the Mobilehome Residency Law, and further, that they have read and understand each of these documents and the other Rules and Regulations posted in and about the Park. Resident understands that by executing this Agreement they will be bound by the terms and conditions thereof.

32. EXECUTION:

IN WITNESS WHEREOF, OWNER AND HOMEOWNER HAVE EXECUTED THIS AGREEMENT AS OF THE DAY AND YEAR FIRST ABOVE WRITTEN.

PLEASE NOTE: PARAGRAPH 30 OF THIS LONG-TERM RENTAL AGREEMENT CONTAINS AN AUTOMATIC AGREEMENT RENEWAL PROVISION.

CO-OWNER/MANAGER;

HOMEOWNER

By: _____

Person(s) in addition to
the above who will reside in
the above homesite.

INDIAN HILLS MOBILE HOME VILLAGE
11401 N. TOPANGA CANYON BOULEVARD
CHATSWORTH, CALIFORNIA 91311

LEASE AGREEMENT

THIS AGREEMENT is made as of the date specified below between Indian Hills Mobile Home Village (the "Park"), and those persons listed on the last page of this Rental Agreement (the "Agreement") as the resident (the "Resident").

1. SPACE:

Park rents to Resident and Resident rents from Park Space No. 73 (the "Space") in Indian Hills Mobile Home Village, (the "Park") located at 11401 N. Topanga Canyon Boulevard, Chatsworth, California 91311.

2. TERM:

2.1 The tenancy created under this Agreement shall be for a period of sixty months beginning MARCH 1-1985, and ending FEBRUARY 28-1990, unless sooner terminated in accordance with the terms of this Agreement. This Agreement will be effective when signed by Park and Resident.

2.2 Resident acknowledges that Park has offered Resident the option of: a month-to-month rental agreement, rental agreement having a term of twelve (12) months; a rental agreement have a term which is longer than a month-to-month tenancy but less than twelve (12) months in length; or a rental agreement having the term specified in paragraph 2.1 above. Resident acknowledges his understanding that he may elect to accept anyone of these four (4) options and that this election is solely at Resident's option. Resident further acknowledges that even though he has these four (4) options, he has voluntarily elected the term of tenancy set forth above. If Resident is presently covered by the L.A. County Rent Control Ordinance, Resident also acknowledges that he has entered into this Agreement voluntarily with the knowledge that he does not have to accept this Agreement and may remain subject to the protections of that ordinance. Resident has, however, accepted this Agreement because it offers him economic advantages over and above the ordinance. (Resident's Initials X).

3. RENT:

3.1 Resident shall pay as rent to Park without deduction or offset (without waiving Civil Code Section 1942) and on the first day of each month:

A. The base rent (as it may be adjusted) as specified in Paragraph 3.2 below.

B. All utility charges billed to Resident by Park during each month. (Please Note: Utility rates for utilities billed to Resident by Park are set by the Public Utilities Commission and other governmental agencies. Therefore, charges for these utilities may be increased at any time in accordance with the rates established by these other parties and no advance notice or increases in these rates will be given to Resident by Park.

C. Guest charge of One Dollar (\$1.00) per day for each guest staying more than a total of twenty (20) consecutive days or thirty (30) days in a calendar year. This additional charge for Guests shall not, however, apply if the Guest is a member of Resident's immediate family as defined by the Mobilehome Residency Law, or if the Guest comes within Civil Code Section 798.34(b).

D. Park may charge a reasonable fee for services relating to the maintenance of the land and premises upon which the mobilehome is situated in the event the Resident fails to maintain such land or premises in accordance with the Rules and Regulations of the Park after written notification to the Resident and the failure of the Resident to comply within fourteen (14) days.

E. Pet charge of _____ Dollars (\$) per month.

F. Trash collection charge of Two and 36/100 Dollars (\$2.36) per month.

G. Other monthly charges (specify):

3.2 The base rent shall be Two hundred SIXTY ONE Dollars (\$ 261.60) per month subject to adjustments as provided for in paragraph 3.3 below.

3.3 The rent will be adjusted each year on July First. The yearly rent adjustments will be made up of an annual percentage adjustment, government required services and utilities, taxes, capital improvements, uninsured losses and a rent differential schedule as described in the following paragraphs.

A. RENT DIFFERENTIAL SCHEDULE:

The present market value rent for your space is \$ 345.00. The present rent difference which exists between your space which has been controlled by the Los Angeles County Rent Control Ordinance and market value of Spaces not under rent control is \$ 83.40. This differential will be made up by the following schedule:

July 1, 1985 Increase \$20.00
July 1, 1986 Increase \$20.00
July 1, 1987 Increase \$20.00

July 1, 1988 Increase \$20.00
July 1, 1989 Increase \$ 3.40

All yearly rent adjustments will be calculated as if resident's rent was actually at the market value rent, not below market. FOR EXAMPLE, assume the market value rent for your space is \$330.00 per month but your rent has been

controlled by the Los Angeles County Rent Control Ordinance and is only \$240.00 per month at the time this AGREEMENT begins. If on July 1, 1985, when the first rent adjustment is made, the CPI adjustment is 6% and the total adjustment for all pass-throughs for government required services, utilities and taxes, capital improvements, and uninsured losses is \$2.00, the rent increase for your below market rent will be calculated as follows:

- | | | |
|------------------------------|------------------------|---------------------|
| 1. CPI Adjustment: | \$330.00/RENT times 6% | equals \$ 19.80 |
| 2. Total Pass-Throughs: | | equals 2.00 |
| 3. Rent Differential | | equals <u>20.00</u> |
| TOTAL MONTHLY RENT INCREASE: | | equals 41.80 |

NEW MONTHLY RENT: (\$240.00 + \$41.80) equals \$281.80

If the next year the CPI adjustment is 8% and the total adjustment for all pass-throughs is \$1.50, the rent increase for your below market rent would be calculated as follows:

- | | | |
|------------------------------|-------------------------------|---------------------|
| 1. CPI Adjustment: | \$349.80/RENT times 8% | equals \$ 27.98 |
| | \$349.80 = \$330.00 + \$19.80 | |
| 2. Total Pass-Throughs: | | equals 1.50 |
| 3. Rent Differential: | | equals <u>20.00</u> |
| TOTAL MONTHLY RENT INCREASE: | | equals \$ 49.48 |

NEW MONTHLY RENT: (\$281.80 + \$49.48) equals \$331.28

B. ANNUAL PERCENTAGE ADJUSTMENT:

The annual percentage adjustment shall be based on the increase in the Consumer Price Index (CPI). Regardless of how much the CPI increases, the annual percentage adjustment shall not be less than six percent (6%) or more than twelve percent (12%) in any year. For example, if the CPI increases by 4%, the increase will be 6%; if the CPI increases by 18%, the maximum increase will be 12%. The increase in the CPI for the twelve months ending December of each year will be used to compute the percentage adjustment.

C. GOVERNMENT REQUIRED SERVICES, UTILITIES AND TAXES:

Increases in the cost of government required services and taxes for the twelve months preceding the month in which the current rent increase notice is given will be compared to those costs for the immediately preceding twelve months. The base figure for the twelve months of taxes which will be used for the first computation is \$13,769.86. One-twelfth of the amount of the increase will be divided by the number of Spaces in the Park and added to the monthly rent for the month immediately preceding the rent adjustment anniversary date. Park will pay the first 2% of the tax increase and ONLY the amount over 2% will be added to the rent.

D. CAPITAL IMPROVEMENTS:

Costs for capital improvements made during the twelve months preceding the month in which the current rent increase notice is given will be used to determine the rent adjustment. These costs will be equally amortized over sixty (60) months and all Spaces in the Park so that Resident only pays his prorata share.

E. UNINSURED LOSSES:

For rent adjustment purposes, uninsured losses will be treated as if they were "Capital Improvements" and the same formula will be used to calculate the rent adjustment for these items.

F. DEFINITIONS OF THE TERMS USED FOR ANNUAL RENT ADJUSTMENTS:

F.1 The Consumer Price Index that will be used to make rent adjustment is the "Consumer Price Index for all Urban Consumers, Los Angeles-Long Beach-Anaheim Average, all Items (1967 = 100)". This index is published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is changed so that the base year differs from that used on the date of this Agreement, the Index shall be converted in accordance with the conversion factor published by the U.S. Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this Agreement, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the index had not been discontinued or revised.

F.2 Government Required Services and utilities are defined as any existing or new, additional or changed services which the Park is required by government to provide or does provide to Residents of the Park and includes, without limitation, fees, bonds, assessments, charges or other costs and expenses for water, sewer (including changing the present Park owned and operated sewer plant and system to sewers operated by another party regardless of whether the Park is required to make this change or does so voluntarily), trash pick-up and trash bin rental and utilities provided by the Park. This term includes services provided by private parties and quasi-governmental entities as well as governmental entities. The cost of providing Residents any new, additional or changed service will be included in computing increases in the cost of these services.

F.3 Taxes does not include (i) income taxes or (ii) any amounts which may be included in the cost of governmental required services per this Agreement; therefore, any amount attributable to these items will NOT be used to compute tax increases. The term Taxes is defined as all general and special real estate taxes, personal property taxes, sewer and water fees or hook-up charges, bonds, fees, charges and surcharges and assessments, whether actually paid or unpaid, levied upon or payable in connection with or referable to the land and or Park's improvements to the land constituting the Park or the use thereof by Park, including any taxes, assessments or charges levied or assessed either on offsite or onsite improvements or in lieu of real property taxes and also including any tax or excise on rents or any such other tax however described which is levied or assessed against Park as a direct substitution in whole or in part for any real property taxes.

F.4 "Capital Improvements" includes all items which the Park reports or treats for state or federal income tax purposes as capital improvements. The "cost" of capital improvements shall consist of the actual cost of the improvement, including legal and engineering fees, plus all interest, points, and other costs and charges related to the borrowing of any sums by Park to

make such capital improvements. Any capital improvement cost over Twenty Thousand Dollars (\$20,000) for any one item shall be subject to a majority vote of Residents (only one (1) vote per each Space) except those capital improvement costs mandated by or resulting from either: a governmental or quasi-governmental entity or agency; a utility company or other entity providing natural gas, electricity, water, sewer, trash, telephone or other similar service including without limitation changing the present Park owned and operated sewer system to sewers operated by another party, regardless of whether the Park is required to make this change or does so voluntarily; or fire, flood, earthquake or other similar casualty loss or natural disaster or made to comply with Park's legal obligations. Residents shall have the right to vote on capital improvements, as set forth above, but only if Park chooses to pass on the increase to Residents.

F.5 Uninsured Loss is any property loss for which the Park is not actually compensated by insurance. Park must keep an insurance policy or policies with extended coverage endorsements for 90% insurable replacement value of the buildings. Earthquake and flood insurance are not included. Park will bear the responsibility of five percent (5%) or \$2,000.00 deductible, whichever is greater, for each uninsured loss. Park may pass on to Residents the cost of extra coverage based on a fifty-one percent (51%) or greater vote of Residents (only 1 vote per Space) that Residents desire extra coverage to be purchased. This extra cost may be passed on to Resident, upon sixty (60) days' notice, immediately after extra coverage is approved by Residents' vote.

G. PARK OWNER RESPONSIBILITIES:

Park shall have the following items available in the Park Office for Residents to examine: A copy of the CPI; Copies of the bills and statements showing the amount of increased costs of government required services, taxes, capital improvements and uninsured losses.

3.4 Homeowners shall pay directly to the assessing body, or party, when due, all municipal, county, state, or federal taxes on Homeowner's Mobilehome and other property owned by Homeowner, in conjunction with the use and occupancy of the Space by Homeowner. This includes without limitation, the payment of real and personal property taxes on accessory equipment and structures, including awnings, skirting, storage sheds, steps, porches, and all other improvements made or installed by Homeowner, former Homeowners, or by persons other than Park Owner.

3.5 Park Owner may charge a reasonable fee for services relating to the maintenance of the land and premises upon which the mobilehome is situated in the event the Homeowner fails to maintain such land or premises in accordance with the Rules and Regulations (Standards of Conduct) of the Park after written notification to the Homeowner and the failure of the Homeowner to comply within fourteen (14) days. Park Owner may, on sixty (60) days' notice, charge for extra persons or guests and pets.

3.6 All rents payable hereunder shall be paid by check or money order. Park may, upon ten (10) days' written notice to Resident require payment be made in cash or equivalent. If the entire rent owed by Resident is not paid by midnight of the fifth (5th) day of the month, Resident shall pay a late charge of Five percent (5%) to Park. Resident shall also pay to Park a Five

percent (5%) charge for each check of Resident's which is returned or dishonored for by Park's bank. The acceptance by Park of any late payment shall not constitute a waiver of any breach of any term or provision of this Agreement, or any rule, regulation, term or provision contained in any document referred to in this Agreement, nor shall it reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit hereunder.

4. TERMINATION:

The Residents occupying the Space may elect to terminate this Agreement on sixty (60) days' written notice to such effect to Park if one of the following occurs:

A. All persons occupying the Space rented to Residents by this Agreement terminate their tenancy as to said Space and remove their Mobilehome from the Park. In such event, the Space shall revert to Park's control and Park may lease or rent the Space to any party on any terms he chooses.

B. All persons occupying the Space rented to Residents by this Agreement terminate their tenancy as to said Space and sell their Mobilehome to another party who has been approved by Park for tenancy in the Park in accordance with the terms of this Agreement.

5. SECURITY DEPOSITS:

On execution of this Agreement, Resident shall deposit with Park _____ Dollars (\$ _____) as a security deposit for the performance by Resident of the provisions of this Agreement. If Resident is in default, Park can use the security deposit, or any portion of it, to cure the default or to compensate Park for any damage sustained by Park resulting from Resident's default. Resident shall immediately on demand pay to Park a sum equal to the portion of the security deposit expended or applied by Park as provided in this paragraph so as to maintain the security deposit in the sum initially deposited with Park. If Resident is not in default at the expiration or termination of this Agreement, Park shall return the security deposit to Resident. Park's obligations with respect to the security deposit are those of a debtor and not a Trustee. Park can maintain the security deposit separate and apart from Park's general funds or can commingle the security deposit with Park's general and other funds. Park shall not be required to pay Resident interest on the security deposit.

6. INCORPORATED DOCUMENTS:

6.1 The following documents as they may be amended, modified or otherwise changed from time to time as permitted by the terms of this Agreement, are incorporated herein by this reference, and Resident acknowledges receipt of a copy of the following documents listed below:

- A. California Civil Code provisions known as the "Mobilehome Residency Law" effective January 1, 1985;
- B The Park's Rules and Regulations dated January 1, 1985;

- C. Swimming Pool and Recreational Facilities and Common Area Agreement;
 - D. Pet Agreement dated January 1, 1985;
 - E. Rental Application dated _____, 198____;
 - F. Other:
-
-
-

7. UTILITIES:

Park shall provide and separately bill to Resident natural gas, electric power, rubbish removal services, and water. Park shall provide without separate charge to Resident: sewage. Park may, however upon giving sixty (60) days' notice to Resident, elect to charge Resident without a reduction in rent or other charges, for any of the utilities presently provided to Resident without separate charge. (Note: If the present Park owned and operated sewer plant and system are changed to sewers operated by another party, all costs and changes related to the change will be passed through to residents without a reduction in rent or other charges. This will be true regardless of whether the Park is required to make this change or does so voluntarily. Costs and charges properly classified as "Capital Improvements" or "Government Required Services, Utilities and Taxes" will be passed through under those provisions of their Agreement. All other costs and charges not covered by one of these two pass-through provisions of this Agreement will also be passed-through immediately to residents as monthly service charges. If not covered by the "Capital Improvement" or "Government Required Services, Utilities, and Taxes" provisions, lump sum hook-up fees or other lump sum charges the Park is required to pay in connection with the charge will also be immediately changed to residents and will be equally amortized over sixty (60) months and billed monthly to residents.) Television channels 2, 4, 5, 7, 9, 11, and 13 are provided by a master antenna system operated by Park.

8. APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:

8.1 Resident may sell or transfer his Mobilehome at any time pursuant to the rights and obligations of Resident and the Park under the Mobilehome Residency Law and other applicable law. Resident must, however, immediately notify the Park in writing of Resident's intent to sell or transfer his Mobilehome. If the prospective buyer/transferee of the Mobilehome intends for the Mobilehome to remain in the Park, or to reside in the Park, said buyer/transferee must do the following before occupying the Mobilehome:

- A. Complete an application for tenancy;
- B. Be accepted by the Park;
- C. Execute a Rental Agreement or other agreement for the occupancy of the Space;

- D. Execute and deliver to the Park a copy of the Park's then effective Park Rules and Regulations and other residency documents.

IF THE PURCHASER/TRANSFEREE FAILS TO EXECUTE THE PARK'S RENTAL AGREEMENT, HE SHALL HAVE NO RIGHTS OF TENANCY. The rent and other charges of the Park, the rental and other agreements, Rules and Regulations and other residency documents signed by the new Resident may be different in their terms and provisions than this Agreement and the other agreements, Rules and Regulations and other residency documents now in effect. Park may require that a buyer, including a transferee or assignee accept, at a minimum, a lease having a term of not less than sixty (60) months. If the sixty (60) month lease is not accepted, the Mobilehome must be removed from the Park and the Space will revert to the Park's control.

8.2 Except for guests, the requirements in paragraph 8.1 for completion of an application, approval by the Park, and the execution of documents shall also apply before any additional person other than the ones listed on the last page of this Agreement shall be permitted to become a Resident of the Park or reside with Resident on a semi-permanent or long term basis. Resident's monthly rent shall also be increased by the amount of Ten Dollars (\$10.00) per month for each such additional person. This additional charge shall not, however, apply if the guest is a member of Resident's immediate family as defined by the Mobilehome Residency Law, or if the guest comes within Civil Code Section 798.34(b).

9. USE PROHIBITED:

The Mobilehome and Space shall be used only for private residential purposes and no business or commercial activity of any nature shall be conducted thereon. No persons other than those listed on the last page of this Agreement, and Resident's guests, may reside at the Space without the prior written consent of the Park. No person may regularly occupy the Mobilehome unless they are eighteen (18) years of age or older. Park may demand proof of age of any Resident, guest or other persons. No more than two (2) persons may occupy the Mobilehome without Park's consent and Park agrees not to unreasonably withhold such consent. Resident shall not abandon the Space at any time during the term of this Agreement or renewal or period of holding over. At all times at least one of the persons listed in the last page of this Agreement as a Resident must be the "legal" or "registered" owner of the Mobilehome which occupies the Space and that person must regularly occupy the Mobilehome on a full time basis. In order to comply with the requirements of the Department of Housing and Community Development, Resident shall supply and provide Park with a copy of the current registration card on Resident's Mobilehome.

10. REMOVAL ON SALE:

The Park may, in order to upgrade the quality of the Park, require the removal of Mobilehome from the Space upon their sale to a third party, in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any such rights granted the Park due to amendments, deletions, or modifications of the Mobilehome Residency Law and other applicable law may be enforced by the Park at its option.

11. ENTRY UPON RESIDENT'S SPACE:

The Park shall have a right of entry upon the land upon which a Mobilehome is situated for maintenance of utilities, for maintenance of the Space where the Resident fails to maintain the Space in accordance with the Rules and Regulations, and the protection of the park at any reasonable time, but not in a manner or at a time which would interfere with the occupant's quiet enjoyment. The Park may enter a Mobilehome without the prior written consent of the occupant in the case of an emergency or when the occupant has abandoned the Mobilehome.

12. INDEMNIFICATION:

Park ~~and Park~~ shall not be liable for any loss, damage or injury of any kind whatsoever to the person or property of any Resident or any of the employees, guests, invitees, permittees, or licensees of any Resident, or of any other person whomsoever, caused by any use of the Park or Space, or by any defect in improvements erected thereon, or arising from any cause whatsoever, unless resulting from the negligence or willful act of ~~Park or~~ the Park.

13. RENTING, SUBLETTING OR ASSIGNING:

Resident shall not sublease, or otherwise rent all or any portion of Resident's Mobilehome or the Space. Resident shall not encumber its interest in this lease or the Space. Resident may assign this Agreement but Park has the right to increase the rent and other charges by any amount deemed appropriate by Park and require acceptance of a term at least sixty (60) months in length as provided for in Paragraph 8.1 above. No consent to any assignment, encumbrance, sublease or other renting shall constitute a further waiver of the provisions of this paragraph. If Resident consists of more than one person, a purported assignment, voluntary, involuntary, or by operation of law, from one person to the other shall be deemed an assignment within the meaning of this paragraph. If the law is changed so that Park is required to permit subletting, then, unless prohibited by law, Park shall require Resident to notify Park in writing in advance of Resident's intent to sublet his Mobilehome and/or Space. Park may also require that Resident and sublessee execute those documents reasonably necessary to protect Park's interest. Sublessee must also be approved for residency by the Park as provided for in paragraph "8", above. If Resident or sublessee fails, in advance of sublessee taking possession of the Mobilehome/Space to execute the documents or obtain Park's approval of the sublease, then sublessee shall have no rights of tenancy and may not reside on any basis in the Park. Park may, at its option, increase the rent by not more than Twenty-five percent (25%) or increase the other charges upon the subletting of the Mobilehome or Space. If the change in law limits the increase in rent and other charges to less than provided for in this Agreement, the rent and other charges may be increased by the maximum amount allowed by law. Park agrees that in the event Resident sublets his Mobilehome or Space, Park will only withhold approval of sublessees for the reasons set forth in the Mobilehome Residency Law or applicable laws or because of a breach of this Agreement by Resident; provided the Space and Mobilehome are brought up to the then Park maintenance and improvements standards before the sublease begins. For purposes of this paragraph, subletting means any renting, regardless of the time period, of the Mobilehome or Space.

14. COMPLIANCE WITH LAW AND RULES AND REGULATIONS:

Resident agrees to abide by and conform with all applicable laws ordinances, regulations and all terms and provisions of this Agreement, the Rules and Regulations, and all rules, regulations, terms and provisions contained in any document referred to in this Agreement, as said rules, regulations, terms and provisions may from time to time be amended, modified or otherwise changed by Park as permitted by the terms of this Agreement.

15. MODIFICATION OF RESIDENCY DOCUMENTS:

Park may, pursuant to the rights granted to it by the Mobilehome Residency Law or any other law now in effect or as amended, modify, amend or otherwise change any term, provisions, rule or regulation contained in this Agreement, the Rules and Regulations or in any document referred to herein. Except for the term of this Agreement, and the amount to be charged (including utilities), each provision of this Rental Agreement shall be deemed to be a Rule and Regulation as well, and may be amended, modified or otherwise changed and enforced as a Rule and Regulation under the Mobilehome Residency Law. If this Agreement is for a term in excess of a month-to-month tenancy, then the term of this Agreement may not be changed and the rent to be charged may only be changed in accordance with the rent adjustment provisions of this Agreement.

16. CHANGES IN STANDARDS OF MAINTENANCE, SERVICES, EQUIPMENT, OR PHYSICAL IMPROVEMENTS:

The Park's general standards of maintenance, standards of maintenance of physical improvements in the Park, together with services, (including utilities), equipment and physical improvements within the Park may be changed from time to time as provided by the Mobilehome Residency Law and other applicable law. Resident acknowledges that this provision applies to all Residents, including those on other than a month-to-month tenancy. Any such rights granted to the Park due to any amendments, deletions or modifications of the Mobilehome Residency Law and other applicable law may be enforced by the Park.

17. TERMINATION OF TENANCY BY PARK:

17.1 This lease at the sole option of the Park may be declared forfeited and/or the tenancy may be terminated and/or Resident's right to possession or to renew Resident's tenancy terminated in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any such rights granted to the Park due to any amendments, deletions or modifications of the Mobilehome Residency Law and other applicable law may be enforced by the Park. The issuance of a termination of tenancy notice shall be considered an election to forfeit the tenancy within the meaning of this Agreement.

17.2 The rent and utilities not paid when due shall bear interest at the rate of ten percent (10%) per annum from the date due until paid.

18. RESPONSIBILITY OF THE PARK:

A. It is the responsibility of the Park to provide and maintain the physical improvements in the common facilities of the Park in good working order and condition. The Park shall provide all of the physical improvements and services which are now in existence in the Park and provided to Residents or which may be added at a later date. These physical improvements include the non-exclusive use of all of the common areas and common facilities of the Park which includes without limitation all streets, non-restricted parking areas, master t.v. antenna, all recreational facilities and equipment, pools, lawns, laundry facilities and all other facilities, equipment and conveniences located in the common areas and common facilities for the use of Residents. These services include the services provided by the Park Manager and other persons employed by the Park and the utilities specified in this Agreement. (Please note: Furniture, equipment and other items of personal property located in the common facilities which belong to Residents or Residents' clubs, associations or other organizations or services provided by Residents or such organizations are not the responsibility of the Park to provide or maintain.) The clubhouse will be kept ventilated as required by law, but the air conditioning and heating systems will not be operated on a constant basis in order to conserve energy. Rather, air conditioning and heating will be turned on as required to maintain temperature levels. The swimming pool will not be heated from approximately October First to June First of each year.

B. With respect to the Park's providing any services or facilities, (including utilities) to Resident, any prevention, delay or stoppage due to strikes, walkouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes thereof, governmental restrictions, regulations or controls, judicial orders, fire or other casualty, breakage, repairs and other causes beyond the reasonable control of the Park will excuse the Park's performance of the Park's obligations in these areas for a period equal to any such prevention, delay, stoppage or repair time. Resident will remain responsible for the rent, utilities, and other charges to be paid by Resident pursuant to the terms of this Agreement.

19. NOTICES:

All notices required or permitted under this Agreement must be in writing and may be served upon Park or Resident by any means then permitted by law. Resident understands that any notice terminating Resident's tenancy must be given to Resident in writing in the manner described by Section 1162 of the California Code of Civil Procedure. The service of any other notice on Resident, including but not limited to, a notice of rent increase; a notice of amendments to the Park's Rules and Regulations/Standards for Maintenance of Physical Improvements in the Park/Additions, Alterations or Deletions of Services, Equipment, or Physical Improvements; notices relating to other matters in Articles 1 through 5, inclusive and Article 7 of the Mobilehome Residency Law; or future copies of the Mobilehome Residency Law, may be duly and validly served if the notice is mailed to the Resident at his address in the Park by First Class United States mail, postage prepaid.

20. WAIVER OF DEFAULT:

No delay or omission in the exercise of any right or remedy of Park on any default by Resident shall impair any such right or remedy or be construed

as a waiver. No waiver by Park of Park's right to enforce any provision hereof after any default on the part of Resident shall be effective unless made in writing and signed by Park nor shall it be deemed a waiver of Park's right to enforce each and all of the provisions hereof upon any further or other default on the part of Resident. The acceptance of rent hereunder shall not be, or become construed to be, a waiver of any breach of any terms or provision of this Agreement or any rule, regulation, term or provision contained in any document referred to in this Agreement, nor shall it reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit hereunder.

21. ENTIRE AGREEMENT:

This Agreement and the documents referred to herein constitute the entire agreement between Resident and Park pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties, whether written or oral.

22. ALTERATION OF THIS AGREEMENT:

This Agreement may be altered by the Resident only by written Agreement signed by both of the parties or by operation of law. This Agreement may be altered by the Park by written agreement signed by both of the parties, by operation of law or in any manner provided for by the Mobilehome Residency Law or other applicable law.

23. ATTORNEYS' FEES AND COSTS:

In any action arising out of Resident's tenancy, this Agreement, or the provisions of the Mobilehome Residency Law, the prevailing party shall be entitled to reasonable attorneys' fees and costs. A party shall be deemed a prevailing party if the judgment is rendered in his favor or where the litigation is dismissed in his favor prior to or during the trial, unless the parties otherwise agree in the settlement or compromise.

24. TIME OF ESSENCE:

Time is of the essence with respect to the performance of every provision of this Agreement in which time is a factor.

25. INVALIDITY OF PROVISIONS:

If any term or provision of this Agreement or any document referred to in this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the other document or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement or the other document shall be valid and be enforced to the fullest extent permitted by law.

26. HOLD OVER TENANCY:

If Resident remains in possession of the Space after expiration of the term of this Agreement and has not executed a new occupancy agreement with

respect to the Space, said possession of Resident shall be deemed to be a month-to-month tenancy and Park may terminate or refuse to renew Resident's tenancy in accordance with the paragraph in this Agreement entitled "Termination of Tenancy by Park". Park may also, on sixty (60) days' notice, increase the rental rate and other charges of the Park charged Resident and these increases will go into effect immediately after the expiration of the term.

27. ZONING AND CONDITIONAL USE PERMIT INFORMATION:

The Park is zoned Agricultural 1 and 2. The Conditional Use Permit under which the Park operates expires in 1991, and that Use Permit allows the Park to be operated only as a mobilehome park. The Park does not operate under a ground lease.

28. SUBORDINATION AND ATTORNMENT:

A. Park hereby reserves the right to place liens on, encumber, mortgage or convey by deed of trust the Park or any part containing the Space rented to Resident by this Agreement, and in such event this Agreement and the leasehold interest hereby created shall at Park's option be subject and subordinate thereto and to any renewals, extensions or replacements thereof.

B. Resident agrees to, and shall when requested in writing by Park, execute, acknowledge and deliver to Park, or the recipient designated by him, all documents required to subordinate Resident's rights under this Agreement to any such lien, encumbrance, mortgage or deed of trust, as the case may be.

29. GOVERNING LAW:

The Mobilehome Residency Law has been previously incorporated in this Agreement. It contains provisions which benefit Owner and Homeowner. Even though specific reference has not been made to all of the Mobilehome Residency Law provisions, they will apply in their entirety to this Agreement. Homeowner agrees to comply with all applicable laws, ordinances, and regulations enacted by federal, state or local government. This Agreement shall be governed by and construed pursuant to the laws of California.

30. AUTOMATIC RENEWAL OF THIS AGREEMENT:

30.1 UNLESS OWNER NOTIFIED HOMEOWNER IN WRITING AT LEAST ONE HUNDRED TWENTY (120) DAYS IN ADVANCE OF THE EXPIRATION OF THE PARTIAL TERM OF THIS AGREEMENT, THE TERM OF THIS AGREEMENT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL SIXTY (60) MONTHS ON THE SAME TERMS AND CONDITIONS, (HEREINAFTER REFERRED TO AS THE "EXTENSION TERM"). THE AUTOMATIC RENEWAL OF THIS AGREEMENT WILL CONTINUE FOR FOUR (4) SUCCESSIVE SIXTY (60) MONTH EXTENSION TERMS UNTIL IT HAS BEEN AUTOMATICALLY RENEWED FOR A TOTAL PERIOD OF TWO HUNDRED FORTY (240) MONTHS UNLESS OWNER NOTIFIED HOMEOWNER IN WRITING AT LEAST ONE HUNDRED TWENTY (120) DAYS IN ADVANCE OF THE EXPIRATION OF ANY OF THE EXTENSION TERMS THAT THE AGREEMENT IS NOT BEING EXTENDED. SIMULTANEOUSLY, WITH THE NOTICE THAT THE AGREEMENT IS NOT BEING EXTENDED, OWNER MAY ALSO NOTIFY HOMEOWNER OF THE NEW RENTAL RATE WHICH WILL BE APPLICABLE.

30.2 THIS AGREEMENT WILL BE IN EFFECT FOR AN EXTENDED PERIOD OF TIME WHICH IS MUCH LONGER THAN THE PERIOD OF TIME REQUIRED FOR A RENTAL AGREEMENT BETWEEN A MOBILEHOME COMMUNITY AND ITS HOMEOWNERS. OWNER HAS ADDITIONALLY MADE OTHER COMMITMENTS IN THIS AGREEMENT TO HOMEOWNER WHICH OWNER IS NOT OBLIGATED TO MAKE. IT IS ESSENTIAL, THEREFORE, THAT OWNER BE PERMITTED DURING THE TERM HEREOF TO CHANGE RENTS WHICH REASONABLY RELATE TO THE VALUE OF OWNER'S PROPERTY. THEREFORE, AT THE END OF THE INITIAL TERM OF THIS AGREEMENT OR AT THE END OF ANY OF THE EXTENSION TERMS, OWNER SHALL HAVE THE OPTION TO INCREASE THE AMOUNT OF THE RENT WHICH WILL BE APPLICABLE AT THE BEGINNING OF ANY OF THE EXTENSION TERMS. IF THIS OPTION IS EXERCISED, THEN OWNER WILL GIVE WRITTEN NOTICE TO HOMEOWNER AT LEAST ONE HUNDRED TWENTY (120) DAYS IN ADVANCE OF THE EXPIRATION OF THE INITIAL TERM OF THIS AGREEMENT OR THE EXPIRATION OF ANY OF THE EXTENSION TERMS. EACH OF THESE INCREASES IN BASE RENT SHALL NOT, HOWEVER, BE MORE THAN FIFTEEN PERCENT (15%) GREATER THAN THE RENT WHICH WOULD OTHERWISE BE IN EFFECT FOR THE HOMEOWNER. OWNER MAY ELECT NOT TO INCREASE THE RENT BY AN ADDITIONAL FIFTEEN PERCENT (15%) AND INSTEAD ELECT NOT TO EXTEND THIS AGREEMENT AS PROVIDED FOR ELSEWHERE IN THIS PARAGRAPH 30. IF HOMEOWNER REMAINS IN POSSESSION OF THE HOMESITE AFTER BEING NOTIFIED BY OWNER THAT THE TERM OF THIS AGREEMENT WILL NOT BE AUTOMATICALLY EXTENDED, THEN OWNER MAY INCREASE THE RENT AND OTHER CHARGES. IN SUCH EVENT, THE AMOUNT OF THE INCREASE WILL NOT BE LIMITED BY THE PROVISIONS OF PARAGRAPH 3 OR ANY OTHER PROVISION OF THIS AGREEMENT AND THE INCREASE WILL GO INTO EFFECT IMMEDIATELY AFTER THE EXPIRATION OF THE TERM.

31. ACKNOWLEDGMENT:

Resident (which includes each of the people whose names are listed below), acknowledges that they have read, understood and received copies of this Agreement, together with a copy of the Park's Rules and Regulations and all other residency documents referred to in this Agreement, and a copy of the Mobilehome Residency Law, and further, that they have read and understand each of these documents and the other Rules and Regulations posted in and about the Park. Resident understands that by executing this Agreement they will be bound by the terms and conditions thereof.

32. EXECUTION:

IN WITNESS WHEREOF, OWNER AND HOMEOWNER HAVE EXECUTED THIS AGREEMENT AS OF THE DAY AND YEAR FIRST ABOVE WRITTEN.

PLEASE NOTE: PARAGRAPH 30 OF THIS LONG-TERM RENTAL AGREEMENT CONTAINS AN AUTOMATIC AGREEMENT RENEWAL PROVISION.

CO-OWNER/MANAGER;

HOMEOWNER

By: _____

X _____

25 yr lease letter #2

-106-

**INDIAN HILLS MOBILE HOME VILLAGE
11401 N. TOPANGA CANYON BLVD
CHATSWORTH, CALIFORNIA 91311**

APRIL 24, 1986

Indian Hills Residents
11401 N. Topanga Canyon Blvd.
Chatsworth, California 91311

Re: Long-Term Lease Offer

Dear Resident:

Enclosed is a long-term lease. In this letter, we describe the lease and its many benefits to you.

WHY A LONG TERM LEASE?

It has been evident for some time that the vast majority of mobilehome residents want a long-term lease. We've put a great deal of time, effort and thought into developing this lease. We think the final, finished product is a good one and represents an exceptional alternative and opportunity for you.

Both residents and owners in the mobilehome park industry in California have recently recognized that leases are beneficial for both the residents and the Park. Because of this, leases that run for several years are becoming more and more common.

We have tried to write this lease in "layman" terms. We have tried to shorten the lease as much as possible. The lease may appear longer because we have included examples to give you a clear understanding. We have organized the paragraphs into smaller ones and printed it in regular size type to make it easy to read. This is an advantage to you because, unlike insurance agreements, loan agreements and other legal agreements you have signed in the past, you will be able to understand this lease.

The lease will have an initial term of at least five (5) years, and we may renew it in 5-year chunks. This does not mean you have to obligate yourself to live here during the entire period of the lease. All you have to do is assign your lease to the buyer of your mobilehome and your obligations to us cease. The lease also terminates if you move your mobilehome out of the Park. The same is true of your family. If, because of your illness, death, or other reasons, your family takes over responsibility of your mobilehome, the lease can be canceled by them on the same terms.

Another advantage to this long-term lease is that, if we sell Indian Hills, the new owner will be obligated to honor your rights under this lease.

Another advantage of this lease is that there are very clearly defined limits placed on how the rent for your space can be increased. In fact the lease outlines areas in which the charges for your space can be decreased.

The formula for rent adjustments is set out in detail in the enclosed lease and you should read it carefully, as we are only briefly summarizing its provisions here.

Your rent will be adjusted annually by the Consumer Price Index (CPI). The way this works is that if the CPI is 4% but less than 12%, your rent will be adjusted by the CPI. If, however, the CPI is less than 4%, the rent adjustment will be 4%. On the other hand, if the CPI is more than 12%, the rent adjustment will be limited to 12%.

The CPI annual adjustment factor is an advantage for you when you consider the scarcity of rental housing, and that increases in the cost of rental housing almost always increase at a greater rate than the Consumer Price Index.

Your next annual rent adjustment will take place on July 1, 1986. Beginning on that date and on every July 1st. thereafter, we will have an annual rent adjustment as we have had in years passed.

MAJOR BENEFITS OF THIS LEASE

THERE ARE FOUR MAJOR BENEFITS OF THIS LEASE THAT ARE OF SUBSTANTIAL BENEFIT TO YOU THAT ARE NOT OFTEN FOUND IN LEASES.

FIRST MAJOR BENEFIT: RENT SAVINGS

If you have already signed a lease with us you will note that this new lease lowers the minimum CPI increase from six per cent (6%) to four percent (4%). This represents significant rent savings to you.

If you do not currently have a lease your current rent is most likely well below the market level rent being paid in the park. If this is the case, the signing of this lease represents substantial savings for you because the rent you are now paying is the base rent used in the lease. Your current rent will only be raised by 4% in July of 1986.

If you are not currently on a lease the CPI limit on rent increases represents a major benefit for you since the costs of housing almost always increase at a greater rate than the consumer price index.

SECOND MAJOR BENEFIT: LIMIT ON THE RENT INCREASE UPON SALE/TRANSFER OF YOUR MOBILEHOME

Should you sell or transfer your mobilehome during the term of the lease the new owner would accept assignment of the lease and the rent would not be increased by more than 5%. Currently, whether you have an existing lease with us or not, the Park can increase the rent upon the sale of your home to any amount. This is a major benefit of this lease should you decide to sell or transfer your mobile home anytime during the term of the lease.

THIRD MAJOR BENEFIT: SEPARATE PASS-THROUGH CATEGORY

The lease will create a new item on your monthly billing statement entitled "Pass-Through Charges". This item will cover certain increases or decreases in basic operating expenses. Commonly, these provisions are known as "pass-throughs." They consist of passing along increases or decreases in the cost of government services, insurance, property taxes, capital improvements and uninsured losses. We will pass through these increases or decreases to you on a 60-day notice as they occur. THIS IS ANOTHER MAJOR CONCESSION BY US AND A BENEFIT TO YOU. Most leases are written to add pass-throughs to the rent. The rent (including pass-throughs) is then multiplied each year by the CPI. In this lease no CPI increase can be applied to the pass-through. Also most leases are written to only pass through increases. Your lease is written to also pass through decreases in costs in the areas listed.

FOURTH MAJOR BENEFIT: RENT ASSISTANCE

We do not believe the rent increases included in the lease will be a true hardship on any of you. However, since we do not know the exact personal financial condition of each and every one, it is possible we have overlooked someone. If so, if any of you will truly be unable to pay any increases in rent at any time during the term of the lease, then please let the Park Manager know so that we may contact you individually and attempt to provide assistance.

There are various government programs you may not be aware of that provide rent assistance. Family members are also often available to provide help. If these traditional sources of assistance that Americans have relied on for years are not available to you, we would encourage you to apply to our rent assistance program.

Obviously we can't subsidize everyone nor do we believe that a subsidy is appropriate unless a person truly has no other place to turn. We do believe our voluntary subsidy program is an important "safety net" to help those who have no other resources.

More importantly, as many of you do not know what is available, we'll help you contact governmental agencies and suggest other alternatives.

SUMMARY

A common human characteristic is that none of us like to pay more for anything we purchase. This is just as true of us as it is of you.

We think we have a nice mobilehome community. When you really think about it and compare our situation to that found in most of the rest of California, you enjoy excellent access to recreation, shopping, medical facilities, etc. You also live in a community that is friendly. Sadly, this is a quality that is becoming extinct in our modern world. When you rent or buy a place to live, these are all things you pay for. It's part of the housing value you buy with your rent dollars. We believe that the Park has provided a good housing value for many years. We think this will remain true with the new lease.

As we've said earlier, this lease offers many concessions and benefits. We think that you will agree that the operation of the PARK in the past has been fair and reasonable. After reading this lease we think you will agree that it's terms and conditions are fair and reasonable and that it offers you the security you need for the future.

We would appreciate your signing and returning the enclosed lease just as quickly as possible to the Park Manager. When you return the lease to the Park Manager, he will give you a copy signed by the Park.

Thank you for taking the time to read this letter and the lease. If you have any questions, please let the Park Manager know so that we can get back to you with the answer promptly or so that a meeting can be arranged with you to answer any of your questions.

Sincerely,



PETER J. NOUGIER
INDIAN HILLS MOBILE HOME VILLAGE

Enclosure

Received Apr. 24, 1986

25 yr lease #2

INDIAN HILLS MOBILE HOME VILLAGE
11401 N. TOPANGA CYN BLVD
CHATSWORTH, CALIFORNIA 91311

LEASE

JULY 1, 1986

Resident

PAT LOWERY

Space No. 126

1. INTRODUCTION:

1.1 We've tried to write this Lease in "layman" terms. Sometimes this wasn't always possible, as some legal terms can't be avoided. We've also used the word "you" to describe the person signing the Lease, the words "Indian Hills", "we", "us", "our", etc. to describe the Park. Unfortunately, when any of us gets involved in even a short-term rental agreement, there are a number of things that have to be included which end up making the document longer than any of us would like. Mostly, this is because there are so many laws today that have to be accounted for. For example, California Civil Code Section 798.17, effective January 1, 1986, authorizes this notice which we are now giving to you: This Lease will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that we may charge you for rent.

1.2 We've tried to shorten the Lease as much as possible, and even though it makes it appear longer, we've put in examples to help you understand the Lease, organized the paragraphs into small ones and printed it in regular size type so that it is easier to read. (If we ran the paragraphs together and reduced the type size, it would be about the same length, or shorter, as the typical contract you sign when you buy insurance, a car, borrow money from a bank, or get involved in other typical consumer contracts like the ones you've signed many times over the years.)

1.3 We have also put the parts of this Lease which are especially important into the paragraphs preceding the signature blocks so that you can give those provisions extra attention. Of course, the General Provisions are also an important part of this Lease and you should read them carefully.

We think our Lease is much easier to understand than the typical contract and we hope you will find it to your liking.

2. **TERM:**

Space No. 126 in Indian Hills Mobile Home Village located at 11401 N. Topanga Canyon Blvd, Chatsworth, California, is rented to you for an initial period of sixty (60) months beginning July 1, 1986, and expiring on June 30, 1991. This Lease may be automatically renewed per paragraph five (5) or terminated sooner by you or us per the termination paragraphs found later in this Lease.

3. **RENT:**

3.1A. **RENT AND ANNUAL RENT ADJUSTMENTS:**

Through June 30, 1986, you will pay us rent of \$ 379.85 per month for your Space. You will also pay \$7.00 per month for each of your pets. The rent and all other charges in this Lease must be paid without deduction or offset and in advance on the first day of each month. Rent increases will be on the first day of July of each year (starting with July 1, 1986) covered by this Lease (except for pass-throughs, discussed below, which will take effect on a 60 day notice to you). The rent increase formula, along with examples, is spelled out below. You will be given a sixty (60) day notice of the exact amount of each year's rent increase and a sixty (60) day notice for each pass-through discussed below. Beginning July 1, 1986 you will pay us rent of \$ 395.04 per month for your space.

3.1B. **CONSUMER PRICE INDEX (CPI) Adjustment:**

Your rent will be adjusted by the CPI each July first, starting with July 1, 1987. The CPI that will be used to make up part of the rent increase will be the "Consumer Price Index for All Urban Consumers, Los Angeles-Long Beach-Anaheim (1967 = 100)." The increase in the CPI over the year which ends four months before your annual July first rent adjustment date will be determined, and that increase will be reflected in your rent starting on the next annual July first rent adjustment date. We need those four months in order to gather information to figure out your share. The CPI annual increase will be applied to your rent as follows:

If the CPI increase is less than 4%, your rent increases 4%;

If the CPI increases at least 4%, but no more than 12%, your rent will increase by the actual CPI increase;

If the CPI increases more than 12%, your rent increases 12%

CPI EXAMPLE

Let's assume that your rent as of July 1, 1986 is \$390 per month, and that the CPI increase from February 1986 to February 1987 is 4.5%. Your new base rent would be figured as follows:

\$390.00	Base monthly rental starting 7/1/86
+ 17.55	CPI increase = $\$390.00 \times 4.5\%$
\$407.55	Base monthly rent starting 7/1/87

If the CPI is changed by the Federal government so that the 1967 base year used in this Lease changes, the CPI will be converted per the conversion factor published by the U.S. Department of Labor, Bureau of Labor Statistics. If the CPI is discontinued or revised during the term of this Lease, the other governmental index or computation which replaces it will be used to obtain substantially the same adjustment which would occur if the CPI had not been discontinued or revised.

3.1C. PASS-THROUGHS

ALL OF THE FOLLOWING PASS-THROUGHS WILL BE LISTED ON YOUR MONTHLY RENT STATEMENT AS A SEPARATE CATEGORY AND THEY WILL NOT BE MULTIPLIED BY THE CPI ADJUSTMENT.

3.1C1. GOVERNMENT REQUIRED SERVICES, INSURANCE AND PROPERTY TAXES:

Both increases and decreases in the cost of governmental required services, insurance and property taxes will also be used to increase or decrease the amount you pay the park each month. Only increases in property taxes in excess of 2% per annum will be passed-through. Any decreases in property taxes will also be passed-through to you. You will pay your pro rata portion of these increases or decreases, which is the amount of each increase or decrease divided by twelve months and then divided by the number of Spaces in Indian Hills rented by residents. We will add or subtract the resulting quotient to the pass-through category on your monthly billing statement on each of the first 12 rental due dates following our 60 day notice to you of that pass through.

Government Required Services are any existing, new or changed services which we are required by government to provide or do provide to residents of Indian Hills, including services provided by utility companies, private parties and, quasi-governmental entities as well as government entities. Examples are: common area utilities, fire protection, paramedic services, and the like. "Insurance" includes any insurance which we purchase for the benefit of Indian Hills.

Property taxes do NOT include any amounts included in the costs of governmental required services per the preceding paragraph.

Property taxes include all general and special real estate taxes, personal property taxes, bonds, fees, charges, surcharges and assessments, or other charges made in lieu of real property taxes we are required to pay (whether actually paid or unpaid at the time of the pass through increase). They also include any tax or excise on rents or any other tax, however it may be described, which is levied or assessed against Indian Hills as a direct substitution, in whole or in part, for any real property taxes.

EXAMPLES

Let's assume that there are 138 Spaces rented by residents in Indian Hills. If we experienced an increase in the cost of government required services of \$362.40, the \$362.40 increase would be divided by 12 months and the 138 Spaces to equal \$0.22. This twenty two cents would not be added to your monthly rent. The twenty two cents would be added to a category on your monthly billing statement entitled "PASS-THROUGHS". It would be added starting on the first monthly due date which is at least sixty (60) days after we give you notice of the pass-through.

Additionally, if the property taxes were \$14,250.14 on the 1985-1986 bill and \$14,535.14 on the 1986-1987 bill, there would be no pass-through of property taxes to you, as the increase would be only 2%.

3.102. CAPITAL EXPENSES AND UNINSURED LOSSES:

The cost of capital expenses and uninsured losses will also be used to increase the charges in the pass-through category. Capital expenses include all costs for items we estimate to have a useful life of longer than twelve (12) months. The total cost for these expenses will be verified by a statement from our accountant. These "costs" include the actual cost of the capital improvement, plus legal and engineering fees and all "borrowing costs." If money is borrowed, the total of the borrowing costs will not exceed an amount equal to that charged by the First Interstate Bank, or a successor bank (the "Bank"), for such loans. If we use our own money instead of borrowing, "borrowing costs" will equal such sum as we determine, not to exceed the amount charged by the Bank for such loans. To determine the amount to be used for pass-through increase purposes, the total costs will be divided by sixty (60) months and by the number of Spaces in Indian Hills rented by residents. The resulting quotient will be added to the pass-through category on the monthly billing statement for each of the first sixty (60) months following our 60 day notice to you of this pass-through. AFTER THIS SIXTY (60) MONTHS IS UP, THIS AMOUNT WILL BE DEDUCTED FROM THE PASS-THROUGH CATEGORY AS PAID IN FULL.

Any capital expense over Twenty Thousand Dollars (\$20,000.00) for any one item shall be subject to a majority vote of residents who have signed leases (only one (1) per each Space) except those capital expenses mandated by or resulting from any of the following:

- A. a governmental or quasi-governmental entity or agency;
- B. a utility company or other entity providing natural gas, electricity, water, sewer, trash, telephone or other similar service;
- C. fire, flood, earthquake or similar casualty loss or natural disaster;
- D. or repair or replacement of existing capital improvements.

We may make capital improvements which require resident approval without such approval, but we may not pass through the costs to you.

CAPITAL EXPENSE EXAMPLE

Let's assume that there are 138 Spaces in Indian Hills rented by tenants. If we were to replace or overlay roads in Indian Hills at a cost of \$20,000.00, including financing, the cost to be passed through to you would be calculated as follows:

\$20,000.00 divided by 60 months = \$333.33 per month
\$ 333.33 divided by 138 Spaces = \$ 2.42 per space
per month for 5
years.

We will have insurance with fire and extended coverage endorsements for 90% insurable replacement value of the buildings. This is a common standard used by the insurance industry. Earthquake and flood insurance are not included. Regardless of whether the loss is or is not covered by insurance, we will pay the first 5% or \$2,000.00, whichever is greater. Any loss in excess of this amount for which we are not actually compensated by insurance will be handled for pass-through increase purposes as if it were a "Capital Expense." The formula used for pass-through increases for Capital Expenses will also be used for Uninsured Loss pass-through increases. We may also pass on to you the cost of earthquake and flood insurance coverage, based on a 51% vote of residents who have signed leases (only one vote per Space).

UNINSURED LOSS EXAMPLE

Assume a flood occurred during the year. If the cost to us was \$15,000.00, including financing, to remove mud and rocks from the streets, the cost to be passed through to you would be calculated as follows (assuming 138 Spaces in Indian Hills rented by residents):

\$15,000.00
2,000.00 (Uninsured loss absorbed by us = \$15,000.00
x 5% = \$750.00 or \$2,000.00 which
ever is greater)

\$13,000.00 divided by 60 months = \$216.67 per month

\$ 216.67 divided by 138 Spaces = \$ 1.57 per Space per
month for 5 years.

3.1D. To verify the amount of a rent increase and pass-through adjustments, we will have the following available in the Park Office for you to examine: A copy of the CPI used to compute the CPI adjustment and copies of the bills and statements which show the amount of increased or decreased costs of government required services, insurance, property taxes, capital expenses and uninsured losses.

3.2 If you don't maintain your mobilehome or Space as required by Indian Hills' rules and regulations, we may give you a notice requiring you to comply within 14 days. If you don't comply, we may charge you a reasonable fee for having this maintenance work done.

3.3 In some instances, government will tax property owned by you which is located on the Space. For example, property taxes or personal property taxes may be charged on the awnings, skirting, storage sheds, and other improvements belonging to you. If this occurs, you will pay the tax directly to the governmental entity. This will be true even though, as occurs in some instances for the convenience of government or because they do not know your name, the tax is charged to Indian Hills. Except for the pass-through of increases in "property taxes" noted earlier in this Lease, you shall not be required to pay our property taxes.

3.4 All rents, utilities and other charges owed by you will be paid by check or money order (no cash) at the Park Office. We may, on ten (10) days' written notice to you, require payment in cash or it's equivalent. If the entire amount owed by you is not paid by midnight of the fifth (5th) day of the month, you must pay a late charge of five percent (5%) of the total bill. You must also pay us a handling charge of five percent (5%) of the total bill plus the bank's charge for each check returned by the bank due to insufficient funds in your account or for any other reason the bank gives for returning your check. All rents, utilities and other charges that you do not timely pay will accrue interest at the lesser of ten percent (10%) per annum or the highest non-usurious rate from the payment due date until the date paid.

3.5 SECURITY DEPOSIT:

When you sign this Lease, you will give us \$ 710.00 as a security deposit for your performance under this Lease. If you are in default, we may use the deposit, or any portion of it, to cure the default or to compensate us for any damage we sustain resulting from your default. In case we do use any of your security deposit that way, you agree immediately on demand to pay us the amount necessary to restore your security deposit to its

original balance. At the expiration or termination of your tenancy (even if that's after this Lease expires), and provided that you're not in default, we will return the security deposit to you. We won't be holding the security deposit in trust for you. We can mingle your security deposit with our general or other funds. No interest will accrue on your security deposit.

NOTE TO EXISTING RESIDENTS: If you paid a security deposit when you moved in, that deposit will cover the above figure. If you paid no security deposit when you moved in then no security deposit will be required when you sign this lease. Only new residents who you assign this Lease to will be required to make a security deposit equal to two (2) months rent.

4. UTILITIES:

4.1 YOU ARE RESPONSIBLE FOR MAKING SURE THAT YOUR MOBILEHOME AND ALL APPLIANCES AND EQUIPMENT IN YOUR MOBILEHOME ARE COMPATIBLE WITH THE ELECTRIC SERVICE NOW AVAILABLE, AND WE SHALL HAVE NO LIABILITY OR RESPONSIBILITY TO YOU IF THE AVAILABLE ELECTRICAL SUPPLY IS INCOMPATIBLE OR INSUFFICIENT.

4.2 We will provide, submeter and separately charge you monthly for water, natural gas and electricity. We will initially charge you monthly \$2.99 for trash collection. We shall provide without separate charge to you sewage and T.V. We may, however, upon giving sixty (60) days' notice to you, elect to charge you without a reduction in rent or other charges, for any of the utilities presently provided to you without separate charge. Television channels 2,4,5,7,9,11, and 13 are provided by a master antenna system operated by us. We may increase any monthly flat utility or service fee immediately without notice to you. Any increases in the cost of submetered utilities will be immediately passed through and paid by you. You will contract with and pay directly for all other utilities you require.

We will make available in the Park Office for you to examine the prevailing residential utility rate schedules as published by the serving utility.

4.3 If the present Park owned and operated sewer plant and system are changed to sewers operated by another party, all costs and charges related to the change will be passed through to you without a reduction in rent or other charges. This will be true regardless of whether we are required to make this change or we do so voluntarily. Costs and charges properly classified as "Capital Improvements" or "Government Required Services" will be passed through under those provisions of this Agreement. All other costs and charges not covered by one of these two pass-through provisions of this Agreement will also be passed-through immediately to you as monthly service charges. If not covered by the "Capital Improvement" or "Government Required Services"

provisions, lump sum hook-up fees or other lump sum charges we are required to pay in connection with the change will also be immediately charged to you and will be equally amortized over sixty (60) months and billed monthly to you.)

4.4 We may convert to a form of T.V. reception system which provides either improved or extended T.V. service over that presently provided. The new T.V. system may be either as a replacement for the existing system or in addition to the existing system. If this option is exercised, we will have the right to discontinue the existing T.V. reception system and require you to convert to the new system.

If we are making a separate charge for T.V. at the time of the change to the new system, this charge will be eliminated. We may, however, require you to pay a charge for the new T.V. system, in an amount to be determined at the time. We may also require that you enter into a separate agreement for the new service and charges. If, at the time of conversion to the new system, a charge is not being made for T.V., there will be no reduction in rent.

5. AUTOMATIC RENEWAL OF THIS LEASE:

UNLESS WE NOTIFY YOU IN WRITING AT LEAST 120 DAYS IN ADVANCE OF THE END OF THE INITIAL TERM DESCRIBED IN PARAGRAPH 2, THE TERM OF THIS LEASE WILL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL 60 MONTHS (AN "EXTENSION TERM") ON THE SAME TERMS AND CONDITIONS, PLUS THE INCREASE NOTED BELOW. THE AUTOMATIC RENEWAL OF THIS LEASE WILL CONTINUE FOR 5 SUCCESSIVE 60-MONTH EXTENSION TERMS UNTIL IT HAS BEEN AUTOMATICALLY RENEWED FOR A TOTAL OF 25 YEARS UNLESS WE NOTIFY YOU AT LEAST 120 DAYS IN ADVANCE OF THE EXPIRATION OF THE INITIAL TERM OR ANY EXTENSION TERM THAT THIS LEASE IS NOT BEING EXTENDED. AT THE BEGINNING OF EACH EXTENSION TERM, WE MAY INCREASE THE RENT YOU WILL BE CHARGED BY 15%, IN ADDITION TO THE RENT INCREASE AND PASS-THROUGH PROVISIONS DESCRIBED ABOVE IN PARAGRAPH 3. THESE INCREASES ARE ESSENTIAL BECAUSE THIS LEASE WILL BE IN EFFECT FOR MUCH LONGER THAN THE TIME REQUIRED FOR A LEASE BETWEEN YOU AND US. WE HAVE ALSO MADE OTHER COMMITMENTS IN THIS LEASE TO YOU WHICH WE ARE NOT OBLIGATED TO MAKE. THEREFORE, WE HAVE TO BE ABLE TO CHARGE RENTS WHICH REASONABLY RELATE TO THE VALUE OF OUR PROPERTY.

6. SALE OF MOBILEHOME AND APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:

6.1 You may sell/transfer your mobilehome per your and our rights and obligations under the law as it may be amended. You must, however, immediately notify us in writing of your intent to sell/transfer your mobilehome. If your prospective buyer/transferee intends for the mobilehome to remain in Indian

Hills, or the buyer/transferee intends to reside in Indian Hills, the buyer/transferee must do the following before occupying the mobilehome or Space: complete an Application for Residence; be accepted by us; accept an assignment of this Lease as required by this paragraph 6.

IF YOUR BUYER/TRANSFEREE FAILS TO ACCEPT AN ASSIGNMENT OF THIS LEASE, HE WILL HAVE NO RIGHT TO LIVE IN INDIAN HILLS.

6.2. Except for guests, the requirements in this paragraph 6 will apply before any person other than the ones listed on the signature page of this Lease will be permitted to become a permanent resident of Indian Hills. For each such additional person, your rent will be increased by Ten Dollars (\$10.00) per month. This charge will not apply if the additional person is either a member of your immediate family or someone with whom you have decided to share your mobilehome so that you won't be living alone. A guest who remains in Indian Hills after their host has died, moved or for any other reason does not physically reside in Indian Hills on a regular basis, will be considered to be the equivalent of a buyer/transferee and the guest will be subject to all the requirements of this paragraph 6. This will be true regardless of whether the guest is listed as a "legal" or "registered owner" of the mobilehome.

6.3 If the mobilehome is sold or otherwise transferred, you must assign this Lease to the buyer/transferee whose rent will be immediately increased by 5% and it will remain subject to all other rent and pass-through adjustment provisions of this lease. This is true even if only a portion of your interest is being sold/transferred. You agree not to sell/transfer your mobilehome to anyone who does not agree to accept an assignment of the Lease as described in this paragraph six (6).

6.4 We have made a number of commitments in this Lease to you and future mobilehome owners of the Space which we are not obligated by law to make. These commitments are being made, in part, in exchange for your agreement that you will not sell/transfer your mobilehome or Space to anyone who does not agree to accept an assignment of this Lease as required by this paragraph six (6). In effect, the agreement between you and us is that this Lease will apply to the Space for the entire term of the Lease, or any extension of this Lease, regardless of the person(s) who occupies the Space or mobilehome as the mobilehome owner. This agreement between you and us has been specifically bargained for between the two of us. This agreement will also bind any buyer/transferee to whom this Lease is assigned.

6.5 At all times at least one of the persons listed on the signature page of this Lease or the signature page of any assignment of this Lease must be the "legal" or "registered" owner of the mobilehome which occupies the Space and that person must regularly occupy the mobilehome.

7. CHANGES IN AGE RESTRICTIONS IMPOSED BY LAW

In the "Introduction" to this Lease, we said that "there are so many laws today that have to be accounted for." Both you and we know that they are not through writing new laws, and that there will probably be at least several new laws enacted during the duration of this Lease which will have some effect on it. While we cannot start to guess what some of those laws might require, it is clear that there's a reasonable possibility that we may someday be prohibited from maintaining the Park as an adult-only community. This will force us to convert to either a family park or, if the law permits, a senior-citizen park (with younger folks who were residents prior to the change in law permitted to remain, of course.) The choice of which of the above we convert to is our option and a decision we will make at the time.

If we are required to convert from an adult-only park and we choose to convert to a family park (not to a senior-citizen park), your rent will immediately increased by five percent (5%). This increase will be necessary in order for us to meet the increased operating costs throughout the Park attributable to the greater, specialized demands which we anticipate families will place on our facilities and recoup for the other financial effects these changes will have on the Park.

If we convert to a senior-citizen park and the law requires us to build certain improvements (for example, wheelchair ramps) or incur other expenses, (for example, mini-bus service to nearby shopping areas), we will additionally pass those costs through to the residents of the Park. We'll divide each such cost by the number of mobilehomes in the Park and pass through the resulting amount to you as part of the pass-through item on the billing statement, which will be due on your first due date which is at least sixty (60) days after we give you notice of this pass-through.

This Lease consists of the paragraphs above and the following "General Provisions." This Lease is signed by you and us on _____ 19,____, and is binding on both of us when signed. If you have signed a lease with us before, that lease is replaced by this new Lease as of the date the term of this new Lease begins. This replacement of your existing Lease with this new Lease is something both of us have voluntarily agreed to do.

PLEASE NOTE: PARAGRAPH 5 OF THIS LEASE CONTAINS AN AUTOMATIC RENEWAL PROVISION.

INDIAN HILLS MOBILE HOME VILLAGE

RESIDENT:

By: _____

Person (s) in addition to the above who will reside in the above space:

GENERAL PROVISIONS

8. SERVICES:

8.1A. SERVICES PROVIDED:

It is our responsibility to provide and maintain the physical improvements in the common facilities of Indian Hills in good working order and condition. At present, Indian Hills has a clubhouse, pool, laundry facilities, a pet-run facility, streets, non-restricted parking areas, lawns, and other facilities, equipment and conveniences located in the common areas and common facilities for the use of the residents of Indian Hills. (Furniture, equipment and other personal property located in the

(Signature Page)

common facilities which belong to residents or residents' clubs are not our responsibility.) We shall provide all the physical improvements and services which are now in existence in Indian Hills and provided to you or which may be added at a later date. These physical improvements include the non-exclusive use of all the common areas and common facilities of Indian Hills.

These services include the services provided by the Park Manager and other persons employed by us and the utilities specified in this Lease. Air conditioning and heating will not be operated on a constant basis but will be turned on as required to maintain reasonable temperature levels consistent with energy conservation requirements.

The swimming pool will not be heated from approximately October first to June first each year.

8.1B. With respect to our providing any services or facilities (including utilities) to you, any prevention, delay or stoppage due to strikes, walkouts, other labor disputes, Acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, regulations or controls, judicial orders, fire/flood or other natural disaster or casualty, breakage, repairs and other causes beyond our reasonable control will excuse performance of our obligations in these areas for a period equal to any such prevention, delay, stoppage or repair time. You will remain responsible, without abatement or reduction, for the rent, utilities, and other charges to be paid by you pursuant to the terms of this Lease. We shall not be liable under any circumstances for loss of or injury to property, however occurring, through or in connection with or incidental to the failure to furnish any services or facilities (including utilities) with the exception of our negligent or intentional acts.

8.2 CHANGES IN RULES AND REGULATIONS, STANDARDS OF MAINTENANCE, SERVICES, EQUIPMENT OR PHYSICAL IMPROVEMENTS:

Indian Hills' Rules and Regulations, this Lease (with the exception of the term and rent provisions, which may not be changed), and other residency documents, the standards of maintenance of physical improvements, together with services (including utilities), equipment and physical improvements within Indian Hills may be changed (without affecting the other parts of this Lease) at our option from time to time while this Lease is in effect by giving you the notice provided by the Mobilehome Residency Law and other applicable laws.

9. USE AND OCCUPANCY:

9.1 Your mobilehome and Space may only be used only as a private residence and no business or commercial activity may be conducted there. No persons other than those listed on the signature page of this Lease, and your guests, may reside at the Space without our prior written consent. At all times, one of the persons listed on the signature page of this Lease must be the "legal" or "registered" owner of the mobilehome and that person must regularly occupy the mobilehome.

9.2 Residency in Indian Hills is at present restricted to persons who are at least eighteen (18) years of age. It is foreseeable that we may be sued because of this adult-only restriction at some time during the term of this Lease. In such an event, we will have the right to remove or to modify this adult-only restriction.

9.3 No more than two (2) people may occupy your mobilehome without our consent. We won't unreasonably withhold our consent.

9.4 You agree not to abandon your mobilehome or the Space so long as this Lease or any renewal or extension of this Lease is in effect.

9.5 You will keep us provided with a copy of the current registration card for your mobilehome.

9.6 Please refer to Rules and Regulations for further clarification of your use and occupancy of the mobilehome and Space.

10. GUESTS:

10.1 You agree to acquaint all your guests with the conditions of tenancy at Indian Hills, including, but not limited, to Indian Hills' Rules and Regulations. You are personally responsible for all the actions and conduct of your guests.

10.2 We will charge One Dollar (\$1.00) per day for each guest staying more than a total of twenty (20) consecutive days or thirty (30) days in a calendar year. This additional charge will not apply to a guest who is either a member of your immediate family or someone who is an adult with whom you've decided to share your mobilehome so that you won't be living alone.

11. ASSIGNMENT AND SUBLEASING:

11.1 You shall not have the right to sublet the Space or any portion thereof, nor any mobilehome located thereon. Any such subletting shall be void. Any assignment shall also be void unless done in accordance with the terms of this Lease. This Lease may be terminated, at our option, if you assign or sublet your Space or mobilehome in violation of this Lease and, in that case, we have the option to require the mobilehome to be removed from Indian Hills by you. We reserve the right to lease, rent, or sublet any space in Indian Hills.

11.2 If the law is changed so that we are required to permit subletting, then, unless prohibited by law, we may require you to do the things noted in this paragraph. Notify us in writing in advance of your intent to sublet your mobilehome and/or Space. We may also require that you and the sublessee execute documents reasonably necessary to protect our interest. The sublessee must also be approved for residency as provided in paragraph 6. If you or the sublessee fail, in advance of sublessee taking possession of the mobilehome or Space, to execute the documents or obtain our approval of the sublessee, the sublessee will have no rights of tenancy and may not reside on any basis in the mobile or Space. We may, at our option, increase the rent up to a maximum of 25% or increase the other charges upon the subletting of the mobilehome or Space. If the change in the law limits the increase in rent and other charges, the rent and other charges may be increased by the maximum amount allowed by law. We will only withhold approval of the sublessee for the reasons set forth in the California Civil Code or other applicable laws or because of a breach of this Lease by you; provided the Space and mobilehome are brought up to our maintenance and improvement standards before the sublease begins. Subletting means any renting, regardless of the time period, of the mobilehome or Space.

12. TERMINATION OF TENANCY BY YOU:

You may elect to terminate your obligations under this Lease provided that:

1. You give at least sixty (60) days' advance written notice to us; and
2. You move from Indian Hills, either having sold/transferred your mobilehome or removing your mobilehome from Indian Hills.

Unless the mobilehome has been removed from Indian Hills and control of the Space reverted to us, the requirements of the paragraph entitled "SALE OF MOBILEHOME AND APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS" and the other provisions of this Lease relating to our approval of a new mobilehome owner and a required assignment of the Lease to the new mobilehome owner apply to you before you may terminate your Lease obligations. Otherwise, in accordance with California Civil Code Section 1951.4, your Lease obligations and tenancy will continue in effect so long as we do not terminate your right to possession, and we may enforce all rights and remedies under this Lease, including the right to recover rent as it becomes due.

13. TERMINATION OF TENANCY BY US:

This Lease may be declared forfeited and/or your tenancy may be terminated in accordance with the Mobilehome Residency Law and other applicable law, including changes to these laws which may occur in the future.

14. INDEMNIFICATION:

We will not be liable for any loss, damage or injury of any kind to the person or property of any resident or any of the employees, guests, invitees, permittees, or licensees of any resident, or of any other person caused by any use of Indian Hills or the Space, or by any defect in improvements erected in Indian Hills or on the Space, or arising from any other cause, unless resulting from our negligence or willful act.

15. INSURANCE:

We do not carry public liability or property damage insurance to compensate you, your guest or any other person from any loss, damage or injury except those resulting from situations where we would be legally liable for such loss, damage or injury. If you want this type of insurance coverage, you should obtain, at your own cost, extended coverage for your mobilehome, fire, earthquake and other casualty insurance on the mobilehome, other improvements and contents to the full insurable value, personal liability and such other insurance as is necessary to protect you, your guest or others from loss or liability.

16. INCORPORATED DOCUMENTS:

16.1 You acknowledge having received and read a copy of the following documents:

- A. This Lease
- B. Mobile Home Residency Law dated January 1, 1986
- C. The Park's General Rules dated January 1, 1985
- D. The Park's Swimming Pool, and Recreational Facilities and Common Area Agreement dated December 1, 1980.
- E. Pet Rules and Regulations Dated January 1, 1985.
- F. Your Rental Application
- G. _____

16.2 You also acknowledge that use of the recreational facilities is conditioned on compliance with the Rules and Regulations posted in and around these facilities. You understand that by signing this Lease, you are bound by all of the terms and conditions of these documents as they may be revised per this Lease.

17. COMPLIANCE WITH LAW AND RULES AND REGULATIONS:

You and we agree to comply with all applicable laws, ordinances, regulations and all terms and provisions of this Lease, the Rules and Regulations, and all terms and provisions contained in any document referred to in this Lease, as they may be changed by us per the terms of this Lease.

18. ENTRY UPON YOUR SPACE:

We may enter your Space or mobilehome only as permitted by the Mobilehome Residency Law or other laws.

19. CONDEMNATION:

If any portion of Indian Hills is taken under the power of eminent domain, or is sold to any authority having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending or the utility systems or other portions of Indian Hills are or will be affected by the condemnation to the point where, in our sole opinion, it is not

economically practical to continue operations, we will have the right to terminate this Lease as of the date the condemning authority takes possession. The entire amount of any award for taking of all or any part of a Space or Indian Hills under the power of eminent domain or for any other reason will be our property whether such award shall be made as compensation for diminution in value of the leasehold or for taking the fee or taking of any interest you may have because of this Lease or your tenancy in Indian Hills. Nothing contained in this paragraph, however, will preclude you from obtaining, or giving us any interest in, any award to you for the loss of or damage to your mobilehome or other removable personal property.

20. ZONING AND USE PERMIT INFORMATION:

The nature of the zoning which Indian Hills operates is Agricultural 1 and 2. The Conditional Use or other permits required to operate Indian Hills are not subject to expiration or renewal, except as follows: The Conditional Use Permit under which we operate expires in 1991, and that Use Permit allows the Park to operate only as a mobilehome park. We do not lease the ground on which Indian Hills is located.

21. TRANSFER OF OUR INTEREST:

If we sell or transfer our interest in Indian Hills to someone else, we will be automatically relieved of our obligations under this Lease which occur after the date of the transfer, but only if these obligations are assumed in writing by the buyers or transferees.

22. NOTICES:

All notices required or allowed by this Lease must be in writing and may be served by any method then allowed by the law. You understand that any notice terminating your tenancy must be given to you in writing in the manner described in Section 1162 of the California Code of Civil Procedure. The service of any other notice on you may be validly served if it is mailed to you at your address in Indian Hills by First Class United States Mail, postage prepaid. Any notice served on you by mail will be considered received by you five (5) days after it is mailed.

23. WAIVER OF DEFAULT:

If you fail to meet any of your obligations under this Lease, a delay or omission by us in exercising any right or remedy we have because of your default will not impair any of our rights or remedies against you, nor will it be considered a waiver by us of any right or remedy. No waiver by us of our right to enforce any provision of this Lease after any default on

signed by us, nor will it be considered a waiver of our rights to enforce each and every provision of this Lease upon any further or other default on your part. Our acceptance of rent will also not be a waiver of any breach by you of any term or provision of this Lease, including any rule, regulation or other term or provision contained in any document referred to in this Lease, or shall it reinstate, continue or extend the term of the Lease or affect any notice, demand or lawsuit brought by us per this Lease.

24. ENTIRE AGREEMENT:

This Lease and the other documents and posted signs referred to in it are the entire agreement between you and us regarding the subjects covered by this Lease, other documents and signs. This Lease supersedes all prior and contemporaneous agreements, representations and understandings of you or us.

25. ATTORNEY'S FEES:

Attorney's fees and costs may be awarded to you or us per the provisions of the Mobilehome Residency Law, or other laws, including changes to these laws which may occur in the future. The same is true of any litigation between the two of us that is not covered by the Mobilehome Residency Law or other laws.

26. HEADINGS:

The titles of the paragraphs and subparagraphs in this Lease or in other documents or posted signs are only for convenience and under no circumstances are they to be considered as any part of this Lease.

27. PARTIAL INVALIDITY:

If any part of this Lease or any document referred to in this Lease is, in any way, invalid or unenforceable, the remainder of this Lease or the other document shall not be affected, and will be valid and enforceable to the fullest extent permitted by law. The same is true if the application of any part of this Lease, or any document referred to in this Lease is, in any way, invalid or unenforceable to any person or circumstance.

28. INTERPRETATION AND APPLICATION:

All rights given you or us in this Lease will be exercised in a reasonable manner and all provisions of this Lease will be interpreted and applied in a reasonable manner.

29. CONDITION OF THE SPACE:

By signing this Lease, you agree you have carefully inspected the Space you are renting and all of Indian Hills' services and facilities and you have found them to be safe and as represented by us to you, either orally or in writing. If they are not exactly as represented, you agree to accept them as they are.

30. LIENS AND CLAIMS:

You will not allow any lien, claim or demand arising from any work of construction, repair, restoration, maintenance or removal done for you, or for your mobilehome or Space, to be enforced against Indian Hills, and you will pay all such liens, claims and demands before any action is brought to enforce them. You agree to hold us free and harmless from all liability for any and all such liens, claims or demands, together with all costs and expenses, including but not limited to, attorney's fees and court costs incurred by us in connection with them.

31. ALTERATION OF THIS LEASE:

This Lease may be changed only pursuant to this Lease, by a written agreement signed by you and us or by operation of law.

32. SUBORDINATION AND ATTORNMENT:

32.1 We reserve the right to place liens on, encumber, mortgage or convey by deed of trust Indian Hills or any part of Indian Hills containing your Space. If this occurs, this Lease and your leasehold interest will, at our option, be subject thereto and to any renewals, extensions or replacements thereof.

32.2 You agree to, and shall when requested in writing by us, execute, acknowledge and deliver to us, or the person designated by us, all documents required to subordinate your rights under this Lease to any such lien, encumbrance, mortgage or deed of trust.

33. HOLD-OVER TENANCY:

IF YOU REMAIN IN POSSESSION OF THE SPACE AFTER THE TERM OF THIS LEASE HAS EXPIRED, AND HAVE NOT SIGNED ANOTHER LEASE OR RENTAL AGREEMENT WITH US, YOU WILL BECOME A MONTH-TO-MONTH TENANT, AND WE MAY INCREASE YOUR RENT AND OTHER CHARGES BY ANY AMOUNT WE BELIEVE APPROPRIATE.

END OF LEASE

ADVANCED MANAGEMENT COMPANY
Creekside Mobilehome Park - Orange, CA

ADVANCED

MANAGEMENT COMPANY

ORANGE

DATE: December 26, 1985

TO: Creekside Residents

RE: Notice of Rent Increase

Dear Residents:

We are writing to notify you that effective March 1, 1986, your monthly rent will be increased by \$40.00 per month. All other existing charges of the park will remain in effect.

We would also like to let you know that due to several resident requests, we will be offering a long term five (5) year lease. For those of you who are interested, we will be offering this long term lease until March 1, 1986, with a discount of \$10.00 per month off your rent. A one year lease will also be available and both should be ready for pick-up at the rental office the second week of January. Your current lease is hereby extended until March 1, 1986, under the same terms and conditions.

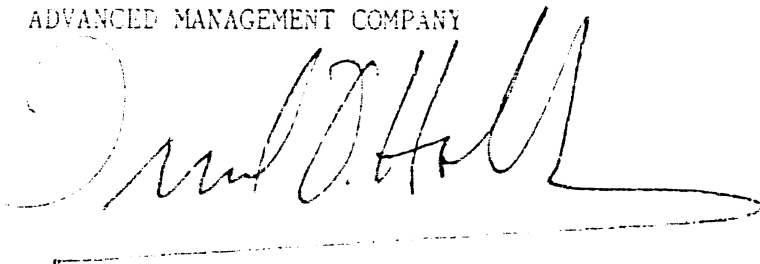
The past year we believe we have come a long way in making your home and surroundings a pleasant and more enjoyable place to live. The owners of the park have graciously spent thousands of dollars on improvements and up-grades and at the same time experienced increases in operational expenses lead by a 433% increase in liability insurance on the park.

We hope you appreciate the need for this increase and look forward to even more improvements in 1986.

If you have any questions or suggestions, please jot them down and drop them off at the rental office.

Thank you.

ADVANCED MANAGEMENT COMPANY



ADVANCED

MANAGEMENT COMPANY

February 27, 1986

Dear Residents:

It has been brought to our attention that there may be some confusion with regard to your latest rent increase and current leases being offered. Please allow me to try and clarify the confusion by restating some key facts.

1.) Under the 1986 MHP Residency Law, an owner of any mobile home park must give sixty (60) days notice to increase rent. On December 26, 1985, you received such a 60 day notice that as of March 1, 1986, your rent would increase \$40.00 per month.

2.) Under the 1986 MHP Residency Law, an owner must offer "at least" a one year lease to all residents "prior to" the expiration of their current lease. On January 22, 1986, the owner made available to you a one year lease covering the period of March 1, 1986, through February 28, 1987.

This is all that is required by law and probably would have been enough to avoid confusion.

However, due to a large number of requests by Creekside residents for a long term lease, we made available only as an option a 5 year lease. Because of the savings to the owner in legal and printing costs of preparing a new lease each year, he agreed to offer this long term lease at a discount of \$10.00 per month for any resident requesting it. You are, however, under no obligation to accept this lease as written - nor is the owner under any obligation to accept any revisions to this lease in any manner.

To sum up your options once again, you have a choice of:

A.) A one year lease as offered on January 22, 1986, covering the period March 1, 1986, through February 28, 1987, at a monthly rental rate of \$355.00, if signed and returned by February 28, 1986.

B.) A five year lease offered on January 22, 1986, covering the period March 1, 1986, through February 28, 1991, at an initial monthly rental rate of \$345.00, if signed and returned by February 28, 1986.

C.) Month-to-month tenancy at a current monthly rental rate of \$355.00.

It should be noted that the owner's representative, Advanced Management Company, will be meeting with the leader of Creekside's Rental Committee, Lynn Morrow, on March 5, 1986, to discuss any modifications to any of the leases available, but this will not effect any March 1, 1986, rents.

I hope this clarifies any questions you may have. As always, your on-site management staff and Advanced Management Company are always available to answer any other questions you may have.

Sincerely,

ADVANCED MANAGEMENT COMPANY

-132-
CREEKSIDE MOBILE ESTATES
1925 EAST LA VETA
ORANGE, CALIFORNIA 92666

DAVE & LYNN

5 year
LEASE

January 1, 1986

Resident _____

Space No. 82

1. INTRODUCTION:

1.1 When any of us gets involved in even a short-term rental agreement, there are a number of things that have to be included which end up making the document longer than any of us would like. Mostly, this is because there are so many laws today that have to be accounted for. For example, California Civil Code §798.17, effective January 1, 1986, authorizes this notice which we are now giving to you: This Lease will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that we may charge you for rent.

1.2 We've tried to write this Lease in "layman" terms. Sometimes this wasn't always possible, as some legal terms can't be avoided. We've also used the word "you" to describe the person signing the Lease, the words "we", "us", "our", etc. to describe the Park Owner, and the words "Creekside" to describe the Park. We've tried to shorten the Lease as much as possible, and even though it makes it appear longer, we've put in examples to help you understand the Lease, organized the paragraphs into small ones and printed it in regular size type so that it is easier to read. (If we ran the paragraphs together and reduced the type size, it would be about the same length, or shorter, as the typical contract you sign when you buy insurance, a car, borrow money from a bank, or get involved in other typical consumer contracts like the ones you've signed many times over the years.) We have also put the parts of this Lease which have been especially tailored for Creekside into the next five paragraphs (Term, Rent, Utilities, Automatic Renewal and Security Deposit) so that you can give those provisions extra attention. Of course, the General Provisions, which start with paragraph 7, are also an important part of this Lease.

We think our Lease is much easier to understand than the typical contract and we hope you will find it to your liking.

2. TERM:

Space No. _____ in Creekside Mobile Estates located at 1925 East La Veta, Orange, California, is rented to you for an initial period beginning March 1, 1986, and expiring on February 28, 1991, subject to automatic renewal as discussed below. This Lease may be terminated sooner by you or us per the termination paragraphs found later in this Lease.

You acknowledge that we have offered you a twelve-month lease, but you have chosen this sixty-month lease.

(Over) _____
Initials

3. RENT:

3.1 A. RENT AND RENT ADJUSTMENTS: Through February 28, 1986, you will pay us rent of \$315.00 per month for your Space. Your rent from March 1, 1986, through February 28, 1987, will be \$345.00/month. The rent and all other charges in this Lease must be paid without deduction or offset and in advance on the first day of each month. Rent increases will take effect on sixty (60) days' notice to you. The rent increase formula, along with examples, is spelled out below. Each year you will be given a sixty (60) day notice of the exact amount of that year's rent increase and a sixty (60) day notice for property tax pass-throughs, discussed below.

CPI Adjustment. Your rent will be increased each March 1, starting in 1987, to reflect adjustments in the CPI. The CPI that will be used to make up part of the rent increase will be the "Consumer Price Index for All Urban Consumers, Los Angeles-Long Beach-Anaheim (1967 = 100)." The percentage increase in the CPI over the year which ends four months before your annual March 1 rent adjustment date will be determined, and that percentage increase will be multiplied by the then-current rent as adjusted by the pass-throughs in paragraphs "B", "C" and "D" below, and the resulting product will be added to you monthly rent starting on the next annual March 1 rent adjustment date. We need those four months in order to gather information to figure out your share. The CPI annual increase will be applied to your rent as follows:

If the CPI increase is less than 6%, your rent increases 6%;

If the CPI increases at least 6%, but no more than 12%, your rent will increase by the actual CPI increase;

If the CPI increases more than 12%, your rent increases by 12%.

EXAMPLE

Let's assume that your base rent for February, 1987 is \$345 per month, that your lease started on January 1, 1986, and that the CPI increase from October 31, 1985, to October 31, 1986 is 7%. Your new base rent would be figured as follows:

\$345.00	Monthly rental
+ 24.15	CPI increase = $\$345.00 \times 7\%$
<u>\$369.15</u>	Base monthly rent starting 3/1/86

Of course, pass-throughs in paragraphs "B", "C" and "D" below need to be added in to determine your new rent.

If the CPI is changed by the Federal government so that the 1967 base year used in this Lease changes, the CPI will be converted per the conversion factor published by the U.S. Department of Labor, Bureau of Labor Statistics. If the CPI is discontinued or revised during the term of this Lease, the other governmental index or computation which replaces it will be used to obtain substantially the same adjustment which would occur if the CPI had not been discontinued or revised.

B. GOVERNMENT REQUIRED SERVICES, INSURANCE AND PROPERTY TAXES: Increases in the cost of governmental required services, insurance and property taxes will also be used to increase rent. You will pay your pro rata portion of these increases, which is the amount of each increase divided by the number of mobilehomes in Creekside.

You will pay to us your pro rata portion of all increases in real and personal property taxes and assessments levied against Creekside. You will pay your portion of those taxes as follows. On receipt of the tax bill from the Orange County Tax Collector, we will figure out your portion and then will bill you for 1/12th of your portion at the same time that we bill you for rent, starting on the first rental due date which is at least sixty days after we have given you notice of the increase. You must pay those taxes at the same time you pay your rent.

Wherever there is an increase in the cost of government required services or insurance, the increase will be equally spread over 12 months and all the spaces in Creekside so that each resident only pays his fair share.

Government Required Services are any existing, new or changed services which we are required by government to provide or do provide to residents of Creekside, including services provided by private parties and quasi-governmental entities as well as government entities. Examples are: water, sewer, trash, fire protection, paramedic services, and the like. "Insurance" includes any insurance which we purchase for the benefit of Creekside.

Property taxes do NOT include income taxes or any amounts included in the costs of governmental required services per the preceding paragraph.

Property taxes include all general and special real estate taxes, personal property taxes, bonds, fees, charges, surcharges and assessments, or other charges made in lieu of real property taxes we are required to pay (whether actually paid or unpaid at the time of the rent increase). They also include any tax or excise on rents or any other tax, however it may be described, which is levied or assessed against Creekside as a direct substitution, in whole or in part, for any real property taxes.

EXAMPLES

Let's assume that there are 88 mobilehomes in Creekside. If we determine that government required services and insurance costs have increased from \$2,490.00 to \$2,733.60, the \$243.60 increase would be divided by the 88 mobilehomes and 12 months to equal \$0.23. These twenty-three cents would be added to your rent on 60 days' notice.

Additionally, if the property taxes were \$9,744.00 on one year's tax bill and \$9,938.88 on the next year's tax bill, the \$194.88 increase would be divided by the 88 mobilehomes and 12 months to equal \$0.19. These nineteen cents would be added to your monthly rent on 60 days' notice.

C. CAPITAL IMPROVEMENTS: The cost of capital improvements will also be used to increase rents. Capital improvements include all costs which we report or treat for state or federal income tax purposes as "Capitalized" (as opposed to "expensed" in the year they're incurred). The total cost for these expenses will be verified by a statement from our accountant. These "costs" include the actual cost of the capital improvement, plus legal and engineering fees and all "borrowing costs." If money is borrowed, the total of the borrowing costs will not exceed an amount equal to that charged by Security Pacific National Bank, or a successor bank (the "Bank"), for such loans. If we use our own money instead of borrowing, "borrowing costs" will equal such sum as we determine, not to exceed the amount charged by the Bank for such loans. To determine the amount to be used for rent increase purposes, the total costs will be divided by sixty (60) and by the number of mobilehomes in Creekside. The resulting quotient will be added to your rent for each of the first sixty (60) months following 60 days' notice from us to you.

CAPITAL IMPROVEMENTS EXAMPLE

Let's assume that there are 88 mobilehomes in Creekside. If we were to install cable TV at Creekside at a cost of \$10,000, including financing, the cost to be passed through to you would be calculated as follows:

\$10,000.00 ÷ 60 months	= \$166.67 per month
\$ 166.67 ÷ 88 mobilehomes	= \$1.89 per mobilehome per month for 5 years

Any capital improvement cost over \$10,000.00 for any one item will be subject to a majority vote approval of residents who sign this Lease (only one vote per Space). This will not be true of capital improvement costs mandated by or resulting from either: a

governmental or quasi-governmental entity or agency; a utility company or other entity providing natural gas, electricity, water, sewer, trash, telephone or other similar service; or fire, flood, earthquake or similar casualty loss or natural disaster. Capital improvement costs not used to increase rent are not subject to a vote of the residents.

D. LEGAL EXPENSES: Creekside is an adult-only mobilehome park. We all recognize that, with the greatly increased cost of most forms of housing in the last decade, more and more pressure is being applied to mobilehome parks to do away with adult-only restrictions. It is foreseeable that, during the course of your lease, someone will sue Creekside to strike down the adult-only restriction. In such an event, Creekside will evaluate the possibility of undertaking a defense of the lawsuit. Creekside may ask the residents if they want to pay the legal fees and court costs to defend against such a suit, which would also entail paying any damages and legal fees of the opposing party if the Court awards them. Unless a majority of the Spaces signing this Lease (one vote per Space) agrees to bear all those fees, costs and damages, Creekside will have the right to change to a family park immediately. If there has been such an agreement by a majority vote, attorneys' fees, costs and damages will be passed through to you by Creekside, on 60-days' notice, as they are incurred.

E. To verify the amount of the rent increase each year, we will have the following available in the Park Office for you to examine: A copy of the CPI used to compute the CPI adjustment and copies of the bills and statements which show the amount of increased costs of government required services, insurance, property taxes, capital improvements and legal expenses.

3.2 If you don't maintain your mobilehome or Space as required by Creekside's rules and regulations, we may give you a notice requiring you to comply within 14 days. If you don't comply, we may charge you a reasonable fee for having this maintenance work done.

3.3 You must pay a monthly recreational vehicle storage charge of \$15.00 for each vehicle you store in the storage area. We are not obligated to provide sufficient space to store vehicles of all the residents of Creekside; space is available on a first-come, first-served basis. Storage of vehicles is subject to the terms of a separate rental agreement and storage charges may be increased in any amount on sixty (60) days' notice. We have the right to terminate recreational vehicle storage on thirty (30) days' notice.

3.4 There will be a guest charge of \$2.00 per day for each guest staying more than a total of twenty (20) consecutive days or thirty (30) days in a calendar year. This additional charge for guests will not, however, apply if the guest is a member of your immediate family as defined by the Mobilehome Residency Law, or if the guest comes within Civil Code §798.34(b).

3.5 In some instances, government will tax property owned by you which is located on the Space. For example, property taxes or personal property taxes may be charged on the awnings, skirting, stor-

age sheds, and other improvements belonging to you. If this occurs, you will pay the tax directly to the governmental entity. This will be true even though, as occurs in some instances for the convenience of government or because they do not know your name, the tax is charged to Creekside. Except for the pass-through of increases in "property taxes" noted earlier in this Lease, you shall not be required to pay our property taxes.

3.6 All rents, utilities and other charges owed by you will be paid by check or money order (no cash) at the Park Office. We may, on ten (10) days' written notice to you, require payment in cash. If the entire amount owed by you is not paid by the fifth (5th) day following its due date, you must pay a late charge of \$20.00. You must also pay us a handling charge of \$25.00 plus the bank's charge for each check returned by the bank due to insufficient funds in your account or for any other reason the bank gives for returning your check.

4. UTILITIES:

4.1 YOU ARE RESPONSIBLE FOR MAKING SURE THAT YOUR MOBILEHOME AND ALL APPLIANCES AND EQUIPMENT IN YOUR MOBILEHOME ARE COMPATIBLE WITH THE ELECTRIC SERVICE NOW AVAILABLE, AND WE SHALL HAVE NO LIABILITY OR RESPONSIBILITY TO YOU IF THE AVAILABLE ELECTRICAL SUPPLY IS INCOMPATIBLE OR INSUFFICIENT.

4.2 We will provide, submeter and separately charge you monthly for natural gas, water and electricity. We will initially charge you \$2.96 per month for trash collection and \$0.99 per month for sewer service. Any increases in the cost of utilities separately charged to you will be immediately passed through and paid by you. We will make available in the Park Office for you to examine the prevailing residential utility rate schedules as published by the serving utility. You will contract with and pay directly for all other utilities you require.

5. AUTOMATIC RENEWAL OF THIS LEASE:

UNLESS WE NOTIFY YOU IN WRITING AT LEAST 120 DAYS IN ADVANCE OF THE END OF THE INITIAL TERM DESCRIBED ABOVE IN PARAGRAPH 2, THE TERM OF THIS LEASE WILL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL 60 MONTHS (AN "EXTENSION TERM") ON THE SAME TERMS AND CONDITIONS EXCEPT THAT THE RENT YOU WILL BE CHARGED WILL, IN ADDITION TO THE RENT INCREASES DESCRIBED ABOVE IN PARAGRAPH 3, INCREASE BY 15% AT THE COMMENCEMENT OF THE EXTENSION TERM. THE AUTOMATIC RENEWAL OF THIS LEASE WILL CONTINUE FOR 3 SUCCESSIVE 60-MONTH EXTENSION TERMS UNTIL IT HAS BEEN AUTOMATICALLY RENEWED FOR A TOTAL OF 15 YEARS UNLESS WE NOTIFY YOU AT LEAST 120 DAYS IN ADVANCE OF THE EXPIRATION OF THE INITIAL TERM OR ANY EXTENSION TERM THAT THIS LEASE IS NOT BEING EXTENDED. AT THE BEGINNING OF EACH EXTENSION TERM, THE RENT YOU WILL BE CHARGED WILL INCREASE BY 15%. THIS INCREASE IS ESSENTIAL BECAUSE THIS LEASE WILL BE IN EFFECT FOR MUCH LONGER THAN THE TIME REQUIRED FOR A LEASE BETWEEN YOU AND US. WE HAVE ALSO MADE OTHER COMMITMENTS IN THIS LEASE TO YOU WHICH WE ARE NOT OBLIGATED TO MAKE. THEREFORE,

WE HAVE TO BE ABLE TO CHARGE RENTS WHICH REASONABLY RELATE TO THE VALUE OF OUR PROPERTY.

6. SECURITY DEPOSIT:

On execution of this Agreement, but only if you are a new resident, you shall deposit with Creekside Dollars (\$) as a security deposit for the performance by you of the provisions of this Agreement. If you are in default, Creekside can use the security deposit, or any portion of it, to cure the default or to compensate Creekside for any damage sustained by Creekside resulting from your default. You shall immediately on demand pay to Creekside a sum equal to the portion of the security deposit expended or applied by Creekside as provided in this paragraph so as to maintain the security deposit in the sum initially deposited with Creekside. If you are not in default at the expiration or termination of this Agreement, Creekside shall return the security deposit to you. Creekside's obligations with respect to the security deposit are those of a debtor and not a Trustee. Creekside can maintain the security deposit separate and apart from Creekside's general funds or can commingle the security deposit with Creekside's general and other funds. Creekside shall not be required to pay you interest on the security deposit.

If you are not a new resident and therefore not required to make such a security deposit, upon the sale or other transfer or subletting of your mobilehome (as provided in this Lease), we may require the new resident to make a security deposit equal to up to two months' rent at the rental rate then in effect under this Lease. In no event will the amount of the security deposit exceed the legal limit.

This Lease consists of the paragraphs above that discuss introduction, term, rent, utilities, automatic renewal and security deposit, and the following "General Provisions." This Lease is signed by you and us on _____, 19__.

PLEASE NOTE: PARAGRAPH 5 OF THIS LEASE CONTAINS AN AUTOMATIC RENEWAL PROVISION.

CREEKSIDE MOBILE ESTATES

RESIDENT:

By: _____

Person(s) in addition to the above
who will reside in the above Space

GENERAL PROVISIONS

The General Provisions are also an important part of this Lease.

7. SERVICES:

7.1 A. SERVICES PROVIDED: It is our responsibility to provide and maintain the physical improvements in the common facilities of Creekside in good working order and condition. We shall provide all the physical improvements and services which are now in existence in Creekside and provided to you or which may be added at a later date. These physical improvements include the non-exclusive use of all the common areas and common facilities of Creekside.

These services include the services provided by the Park Manager and other persons employed by us and the utilities specified in this Lease. Air conditioning and heating will not be operated on a constant basis but will be turned on as required to maintain reasonable temperature levels consistent with energy conservation requirements.

B. With respect to our providing any services or facilities (including utilities) to you, any prevention, delay or stoppage due to strikes, walkouts, other labor disputes, Acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, regulations or controls, judicial orders, fire/flood or other natural disaster or casualty, breakage, repairs and other causes beyond our reasonable control will excuse performance of our obligations in these areas for a period equal to any such prevention, delay, stoppage or repair time. You will remain responsible, without abatement or reduction, for the rent, utilities, and other charges to be paid by you pursuant to the terms of this Lease. We shall not be liable under any circumstances for loss of or injury to property, however occurring, through or in connection with or incidental to the failure to furnish any services or facilities (including utilities) with the exception of our negligent or intentional acts.

7.2 CHANGES IN RULES AND REGULATIONS, STANDARDS OF MAINTENANCE, SERVICES, EQUIPMENT OR PHYSICAL IMPROVEMENTS:

Creekside's Rules and Regulations, this Lease (with the exception of the term and rent provisions, which may not be changed), and other residency documents, the standards of maintenance of physical improvements, together with services (including utilities), equipment and physical improvements within Creekside may be changed at our option from time to time as provided by the Mobilehome Residency Law and other applicable laws. Any such rights granted to us due to any amendments, deletions or modifications of the Mobilehome Residency Law and other applicable laws may be enforced by us.

8. USE AND OCCUPANCY:

8.1 NO PERSON MAY REGULARLY OCCUPY THE MOBILEHOME UNLESS THEY ARE EIGHTEEN (18) YEARS OF AGE OR OLDER. WE MAY DEMAND PROOF OF AGE OF ANY RESIDENT, GUEST OR OTHER PERSONS. NO MORE THAN TWO (2) PERSONS MAY REGULARLY OCCUPY THE MOBILEHOME WITHOUT OUR CONSENT WHICH WE AGREE NOT TO UNREASONABLY WITHHOLD. IN NO EVENT WILL MORE THAN TWO (2) PERSONS PER BEDROOM BE PERMITTED. Your mobilehome and Space may only be used only as a private residence and no business or commercial activity may be conducted there. No persons other than those listed on the signature page of this Lease, and your guests, may reside at the Space without our prior written consent. At all times, one of the persons listed on the signature page of this Lease must be the "legal" or "registered" owner of the mobilehome and that person must regularly occupy the mobilehome.

8.2 Please refer to Rules and Regulations for further clarification of your use and occupancy of the mobilehome and Space.

9. GUESTS:

You agree to acquaint all your guests with the conditions of tenancy at Creekside, including but not limited to Creekside's Rules and Regulations. You are personally responsible for all the actions and conduct of your guests.

10. SALE OF MOBILEHOME AND APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:

10.1 You may sell/transfer your mobilehome per your and our rights and obligations under the law as it may be amended. You must, however, immediately notify us in writing of your intent to sell/transfer your mobilehome. If your prospective buyer/transferee intends for the mobilehome to remain in Creekside, or the buyer/transferee intends to reside in Creekside, the buyer/transferee must do the following before occupying the mobilehome or Space: complete an Application for Residence; be accepted by us; sign a Lease for occupancy of the Space as required by this paragraph 10.

IF YOUR BUYER/TRANSFEREE FAILS TO SIGN OUR LEASE, HE WILL HAVE NO RIGHT TO LIVE IN CREEKSIDE.

10.2 Except for guests, the requirements in this paragraph 10 will apply before any person other than the ones listed on the signature page of this Lease will be permitted to become a permanent resident of Creekside. A guest who remains in Creekside after their host has died, moved or for any other reason does not physically reside in Creekside on a regular basis, will be considered to be the equivalent of a buyer/transferee and the guest will be subject to all the requirements of this paragraph 10. This will be true regardless of whether the guest is listed as a "legal" or "registered owner" of the mobilehome.

10.3 IF THE MOBILEHOME IS SOLD OR OTHERWISE TRANSFERRED, YOU MUST ASSIGN THIS LEASE TO THE BUYER/TRANSFeree. THIS IS TRUE EVEN IF ONLY A PORTION OF YOUR INTEREST IS BEING SOLD/TRANSFERRED. UPON TRANSFER OF THE MOBILEHOME, MONTHLY RENT WILL IMMEDIATELY INCREASE TO THE RENT THEN BEING CHARGED (INCLUDING ALL PASS-THROUGHS) PLUS 15%. This rent increase will apply even if you are only making a partial sale/transfer of your interest. You agree not to sell/transfer your mobilehome to anyone who does not agree to accept an assignment of the Lease as described in this paragraph 10.

10.4 We have made a number of commitments in this lease to you and future mobilehome owners of the Space which we are not obligated by law to make. These commitments are being made, in part, in exchange for your agreement that you will not sell/transfer your mobilehome or Space to anyone who does not agree to accept an assignment of this lease as required by this paragraph 10. In effect, the agreement between you and us is that this lease will apply to the Space for the entire term of the lease, or any extension of this lease, regardless of the person(s) who occupies the Space or mobilehome as the mobile-home owner. ~~This agreement between you and us has been specifically bargained for between the two of us.~~ This lease will also bind any buyer/transferee to whom this lease is assigned.

11. ASSIGNMENT AND SUBLEASING:

11.1 You shall not have the right to sublet the Space or any portion thereof, nor any mobilehome located thereon, without our approval. Any such subletting shall be void and any assignment shall also be void unless done in accordance with the terms of this Lease. This Lease may be terminated, at our option, if you assign or sublet your Space or mobilehome in violation of this Lease and, in that case, we have the option to require the mobilehome to be removed from Creekside by you. WE RESERVE THE RIGHT TO LEASE, RENT OR SUBLET ANY SPACE IN CREEKSIDE.

11.2 If the law is changed so that we are required to permit subletting, then, unless prohibited by law, we may require you to notify us in writing in advance of your intent to sublet your mobilehome and/or Space. We may also require that you and the sublessee execute documents reasonably necessary to protect our interest. The sublessee must also be approved for residency as provided in paragraph 10. If you or the sublessee fail, in advance of sublessee taking possession of the mobilehome or Space, to execute the documents or obtain our approval of the sublessee, the sublessee will have no rights of tenancy and may not reside on any basis in the mobilehome or Space. We may, at our option, increase the rent up to a maximum of 15% or increase the other charges upon the subletting of the mobilehome or Space. If the change in the law limits the increase in rent and other charges, the rent and other charges may be increased by the maximum amount allowed by law. We will only withhold approval of the sublessee for the reasons set forth in the California Civil Code or other applicable laws or because of a breach of this Lease by

you; provided the Space and mobilehome are brought up to our maintenance and improvement standards before the sublease begins. Subletting means any renting, regardless of the time period, of the mobilehome or Space.

12. TERMINATION OF TENANCY BY YOU:

You may elect to terminate your obligations under this lease provided that:

1. You give at least thirty (30) days' advance written notice to us; and
2. You move from Creekside, either having sold/transferred your mobilehome or removing your mobilehome from Creekside.

Unless the mobilehome has been removed from Creekside and control of the Space reverted to us, the requirement of the paragraph entitled "SALE OF MOBILEHOME AND APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS" and the other provisions of this lease relating to our approval of a new mobilehome owner and a required assignment of the lease to the new mobilehome owner apply to you before you may terminate your lease obligations. Otherwise, in accordance with California Civil Code §1951.4, your lease obligations and tenancy will continue in effect so long as we do not terminate your right to possession, and we may enforce all rights and remedies under this lease, including the right to recover rent as it becomes due.

13. TERMINATION OF TENANCY BY US:

This lease may be declared forfeited and/or your tenancy may be terminated in accordance with the Mobilehome Residency Law and other applicable law, including changes to these laws which may occur in the future.

14. INDEMNIFICATION:

We will not be liable for any loss, damage or injury of any kind to the person or property of any resident or any of the employees, guests, invitees, permittees, or licensees of any resident, or of any other person caused by any use of Creekside or the Space, or by any defect in improvements erected in Creekside or on the Space, or arising from any other cause, unless resulting from our negligence or willful act.

15. INSURANCE:

We do not carry public liability or property damage insurance to compensate you, your guest or any other person from any loss, damage or injury except those resulting from situations where we would be legally liable for such loss, damage or injury. If you want this type of insurance coverage, you should obtain, at your own cost,

extended coverage for your mobilehome, fire, earthquake and other casualty insurance on the mobilehome, other improvements and contents to the full insurable value, personal liability and such other insurance as is necessary to protect you, your guest or others from loss or liability.

16. INCORPORATED DOCUMENTS:

16.1 You acknowledge having received and read a copy of this lease, the January 1, 1986 Mobilehome Residency Law, our Rules and Regulations dated January 1, 1986, and zoning and conditional use permit disclosure.

16.2 You also acknowledge that use of the recreational facilities is conditioned on compliance with the Rules and Regulations posted in and around these facilities. You understand that by signing this lease, you are bound by all of the terms and conditions of these documents as they may be revised per this lease.

17. COMPLIANCE WITH LAW AND RULES AND REGULATIONS:

You and we agree to comply with all applicable laws, ordinances, regulations and all terms and provisions of this Lease, the Rules and Regulations, and all terms and provisions contained in any document referred to in this lease, as they may be changed by us per the terms of this lease.

18. ENTRY UPON YOUR SPACE:

We may enter your Space or mobilehome only as permitted by the Mobilehome Residency Law or other laws.

19. CONDEMNATION:

If any portion of Creekside is taken under the power of eminent domain, or is sold to any authority having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending or the utility systems or other portions of Creekside are or will be affected by the condemnation to the point where, in our sole opinion, it is not economically practical to continue operations, we will have the right to terminate this Lease as of the date the condemning authority takes possession. Any award for taking of all or any part of a Space or Creekside under the power of eminent domain will be our property whether such award shall be made as compensation for diminution in value of the leasehold or for taking the fee. Nothing contained in this paragraph 19, however, will preclude you from obtaining, or giving us any interest in, any award to you for the loss of or damage to your mobilehome or other removable personal property.

20. ZONING AND USE PERMIT INFORMATION:

The zoning under which Creekside operates is MH - Mobile Home. The conditional use and other permits necessary to operate Creekside are not subject to expiration or renewal. We are leasing the ground on which Creekside is located pursuant to a written Ground Lease which expires April 30, 2019.

21. TRANSFER OF OUR INTEREST:

If we sell or transfer our interest in Creekside to someone else, we will be automatically relieved of our obligations under this lease which occur after the date of the transfer, but only if these obligations are assumed in writing by the buyers or transferees.

22. NOTICES:

All notices required or allowed by this Lease must be in writing and may be served by any method then allowed by the law. You understand that any notice terminating your tenancy must be given to you in writing in the manner described in §1162 of the California Code of Civil Procedure. The service of any other notice on you may be validly served if it is mailed to you at your address in Creekside by First Class United States Mail, postage prepaid. Any notice served on you by mail will be considered received by you five (5) days after it is mailed.

23. WAIVER OF DEFAULT:

If you fail to meet any of your obligations under this Lease, a delay or omission by us in exercising any right or remedy we have because of your default will not impair any of our rights or remedies against you, nor will it be considered a waiver by us of any right or remedy. No waiver by us of our right to enforce any provision of this Lease after any default on your part will be effective unless it is made in writing and signed by us, nor will it be considered a waiver of our rights to enforce each and every provision of this Lease upon any further or other default on your part. Our acceptance of rent will also not be a waiver of any breach by you of any term or provision of this Lease, including any rule, regulation or other term or provision contained in any document referred to in this Lease, nor shall it reinstate, continue or extend the term of the Lease or affect any notice, demand or lawsuit brought by us per this Lease.

24. ENTIRE AGREEMENT:

This Lease and the other documents and posted signs referred to in it are the entire agreement between you and us regarding the subjects covered by this Lease, other documents and signs. This Lease supersedes all prior and contemporaneous agreements, representations and understandings of you or us.

25. ATTORNEY'S FEES:

Attorney's fees and costs may be awarded to you or us per the provisions of the Mobilehome Residency Law, or other laws, including changes to these laws which may occur in the future. The same is true of any litigation between the two of us that is not covered by the Mobilehome Residency Law or other laws.

26. HEADINGS:

The titles of the paragraphs and subparagraphs in this Lease or in other documents or posted signs are only for convenience and under no circumstances are they to be considered as any part of this Lease.

27. PARTIAL INVALIDITY:

If any part of this Lease or any document referred to in this Lease is, in any way, invalid or unenforceable, the remainder of this Lease or the other document shall not be affected, and will be valid and enforceable to the fullest extent permitted by law. The same is true if the application of any part of this Lease, or any document referred to in this Lease is, in any way, invalid or unenforceable to any person or circumstance.

28. INTERPRETATION AND APPLICATION:

All rights given you or us in this Lease will be exercised in a reasonable manner and all provisions of this Lease will be interpreted and applied in a reasonable manner.

29. CONDITION OF THE SPACE:

By signing this Lease, you agree you have carefully inspected the Space you are renting and all of Creekside's services and facilities and you have found them to be safe and as represented by us to you, either orally or in writing. If they are not exactly as represented, you agree to accept them as they are.

30. LIENS AND CLAIMS:

You will not allow any lien, claim or demand arising from any work of construction, repair, restoration, maintenance or removal done for you, or for your mobilehome or Space, to be enforced against Creekside, and you will pay all such liens, claims and demands before any action is brought to enforce them. You agree to hold us free and harmless from all liability for any and all such liens, claims or demands, together with all costs and expenses, including but not limited to, attorney's fees and court costs incurred by us in connection with them.

31. ALTERATION OF THIS LEASE:

This Lease may be changed only by a written agreement signed by you and us or by operation of law.

32. SUBORDINATION AND ATTORNMENT:

32.1 We reserve the right to place liens on, encumber, mortgage or convey by deed of trust Creekside or any part of Creekside containing your Space. If this occurs, this Lease and your leasehold interest will, at our option, be subject thereto and to any renewals, extensions or replacements thereof.

32.2 You agree to, and shall when requested in writing by us, execute, acknowledge and deliver to us, or the person designated by us, all documents required to subordinate your rights under this Lease to any such lien, encumbrance, mortgage or deed of trust.

33. HOLD-OVER TENANCY:

WE MAY ELECT NOT TO EXTEND THIS LEASE AS PERMITTED BY PARAGRAPH 5. IF YOU REMAIN IN POSSESSION OF THE SPACE AFTER BEING NOTIFIED THAT THE TERM OF THIS LEASE WILL NOT BE AUTOMATICALLY EXTENDED, YOU WILL BECOME A MONTH-TO-MONTH TENANT AND WE MAY INCREASE YOUR RENT AND OTHER CHARGES BY ANY AMOUNT WE BELIEVE APPROPRIATE.

END OF LEASE

CREEKSIDE MOBILE ESTATES
1925 EAST LA VETA
ORANGE, CALIFORNIA 92666

Each of the undersigned acknowledges that the management of Creekside Mobile Estates has offered to him a rental agreement for a term of twelve (12) months or a lesser period as he may have requested.

DATED: _____

HOMEOWNER

DATED: _____

HOMEOWNER

LEASCO - Garden West Park - Sacramento, CA

LEASCO - SACRAMENTO

Thank you, Senator Craven, for allowing me to provide testimony concerning unfair and repressive leases being offered to mobile home park residents.

Before going further, I would like to express our appreciation, on behalf of mobile home residents, for legislation you have introduced or supported that has been beneficial to mobile home residents.

The total value of a mobile home park is composed of the park owner's investment and the coach owner's investment in his/her coach, factored out at ten to eleven times the gross annual rents. This factor is an economic reality and is not easily changed. Therefore, the value of a mobile home park to an owner or potential owner is increased by higher rents. Conversely, the value of a park resident's coach is decreased each time a rent increase occurs because the attractiveness of mobile-home living decreases, thereby lowering the value of a coach. What has happened then is the park owner has increased his equity in the property by taking the park resident's equity in his/her coach without any compensation to the resident.

For the above reason, the rents in mobile home parks should be regulated by government in the same way that monopolies are controlled by the government. Mobile home parks are monopolistic in every sense of the word.

Those of us who have chosen a mobile home lifestyle are slowly being forced out of our homes on three fronts:

- 1) A dwindling number of mobile home parks;
- 2) Increasing rents; and
- 3) Insensitive government.

Rents are increasing at a rate totally out of proportion to the rate of inflation or true costs incurred by mobile home park owners.

The lease I will speak about was offered to residents of Garden West Mobile Estates, 4200 El Centro Road, Sacramento, California, 95834. This lease was offered to residents as a compromise to a previous rent increase of approximately \$41.00 per space.

The rent increase (without a lease) included all monthly charges. However, in the face of stiff opposition by park residents, the rent increase was withdrawn and the attached five-year lease (with a renewal option) was offered to all residents. The lease offer:

- 1) Contained a \$9.00 per month rental differential between a lease and a month-to-month tenancy.
- 2) An automatic inflator based on the San Francisco CPI with a floor of 6% and a ceiling of 12%.
- 3) A catch-up factor to bring the monthly rent to an amount the owner considered the market rate.
- 4) Provisions for pass throughs of additional costs.
- 5) A 15% renewal fee based on the rent at the end of the fifth year if the resident elected to renew the lease.

A financial impact analysis of the lease being discussed is attached. This analysis shows that rents would have increased by a minimum of \$147 per month (\$320.22 - \$173.00) or 85% and a maximum of \$266.00 (\$439.19 - \$173.00) or 153%.

WHAT IS NOT CALCULABLE IS THE AMOUNT OF PASS THROUGHs. It is estimated that the pass throughs would not have been less than \$100.00 per month. This is based on approximately \$15.00 of pass throughs already assessed without benefit of a lease or any other legal basis.

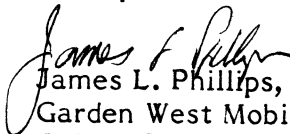
This rent increase would have also increased the owner's equity in the park a minimum of \$2,698,920 (\$147.00 per month x 153 spaces x 12 x 10) and a maximum of \$4,883,760 (\$266.00 per month x 153 spaces x 12 x 10). All this increase would have occurred without benefit of any additional investment of the owner--just routine maintenance of the park's common areas and almost totally at the coach owners' loss of equity in their coaches.

At first glance, it would seem that space rents are rather modest before the increases and remain rather reasonable after the increases; but, one must remember the park owner has nothing more than a base parcel of land occupied by coaches, owned by the park residents. The park residents are required by the owner's park rules to keep their coaches in good condition, as well as being attractively landscaped.

This lease is unfair for a number of reasons:

- 1) The CPI should more than adequately reflect all of the park owner's increased costs. There should be no provision for pass throughs.
- 2) The CPI is a composite of many factors. Most of which are not truly applicable to mobile home park owners.
 - a) Each coach owner is required to maintain and landscape his/her coach and space.
 - b) Each coach owner's gas and electricity is separately metered and paid for.
 - c) The park owner's maintenance and operating costs are minimal when compared on a collective basis to the coach owners.

I ask you, in the spirit of fairness and equity, to enact laws that will protect both mobile home park owners and mobile home park residents from unjust economic enrichment.


James L. Phillips, President
Garden West Mobile Estates Chapter
Golden State Mobilehome Owners League

4223 Atiam Way
Sacramento, Calif 95834

Garden West Mobile Estates
Projection of Proposed Lease Over Six Years

<u>Year</u>	<u>Base Yr. Rent</u>	<u>Catchup Factor</u>	<u>Sub Total</u>	<u>CPI Increase 6% 12%</u>	<u>Adjusted Rent CPI @ 6% CPI @ 12%</u>	<u>Pass Throughs</u>	
1	\$170.00	\$3.00	\$173.00	\$10.38	\$20.76	\$183.38	\$193.76
2 @ 6%	183.28	6.75	190.03	11.41		201.44	
@ 12%	193.76	6.75	200.51		24.06		224.57
3 @ 6%	201.44	6.75	208.19	12.49		220.68	
@ 12%	224.57	6.75	231.32		27.74		259.06
4 @ 6%	220.68	6.75	227.43	13.64		241.07	
@ 12%	259.06	6.75	265.81		31.89		297.70
5 @ 6%	241.07	6.75	247.82	14.87		262.69	
@ 12%	297.70	6.75	304.45		36.53		340.98
6 @ 6%	262.69	15%*	302.09	18.13		320.22	
@ 12%	340.98	15%**	392.13		47.06		439.19

*Renewal Option @ 15% = \$39.40

**Renewal Option @ 15% = \$51.15

February, 1986



24 October 85

Garden West Residents
Garden West Mobile Estates
4922 Gardendell Road
Sacramento, 95834

RE: RENT INCREASE NOTICE

Dear Garden West Resident:

We're writing to let you know that effective January 1, 1986, your rent for Space No. 98 will increase to \$ 93.26 per month on a month-to-month tenancy, one(1) year lease, or less than one(1) year lease. However, if you sign a Five(5) Year Lease your rent will increase to \$ 184.26 per month. In addition, on January 1, 1986, we will also begin charging you separately for sewer and trash. Presently sewer is \$5.43/month and trash is \$3.92/month. Increases in sewer and trash will be passed on to you as they occur.

In terms of a lease or rental agreement, you have several options available to choose from. These options are:

1. One obvious one - the best in our opinion - is to take the new Five(5) Year Lease we're offering.
2. Another is to take a lease for twelve(12) months or less.
3. Or, you may have a month-to-month tenancy.

If you elect options 2 or 3, your rent will be \$9.00/month more than if you took the Five(5) Year Lease. (Please understand we're only charging more because the lease gives us the ability to predict our financial future for a number of years. In other words, we don't have to "guess" about whether we can have financial security and stability. Even with this slight increase over the five(5) year rent, you will still pay less than the "comparable" rent we should be charging - the rent that other mobilehome residents pay in Sacramento area for comparable spaces. You'll also pay less than the amount you would have paid if we had not withdrawn our September 1, 1985, rent increase. What it boils down to is that you're still getting a great rent bargain. We're trying to be as fair as we possibly can to everyone while still recognizing the economic realities.)

To be fair to those who do sign the Five(5) Year Lease, those of you who don't will also have your rent during 1986 subject to periodic adjustments for "pass-throughs". These pass-throughs will be identical to the ones in the Five(5) Year Lease. Again, however, these pass-throughs are only to protect us against the actions of big government, insurance and utility companies and other unpredictable expenses. These pass-throughs help us keep your basic rent lower because we do not have to "guess" about what the future holds, particularly when we have no way of controlling these kind of expenses.

All Garden West Residents
Rent Increase Notice
Page Two

Because of all the time we spent on the Five(5) Year Lease, we've been delayed a little bit in getting the other rental agreements prepared. They're almost done and will be available in the next week or two. (If you don't want to accept the Five(5) Year Lease, please give Harry Alcock or Bud Boyle at our Sacramento area office a call or drop them a line at the address at the bottom of the first page of this letter, or phone them. They'll see that you get one of the other rental agreements to sign. Please remember that if you want something other than a month-to-month rental agreement, you'll have to sign one of our New documents before January 1, 1986. Otherwise, you'll be on a month-to-month tenancy.)

Thank you for your kind attention to this letter. If you have questions, don't hesitate to give Harry Alcock or Bud Boyle a call or drop them a note.

Sincerely,

A handwritten signature in cursive script, appearing to read "Keith Casenhiser".

Keith Casenhiser

KC:cbs:kw:GW

GARDEN WEST MOBILE ESTATES
4922 GARDEDELL ROAD
SACRAMENTO, CALIFORNIA 95834

_____, 19__

LEASE

Resident James L. Phillips Space No. 98

1. INTRODUCTION:

1.1 When any of us gets involved in even a short-term rental agreement, there are a number of things that have to be included which end up making the document longer than any of us would like. Mostly, this is because there are so many laws today that have to be accounted for. For example, California Civil Code §798.17, effective January 1, 1986, authorizes this notice which we are now giving to you: This Lease will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that we may charge you for rent.

1.2 We've tried to write this Lease and the new Rules and Regulations that go with it in "layman" terms. Sometimes this wasn't always possible, as some legal terms can't be avoided. We've also used the word "you" to describe the person signing the Lease, the words "we", "us", "our", etc. to describe the Park Owner, and the words "Garden West" to describe the Park. We've tried to shorten the Lease as much as possible, and even though it makes it appear longer, we've put in examples to help you understand the Lease, organized the paragraphs into small ones and printed it in regular size type so that it is easier to read. (If we ran the paragraphs together and reduced the type size, it would be about the same length, or shorter, as the typical contract you sign when you buy insurance, a car, borrow money from a bank, or get involved in other typical consumer contracts like the ones you've signed many times over the years.) We have also put the parts of this Lease which have been especially tailored for Garden West into the next five paragraphs (Term, Rent, Utilities, Automatic Renewal and Residents' Option to Purchase Garden West) so that you can give those provisions extra attention. Of course, the General Provisions, which start with paragraph 5, are also an important part of this Lease.

We think our Lease is much easier to understand than the typical contract and we hope you will find it to your liking.

2. TERM:

Space No. 98 in Garden West Mobile Estates located at 4922 Gardendell Road, Sacramento, California, is rented to you for an initial period beginning January 1, 1986, and expiring on December 31, 1990, subject to automatic renewal as discussed below. This Lease may be terminated sooner by you or us per the termination paragraphs found later in this Lease.

(Over)

3. RENT:

3.1 A. RENT AND ANNUAL RENT ADJUSTMENTS: Through December 31, 1985, you will pay us rent of \$ 171.00 per month for your Space. The rent and all other charges in this Lease must be paid without deduction or offset and in advance on the first day of each month. Rent increases will take effect as follows:

- The CPI and comparable rent adjustments discussed below will take effect on the 1st day of January of each year covered by this Lease.
- The pass-throughs discussed below will take effect on 60 days' notice to you, at any time after January 1, 1986.

The rent increase formula, along with examples, is spelled out below. Each year you will be given a sixty (60) day notice of the exact amount of that year's rent increase and a sixty (60) day notice for the pass-throughs, discussed below.

CPI Adjustment. The CPI that will be used to make up part of the rent increase will be the "Consumer Price Index for All Urban Consumers, San Francisco -- Oakland (1967 = 100)." The increase in the CPI over the year which ends four months before your annual January 1 rent adjustment date will be determined, and that increase will be reflected in your rent starting on the January 1 rent adjustment date. We need those four months in order to gather information to figure out your share. The CPI annual increase will be applied to your rent as follows:

If the CPI increase is less than 6%, your rent increases 6%;

If the CPI increases by 6%, but no more than 12%, your rent will increase by the actual CPI increase;

If the CPI increases more than 12%, your rent increases 12%.

EXAMPLE

Let's assume that your starting base rent is \$170 per month, that your lease started on November 1, 1985, and that the CPI increase from August 31, 1985, to August 31, 1986 is 6%. Your new base rent would be figured as follows:

\$170.00	Base monthly rental starting 11/1/85
3.00	First year catch-up (see ¶ B below)
+ 10.38	CPI increase = \$173.00 x 6%
<u>\$183.38</u>	Base monthly rent starting 1/1/86

Of course, the pass-throughs in "C" and "D" below need to be added in to determine your new rent.

If the CPI is changed by the Federal government so that the 1967 base year used in this Lease changes, the CPI will be converted per the conversion factor published by the U.S. Department of Labor, Bureau of Labor Statistics. If the CPI is discontinued or revised during the term of this Lease, the other governmental index or computation which replaces it will be used to obtain substantially the same adjustment which would occur if the CPI had not been discontinued or revised.

B. COMPARABLE RENT ADJUSTMENT: The comparable rental rate for your Space during calendar year 1985 is \$200.00 per month. Your present monthly rent is \$ 171.00, and the difference between your present rent and the comparable rent is \$ 29.00. \$3.00 will be added to your monthly rent on January 1, 1986, to start to catch you up to comparable rent. Starting January 1, 1987, and each January 1st thereafter through January 1, 1990, one-fourth of the remainder will be added to your monthly rent. These additions will be made before the CPI adjustment is made to the rent.

COMPARABLE RENT ADJUSTMENT EXAMPLE

Let's assume that your monthly rent is \$170.00. \$170.00 is \$30.00 below \$200.00. The \$30.00 difference would be made up as follows:

<u>Adjustment Date</u>	<u>Portion To Be Made Up</u>	<u>Dollar Increase</u>
1/1/86	-	\$3.00
1/1/87	1/4	\$6.75
1/1/88	1/4	\$6.75
1/1/89	1/4	\$6.75
1/1/90	1/4	\$6.75

Of course, the CPI adjustments and any other adjustments discussed in Paragraph "A" above, and the pass-throughs in paragraphs "C" and "D" below also need to be added to determine your new rent.

C. GOVERNMENT REQUIRED SERVICES, INSURANCE AND PROPERTY TAXES: Increases in the cost of governmental required services, insurance and property taxes will also be used to increase rent. You will pay your pro rata portion of these increases, which is the amount of each increase divided by the number of mobilehomes in Garden West.

You will pay to us your pro rata portion of all increases above two percent (2%) per year in property taxes. We will not pass through to you the Proposition 13 tax increase which is attributable to our purchase of Garden West in 1985. You will pay your portion of property taxes which will be divided by 12 months and passed through to you on 60 days' notice. You must pay those taxes at the same time you pay your rent.

Increases in government required services and insurance will also be passed-through on 60 days' notice. These costs will be equally spread over 12 months and all the spaces in Garden West so that each resident only pays his fair share.

Government Required Services are any existing, new or changed services which we are required by government to provide or do provide to residents of Garden West, including services provided by private parties and quasi-governmental entities as well as government entities. Examples are: water, sewer, trash, fire protection, paramedic services, and the like. "Insurance" includes any insurance which we purchase for the benefit of Garden West.

Property taxes do NOT include our income taxes or any amounts included in the costs of governmental required services per the preceding paragraph.

Property taxes include all general and special real estate taxes, personal property taxes, bonds, fees, charges, surcharges and assessments, or other charges made in lieu of real property taxes we are required to pay (whether actually paid or unpaid at the time of the rent increase). They also include any tax or excise on rents or any other tax, however it may be described, which is levied or assessed against Garden West as a direct substitution, in whole or in part, for any real property taxes.

EXAMPLES

Let's assume that there are 152 mobilehomes in Garden West. If government required services and insurance increase one month by \$180.00, the increase would be divided by 12 months and the 152 mobilehomes to equal \$0.10. These ten cents would be added to your rent, effective 60 days after you received our notice of the increase.

Additionally, if the property taxes were \$7,200.00 on one year's tax bill and \$7,344.00 on the next year's tax bill, there would be no pass-through to you because there was only a 2% increase property taxes.

Any decrease in tax rates resulting in a reduction of property taxes to us will be passed through to you. Should there be a reduction of property taxes, you shall receive a credit on your rental billing in May and January, each credit reflecting 50% of your share of the savings realized.

PROPERTY TAXES REDUCTION EXAMPLE

If for example, the State reduced the property tax rate, resulting in an actual reduction in property taxes, you would receive a credit on your rental biling in May and January, each credit reflecting 50% of the your share of the savings realized. Using \$1,800.00 as our actual savings and 152 as the number of mobilehomes, this is calculated as follows:

$\$1,800.00 \div 152 \text{ mobilehomes} = \$11.84 \text{ annual credit per mobilehome}$

$\$11.84 \div 2 \text{ semi-annual credits} = \$ 5.92 \text{ per mobilehome semi-annually (May and January)}$

D. CAPITAL IMPROVEMENTS: The cost of capital improvements will also be used to increase rents. Capital improvements include all costs which we report or treat for state or federal income tax purposes as capital improvements. The total cost for these expenses will be verified by a statement from our accountant. These "costs" include the actual cost of the capital improvement, plus legal and engineering fees and all "borrowing costs." If money is borrowed, the total of the borrowing costs will not exceed an amount equal to that charged by Bank of America N.T. & S.A., San Francisco, California, or a successor bank (the "Bank"), for such loans. If we use our own money instead of borrowing, "borrowing costs" will equal such sum as we determine, not to exceed the amount charged by the Bank for such loans when 100% of the capital improvement is financed on an unsecured basis over 60 months. To determine the amount to be used for rent increase purposes, the total costs will be divided by sixty (60) and by the number of mobilehomes in Garden West.

CAPITAL IMPROVEMENTS EXAMPLE

Let's assume that there are 152 mobilehomes in Garden West. If we were to repair roads in Garden West at a cost of \$22,500.00, including financing, the cost to be passed through to you would be calculated as follows:

$\$22,500 \div 60 \text{ months} = \$375.00 \text{ per month for Garden West}$

$\$ 375 \div 152 \text{ mobilehomes} = \$ 2.47 \text{ per mobilehome per month for five yrs.}$

Any capital improvement cost pass-through over \$3.00 per month (adjusted by the CPI pursuant to paragraph 3.1A, above) per Space for any one item will be subject to a majority vote approval of resident (only one vote per Space). This will not be true of capital improvement costs mandated by or resulting from either: a governmental or quasi-governmental entity or agency; a utility company or other entity providing natural gas, electricity, water, sewer, trash, telephone or other similar service; fire, flood, earthquake or similar casualty loss or natural disaster; or the repair or replacement of existing capital improvements. Capital improvement costs not used to increase rent are not subject to a vote of the residents.

E. To verify the amount of the rent increase each year, we will have the following available in the Park Office for you to examine: A copy of the CPI used to compute the CPI adjustment and copies of the bills and statements which show the amount of increased costs of government required services, insurance, property taxes, and capital improvements.

3.2 If you don't maintain your mobilehome or Space as required by Garden West's rules and regulations, we may give you a notice requiring you to comply within 14 days. If you don't comply, we may charge you a reasonable fee for having this maintenance work done.

3.3 If we provide a recreational vehicle storage area for your use, you must pay a monthly recreational vehicle storage charge of \$ 10.00 for each vehicle you store in the storage area. We are not obligated to provide sufficient space to store vehicles of all the residents of Garden West; space is available on a first-come, first-served basis. Storage of vehicles is subject to the terms of a separate rental agreement and storage charges may be increased in any amount on sixty (60) days' notice.

3.4 In some instances, government will tax property owned by you which is located on the Space. For example, property taxes or personal property taxes may be charged on the awnings, skirting, storage sheds, and other improvements belonging to you. If this occurs, you will pay the tax directly to the governmental entity. This will be true even though, as occurs in some instances for the convenience of government or because they do not know your name, the tax is charged to Garden West. Except for the pass-through of increases in "property taxes" noted earlier in this Lease, you shall not be required to pay our property taxes.

3.5 All rents, utilities and other charges owed by you will be paid by check or money order (no cash) at the Park Office. We may, on ten (10) days' written notice to you, require payment in cash. Your rent will be late if not paid by the first day of the month. A late charge of \$25.00 will be required for any rental payment made on or after the second day of the month. You must also pay us a handling charge of \$15.00 plus the bank's charge for each check returned by the bank due to insufficient funds in your account or for any other reason the bank gives for returning your check.

4. UTILITIES:

4.1 YOU ARE RESPONSIBLE FOR MAKING SURE THAT YOUR MOBILEHOME AND ALL APPLIANCES AND EQUIPMENT IN YOUR MOBILEHOME ARE COMPATIBLE WITH THE ELECTRIC SERVICE NOW AVAILABLE, AND WE SHALL HAVE NO LIABILITY OR RESPONSIBILITY TO YOU IF THE AVAILABLE ELECTRICAL SUPPLY IS INCOMPATIBLE OR INSUFFICIENT.

4.2 We will provide, submeter and separately charge you monthly for natural gas and electricity. Starting January 1, 1986, each month you will pay \$5.43 for sewer service and \$3.92 for trash collection. Increases in utility charges will be billed to and paid by you as they occur. Initially we will provide water to you at no extra charge from the water wells on Garden West.

In the event that water service is extended to Garden West, to our knowledge at this time there would be only three charges related to such new service. The first is a "construction cost" to install new water lines. The second charge is the "hook-up fee". The "construction cost" and the "hook-up fee" will be treated as a "capital improvement" and passed through to you as provided above in paragraph 3.1D. The third charge is the "monthly service fee" which covers the cost of operating and maintaining the water system. You will pay this service fee monthly (just as you are required to pay for all of your utilities monthly), either to us or the water company, depending upon how the billing of this service charge is designated. If there is a separate or additional fee or charge for the common areas (such as the recreational facilities), we'll treat it as a "government required service" as described above in paragraph 3.1C and pass it through to you.

If there are other charges or costs in addition to the three noted above, these other costs and charges will be added to the "construction cost" and the "hook-up fee", and will also be treated as a "capital improvement" and used to calculate the annual rent adjustments noted above in paragraph 3.1D.

Any increases in the cost of utilities separately charged to you will be immediately passed through and paid by you. You will contract for and pay directly for all other utilities you require.

We will make available in the Park Office for you to examine the prevailing residential utility rate schedules as published by the serving utility.

4.3 We may convert to a form of T.V. reception system which provides either improved or extended T.V. service over that presently provided. The new T.V. system may be either as a replacement for the existing system or in addition to the existing system. If this option is exercised, we will have the right to discontinue the existing T.V. reception system and require you to convert to the new system.

If we are making a separate charge for T.V. at the time of the change to the new system, this charge will be eliminated. We may, however, require you to pay a charge for the new T.V. system, in an amount to be determined at the time. We may also require that you enter into a separate agreement for the new service and charges. If, at the time of conversion to the new system, a charge is not being made for T.V., there will be no reduction in rent.

5. AUTOMATIC RENEWAL OF THIS LEASE:

UNLESS WE NOTIFY YOU IN WRITING AT LEAST 120 DAYS IN ADVANCE OF THE END OF THE INITIAL TERM DESCRIBED ABOVE IN PARAGRAPH 2, THE TERM OF THIS LEASE WILL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL 60 MONTHS (AN "EXTENSION TERM") ON THE SAME TERMS AND CONDITIONS EXCEPT THAT THE RENT YOU WILL BE CHARGED WILL, IN ADDITION TO THE RENT INCREASES DESCRIBED ABOVE IN PARAGRAPH 3, INCREASE BY 15% AT THE COMMENCEMENT OF THE EXTENSION TERM. THE AUTOMATIC RENEWAL OF THIS LEASE WILL CONTINUE FOR 5 SUCCESSIVE 60-MONTH EXTENSION TERMS UNTIL IT HAS BEEN AUTOMATICALLY RENEWED FOR A TOTAL OF 25 YEARS UNLESS WE NOTIFY YOU AT LEAST 120 DAYS IN ADVANCE OF THE EXPIRATION OF THE INITIAL TERM OR THE FIRST EXTENSION TERM THAT THIS LEASE IS NOT BEING EXTENDED. AT THE BEGINNING OF EACH EXTENSION TERM, THE RENT YOU WILL BE CHARGED WILL INCREASE BY 15%. THIS INCREASE IS ESSENTIAL BECAUSE THIS LEASE WILL BE IN EFFECT FOR MUCH LONGER THAN THE TIME REQUIRED FOR A LEASE BETWEEN YOU AND US. WE HAVE ALSO MADE OTHER COMMITMENTS IN THIS LEASE TO YOU WHICH WE ARE NOT OBLIGATED TO MAKE. THEREFORE, WE HAVE TO BE ABLE TO CHARGE RENTS WHICH REASONABLY RELATE TO THE VALUE OF OUR PROPERTY.

6. RESIDENTS' OPTION TO PURCHASE GARDEN WEST:

The residents of Garden West have the option to purchase Garden West per the terms of this paragraph 6. This option to purchase ("Option") may only be exercised by a single entity (such as a corporation or a partnership) composed of the residents from at least fifty-one percent (51%) of the Spaces in Garden West ("Purchaser"). An individual resident or group of residents not meeting this requirement does not have any rights under this provision. To exercise the Option, Purchaser must first give us written notice. Purchaser must also reasonably demonstrate the financial and other ability to complete the purchase. We must receive the entire amount of the purchase price (less our share of sales expenses, discussed below) at the time the Purchaser takes title to Garden West. The purchase price will equal eleven (11) times our annual gross rent from Garden West. The gross rent will be determined by applying the rental rates in effect ten (10) days prior to the date on which the Purchaser takes title to Garden West. Full occupancy will be assumed for the purpose of determining gross rents. Gross rents will include all of the adjustments and pass-throughs detailed in paragraphs 3, 10 and 11 of this Lease, but will not include the utility and service payments required above in paragraph 4 or any income derived from any other source. If Purchaser purchases Garden West per this Option, this Lease will terminate on the date title vests in the Purchaser, and we will return to you all your prepaid and unearned rent. The purchase must be accomplished without the imposition of any brokerage fees. The expenses of the sale (e.g., escrow fees, title insurance and documentary transfer tax)

("Expenses") will be apportioned as is customary in Sacramento County. However, if the sale is not completed within one hundred fifty (150) days after we specifically authorize the opening of an escrow for the sale, we will have the right to terminate the escrow and the sales process. In that case, all Expenses will be borne by the Purchaser. Although the Option will continue to exist and may be exercised at some later date, if we terminate the escrow and the sales process as above, we'll be automatically released from our obligation to sell Garden West.

Notwithstanding the Option, we may sell all of Garden West to a third party without any notice to you or to any residents' entity at any time (excepting only the first one hundred fifty (150) days after we have specifically authorized the opening of an escrow for the sale of Garden West to the Purchaser). If we sell all of Garden West to a third party, the Option will terminate. In consideration of the termination of the Option, we will distribute ten percent (10%) of our "profit" to the residents of Garden West, who are a party to this lease at time of sale (one equal share per space for each owner-occupied space that is under this lease). Our profit will equal the amount, if any, by which the sales price to the third party exceeds the sum of:

- (1) Our original purchase price for Garden West plus all costs we paid in connection with the purchase;
- (2) All expenses for Garden West which have been capitalized for federal tax reporting purposes; and
- (3) All operating losses Garden West experiences in connection with the operation of Garden West.

The rights provided for in this paragraph (both the Option to purchase and our obligation to pay residents a portion of the profits if we sell to someone else) will not apply if only a portion of Garden West is sold; nor will they apply in the event Garden West is taken under the power of eminent domain or is sold to any authority having the power of eminent domain, either under threat of condemnation or while proceedings are pending. (Note: The rights given in this paragraph are intended to apply only if all parties having an ownership interest at the time of the sale decide to sell all of Garden West to a party who is not a part owner or related to an owner.)

These rights (both the Option to purchase and our obligation to pay residents a portion of the profits if we sell to someone else) also do not apply to sales, gifts, inheritance or other transfers of all or a lesser interest in Garden West between any co-owners, to their relatives, or to trusts or corporations or other entities established by or affiliated with any one or more of the owners.

The residents will have no rights with respect to the Option unless the Purchaser may purchase Garden West without our being required to subdivide Garden West, or otherwise having to meet additional requirements which we would not have to meet if the sale were being made to an individual purchaser. By way of illustration, the residents will have no rights with respect to the Option if the sale to the Purchaser would require governmental approvals, delays in effecting the sale or the meeting

of other requirements due, in whole or in part, to the sale of Garden West to the Purchaser as opposed to an individual or another entity which would continue to operate Garden West as a rental mobilehome park.

Neither all nor any portion of this Lease nor any memorandum of the Option nor abstract of the Option may be recorded.

This Lease consists of the paragraphs above that discuss introduction, term, rent, utilities, automatic renewal, residents' option to purchase Garden West, and the following "General Provisions." This Lease is signed by you and us on _____, 19__.

PLEASE NOTE: PARAGRAPH 5 OF THIS LEASE CONTAINS AN AUTOMATIC RENEWAL PROVISION.

GARDEN WEST MOBILE ESTATES

RESIDENT:

By: _____

Person(s) in addition to the above
who will reside in the above Space

GENERAL PROVISIONS

The General Provisions are also an important part of this Lease.

7. SERVICES:

7.1 A. SERVICES PROVIDED: It is our responsibility to provide and maintain the physical improvements in the common facilities of Garden West in good working order and condition. We shall provide all the physical improvements and services which are now in existence in Garden West and provided to you or which may be added at a later date. These physical improvements include the non-exclusive use of all the common areas and common facilities of Garden West.

These services include the services provided by the Park Manager and other persons employed by us and the utilities specified in this Lease. Air conditioning and heating will not be operated on a constant basis but will be turned on as required to maintain reasonable temperature levels consistent with energy conservation requirements.

B. With respect to our providing any services or facilities (including utilities) to you, any prevention, delay or stoppage due to strikes, walkouts, other labor disputes, Acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, regulations or controls, judicial orders, fire/flood or other natural disaster or casualty, breakage, repairs and other causes beyond our reasonable control will excuse performance of our obligations in these areas for a period equal to any such prevention, delay, stoppage or repair time. You will remain responsible, without abatement or reduction, for the rent, utilities, and other charges to be paid by you pursuant to the terms of this Lease. We shall not be liable under any circumstances for loss of or injury to property, however occurring, through or in connection with or incidental to the failure to furnish any services or facilities (including utilities) with the exception of our negligent or intentional acts.

7.2 CHANGES IN RULES AND REGULATIONS, STANDARDS OF MAINTENANCE, SERVICES, EQUIPMENT OR PHYSICAL IMPROVEMENTS:

Garden West's Rules and Regulations, this Lease (with the exception of the term and rent provisions, which may not be changed), and other residency documents, the standards of maintenance of physical improvements, together with services (including utilities), equipment and physical improvements within Garden West may be changed at our option from time to time as provided by the Mobilehome Residency Law and other applicable laws. Any such rights granted to us due to any amendments, deletions or modifications of the Mobilehome Residency Law and other applicable laws may be enforced by us.

8. USE AND OCCUPANCY:

8.1 Your mobilehome and Space may only be used only as a private residence and no business or commercial activity may be conducted there. No persons other than those listed on the signature page of this Lease, and your guests, may reside at the Space without our prior written consent. At all times, one of the persons listed on the signature page of this Lease must be the "legal" or "registered" owner of the mobilehome and that person must regularly occupy the mobilehome.

8.2 Please refer to Rules and Regulations for further clarification of your use and occupancy of the mobilehome and Space.

9. GUESTS:

You agree to acquaint all your guests with the conditions of tenancy at Garden West, including but not limited to Garden West's Rules and Regulations. You are personally responsible for all the actions and conduct of your guests.

10. SALE OF MOBILEHOME AND APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:

10.1 You may sell/transfer your mobilehome per your and our rights and obligations under the law as it may be amended. You must, however, immediately notify us in writing of your intent to sell/transfer your mobilehome. If your prospective buyer/transferee intends for the mobilehome to remain in Garden West, or the buyer/transferee intends to reside in Garden West, the buyer/transferee must do the following before occupying the mobilehome or Space: complete an Application for Residence; be accepted by us; sign a Lease for occupancy of the Space as required by this paragraph 10.

IF YOUR BUYER/TRANSFEREE FAILS TO SIGN OUR LEASE, HE WILL HAVE NO RIGHT TO LIVE IN GARDEN WEST.

10.2 Except for guests, the requirements in this paragraph 10 will apply before any person other than the ones listed on page 9 of this Lease will be permitted to become a permanent resident of Garden West. A guest who remains in Garden West after their host has died, moved or for any other reason does not physically reside in Garden West on a regular basis, will be considered to be the equivalent of a buyer/transferee and the guest will be subject to all the requirements of this paragraph 10. This will be true regardless of whether the guest is listed as a "legal" or "registered" owner of the mobilehome.

10.3 If the mobilehome is sold or otherwise transferred, you must assign this lease to the buyer/transferee. This is true even if only a portion of your interest is being sold/transferred (if you are only making a sale/transfer of part of your interest, the entire rent will increase pursuant to this paragraph). Upon sale/transfer of the mobilehome, the monthly rent will increase to an amount equal to the rent a person would have paid if their monthly rent prior to January 1, 1986, had been \$200.00/month and all of the rent adjustments in paragraph 3 (except the "comparable rent adjustment catch-up") had been made to that \$200.00 rent. What this amounts to is that your buyer/transferee will only pay the comparable rent applicable at the time of the sale/transfer. You agree not to sell/transfer your mobilehome to anyone who does not agree to accept an assignment of the Lease as described in this paragraph 10.

10.4 We have made a number of commitments in this Lease to you and future mobilehome owners of the Space which we are not obligated by law to make. These commitments are being made, in part, in exchange for your agreement that you will not sell/transfer your mobilehome or Space to anyone who does not agree to accept an assignment of this Lease as required by this paragraph 10. In effect, the agreement between you and us is that this Lease will apply to the Space for the entire term of the Lease, or any extension of this Lease, regardless of the person(s) who occupies the Space or mobilehome as the mobilehome owner. This agreement between you and us has been specifically bargained for between the two of us. This Lease will also bind any buyer/transferee to whom this Lease is assigned.

11. ASSIGNMENT AND SUBLEASING:

11.1 You shall not have the right to sublet the Space or any portion thereof, nor any mobilehome located thereon. Any such subletting shall be void and any assignment shall also be void unless done in accordance with the terms of this Lease. This Lease may be terminated, at our option, if you assign or sublet your Space or mobilehome in violation of this Lease and, in that case, we have the option to require the mobilehome to be removed from Garden West by you. We reserve the right to lease, rent or sublet any space or mobilehome in Garden West.

11.2 If the law is changed so that we are required to permit subletting, then, unless prohibited by law, we may require you to notify us in writing in advance of your intent to sublet your mobilehome and/or Space. We may also require that you and the sublessee execute documents reasonably necessary to protect our interest. The sublessee must also be approved for residency as provided in paragraph 10. If you or the sublessee fail, in advance of sublessee taking possession of the mobilehome or Space, to execute the documents or obtain our approval of the sublessee, the sublessee will have no rights of tenancy and may not reside on any basis in the mobilehome or Space. We may, at our option, increase the rent up to a maximum of 15% or increase the other charges upon the subletting of the mobilehome or Space. If the change in the law limits the increase in rent and other charges, the rent and other charges may be increased by the maximum amount allowed by law. We will only withhold approval of the sublessee for the reasons set forth in the California Civil Code or other applicable laws or because of a breach of this Lease by you; provided the Space and mobilehome are brought up to our maintenance and improvement standards before the sublease begins. Subletting means any renting, regardless of the time period, of the mobilehome or Space.

12. TERMINATION OF TENANCY BY YOU:

You may elect to terminate your obligations under this Lease provided that:

1. You give at least thirty (30) days' advance written notice to us; and
2. You move from Garden West, either having sold/transferred your mobilehome or removing your mobilehome from Garden West.

Unless the mobilehome has been removed from Garden West and control of the Space reverted to us, the requirement of the paragraph entitled "SALE OF MOBILEHOME AND APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS" and the other provisions of this Lease relating to our approval of a new mobilehome owner and a required assignment of the Lease to the new mobilehome owner apply to you before you may terminate your Lease obligations. Otherwise, in accordance with California Civil Code §1951.4, your Lease obligations and tenancy will continue in effect so long as we do not terminate your right to possession, and we may enforce all rights and remedies under this Lease, including the right to recover rent as it becomes due.

13. TERMINATION OF TENANCY BY US:

This Lease may be declared forfeited and/or your tenancy may be terminated in accordance with the Mobilehome Residency Law and other applicable law, including changes to these laws which may occur in the future.

14. INDEMNIFICATION:

We will not be liable for any loss, damage or injury of any kind to the person or property of any resident or any of the employees, guests, invitees, permittees, or licensees of any resident, or of any other person caused by any use of Garden West or the Space, or by any defect in improvements erected in Garden West or on the Space, or arising from any other cause, unless resulting from our negligence or willful act.

15. INSURANCE:

We do not carry public liability or property damage insurance to compensate you, your guest or any other person from any loss, damage or injury except those resulting from situations where we would be legally liable for such loss, damage or injury. If you want this type of insurance coverage, you should obtain, at your own cost, extended coverage for your mobilehome, fire, earthquake and other casualty insurance on the mobilehome, other improvements and contents to the full insurable value, personal liability and such other insurance as is necessary to protect you, your guest or others from loss or liability.

16. INCORPORATED DOCUMENTS:

16.1 You acknowledge having received and read a copy of this Lease, the January 1, 1985 Mobilehome Residency Law, and our Rules and Regulations dated December 1, 1985.

16.2 You also acknowledge that use of the recreational facilities is conditioned on compliance with the Rules and Regulations posted in and around these facilities. You understand that by signing this Lease, you are bound by all of the terms and conditions of these documents as they may be revised per this Lease.

17. COMPLIANCE WITH LAW AND RULES AND REGULATIONS:

You and we agree to comply with all applicable laws, ordinances, regulations and all terms and provisions of this Lease, the Rules and Regulations, and all terms and provisions contained in any document referred to in this Lease, as they may be changed by us per the terms of this Lease.

18. ENTRY UPON YOUR SPACE:

We may enter your Space or mobilehome only as permitted by the Mobilehome Residency Law or other laws.

19. CONDEMNATION:

If any portion of Garden West is taken under the power of eminent domain, or is sold to any authority having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending or the utility systems or other portions of Garden West are or will be affected by the condemnation to the point where, in our sole opinion, it is not economically practical to continue operations, we will have the right to terminate this Lease as of the date the condemning authority takes possession. Any award for taking of all or any part of a Space or Garden West under the power of eminent domain will be our property whether such award shall be made as compensation for diminution in value of the leasehold or for taking the fee. Nothing contained in this paragraph 19, however, will preclude you from obtaining, or giving us any interest in, any award to you for the loss of or damage to your mobilehome or other removable personal property.

20. ZONING AND USE PERMIT INFORMATION:

The zoning under which Garden West operates is ^{SP} 6068. The Conditional Use and other land use permits are not subject to expiration or renewal. We do not lease any portion of the land Garden West is located on.

21. TRANSFER OF OUR INTEREST:

If we sell or transfer our interest in Garden West to someone else, we will be automatically relieved of our obligations under this Lease which occur after the date of the transfer, but only if these obligations are assumed in writing by the buyers or transferees.

22. NOTICES:

All notices required or allowed by this Lease must be in writing and may be served by any method then allowed by the law. You understand that any notice terminating your tenancy must be given to you in writing in the manner described in §1162 of the California Code of Civil Procedure. The service of any other notice on you may be validly served if it is mailed to you at your address in Garden West by First Class United States Mail, postage prepaid. Any notice served on you by mail will be considered received by you five (5) days after it is mailed.

23. WAIVER OF DEFAULT:

If you fail to meet any of your obligations under this Lease, a delay or omission by us in exercising any right or remedy we have because of your default will not impair any of our rights or remedies against you, nor will it be considered a waiver by us of any right or remedy. No waiver by us of our right to enforce any provision of this Lease after any default on your part will be effective unless it is made in writing and signed by us, nor will it be considered a waiver of our rights to enforce each and every provision of this Lease upon any further or other default on your part. Our acceptance of rent will also

not be a waiver of any breach by you of any term or provision of this Lease, including any rule, regulation or other term or provision contained in any document referred to in this Lease, nor shall it reinstate, continue or extend the term of the Lease or affect any notice, demand or lawsuit brought by us per this Lease.

24. ENTIRE AGREEMENT:

This Lease and the other documents and posted signs referred to in it are the entire agreement between you and us regarding the subjects covered by this Lease, other documents and signs. This Lease supersedes all prior and contemporaneous agreements, representations and understandings of you or us.

25. ATTORNEY'S FEES:

Attorney's fees and costs may be awarded to you or us per the provisions of the Mobilehome Residency Law, or other laws, including changes to these laws which may occur in the future. The same is true of any litigation between the two of us that is not covered by the Mobilehome Residency Law or other laws.

26. HEADINGS:

The titles of the paragraphs and subparagraphs in this Lease or in other documents or posted signs are only for convenience and under no circumstances are they to be considered as any part of this Lease.

27. PARTIAL INVALIDITY:

If any part of this Lease or any document referred to in this Lease is, in any way, invalid or unenforceable, the remainder of this Lease or the other document shall not be affected, and will be valid and enforceable to the fullest extent permitted by law. The same is true if the application of any part of this Lease, or any document referred to in this Lease is, in any way, invalid or unenforceable to any person or circumstance.

28. INTERPRETATION AND APPLICATION:

All rights given you or us in this Lease will be exercised in a reasonable manner and all provisions of this Lease will be interpreted and applied in a reasonable manner.

29. CONDITION OF THE SPACE:

By signing this Lease, you agree you have carefully inspected the Space you are renting and all of Garden West's services and facilities and you have found them to be safe and as represented by us to you, either orally or in writing. If they are not exactly as represented, you agree to accept them as they are.

30. LIENS AND CLAIMS:

You will not allow any lien, claim or demand arising from any work of construction, repair, restoration, maintenance or removal done for you, or for your mobilehome or Space, to be enforced against Garden West, and you will pay all such liens, claims and demands before any action is brought to enforce them. You agree to hold us free and harmless from all liability for any and all such liens, claims or demands, together with all costs and expenses, including but not limited to, attorney's fees and court costs incurred by us in connection with them.

31. ALTERATION OF THIS LEASE:

This Lease may be changed only by a written agreement signed by you and us or by operation of law.

32. HOLD-OVER TENANCY:

We may elect not to extend this lease as permitted by paragraph 5. If you remain in possession of the space after being notified that the term of this lease will not be automatically extended, we may increase your rent and other charges, effective the first month after this lease expires, by any amount we believe appropriate.

END OF LEASE

RANCHO PASO Mobilehome Park - Paso Robles, CA



PHONE (805) 238-4353

THEATRE DRIVE

PASO ROBLES, CALIFORNIA 93446

December 20, 1985

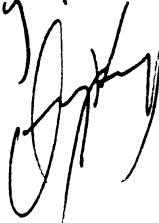
Dear Homeowner

Consistent with our policy of truth and openness and in an effort to avoid misunderstanding, we are enclosing all Clarifications and Modifications to the Lease Agreement that was proposed during the last few weeks.

The Clarifications and Modifications I was sent out earlier with the exception of item #4.

The Clarifications and Modifications II was a result of meetings which, we had understood, was to satisfy the questions by a Lawyer representing Homeowners. As these were worked out (except for the change in paragraph 9 and the last paragraph entitled "General") we hope that everyone will wish to join together now.

For those who have signed the lease and no longer need to spend energy on this matter we offer our sincere thanks and congratulations. Also, a reminder that you may, at your request, choose to add the Clarifications and Modifications II to your lease.

Happy Holidays




PHONE (805) 238-4353

THEATRE DRIVE

PASO ROBLES, CALIFORNIA 93446

I Clarifications & Modifications to

RANCHO PASO LEASE AGREEMENT

1. Park Owner shall use his best efforts to minimize the costs that are incurred in paragraphs 3.3 thru 3.7, but all in keeping with the high standards of the Park.
2. Regarding paragraph 3.1 B, the CPI adjustment to be made each year on April 1, shall be applied to the rent as of March 31 of that year.
3. Regarding paragraph 3.6 (Capital Improvements)
 - a) Any Capital Improvements made to expand the Park beyond the existing area of the Park, shall not be a charge to the Homeowners of the existing 145 spaces.
 - b) The 5 year amortization period may be shortened or lengthened, so long as the conditions of the next paragraph (c) below are met.
 - c) The accounting for any Capital Improvements made, and to be charged to Homeowner ("Capital Improvement Charge") shall be kept separate. At no time shall the total Capital Improvement Charge exceed ten percent (10%) of the Base Rent.
 - d) If any single Capital Improvement would result in a Capital Improvement Charge of five percent (5%) or more of the Base Rent at that time, then, prior to making any such Capital Improvement, an engineering study shall be made of the common facilities of the Park reporting that there are no material and abnormal repairs or replacements anticipated (at the time of, and based upon the study).
4. Park Owner cannot take a contractor's profit in performing the services in paragraph 3.3 thru 3.6.



PHONE (805) 238-4353

THEATRE DRIVE

PASO ROBLES. CALIFORNIA 93446

II Clarifications & Modifications to RANCHO PASO LEASE AGREEMENT

Changing the paragraphs below in the following manner:

2. The base period shall be at least ten (10) years, with four (4) five-year automatic extensions added to the base period, unless there is notice given to Homeowner from Park Owner, or from Homeowner to Park Owner, at least three (3) months prior to ...
8. Strike all of this paragraph.
- 3.1B line 3 "...hereof, this Base Rent (as increased by the CPI is the "Base Rent" herein) shall be subject to annual adjustment, upwards only, by one hundred percent (100%) of the ...".
- 3.5 line 2 "... to provide and includes, without limitation, fees, bonds, assessments, charges, or other costs and expenses related thereto. This term also includes the required services ..."
- 3.6 line 3 "... to borrowing the amount of such cost. This interest, added to ..."
- 3.7 Eliminate the 2 paragraphs as written and add:
"Homeowner shall NOT be responsible for Uninsured Losses, which would be defined as any property loss for which the Park Owner is not actually compensated by insurance. Park Owner agrees to purchase catastrophic loss insurance where feasible, provided that the premium for such insurance coverage shall be charged to Homeowner. However, if such premium (s) exceed 1 % of the Rent then payable, a vote of 51% or greater of the Homeowners (only 1 vote per space) must be obtained desiring that the coverage be purchased."
8. New Paragraph 8: MARKET ADJUSTMENT
"On November 30, 1990 and each November 30 immediately prior to each extension hereof ("Market Adjustment Date"), there shall be an adjustment in the Base Rent, to the extent it is less than the Fair Market Rent, as of that date ("Market Rent Date") which is three (3) months prior to the Market Adjustment Date. The Fair Market Rent shall be determined: 1) in accordance with the standards established by the American Institute of Real Estate Appraisers and 2) by two M.A.I. Appraisers (one each employed by Park Owner and Homeowners respectively) working together.



PHONE (805) 238-4353

THEATRE DRIVE

PASO ROBLES. CALIFORNIA 93446

cont:

If agreement cannot be reached by these Appraisers, * then an outside arbitrator acceptable to Homeowner and Park Owner shall, using only the information and testimony of the Appraisers, determine the Fair Market Rent for purposes of this paragraph.

~~3.8---Strike the last full sentence---~~

3.10 line 1 "... to Paragraphs 3.3 thru 3.7 above,..."

4.2 Continue after the last sentence: "Homeowner shall continuously have and deliver to Park Owner evidence of adequate Homeowners Insurance including Loss of Use, and where feasible Earthquake and Flood Insurance. If there is damage or destruction to Homeowners Mobilehome so that Homeowner cannot use the Mobilehome then, to the extent that the Insurance does not pay for utility or rental obligations of Homeowner, there shall be a forgiveness by Park Owner, for a maximum of sixty (60) days as to such rent or utility payments."

3.11 line 5 Strike the last sentence beginning with: "nor shall it..."

9. line 4 "...resulting from the gross negligence or..."

14. line 1 "Homeowner and Park Owner agree to ..."

16. line 6 "...referred to in this Agreement." (end of paragraph)

25. Add at the end of the paragraph: " That certain Clarifications and Modifications numbered I and II are incorporated herein by this reference."

General: ARBITRATION

In the event of a dispute concerning any terms of this Agreement (excluding actions for possession of Homeowner's Space) such dispute shall be referred to Arbitration in accordance with the rules of the American Arbitration Association.

* as to Fair Market Rent



RANCHO PASO LEASE AGREEMENT

This Agreement is made on _____, 19____ by the parties identified below as "Park Owner" and "Homeowner." This Agreement shall be exempt from any ordinance, rule, regulation, or Initiative Measure adopted by any local, State or Federal governmental entity which establishes a maximum amount that a landlord may charge a tenant for rent. This Agreement is made on the following terms:

1. PARTIES:

"Park Owner": RANCHO PASO MOBILEHOME PARK dba for _____

"Homeowner": _____

Homeowner leases from Park Owner and Park Owner leases to Homeowner that certain Space No. _____ ("Space") located at Rancho Paso Mobilehome Park ("Park"), Theater Drive, Paso Robles, California 93446.

The tenancy created under this Agreement shall be: (a) for a base period of _____ (_____) months and shall commence on _____, 19____ "commencement date", and end on _____, 19____; and (b) in addition, there shall be five (5) five-year automatic extensions added to the base period, unless there is notice given to Homeowner from Park Owner at least three (3) months prior to any extension, that this Agreement is terminated. As used in this Agreement, the expression "term hereof" shall include any extension of this Agreement as extended.

3. RENT, UTILITIES, AND OTHER CHARGES

Homeowner shall pay as rent to Park Owner: [at the Park Manager's office, or such other locations as Park Owner may designate, without deduction or offset (without waiving Civil Code 1942) on the first day of each month during the term hereof]

3.1 A. From the date of execution of this Agreement and until _____, 19____, a monthly rent of _____ Dollars (\$_____)

Commencing _____, 19____, a monthly rental of _____ Dollars (\$_____) will remain in effect until March 31, 1987. On April 1, 1987 and each April 1 thereafter ("the Rent Adjustment Date") for the term hereof, this rent, together with any amounts to be paid in accordance with Paragraph 3.5 below (combined is "the Base Rent" herein) shall be subject to an annual adjustment, upwards only, by ninety percent (90%) of the increase, if any, in the Consumer Price Index (CPI) for the Los Angeles-Long Beach-Anaheim areas, utilizing the "all urban consumers" Index for "all items," for the twelve (12) month period ending November 30, immediately prior to the Rent Adjustment Date.

3.2 Gas and cable TV are billed to Homeowner directly by the companies providing such utility services. Electricity is submetered and shall be billed to Homeowner each month. Park Owner intends to install water meters in the near future and upon such installation Homeowner shall be billed for usage each month. A billing for submetered utilities will be furnished Homeowner concurrently with the rent statement each month. It will state the opening and closing meter readings for the billing date and the applicable charges. (Please Note: Utility rates for utilities billed to Homeowner by Park Owner are set by the Public Utilities Commission, other governmental agencies, or private companies. Park Owner shall post in a conspicuous place in the main Clubhouse the prevailing residential utility rate schedules as published by the serving utility.)

3.3 Homeowner's Prorata share of all common area water and gas (the term "Prorata" or "Proration" shall mean, in this Agreement, Homeowner's share calculated by taking the amount to be Prorated, and dividing it by the number of spaces in the Park occupied by a Mobilehome, then dividing by twelve (12), so as to arrive at a monthly amount).

Homeowner's Prorata share of the increase in the actual expenditures made in any calendar year which is immediately prior to the Rent Adjustment Date ("Calendar Year" herein) over the prior calendar year for the following items: (or if there is a decrease in such expenditures then there shall be a Prorata decrease credited to Homeowner).

Repairs and Maintenance Including:	
Labor	\$10,001
Sewer System	5,105
Water System	1,056
Grounds and Equipment	3,457
Supplies:	
Janitorial	155
Pool & Spa	804
<u>Subtotal</u>	<u>\$20,578</u>
Taxes (Property)	24,583
Insurance	2,300
Trash	5,685

ESTIMATED 1985 TOTAL \$53,146

The above figures are estimates. Actual 1985 calendar year figures will be utilized. Park Owner shall notify Homeowner of Actual 1985 figures on or before January 15, 1986. (See Paragraph 3.10).

Repairs and maintenance shall mean all that is necessary to the operation of the Park including without limitation the labor and parts necessary, together with any subcontracting, to repair and maintain all of the common areas and common facilities including landscaping, the sewer and all sewer system facilities (pumps, lines, tanks, ponds, etc.), water system within the Park, all of the grounds including the Clubhouse, laundromat area and swimming pool, the streets and street lights. Supplies shall include all supplies purchased as needed for the Park. Taxes shall mean all government levies, impositions, real and personal property taxes and assessments, and rental taxes or assessments levied against the Park. Insurance shall include normal fire and extended coverage insurance for the Clubhouse and the facilities necessary to handle the utilities, such as sewer plant and pumps, together with public liability and property damage insurance with limits of liability of not less than One Million Dollars (\$1,000,000.00) combined single limit. Trash means the cost of picking up the trash and hauling it away from the Park together with any other charges necessary such as bin rentals or any other fees or charges related to trash removal.

3.5 Homeowner's Prorata share of any additional government required services or charges, including any existing or new, additional or changed services which the Park Owner is required, by government, to provide, or does provide to Homeowners, or the Park, and includes, without limitation, fees, bonds, assessments, charges, or other costs and expenses, including water, sewer, trash collection and utilities provided to the Park. This term also includes services provided by private parties and quasi-government entities as well as government entities. The cost of providing Homeowners any new, additional or changed government-required services will be included in computing increases in the costs of these services.

3.6 Homeowner's Prorata share of any Capital Improvements which are defined to include all items which the Park reports for State or Federal Income tax purposes as capital improvements. The "cost" of capital improvements shall consist of the actual cost of the capital improvements plus interest relating to borrowing the amount of such cost, which shall be calculated at not greater than the Bank of America (or equivalent) prime interest rate plus two percent (2%) per annum. This interest, added to the capital improvement cost, will be amortized over a five (5) year period. ONCE THE "COST" OF A PARTICULAR CAPITAL IMPROVEMENT HAS BEEN COMPLETELY RECOVERED FROM THE HOMEOWNER, BY PAYMENT OF INCREASED RENTS, THE AMOUNT ADDED TO THE RENT FOR THE CAPITAL IMPROVEMENT WILL BE ELIMINATED FROM THE RENT.

3.7 Homeowner's Prorata share of any Uninsured Loss, which is defined as any property loss for which the Park Owner is not actually compensated by insurance. The loss would be multiplied by twenty percent (20%) (spreading it over five (5) years). This amount would be shown as a separate charge on the monthly billing in the years following the expenditure for such Uninsured Loss UNTIL THE LOSS HAS BEEN COMPLETELY RECOVERED FROM THE HOMEOWNERS AT WHICH TIME IT WILL BE ELIMINATED FROM THE RENT PAYMENT DUE.

Park Owner will keep (as provided above) an insurance policy or policies with extended coverage endorsements for the full insurable replacement value of the buildings and equipment, or such other fire and casualty insurance as the Park Owner determines gives substantially equal or greater protection to the Park Owner and their mortgagors as their respective interests may appear. Park Owner shall bear the responsibility of five percent (5%) or Two Thousand Dollars (\$2000.00) deductible, of first costs, whichever is less, of each uninsured loss.

3.8 The cost of services relating to the maintenance of the Space upon which the Mobilehome is situated plus Ten Dollars (\$10.00) in the event the Homeowner fails to maintain the Space in accordance with the standards set in the Rules and Regulations of the Park. Park Owner shall notify Homeowner in writing of the specific condition(s) to be corrected and an estimate of the charges to be imposed, and shall allow Homeowner fourteen (14) days within which to comply with Park Standards.

3.9 Other charges as provided herein or otherwise agreed to from time to time between the parties for other uses or services including, but not limited to recreational vehicle storage.

3.10 A. With respect to Paragraphs 3.3 through 3.5 above, the amounts to be Prorated and paid during any April 1 through March 31 twelve (12) month rental period shall be made in arrears based upon actual charges and will be calculated immediately at the end of each Calendar Year for notification to Homeowner prior to the first of February following such Calendar Year.

B. Park Owner shall make available for examination the following:

- a. a copy of all the indices used to compute the CPI adjustment
- b. a copy of that portion of the records which relates to the items related to in Paragraphs 3.3 through 3.5 above 3.7
- c. a copy of the bills and statements which show the amount of government-required services as required in Paragraph 3.5 above
- d. the statement from the Park Owner's accountant relative to the cost of capital improvements, supported by paid invoices.

3.11 All rents payable hereunder shall be paid by personal check, cashier's check, or money order. If the entire rent owed by Homeowner is not paid by the fifth (5th) day following its due date, Homeowner shall pay a late charge of Ten Dollars (\$10.00) to Park Owner. Homeowner shall also pay to Park Owner a Ten Dollar (\$10.00) charge for each check of Homeowner's which is returned or dishonored for any reason by Park Owner's bank. The acceptance by Park Owner of any late payment shall not constitute a waiver of any breach of any term or provision of this Agreement or any rule, regulation, term or provision, nor shall it reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit hereunder.

4. RESPONSIBILITY OF PARK:

4.1 It is the responsibility of the Park to provide and maintain the physical improvements on the common facilities of the Park in good working order and condition allowing for normal wear and tear. The Park shall provide all of the physical improvements and services which are now in existence in the Park and provided to Homeowners or which may be added at a later date. These physical improvements include the non-exclusive use of all of the common areas and common facilities of the Park which includes without limitation all streets, non-restricted parking areas, all recreational facilities and equipment, pool, jacuzzi, lawns, laundry facilities and all other facilities for the use of Homeowners. These services include the services provided by the Park Manager and other persons employed by the Park, together with trash collection.

4.2 With respect to the Park's providing any services or facilities (including utilities) to Homeowner, any prevention, delay or stoppage due to strikes, walkouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefore, governmental restrictions, regulations or controls, judicial orders, fire or other casualty, breakage, repairs and other causes beyond the reasonable control of the Park will excuse the Park's performance of the Park's obligations in these areas for a period equal to any such prevention, delay, stoppage or repair time. Homeowner will remain responsible for the rent, utilities and other charges to be paid by Homeowner pursuant to the terms of this Agreement.

5. PERMISSABLE USE:

The Mobilehome and Space shall be used only for PRIVATE RESIDENTIAL PURPOSES and NO BUSINESS OR COMMERCIAL ACTIVITY OF ANY NATURE SHALL BE CONDUCTED THEREON. No persons other than those listed on the last page of this Agreement and Homeowner's guests may reside at the Space without the prior written consent of the Park.

Homeowner shall not abandon the Space at any time. At all times at least one of the persons listed in the last page of this Agreement as a Resident must be the "legal" or "registered" owner of the Mobilehome which occupies the Space and that person must regularly occupy the Mobilehome on a fulltime basis when other Residents of the Mobilehome are present. In order to comply with the Department of Housing and Community Development requirements, Homeowners must provide the Park Owner with a copy of the current registration card on their Mobilehomes.

6. RENTING, SUBLETTING OR ASSIGNING:

Homeowner shall not sublease or otherwise rent all or any portion of Homeowner's Mobilehome or the Space. Homeowner shall not encumber its interest in this Agreement or the Space. Any such sublease, other renting or encumbering shall be void unless Park Owner consents. No consent to any assignment, encumbrance, sublease or other renting shall constitute a waiver of the provisions of this paragraph.

However, HOMEOWNER SHALL HAVE THE RIGHT TO ASSIGN THIS AGREEMENT TO A NEW PURCHASER of Homeowner's Mobilehome providing the provisions of Paragraph 7.1 are complied with. In such event, Park Owner may increase the rent due hereunder at the time of a sale and assignment, by an amount not to exceed ten percent (10%) of such rent.

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7. APPROVAL OF PURCHASER AND SUBSEQUENT HOMEOWNERS:

7.1 Homeowner may sell his/her Mobilehome at any time pursuant to the rights and obligations of Homeowner and the Park under the Mobilehome Residency Law and other applicable law and this Agreement. Homeowner must, however, immediately notify the Park in writing of Homeowner's intent to sell his Mobilehome. If the prospective buyer of the Mobilehome intends for the Mobilehome to remain in the Park, or for the buyer to reside in the Park, said buyer must do the following before purchasing the Mobilehome: (1) complete an application for tenancy; (2) be approved by the Park Owner; (3) execute an assumption agreement assuming the assignment of this Agreement or other agreement for the occupancy of the Space, and (4) execute and deliver to the Park Owner a copy of the Park's then effective Park's Rules and Regulations and other resident documents. IF THE PURCHASER FAILS TO FULFILL ALL OF THE TERMS OF THIS PARAGRAPH 7, HE SHALL HAVE NO RIGHTS OF TENANCY.

7.2 Except for guests, the requirements in Paragraph 7.1 for completion of an application, approval by the Park, and the execution of documents shall also apply before any additional person other than the ones listed on the last page of this Agreement shall be permitted to become a Homeowner in the Park or reside with Homeowner on a semi-permanent or long term basis.

8. TERMINATION BY HOMEOWNER:

The Homeowner occupying the Space may elect to terminate this Agreement upon sixty (60) day's written notice to such effect to Park Owner if all persons occupying the Space terminate their tenancy as to the Space and remove their Mobilehome from the Park. In such event the Space (with improvements) shall revert to Park Owner's control and Park Owner may lease or rent the Space to any party on the terms he chooses.

9. INDEMNIFICATION:

Park Owner and the Park shall not be liable for any loss, damage or injury of any kind whatsoever to the person or property of any Homeowner or any of the employees, guests, invitees, permittees or licensees of any Homeowner, or of any other person whomsoever caused by any use of the Park or Space or by any defect in the Improvements erected thereon, or arising from any cause whatsoever, unless resulting from the gross and known negligence or willful act of the Park Owner or the Park. Homeowner covenants that it will hold and name Park Owner and Park harmless from and indemnify it against any cost, liability, or expense caused by or arising out of any injury or death to persons or damage to property incurred upon or about the Space or caused by or arising out of any activities, actions or omissions of Homeowner, its agents, employees, licensees, and/or invitees, including without limitation injury or death of Homeowner, its agents, employees, licensees, and/or invitees.

10. REMOVAL UPON SALE

The Park may, in order to upgrade the quality of the Park, require the removal of the Mobilehome from the Space upon their sale to a third party, in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any such rights granted the Park due to amendments, deletions, or modifications of the Mobilehome Residency Law and other applicable law may be enforced by the Park at its option.

11. ENTRY UPON HOMEOWNER'S SPACE

11.1 Homeowner shall permit Park Owner and/or the agents and employees of Park Owner to enter into and upon the Space (not the Mobilehome) at all reasonable times for: the purpose of inspecting the same; for the purpose of posting notices of non-responsibility; for maintenance of utilities; for maintenance of Homeowner's Space where Homeowner fails to maintain the Space in accordance with the Park's Rules and Regulations; and for the protection of the Park, but not in a manner or at a time which would interfere with the occupants' quiet enjoyment.

11.2 The Park Management may enter the Mobilehome without the prior written consent of Homeowner in case of emergency or when the Homeowner has abandoned the Mobilehome.

12. TRANSFER OF PARK OWNER'S INTEREST

In the event Park Owner transfers its interest in the Park, Park Owner shall be automatically relieved of any obligations hereunder which occur after the date of such transfer, provided such obligations are assumed in writing by the transferee. Further, Homeowner acknowledges and agrees to continue to be bound by the terms of this Agreement in the event of any transfer of Park Owner's interest.

13. PARK OWNER'S APPROVAL

Whenever the terms "Park Owner's approval" or "consent of Park Owner" or other similar terms are used in this Agreement or in other documents referred to in this Agreement, they mean that the Park Owner's prior written approval must have been obtained by Homeowner. If Park Owner's prior written approval is required, Homeowner shall submit a written request to Park Owner which describes the action Homeowner proposes to take and requests Park Owner to give prior written approval.

Park Owner shall mean the owner or a representative authorized to act on his behalf in connection with matters relating to a tenancy or operation in the Park.

14. COMPLIANCE WITH LAW AND PARK'S RULES AND REGULATIONS

Homeowner agrees to abide by and conform with all applicable laws, ordinances, regulations and all terms and provisions of this Agreement and the Park's Rules and Regulations as said rules, regulations, terms and provisions may from time to time be amended, modified or otherwise changed by Park Owner as permitted by the terms of this Agreement and the law.

15. DEFAULT BY HOMEOWNER

In the event of any failure by Homeowner to pay any rental or other charges or perform any covenants either of this agreement or the Park's Rules and Regulations, Park Owner shall have such rights and remedies as prescribed by the California Civil Code.

16. WAIVER OF DEFAULT:

No delay or omission in the exercise of any right or remedy of Park Owner on any default by Homeowner shall impair any such right or remedy or be construed as a waiver. No waiver by Park Owner of Park Owner's right to enforce any provision hereof after any default on the part of Homeowner shall be effective unless made in writing and signed by Park Owner, nor shall it be deemed a waiver of Park Owner's right to enforce each and all of the provisions hereof upon any further or other default on the part of Homeowner. The acceptance of rent hereunder shall not be or become construed to be, a waiver of any breach of any term or provision of this Agreement or any rule, regulation, term or provision contained in any document referred to in this Agreement, nor shall it reinstate, continue or extend the term of this Agreement or affect any notice, demand or suit hereunder.

17. NOTICES:

All notices required or permitted under this Agreement must be in writing and may be served upon Park Owner or Homeowner by any means then permitted by law.

18. ALTERATION OF THIS AGREEMENT:

This Agreement may be altered only by written Agreement signed by both of the parties.

19. ENTIRE AGREEMENT:

This Agreement and the documents referred to herein constitute the entire Agreement between Homeowner and Park Owner pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties, whether written or oral.

20. ATTORNEY'S FEES AND COSTS

In any action at law or equity brought to recover any rent, including utility charges, or any other sums due under this Agreement or on account of any breach of or to enforce or interpret any of the terms or conditions of this Agreement or the referenced Park's Rules and Regulations or for the recovery of possession of the Space, the prevailing party shall be entitled to reasonable attorneys' fees and costs. A party shall be deemed a prevailing party if the judgment is rendered in his favor or where the litigation is dismissed in his favor prior to or during the trial, unless the parties otherwise agree in the settlement or compromise.

21. TIME OF ESSENCE:

Time is of the essence with respect to the performance of each and every provision of this Agreement.

22. INVALIDITY OF PROVISIONS:

If any term or provision of this Agreement or any document referred to in this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the other document or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement or the other document shall be valid and be enforceable to the fullest extent permitted by Law.

23. HOLDING OVER

Any holding over by Homeowner after the expiration of the term of this Agreement shall be construed to extend this Agreement for an automatic two (2) year renewal term, the terms and conditions of such renewal period being the same as set forth in this Agreement. During such renewal period the rent charge shall be determined in accordance with the provisions of this Agreement rather than any other statute or ordinance.

24. GOVERNING LAW:

This Agreement shall be governed by and construed pursuant to the law of the State of California.

25. ACKNOWLEDGMENT:

Homeowner (which includes each of the people whose names are listed below), acknowledges that they have read, understood and received copies of this Agreement, together with a copy of the Park's Rules and Regulations and all other residency documents referred to in this Agreement, and a copy of the Mobilehome Residency Law, and the San Luis Obispo Rent Stabilization Ordinance, and further that they have read and understand each of these documents and the other Park's Rules and Regulations posted in and about the Park. The Park's Rules and Regulations and the Mobilehome Residency Law, as they may be amended, modified or otherwise changed from time to time are incorporated herein by this reference. Homeowner understands that by executing this Agreement they will be bound by the terms and conditions thereof.

DATED: _____ PARK OWNER
DATED: _____ HOMEOWNER
DATED: _____ HOMEOWNER

PATRICK J. PERRY
ATTORNEY AT LAW
BRUINGTON BUILDING
1428 PHILLIPS LANE, SUITE 202
SAN LUIS OBISPO, CALIFORNIA 93401
(805) 541-8640

February 20, 1986

Tenants of Rancho Paso
Mobile Home Park
c/o Del Carmichael
GSMOL President

Dear GSMOL Member:

I have been requested by your GSMOL officers to send you this letter with respect to the position taken by management that you must sign a lease with management or face the possibility of substantially increased rental for your mobile home spaces at the time of resale.

Initially, I would like to indicate that you have no obligation to sign any lease whatsoever proposed by the landlord. If you believe that the lease is unfair or that it does not meet your needs, no one, including your landlord, can force you to sign the lease.

I have also been advised that many of you have been threatened with drastically increased rents or that the space rent charged for your space will be drastically increased in the event you sell your mobile home. To date, no Court has decided that a landlord has the right to raise the space rent upon sale.

I have just been authorized by a committee of local tenants to commence a lawsuit against, among others, your park management, to request that the Court declare that space rent may not be increased in the event of a sale or a transfer of your mobile home. Obviously, no one can give you any guarantees as to what a Court will rule with respect to this issue, however, it is my belief that there is a very reasonable possibility that the Court will rule that the management may not increase the rent for a mobile home space in the event of transfer or sale.

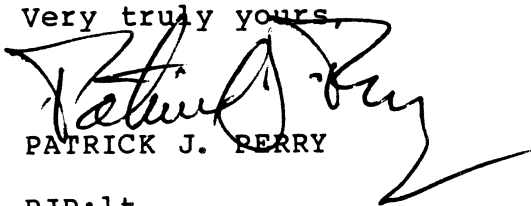
I have also been requested to address the question of harassment or threats which may be made in an effort to intimidate you into signing a lease. Under the laws of the State of California, it is unlawful to engage in any unfair business practice. It is my belief that intimidation of tenants with the intent to force them to execute a lease is an unfair business practice and that anyone who engages in such conduct may be enjoined by the Court and may also be liable for any damages which you may suffer.

Additionally, outrageous behavior such as threats or intimidation or taking advantage of any emotional or physical weakness or disability is conduct which makes the person committing such conduct liable for civil damages for intentional or negligent infliction of emotional distress. Anyone found liable for intentionally inflicting emotional distress is liable for both actual damages suffered by the victim and punitive damages. Anyone found liable for negligent infliction of emotional distress is liable for all damages which the person suffers as a result of that conduct.

If you have been the victim of such conduct, you may wish to speak to a lawyer about your rights.

If you have any questions or comments, please contact your GSMOL representative.

Very truly yours,

A handwritten signature in black ink, appearing to read "Patrick J. Perry", written over the typed name.

PATRICK J. PERRY

PJP:lt

GSMOL RECOMMENDED LEASE

Long Term Lease

This Lease, hereinafter referred to as "Agreement,"
is entered into on _____, between:
(date)

Park Owner: _____
(name)
Address: _____
(office)

hereinafter referred to as "Lessor," and

Home Owner: _____
Address: _____ Space _____

hereinafter referred to as "Home Owner" without regard to
number or gender. Lessor and Home Owner agree as follows:

1. DESCRIPTION: Lessor leases to Home Owner
on the following terms and conditions Space No. _____, herein-
after referred to as "homesite," at _____
(Name of Mobilehome Park)
(Address)

hereinafter referred to as "said Park."

2. TERM: This Agreement shall become effective on
_____ and shall continue until 5:00 P.M. on _____.

3. USAGE AND OCCUPANCY. Home Owner agrees to install
and/or maintain a mobilehome upon the homesite which conforms to
the rules and regulations currently in use in said Park and to
maintain and occupy said mobilehome in compliance with applicable
state and local laws, the Mobilehome Residency Law (California
Civil Code Sections 798-799.6) and the terms of this Agreement.

4. LEASE. Home Owner shall make a monthly
payment for the occupancy of home site in the following sums
for the following time periods:

a. INITIAL TERM. Beginning on _____
and continuing on each and every consecutive calendar month there-
after until _____, Home Owner agrees to pay to
Lessor the sum of \$ _____ per month for use of the homesite.

b. REMAINING TERM. Effective _____
Home Owner agrees to pay the sums specified in the Lease schedule
a copy of which is attached hereto and made a part hereof, for
homesite use for the period of time following the initial term.

5. LATE LEASE PAYMENT. Payment is due and payable on ____ day of each month and shall be deemed to be delinquent if not received by Lessor by ____ P.M. on the ____ day following said due date. Delinquent payments, including payments for checks returned for insufficient funds, shall be subject to a \$5.00 late charge.

6. UTILITIES AND SERVICES. In addition to the costs described in Paragraph 4, Home Owner shall pay the periodic fees and charges of the following utilities and services on the following basis:

Utilities/ Services	Included In Lease Payment	Billed to Home Owner by Utility or Service Company	Billed to Home Owner by Lessor
Natural Gas			
Electricity			
Water			
Cable T V			
Trash			
Sewer			
Other			

Utilities and services billed to Home Owner by Lessor shall be payable on the same dates as homesite lease payments. Utilities and services billed to Home Owner by the serving utility or service companies shall be payable directly to said companies.

7. LESSOR COSTS TO BE PASSED-THROUGH TO HOME OWNER. In addition to the costs described in Paragraph 4, Home Owner shall pay to Lessor, on the herein described terms no less than sixty (60) days after Lessor has notified Home Owner in writing, the following increased costs of Lessor to be passed-through to Home Owner as separately listed items on monthly statement.

a. GOVERNMENT REQUIRED SERVICES. For the purposes of this Agreement, "government required services" shall be defined as services required by governmental agencies which are new or in addition to those services legally required to be provided by Lessor to Home Owner or to said Park on the date of execution of this Agreement.

Examples of such services are the following: fees, bonds, assessments, and charges legally levied by an agency of

federal, state, or local government upon Lessor. Such services do not include predictable expenses for operation of said Park such as common area utilities expense or expense which maintain the safe and healthful use of Park facilities.

Subject to the CPI restriction and the \$_____ limitation hereafter described, Lessor's actual out-of-pocket costs of providing governmentally required services may be passed-through to Home Owner upon sixty (60) days' written notice upon the following formula: amount actually paid by Lessor, divided by the total number of homesites in said Park, divided by twelve (12) months, equals the monthly sum for government required services to be passed through to Home Owner.

Notwithstanding the formula described above, only those costs of providing governmentally required services in excess of the increase in the applicable Consumer Price Index (CPI) in the twelve (12) months immediately preceding the proposed pass-through shall be reimbursed to Lessor by Home Owner in the manner herein described. Lessor shall pass-through to Home Owner only those costs for governmentally required services which exceed CPI and which are not reimbursed to Lessor by insurance or other sources.

For the purposes of this Agreement, CPI shall refer to the following Consumer Price Index reported by the U.S. Department of Labor: _____

Government required services which may be passed-through to Home Owner of said Park shall not exceed a total of \$_____ per calendar year. If said \$_____ annual limitation does not permit the pass-through of the cost of governmentally required services which Lessor is otherwise entitled to pass-through to Home Owner of said Park, the balance of the cost of said services may be passed-through to Home Owner in subsequent government required service increases so long as the \$_____ annual limitation is not exceeded in any calendar year.

b. REAL PROPERTY TAXES. For the purposes of this agreement, "real property taxes" shall be defined as county taxes levied against the assessed valuation of said Park which are normally payable to the county tax collector pursuant to state law on the tenth day of December and on the tenth day of April of each calender year. Such taxes shall not include Lessor's income taxes or assessments subject to pass-through to Home Owner as "government required services." New real property taxes assessed to Lessor as a result of new construction or remodeling of said Park's common areas after the effective date of this Agreement shall be passed-through to Home Owner in the same manner as other real property tax increases.

In the event that Lessor's real property taxes increase in excess of two percent (2%) over the taxes levied for the preceding county fiscal year, the amount of the increase in excess of 2% may be passed-through to Home Owner upon sixty (60) days' written notice upon the following formula: amount actually paid by Lessor for increased real property taxes in excess of 2% over previous year, divided by the total number of homesites in said Park, divided by twelve (12) months, equals the monthly sum for increase in real property taxes to be passed-through to Home Owner. See NOTE.

In the event said Park is reassessed as a result of the sale of said Park, the total real property taxes to be passed-through to the Home Owner in any twelve (12) month period shall not exceed five percent (5%) of the then current one month rent paid by Home Owner. If, because of said 5% limitation, the full amount of the real property tax increase is not passed-through in a single rent increase, the remaining balance of said increase may be passed-through to Home Owner in later increases so long as the 5% limitation is not exceeded in any single increase and provided that there is only one (1) such increase in any twelve (12) month period.

c. CAPITAL IMPROVEMENTS. For the purposes of this Agreement "capital improvements" shall be defined as Lessor's cost of constructing new improvements and replacing old improvements in said Park which may be treated as capital improvements for federal and state income tax purposes and may not be deducted for such tax purposes as expenses. Capital improvements include clubhouse construction, street replacement beyond mere patching or sealing, television antenna system replacement beyond mere maintenance, and new construction of common area facilities which did not previously exist. Capital improvements do not include maintenance items, Lessor's borrowing costs incurred in erecting a capital improvement, or insured repairs or replacements.

NOTE: Increased taxes as a result of transfer or "change of ownership" as defined in California Law as a result of Prop 13, will not be passed through to Home Owners.

Subject to the vote requirements and and capital improvement limitations hereafter described, the actual net costs of a capital improvement may be passed-through to Home Owner upon sixty (60) days' written notice upon the following formula: Net amount actually paid by Lessor for capital improvement divided by the total number of homesites in said Park, divided by twelve (12) months, equals the monthly sum for capital improvements to be passed-through to Home Owner.

Installation of individual capital improvement with a cost to Lessor in excess of \$5,000.00 shall be contingent upon the majority vote (51%) approval of all Home Owners of said Park, Home Owners at such elections to approve or reject a proposed capital improvement shall be entitled to one (1) written ballot vote per homesite in said Park. Individual capital improvements costing less than \$5,000.00 shall not require the approval of Home Owners of said Park so long as the cumulative total of such projects does not exceed the \$ _____ limitation hereafter described. Capital improvement projects mandated by governmental authority to protect the health or safety of said Park or to permit the continued legal occupancy of said park by Home Owner shall be exempt from the Home Owner vote requirement described in this sub-paragraph.

Capital improvements which may be passed-through to Home Owners of said Park shall not exceed a total of \$ _____ per calendar year. Said limitation shall apply to all capital improvements installed in said Park whether or not the installation of the capital improvement projects require a vote of park Home Owners. Capital improvements approved by a majority of Home Owners are specifically exempted from said \$ _____ annual limitation. If said \$ _____ annual limitation does not permit the pass-through of the cost of capital improvements which Lessor is otherwise entitled to pass-through to Home Owner of said Park, the balance of the capital improvement cost may be passed-through to Home Owner in subsequent capital improvement increases so long as the \$ _____ annual limitation is not exceeded in any calendar year.

d. VERIFICATION OF COST. Lessor shall substantiate the amount of any item proposed to be passed-through to Home Owner by making the following items available to inspection of any Home Owner of said Park at the offices for said Park during normal business hours:

- (1) a copy of all bills, statements, and invoices which verify the cost of each item proposed to be passed-through to Home Owner;
- (2) if insurance proceeds affect the net cost of a given item proposed to be passed-through to Home Owner, copies of the documentation received from the insurance company establishing the amount of the claim covered by said company or companies;

- (3) copies of the applicable tax bills; and
- (4) copies of relevant documents or correspondence which would tend to establish the need for the expenditure proposed to be passed-through.

e. ROLL BACK OF REIMBURSED COST. Once the cost of the item actually passed-through to Home Owner has been recovered by Lessor, Lessor agrees to discontinue charge and remove item from monthly statement.

f. INCREASE IN DEBT SERVICE. Any increases in Debt Service of Lessor as a result of lessors refinancing will not be passed through to Home Owner.

8. COMPLIANCE WITH MOBILEHOME RESIDENCY LAW. This agreement is intended by Lessor and Home Owner to comply with the Mobilehome Residency Law (Sections 798-799.6 of the California Civil Code), a copy of which is attached hereto and made a part hereof.

9. PARK RULES AND REGULATIONS. The rules and regulations currently in effect and concurred in by a majority vote of Home Owners in said Park are attached hereto and made a part hereof.

10. SERVICES AND FACILITIES. Lessor shall provide the following services and maintain the following physical improvements of said Park in good working order and condition during the term of this Agreement: _____

11. SPACE MAINTENANCE FEE. Pursuant to Civil Code Section 798.15 (g), Lessor may charge a reasonable fee to Home Owner for homesite maintenance in the event that Home Owner fails to maintain Home Owner's homesite in accordance with the rules and regulation of said Park provided that the notice requirements of Section 798.15 (g) have first been satisfied.

12. ZONING/USE PERMIT AND UNDERLYING LEASE Said Park is operated as a mobilehome park pursuant to the following zoning/conditional use permit: _____

(If said Park is operating pursuant to a conditional use permit, said permit expires or is subject to renewal on _____).

(If said Park is operating pursuant to an underlying lease in which Lessor is a lessee, said lease will expire on _____.)

13. CONSULTATION WITH HOME OWNERS. Lessor or lessor's agent shall meet and consult with Home Owners of said Park upon written request to do so at such times as required in Section 798.51 of the Civil Code.

14. ASSIGNMENT OF AGREEMENT BY HOME OWNER. Home Owner may assign or transfer this Agreement to a successor Home Owner of said Park provided that said successor Home Owner has obtained Lessor's consent to the proposed purchase and sale in the manner provided in Section 798.74 of the Civil Code. In the event of such

an assignment⁻¹⁸⁶⁻ said successor Home Owner shall have the same contractual duties and rights under this Agreement as Home Owner, including the amount of lease payment Lessor agrees that the lease payment provided in this Agreement cannot be increased upon the sale of Home Owner's mobile home to a successor Home Owner approved by Lessor.

15. ATTORNEYS' FEES. An action arising from the terms and provisions of this Agreement or the Mobilehome Residency Law shall entitle the prevailing party to recovery of reasonable attorneys' fees and court costs.

16. SUBLETTING. Home Owner shall/shall not have the right or power to rent or to sublet the mobilehome located at the homesite without the prior written consent of Lessor.

17. BINDING EFFECT UPON LESSOR'S SUCCESSORS. This Agreement shall remain in effect in the event of the sale or transfer of said Park during the term of the Agreement to a successor lessor.

18. TERMINATION BY HOME OWNER. Home Owner may elect to terminate this Agreement on sixty (60) days' written notice to such effect to Lessor if one of the following occurs:

All persons occupying the homesite leased to Home Owner by this Agreement terminate their tenancy as to said homesite and remove the mobilehome from said Park; in such event, the space shall revert to Lessor's control and Lessor may lease or rent the space to any qualifying party meeting the qualifications of residency in the Park; or

All persons occupying homesite leased to Home Owner by this Agreement terminate their tenancy as to said homesite and sell the mobilehome to another party who has been approved by Lessor for residency in said Park in accordance with the terms of this Agreement.

19. RIGHT OF FIRST REFUSAL TO PURCHASE. In the event that Lessor determines to sell all or any part of said Park, Lessor grants to all Home Owners of said Park a right of first refusal to match the sale price terms and conditions of a sale to proposed third party purchaser.

20. EXTENSION OR RENEWAL. Not less than six (6) months before the expiration of this Agreement, Lessor agrees to provide written notice to Home Owner of the following:

a. Lessor's intent of whether or not Lessor intends to commence negotiations for an extension or renewal of this Agreement; and

b. if extension or renewal of this Agreement is proposed, a statement of the lease terms which Lessor proposes for Home Owner to consider for said extension or renewal of this Agreement.

21. AMENDMENT. This Agreement may be amended, modified, or changed by the parties provided that said amendment, modification, or change is in writing and approved by both parties.

22. ENTIRE AGREEMENT. This Agreement contains the entire agreement between the parties hereto. No promise, representation, warranty, or covenant not included in the agreement has been or is relied upon by any party hereto.

23. SEVERABILITY CLAUSE. If any section or portion of this agreement is found to be invalid, such findings shall not affect the validity of the remainder of the Agreement, which shall continue in full force and effect.

24. ACKNOWLEDGMENT. Home Owner acknowledges receipt of a complete copy of this Agreement, and all attachments thereto, including but not limited to copies of:

- a. Lease Schedule;
- b. Mobilehome Residency Law; and
- c. Rules and Regulations

Executed in duplicate on the date first above written.

HOME OWNER:

LESSOR:

PARK NAME

By: _____

LEASE SCHEDULE

(Fixed lease increases for 10 year lease)

The following lease schedule shall be observed during the remaining term of said agreement.

EXAMPLE

Year	Existing lease amount	lease increase - in paragraph 4 B amount	New lease amount
1985	200.00	none	200.00
1988	200.00	15.00	215.00
1991	215.00	15.00	230.00
1994	230.00	15.00	245.00
1995	lease terminates unless renewed as per paragraph 20 of the lease.		

Dated: _____

Home Owner: _____

Lessor: _____

By: _____

LOS ANGELES COUNTY MODEL
MOBILEHOME PARK LEASE

MODEL MOBILEHOME PARK LEASE AGREEMENT
Recommended by the County of Los Angeles
Manufactured Housing Task Force

BASIC LONG TERM LEASE

This Lease, hereinafter referred to as "Agreement," is
entered into on _____, between:
Park Owner: _____
Address: _____

hereinafter referred to as "Lessor," and
Home Owner: _____
Address: _____ Space _____
hereinafter referred to as "Home Owner" without regard to
number or gender. Lessor and Home Owner agree as follows:

1. DESCRIPTION: Lessor leases to Home Owner on the
following terms and conditions Space No. _____, hereinafter referred to
as "homesite," at _____

hereinafter referred to as "said Park."

2. TERM: This Agreement shall become effective on
_____ and shall continue until 5:00 P.M. on _____.

3. USAGE AND OCCUPANCY: Home Owner agrees to install
and/or maintain a mobilehome upon the homesite which conforms to the
rules and regulations currently in use in said Park and to maintain and
occupy said mobilehome in compliance with applicable state and local
laws, the Mobilehome Residency Law (California Civil Code Sections
798-799.6) and the terms of this Agreement.

4. LEASE: Home Owner shall make a monthly payment for
the occupancy of home site in the following sums for the following time
periods:

a. INITIAL TERM - Beginning on _____
and continuing on each and every consecutive calendar
month thereafter until _____, Home
Owner agrees to pay to Lessor the sum of \$ _____
per month for use of the homesite.

b. REMAINING TERM - Effective _____
Home Owner agrees to pay the sums specific in the
Lease schedule, a copy of which is attached hereto and
made a part hereof, for homesite use for the period of
time following the initial term.

5. LATE LEASE PAYMENT: Payment is due and payable on _____ day of each month and shall be deemed to be delinquent if not received by Lessor by _____ P.M. on the _____ day following said due date. Delinquent payments, including payments for checks returned for insufficient funds, shall be subject to a \$ _____ late charge.

6. UTILITIES, INSURANCE AND SERVICES: In addition to the costs described in Paragraph 4, Home Owner shall pay the periodic fees and charges of the following utilities and services on the following basis:

Utilities/ Services	Included In Lease Payment	Billed to Home Owner by Utility or Service Company	Billed to Home Owner by Lessor
Natural Gas			
Electricity			
Water			
Cable T V			
Trash			
Sewer			
Insurance			
Other			

Utilities and Services billed to Home Owner by Lessor shall be payable on the same dates as homesite lease payments. Utilities and services billed to Home Owner by the serving utility or service companies shall be payable directly to said companies.

7. LESSOR COSTS TO BE PASSED-THROUGH TO HOME OWNER: In addition to the costs described in Paragraph 4, Home Owner shall pay to Lessor, on the herein described terms no less than sixty (60) days after Lessor has notified Home Owner in writing, the following increased costs of Lessor to be passed-through to Home Owner as separately listed items on monthly statement.

a. GOVERNMENT REQUIRED SERVICES - For the purposes of this Agreement, "government required services" shall be defined as services required by governmental agencies which are new or in addition to those services legally required to be provided by Lessor to Home Owner or to said Park on the date of execution of this Agreement.

Examples of such services are the following: fees, bonds, assessments, and charges legally levied by an agency of Federal, State or local government upon Lessor. Such services do not include predictable expenses for

operation of said Park such as common area utilities expenses or expenses which maintain the safe and healthful use of Park facilities.

Lessor's actual out-of-pocket costs of providing governmentally required services may be passed-through to Home Owner upon sixty (60) days' written notice upon the following formula: amount actually paid by Lessor, divided by the total number of homesites in said Park, divided by twelve (12) months, equals the monthly sum for government required services to be passed through to Home Owner.

Notwithstanding the formula described above, only those costs of providing governmentally required services in the twelve (12) months immediately preceding the proposed pass-through shall be reimbursed to Lessor by Home Owner in the manner herein described. Lessor shall pass-through to Home Owner only those costs for governmentally required services which are not reimbursed to Lessor by insurance or other sources.

b. REAL PROPERTY TAXES - For the purpose of this agreement, "real property taxes" shall be defined as County taxes levied against the assessed valuation of said Park which are normally payable to the County tax collector pursuant to State law on the tenth day of December and on the tenth day of April of each calendar year. Such taxes shall not include Lessor's income taxes or assessments subject to pass-through to Home Owner as "government required services." New real property taxes assessed to Lessor as a result of new construction or remodeling of said Park's common areas after the effective date of this Agreement shall be passed-through to Home Owner in the same manner as other real property tax increases.

In the event that Lessor's real property taxes increase in excess of two percent (2%) over the taxes levied for the preceding County fiscal year, the amount of the increase in excess of 2% may be passed-through to Home Owner upon sixty (60) days' written notice upon the following formulas: amount actually paid by Lessor for increased real property taxes in excess of 2% over previous year, divided by the total number of homesites in said Park, divided by twelve (12) months, equals the monthly sum for increase in real property taxes to be passed-through to Home Owner.
See Note.

NOTE: Increased taxes as a result of certain transfers or assignments not resulting in a substantial change in ownership, as described in Exhibit B "EXEMPT TRANSFERS," will not be passed through to Home Owners.

c. CAPITAL IMPROVEMENTS - For the purpose of this Agreement, "capital improvements" shall be defined as Lessor's cost of constructing new improvements or replacing old improvements in said Park, subject to the following limitations:

1. The improvement must primarily benefit the Home Owners rather than the Lessor.
2. The improvement must have a life expectancy of five years or more and must be treated as capital improvements for Federal and State income tax purposes and may not be deducted for such tax purposes as expenses.
3. Normal routine maintenance and repair is not a capital improvement.
4. Insured repairs and replacement are not capital improvements.
5. The improvements must be permanently fixed in place or relatively immobile.

Capital improvements include construction, installation, or replacement of: a clubhouse or portions thereof, laundry facilities or other common area facilities, swimming pool, sauna or hot tub, or other recreational amenities, streets and driveways, security gates, outdoor or common area lighting, retaining walls, sewer, electrical, plumbing, water, or television reception systems, sprinkler systems, or any similar improvement which represents an addition to or an upgrading of existing improvements.

Subject to the vote requirements and the capital improvement limitations hereafter described, the actual net costs of a capital improvement plus an interest charge to compensate the Lessor for the use of money in making the improvement, as described below, may be passed-through to Home Owner upon sixty (60) days' written notice upon the following formula: Net amount actually paid by Lessor for capital improvement plus an interest charge as described below, divided by the total number of homesites in said park affected by the improvement divided by one hundred twenty (120) months (the amortization period for the capital improvement), equals the monthly sum for capital improvements to be passed-through to Home Owner.

The interest charge that may be added to the cost of materials and labor is 72.2%, for a 120 month amortization period. This is the charge required to yield an effective annual interest rate of 12% on funds advanced by Lessor, computed on a declining balance over a ten-year period with equal monthly payments. The ten-year period represents the amount of time allowed for fully amortizing the cost

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of capital improvements. If so agreed between Lessor and Home Owners, an alternative amortization period may be used, and the interest charge adjusted accordingly to yield an effective 12% annual interest rate. Below is a chart showing alternative amortization period and applicable interest charges.

ALTERNATIVE AMORTIZATION PERIODS AND INTEREST CHARGES:

Period:	120 months (10 years)	Interest Charge:	72.2% of actual costs
	108 months (9 years)		64.0% of actual costs
	96 months (8 years)		56.0% of actual costs
	84 months (7 years)		48.3% of actual costs
	72 months (6 years)		40.1% of actual costs
	60 months (5 years)		33.5% of actual costs
	36 months (3 years)		19.1% of actual costs
	12 months (1 year)		6.6% of actual costs

Installation of individual capital improvements with a cost to Lessor which would result in a pass-through monthly payment to affected Home Owners in excess of 5% of Base Rent shall be contingent upon the majority approval of all affected Home Owners of said Park. Home Owners at such elections to approve or reject a proposed capital improvement shall be entitled to one (1) written ballot vote per affected homesite in said Park. Individual capital improvements costing less than the amount that would result in a pass-through monthly payment to affected Home Owners in excess of 5% of Base Rent shall not require the approval of Home Owners of said Park so long as the cumulative total of pass-through monthly payments resulting from such projects does not exceed 10% of Base Rent hereafter described, during the term of this Agreement. Capital improvement projects mandated by governmental authorities to protect the health or safety of said Park by Home Owner shall be exempt from the Home Owner vote requirement described in this sub-paragraph.

Capital improvements which may be passed through to Home Owners of said Park shall not exceed a total of 10% of Base Rent unless approved by 50% + 1 of Home Owners of said Park, with the exception of projects mandated by governmental authorities as described above. However, the cost of capital improvement projects mandated by governmental authority shall be included in the calculation of the 10% of Base Rent limitation described in this section for purposes of determining whether a capital improvement project not mandated by governmental authority requires approval of Home Owners.

d. VERIFICATION OF COST - Lessor shall substantiate the amount of any item proposed to be passed-through to

Home Owner by making the following items available to inspection of any Home Owner of said Park at the offices for said Park during normal business hours:

- (1) a copy of all bills, statements, and invoices which verify the cost of each item proposed to be passed-through to Home Owner;
- (2) if insurance proceeds affect the net cost of a given item proposed to be passed-through to Home Owner, copies of the documentation received from the insurance company establishing the amount of the claim covered by said company or companies;
- (3) copies of the applicable tax bills; and
- (4) copies of relevant documents or correspondence which would tend to establish the need for the expenditure proposed to be passed-through.

e. ROLL BACK OF REIMBURSED COST - Once the cost of the item actually passed-through to Home Owner has been recovered by Lessor, Lessor agrees to remove item from monthly statement.

f. INCREASE IN DEBT SERVICE - Any increases in Debt Service of Lessor as a result of Lessor's refinancing will not be passed through to Home Owner.

8. COMPLIANCE WITH MOBILEHOME RESIDENCY LAW: This agreement is intended by Lessor and Home Owner to comply with the Mobilehome Residency Law (Sections 798-799.6 of the California Civil Code), a copy of which is attached hereto and made a part hereof.

9. PARK RULES AND REGULATIONS: The rules and regulations currently in effect and concurred in by a majority vote of Home Owners in said Park are attached hereto and made a part hereof.

10. SERVICES AND FACILITIES: Pursuant to Civil Code Section 798.15 (d), Lessor shall provide the following services and maintain the following physical improvements of said Park in good working order and condition during the term of this Agreement, as provided in Section 6 above. Normal expenses and maintenance will be considered part of base rent.

11. SPACE MAINTENANCE FEE: Pursuant to Civil Code Section 798.15 (g), Lessor may charge a reasonable fee to Home Owner for homesite maintenance in the event that Home Owner fails to maintain Home Owner's homesite in accordance with the rules and regulation of said Park provided that the notice requirements of Section 798.15 (g) have first been satisfied.

12. ZONING/USE PERMIT AND UNDERLYING LEASE: Said Park is operated as a mobilehome park pursuant to the following zoning/conditional use permit: _____

(If said Park is operating pursuant to a conditional use permit, said permit expires or is subject to renewal on _____). (If said Park is operating pursuant to an underlying lease in which Lessor is a lessee, said lease will expire on _____).

13. ASSIGNMENT OF AGREEMENT BY HOME OWNER: Home Owner may assign or transfer this Agreement to a successor Home Owner of said Park provided that said successor Home Owner has obtained Lessor's consent to the proposed purchase and sale in the manner provided in Section 798.74 of the Civil Code. In the event of such an assignment, said successor Home Owner shall have the same contractual duties and rights under this Agreement as Home Owner, including the amount of lease payment Lessor agrees that the lease payment provided in the Agreement cannot be increased upon the sale of Home Owner's mobilehome to a successor Home Owner approved by Lessor on a one time only basis. Assignment is applicable during the first two (2) years from the date of this agreement.

14. ATTORNEYS' FEES: An action arising from the terms and provisions of this Agreement or the Mobilehome Residency Law shall entitle the prevailing party to recovery of reasonable attorneys' fees and court costs.

15. SUBLETTING: Home Owner shall/shall not have the right or power to rent or to sublet the mobilehome located at the homesite without the prior written consent of Lessor.

16. BINDING EFFECT UPON LESSOR'S SUCCESSORS: This Agreement shall remain in effect in the event of the sale or transfer of said Park during the term of the Agreement to a successor lessor on a one time only basis.

17. TERMINATION BY HOME OWNER: Home Owner may elect to terminate this Agreement on sixty (60) days' written notice to such effect to Lessor if one of the following occurs:

All persons occupying the homesite leased to Home Owner by this Agreement terminate their tenancy as to said homesite and remove the mobilehome from said Park; in such event, the space shall revert to Lessor's control and Lessor may lease or rent the space to any qualifying party meeting the qualifications of residency in the Park; or

All persons occupying homesite leased to Home Owner by this Agreement terminate their tenancy as to said homesite and sell the mobilehome to another party who has been approved by Lessor for residency in said Park in accordance with the terms of this Agreement, except as provided in Section 13 as above.

18. RIGHT OF FIRST REFUSAL TO PURCHASE: In the event that Lessor determines to sell all or any part of said Park, Lessor grants to all Home Owners of said Park a right of first refusal to match the sale price terms and conditions of a sale to proposed third party purchaser within 30 days of written notice.

19. EXTENSION OR RENEWAL: Not less than six (6) months before the expiration of this Agreement, Lessor agrees to provide written notice to Home Owner of the following:

- a. Lessor's intent of whether or not Lessor intends to commence negotiations for an extension or renewal of this Agreement; and
- b. if extension or renewal of this Agreement is proposed, a statement of the lease terms which Lessor proposes for Home Owner to consider for said extension or renewal of this Agreement.

20. AMENDMENT: This Agreement may be amended, modified, or changed by the parties provided that said amendment, modification, or change is in writing and approved by both parties.

21. ENTIRE AGREEMENT: This Agreement contains the entire agreement between the parties hereto. No promise, representation, warranty, or covenant not included in the agreement has been or is relied upon by any party hereto.

22. SEVERABILITY CLAUSE: If any section or portion of this agreement is found to be invalid, such findings shall not affect the validity of the remainder of the Agreement, which shall continue in full force and effect.

23. ACKNOWLEDGMENT: Home Owner acknowledges receipt of a complete copy of this Agreement, and all attachments thereto, including but not limited to copies of:

- a. Lease Schedule; and,
- b. Rules and Regulations

Executed in duplicate on the date first above written.

HOME OWNER:

LESSOR:

PARK NAME

By: _____

EXHIBIT A

LONG-TERM LEASE SCHEDULE
SEVEN YEARS

MARKET RENT

Average rent on decontrolled spaces of like coach size and space within said park six months prior to December 31, 1984, plus prorated amount for C.P.I. from December 31, 1984 to commencement of contract agreement.

ALLOWABLE INCREASE

Maximum increases of 15% are allowed until Market Rent is achieved. Once Market Rent is achieved, future increases will be based on a combination of C.P.I. plus pass-throughs.

The annual 15% increase on sub-market rents shall not be exceeded unless that dollar amount is insufficient to meet government mandated costs.

Market Rent during lease agreement begins with aforementioned definition of Market Rent. On an annual basis, add C.P.I. and pass-throughs.

Example:	First Year	Market	=	\$ _____
	Second Year	+ C.P.I. & P.T.	=	\$ _____
	Third Year	+ C.P.I. & P.T.	=	\$ _____
	Fourth Year	+ C.P.I. & P.T.	=	\$ _____
	Fifth Year	+ C.P.I. & P.T.	=	\$ _____
	Sixth Year	+ C.P.I. & P.T.	=	\$ _____
	Seventh Year	+ C.P.I. & P.T.	=	\$ _____

EXHIBIT B

EXEMPT TRANSFERS

The following types of transfer, change in ownership, or assignment of said Park shall be exempt from the property tax pass through provided for in Section (7) "LESSOR COSTS TO BE PASSED-THROUGH TO HOME OWNER" (b) "REAL PROPERTY TAXES:"

- a. A transfer of an undivided interest in the Park between or among co-owners or affiliated entities which results in a change in the method of holding title but does not result in a change to the proportional interests held by the co-owners or affiliated entities prior to the transfer;
- b. An assignment which creates a spouse's interest or transfers a co-owner's interest between spouses;
- c. An assignment which terminates a joint tenancy, tenancy in common or a community property interest, but which is to a spouse or former spouse in connection with a property settlement agreement or decree of dissolution of a marriage or legal separation;
- d. An assignment which serves as security for the repayment of a loan from any lender, the proceeds of which are used entirely to finance the improvement of the Park, but which does not entitle the assignee to any immediate right to use, occupy, possess or receive the rents or profits from the Park for so long as the assignor makes the required periodic payments and complies with other provisions of the loan;
- e. An assignment between or among corporations and/or partnerships and/or syndications provided that the assignment does not result in a cumulative total of fifty percent (50%) or more of the equity in, beneficial use of, or legal title to the Park as an asset, or the income produced thereby, being transferred from Lessor;
- f. An assignment to create a trust, or to add to a trust established by Lessor, for the benefit of the spouse or descendants of (1) Lessor (if an individual), or (2) Lessor's principal owner or chief executive officer (if Lessor is other than an individual); provided that the assignment does not result in a cumulative total of fifty percent (50%) or more of the equity in, beneficial use of, or legal title to the Park as an asset or the income produced thereby, being transferred from Lessor;
- g. An assignment which results in the transfer of less than fifty percent (50%) cumulatively of the corporate stock of Lessor (if Lessor is a corporation);

h. Except for loans exempted by subsection d., above, an assignment of an interest in the Park which assignment, individually or cumulatively, directly results in the acquisition of funds by the assignor, which funds are used by the assignor within thirty (30) days of assignor's receipt of funds, only for the purposes of retiring the outstanding balance of the initial permanent financing;

i. An assignment or transfer of a beneficial interest in the Park resulting from devise, bequest, intestate succession or by operation of law for the benefit of the spouse or descendants of (1) Lessor (if an individual), or (2) Lessor's principal owner or chief executive officer (if Lessor is other than an individual); and,

j. Such other assignment or transfer such that the ownership interests in the Park have remained unchanged, such as a change in the legal or fictitious name of the Lessor without any other change in the equity in, beneficial use of, or legal title to the Park as an asset, or the income produced thereby.

III. SB 1352 (L. GREENE)

Senate Bill No. 1352

CHAPTER 1084

An act to add Section 798.17 to the Civil Code, relating to mobile-home parks.

[Approved by Governor September 27, 1985. Filed with Secretary of State September 27, 1985.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1352, L. Greene. Mobilehome parks: rent control.

Existing state law does not preclude governmental regulation of rents, fees, and charges in mobilehome parks, although existing provisions of the Mobilehome Residency Law contain limitations on fees and charges.

This bill would provide that specified mobilehome-park site rental agreements in excess of 12 months' duration and extensions thereof prevail over conflicting provisions in any ordinance, rule, regulation, or initiative measure adopted by a local governmental entity and limiting or restricting rent. The bill would, however, not supersede other provisions of state law.

The bill would specify that, upon expiration of a rental agreement or extension thereof subject to the bill, the last rental rate charged under the previous rental agreement shall be the base rent for purposes of applicable provisions of law concerning rent regulation. The bill also would require rental agreements entered into pursuant to the bill to contain a specified notice that the agreement would be exempt from local rent regulation.

The people of the State of California do enact as follows:

SECTION 1. Section 798.17 is added to the Civil Code, to read:

798.17. (a) Rental agreements meeting the criteria of subdivision (b) shall be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that a landlord may charge a tenant for rent. The terms of such a rental agreement shall prevail over conflicting provisions of such an ordinance, rule, regulation, or initiative measure limiting or restricting rents in mobilehome parks only during the term of the rental agreement or one or more uninterrupted, continuous extensions thereof. If the rental agreement is not extended and no new rental agreement in excess of 12 months' duration is entered into, then the last rental rate charged for the space under the previous rental agreement shall be the base rent for purposes of applicable provisions of law concerning rent regulation, if any.

The first paragraph of a rental agreement entered into pursuant

Ch. 1084

— 2 —

to this section shall contain a provision notifying the homeowner that the agreement will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local governmental entity which establishes a maximum amount that a landlord may charge a tenant for rent.

(b) Rental agreements subject to this section shall meet all of the following criteria:

(1) The rental agreement shall be in excess of 12 months' duration.

(2) The rental agreement shall be entered into between the management and a homeowner for the personal and actual residence of the homeowner.

This section does not apply to or supersede other provisions of this part or other state law.

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