

CALIFORNIA LEGISLATURE

SENATE SELECT COMMITTEE

ON

MOBILE AND MANUFACTURED HOMES

SENATOR JOSEPH L. DUNN
CHAIR

TRANSCRIPT AND REPORT OF HEARINGS ON

**MOBILEHOME PARK RENTAL AGREEMENTS
AND
LEASE PROBLEMS**



JULY 30, 1999

GARDEN GROVE, CALIFORNIA

SEPTEMBER 21, 1999

AMERICAN CANYON, CALIFORNIA

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BACKGROUND PAPER



Senate Select Committee

on

Mobile and Manufactured Homes

SENATOR JOSEPH L. DUNN
CHAIRMAN

Background Paper

Mobilehome Park Rental Agreement and Lease Problems

The rental or lease of residential real property is normally governed by a rental agreement or lease between the property owner and lessee that spells out the terms of tenancy, including the rent and the length of the tenancy.

Mobilehome Residency Law: Rental agreements also govern mobilehome park tenancies. The mobilehome owner usually owns the home but rents the space on which the home is installed in the park from the park operator/management. The Mobilehome Residency Law (MRL), Section 798 et. seq. of the Civil Code, which governs the relationship between the homeowner and the management, includes various provisions which establish requirements for mobilehome park rental agreements. See Appendix I.

Basically, the MRL requires that the park management provide a rental agreement to residents which includes the terms of tenancy, the rent, the park rules and regulations, a description of the facilities and services provided by the park during the tenancy, including any fees for services, and a statement to the effect that the management is responsible for maintenance and upkeep of the common area facilities. The MRL gives homeowners the right to a one year rental agreement, or the option to ask for a rental agreement for a lesser period of time, such as month-to-month. The MRL also provides that the homeowner and the management may agree to enter into a longer-term lease, rental agreements over one year in length that are, by state law, exempt from rent control. The MRL also requires the buyer of a mobilehome in the park to sign a rental agreement as a condition of the close of escrow on the sale of the home. The buyer shall have no rights of tenancy in the park, except under certain circumstances, if he or she has not signed a rental agreement.

History: Until a Residency Law (MRL) provision was adopted in the 1970's that provided homeowners the right to a 12 month (1 year) rental agreement or the option to ask for a rental agreement for a lesser period of time, most mobilehome parks offered only month-to-month rental agreements. In 1985, legislation was enacted which authorized park owners to offer leases in excess of 12 months that are exempt from any rent control ordinance during the term of the lease. (SB 1352 (Greene), Chapter 1084, '85).

After the "long-term" lease legislation became effective, many park owners throughout the state sought to sign-up residents on longer rent control exempt rental agreements. A crescendo of complaints from

mobilehome owners about zealous tactics of some park owners and unfair lease provisions led to legislative hearings in 1986 and attempts to repeal the “long-term” lease law. Complaints included allegations, among others, that homeowners were being “forced” to sign “long-term” leases or face eviction or large rent increases if they insisted on exercising their right to a one-year or month-to-month rental agreement. Some claimed they weren’t informed the “long-term” lease was rent control exempt, and that they could not get a copy of the lease to review it before deciding whether or not to sign it. Eventually legislation was enacted, effective in 1987, that resolved some of these problems by allowing mobilehome owners to have up to 30 days before signing a lease and permitting them to opt for a year-to-year or lesser term agreement at the same rent offered in the longer term lease (for up to one year). (SB 2141 (Greene & Craven), Chapter 1416, ’86).

However, complaints continued to be heard about unilaterally renewable leases, 5-year rental agreements with clauses which were automatically renewable at the option of the park management for two or more additional 5 year terms, and about practices of park management that required buyers or prospective homeowners to sign the “long-term” leases as a condition of tenancy without some of the protections afforded homeowners that had become effective in 1987. A number of attempts to address these issues failed, including bills introduced in 1987, 1989, 1990 and 1994, to provide prospective homeowners for purposes of the “long-term” lease with the same, or some of the same, option rights as existing homeowners in the park. Legislation was eventually enacted in 1992 prohibiting unilateral renewal clauses in mobilehome park leases entered into on or after January 1, 1993. (SB 1454 (Craven), Chapter 289).

Current Problems: Rental agreement and lease issues continue to be among the most frequent issues about which the Select Committee receives complaints. The most common include:

- Prospective Homeowners: The MRL gives mobilehome owners 30 days, from the date the “long-term” rental agreement is first offered, to accept or reject it, and 72 hours after signing it to rescind the rental agreement. If the homeowner rejects or rescinds it, the homeowner has the right to a rental agreement for 12 months or less with the same terms and rental charges as offered in the “long-term” lease for the first year. However, some operators and managers contend that a “homeowner” as defined does not include the “prospective homeowner” or buyer of a home already in the park, or in some cases does not even include a homeowner living in the park who is buying another home on another space in the park. Thus, the buyer is required to sign the longer-term rental agreement as a condition of tenancy or is otherwise unable to close escrow and is subject to possible eviction if he/she has already moved in. The buyer does not have the option of the one-year rental agreement or a lesser term tenancy, such as month-to-month, as provided in the Mobilehome Residency Law.
- Copy and Review of Lease: A number of complaints have been received by the committee to the effect that the park management will not give a copy of the rental agreement or lease to the prospective homeowner or buyer until the time the buyer actually signs the lease. Then, the buyer is asked to sign it on the spot with little time to review it, particularly if it is a document of more than a few pages. There is also no time to consult with other family members or an attorney about lease provisions which the buyer doesn’t understand. Some rental agreements are 10, 15 or more pages. In some cases, homeowners have alleged that they don’t receive a copy until more than 72 hours after they have signed it, to prevent them from rescinding it. A few have told the committee that they have never received a copy of the rental agreement, even months after they have signed it.

- Rent not Filled in or Different on Copy: Incredibly, some homeowners claim they have been prevailed upon to sign a mobilehome park rental agreement with the rent space left blank. They are given the amount verbally, but when they question the manager about filling in the blank, they are told someone higher up in management has to approve it after the homeowner has signed the rental agreement. In some cases, where they already live in the park, they are told they will face eviction if they don't sign the rental agreement. Some have told the committee that, later, when and if they receive a copy, the amount of the rent filled in is greater than what they were told by the management.
- Mandatory Arbitration: Many mobilehome park rental agreements have arbitration clauses that require homeowners to waive their right to a trial by jury in case of a dispute with the park management and instead use a binding arbitration process with an appointed judge or arbitrator presiding. The clause normally requires guests or visitors of the homeowner to be bound by arbitration, as well, in the event they have a cause of action against park. Homeowners contend that in most cases they can't sign the rental agreement without signing the arbitration clause. Some homeowners have tried crossing out the arbitration provision on the advice of an attorney, but the management will not accept the rental agreement without the signed arbitration clause. Without a rental agreement, homeowners may be told by the manager they cannot move into their homes or they will be evicted. Some leases are designed so that by signing the lease the homeowner is also signing the arbitration clause. In at least one case, a homeowner who would not sign the arbitration clause but was accepted for residency was charged an extra monthly fee for not signing the clause. Most homeowners complaining of this problem have told the committee they don't object to the concept of arbitration but don't believe it should be a mandatory condition of tenancy.
- Right of First Refusal: Upon the resale of a mobilehome in the park, many mobilehome park rental agreements have provisions which require homeowners to offer the park owner/ management the first right to purchase their mobilehome before accepting an offer from another party. Homeowners claim that park management is already in the position to veto a sale by rejecting their buyers on the basis of inability to pay the rent and charges or comply with the park rules. By being required to offer the mobilehome for sale to the park owner by virtue of the rental agreement, the park owner is in an even better position to control the sale of the home at the price management wants to pay for it.
- Park Property Homeowner's Responsibility: A number of mobilehome owners have complained to the committee about clauses in their rental agreements which provide that any plants, shrubs, trees or structures planted in or attached to the ground shall become the property of the park owner and cannot be removed by the homeowner. Yet the same rental agreement requires the homeowner to bear the cost of maintaining or removing these improvements or fixtures. Homeowners contend that the park management should not be able to have it both ways. If an improvement belongs to the park operator, they contend a lease provision should not shift the cost of maintaining it to the homeowner.

These are just some of the more frequent complaints received by the committee from mobilehome owners concerning park rental agreements. Hearing testimony may elicit additional problems.

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TRANSCRIPT OF TESTIMONY

JULY 30, 1999

**MOBILEHOME PARK RENTAL AGREEMENT
AND LEASE PROBLEMS**

**SELECT COMMITTEE ON MOBILE
AND MANUFACTURED HOMES**

SENATOR JOSEPH DUNN, CHAIRMAN

JULY 30, 1999

**GARDEN GROVE, CALIFORNIA
9 AM TO NOON**

SENATOR JOSEPH DUNN, CHAIRMAN: Good morning. My name is, as most of you are aware, is Joe Dunn. I am the chair of the Senate Select Committee on Mobile and Manufactured Homes. And welcome to our hearing here in my very own district, actually my constituents' district, here which includes part of Garden Grove. I want to make some introductory comments first, and then I'm going to have an opening comment area to frame the issues that we're looking at this morning.

But first a thank you to the city of Garden Grove particularly assistant city manager, Cathy Standiford, who I don't think is in the room right now. But she is around somewhere here. If you could please let's give a round of applause to the city of Garden Grove for all their help. (applause).

Some of you may wonder when you hear the phrase, 'select committee' what that means. Select committees in Sacramento do not hear bills. We examine issues, issues of particular importance to a particular constituency, in this case mobilehome park residents and mobilehome park owners. This select committee has been around for a number of years. It was created under the leadership of former Senator Bill Craven, who, as most of you are aware, passed away recently, and was directed under his leadership for many

years. So we are not going to be hearing any bills today for those of you wondering. We're only going to look at specific issues, and I will talk about those issues in a moment.

Usually this select committee has many more members as most of you are aware. We are on summer break as they like to call that. That's quite a misnomer. That doesn't mean we're not working. It just means we're not working in Sacramento. And the other committee members are spread around the state, and, unfortunately, tied up with other business. But because of the importance of the issue this morning, we wanted to go forward anyway, and I will take the testimony. But we have asked some members of local government to join us as well later this morning. We will have Garden Grove City Councilmember Mark Rosen join us. He's currently in a city council meeting as we speak. Westminster Mayor Frank Fry should also be joining us a little later on.

And in the audience today, we have the Mayor of Stanton, Mr. Harry Dotson, who's over here. Harry is sitting right over here. We also have with us a representative from Governor Gray Davis' office, Mike Hauben, who is sitting over here. And from Assemblymember Lou Correa's office, his chief-of-staff, Chris Leo, who is standing over by the door right over there. I'd also like to identify my staff who most of you know, Carina Franck, who is also standing by the door over there. I believe Loretta Donovan is out there as well too, who is my district office coordinator who many of you are familiar with. The person sitting to my immediate right, virtually everybody is aware of and has dealt with over the years, and that is the committee consultant, John Tennyson. And we also have the sergeant-at-arms for any of you that are going to get out of control and need to be removed, and they are Ken Oliver and Ken Johnson. They are our sergeant-at-arms here today who

have come down from Sacramento. Hopefully, I have not forgotten anybody at this point in time.

Let me talk about the issue for a moment, and then we'll get into the testimony. First of all, I think there are a limited number of the briefing papers. We may be out of them already over on the table here. We'll try and get additional copies if we do run out, but that gives you some of the background to the issue that we're going to deal with today which specifically is mobilehome park leases and rental agreements. In mobilehome parks, as is the case with most residential tenancies, residency is governed by a rental agreement or lease that spells out the rent and fees, the length, and other conditions of tenancy. Unlike other tenancies, however, mobilehome park owners own their homes, as everybody in this room knows, but rent the space in which that home is installed. This makes it difficult for the mobilehome owner to leave as he or she has to sell the mobilehome in place or move it to another park or location. And again, as everybody knows, vacant spaces in other parks are almost non-existent at this point in time.

Because mobilehome residency is unlike other tenancies, the state Legislature has recognized that mobilehome owners, to protect their investment in their homes, should have certain rights vis-à-vis their landlords that do not exist under traditional landlord/tenant law. Over the years, the Legislature has enacted and added to the Mobilehome Residency Law which provides for just cause eviction, a 90-day written notice of impending rent increases, and the right to a one-year rental agreement among other provisions. But the Residency Law also requires that a rental agreement be signed by a buyer prior to the close of escrow on the sale of the home in the park. And unless certain conditions are present, a buyer who moves in without signing a rental agreement may be an unlawful occupant.

Thus, a rental agreement in a mobilehome park is extremely important, as everybody here is well aware.

Unfortunately, in recent years we have heard from many mobilehome owners that some rental agreements are very one-sided. Sometimes buyers can't get copies of what they are to sign, can't get a copy even after signing it. Some rental agreements require buyer/residents as a condition of signing the agreement to sign waivers of park owner liability, or require them to give up their right to a jury trial. In the case of a dispute, they'd be subject to arbitration instead. Others, including existing residents in parks, contend they are not given the right to sign a one-year rental agreement but are only given the long-term lease which is, of course, exempt from local rent control. Some of these leases last as long as 20 years.

The purpose of the hearing today is to provide a forum for testimony and comment from homeowners and park owner representatives about these and other lease issues. The testimony will enable this committee to better evaluate the problems and recommend future legislation. That is the real focus here today. For any of you that are here thinking we are going to resolve issues today, unfortunately, I have to tell you we are not. We are here to hear testimony, to examine the issue which I will carry back to Sacramento in hopes of addressing problems if they exist, and address them in a way that's fair to all the parties involved.

Let me talk a little bit about the committee procedure. Actually, before I do that I want to emphasize today, particularly for the residents, there are many issues you want to address concerning residency in mobilehome parks. We are only talking about leases today. We may have other hearings across the state in the coming months and years, but with respect to those who are testifying, keep your comments limited to leases. That's what the issue is

today. I know people have issues about trees and driveways, et cetera, that I've talked to many of you about. But again, the focus today is leases, and if anybody starts to vary from that issue during testimony, I am going to bring you back and focus only on the lease issue.

As everyone knows, we have a long list of both mobilehome owner residents and park owner representatives who will be testifying today. We've spaced everybody very closely to give a balance of perspective. We'll see it bounce back and forth. We're working off the scheduled agenda, about 28 witnesses, and we'll ask each witness to come up in the order he or she appears on the agenda. When you come up to the table up front here, please state your name, the city that you live in, and who or what organization you represent if someone other than just yourself. We'll ask each witness, of course, to be concise and again on point with respect to the leases, and limit yourself to five minutes, excluding any questions or answers from myself or any other members of the committee.

If you do have copies of written information for the committee, please furnish it to the sergeant-at-arms either here or there by the door, and we'll review it as part of our examination of all the testimony today. We will have a 15-minute break about half way through, and time allowing we will allow some additional witnesses to testify. But I want to emphasize only if time allows. If you do want to testify, and you're not on the list, we will take written testimony both today and in the coming weeks if you want to write it down when you get home, and send it to us. We're happy to review written testimony as well too if you don't have an opportunity to testify today.

Again, we cannot guarantee for those who are not on the list that we'll hear you today, but we'll try as hard as we can to get that in. As you can see, the hearing is being recorded, both audio and by Comcast. And we will be

issuing a report a few weeks down the line on everything that is presented to us today. All of the witnesses that do testify and the organizations that testify will automatically receive a copy of that report. If you are not on that list and want a copy of that report, we'll let you know at the end of the hearing today how you can get a copy of that report when it is finally published. As far as videotape of today, we as the committee staff do not handle that. That is Comcast. You may obtain information about the videotape from Marilee Jackson with Comcast. I'll give you her number now, and I will do it several times throughout the hearing. Marilee can be reached at (714) 338-2027. I'd also like to extend a thank you to Comcast and all their staff for doing the recording today of our hearing.

Also I want to remind everybody we have a lot of people here today. We can hear conversations that occur at the back of the room. You probably do not want them to be recorded. If you want to engage in any conversations during the committee hearing, please if you would go outside the room and have your conversations out there. I will ask the sergeants-at-arms to roam around and keep everybody quiet if the noise level starts to rise above non-existent, if you know what I mean. So please make sure you stay quiet here and take your conversations out there.

Now, that we've set the stage for the issue, and dispensed with the procedures, we're going to start. And the way we're going to do this as I said, we're going to follow the agenda of the list of witnesses. We're going to bring everybody forward in either two or three so that we don't consistently have people moving all at the same time. So let's get started. Let's start with the first group, which I have, Ginger Jordan, Sheryl Mendoza, and Lynn Munsterman, all from Stanton. If you'd please join us at the table here.

MS. GINGER JORDAN: I'm Ginger Jordan. I live at Katella Mobilehome Estates. I actually am a southern regional director of resources for CMRAA, but I am representing myself today. And my park owner's name is Marsha Carter.

What I have to talk about today is, and I brought three things with me, and they will back up what I say. What I'm talking about is the lease that we are forced to sign when we move in. The lease, and most of you should have copy out there, and it's one of the exhibits today. And the thing that I'm going to be talking about is arbitration. I thought arbitration was voluntary, and I've read the lease, and it does say in Paragraph 6 that if you sign it, it is voluntary. But through the whole lease, it says if you sign the lease, you are forced to arbitration and that is not a choice.

In the lease when you first decide to sign it, and that's where you put your first name, and you said, "Okay, I'll take a five-year lease or a month-to-month." The lease instantly right above that line says, "By signing this agreement, you are giving up your constitutional right to have those disputes decided in a court of law before a jury and instead are accepting the use of the arbitration procedures." That is not voluntary. You have to sign a lease. There is no choice, there's no right. She took it away from us.

All the way through this lease, paragraph after paragraph says if you don't like what we do or how we do it, you have to take it to arbitration. Again, that's not crossing out and saying you don't agree to it, you don't have a choice. So I went to Paragraph 6, and I looked at it. And I decided I needed to read what Paragraph 6 is about on arbitration of disputes. Page 4 of 12, 6.1, it's the very last paragraph says, "These arbitration provisions are applicable to all members of your household, including any person who has not signed this agreement or may become a member of your household after

the date you signed this agreement.” I didn’t think they had the power to give your rights away. But it seems I do if I sign this lease.

This is on the very back page you finally get to, after 12 pages, where you sign it. Of course, you only get 15 to 20 minutes to read this. Number one, you’re not allowed to take it to your attorney because she won’t give it to you. And number two, if you can’t read English, you’re stuck. This bottom half where you get to read the ‘John Henry’, it says, “By signing this agreement, you are agreeing that those disputes which are specified in Paragraph 6 of this agreement, is entitled, *Arbitration of Disputes*, will be decided by a neutral arbitrator,” and you are giving up your rights to a jury or court trial. Again, where does it say that arbitration is voluntary. If you don’t sign this lease, you have no choice. And I feel that nobody should have the power to take your God-given rights away from you.

To back up what I just said, I have here for you, and I’ll give it to you later on, as a court case, of people that sued Marsha Carter over the lease. I just wrote down the first number, and I just took the sworn documentation inside. It’s page, after page, after page saying we weren’t given the lease. We could make it, not take it somebody who spoke English. There was no translator for us. We had less than 15, 20 minutes to read it. We didn’t know what we signed. We didn’t know what we agreed to. Over and over and over again, documentation upon documentation.

Finally, my case as a judgement, and I brought a copy for you. This is actually a judgement from Jan’s Arbitration, and I got to arbitration because I took Marsha Carter to small claims court. I felt it was my right. A park attorney appeared in small claims and said, “No, you have to go to superior court.” So I went to superior court. The attorney appeared and told the judge that my lease was up to code, and read it word by word, ten point, bold,

everything. And so the judge didn't check on it, and he gave me binding arbitration. I paid for binding arbitration. And the one thing I did when I walked into there, I said, "Your Honor, I need to prove one thing to you before I do anything else." I said, "My lease is not up to code." And he verified it and he said, "Mrs. Jordan, would you like to go to court or would you like to go to arbitration? It's your choice."

I picked arbitration, I won the case, and the judgement is here. I believe in arbitration as long as it's my choice and not theirs.

CHAIRMAN DUNN: Thank you. (applause).

MS. LYNNE MUNSTERMAN: Good morning ladies and gentleman. My name is Lynne Munsterman, and I live in Katella Mobilehome Estates, and our park owner is Marsha Carter.

Discrimination is my concern. Marsha Carter put out new leases in 1995 and told us we had to sign them. She put it in writing, but if we did not sign the lease, our next rent would be increased by 6 percent. The people who signed the agreement would pay 4 percent. We seniors in the park are on fixed incomes. We did not know which way to turn. So many people signed it, and lots of them were intimidated, harassed, and forced to sign. They had no choice. Nobody wanted to give up their rights, but the park owner told us that if we did not sign the lease immediately, that she would raise our rent every 90 days until we did. When that didn't work, she told us that every year, she would increase the rent, and she has continued to do that. Our rent increase today as our rent was increased every July is \$31 a month.

This is not even reasonable and is really considered unfair. We feel that we have a choice either to sign it or not to sign it. Does this mean that she has the right to punish us and give us a 2 percent higher increase than

those who signed the lease? I would like to add that under protest Marsha Carter had an attorney send us a threatening letter, and I have it right here for you to view. I have enough copies for all of you.

CHAIRMAN DUNN: And if you would, Ms. Munsterman, when we finish please leave it with the sergeant-at-arms, and it will get to us.

MS. MUNSTERMAN: It states that we are not allowed to talk to our neighbors or anyone moving into the park, or she would sue us for \$100,000. Isn't that fun? Marsha Carter made Hitler look like a pet poodle.

The next subject, how she helps you sell your home or better yet, how she helps you sell her home. Our home and several others in the park are for sale. A man and his wife, and I'll give you their first name is Carlo and Rhonda. They wanted to buy a home, and I told them they needed to go up to the park office and get park approval which is no more than proper. Marsha Carter took them to some of her new and some of her older homes. She offered them \$345 a month rent for the first year to move into one of her homes. Had they bought my home, the rent would have been \$600, which are the conditions that apply today.

By her being able to lower the rent on her homes, we will never be able to sell our home. Why should Marsha care about us? She has proven to us that she will never maintain the park and is considered a public nuisance. She does nothing but harass, threaten and dictate to us. I ask you, is this fair? No.

One more item. Marsha has included her insurance on our rent. And I do not have copies, but I have them in here.

CHAIRMAN DUNN: Will you please send them to us.

MS. MUNSTERMAN: Okay, I'll do that.

But then no one said that Marsha Carter had done anything to be fair to us people. No one, and I thank you.

CHAIRMAN DUNN: Before we bring up the next panel, let me just ask the question of either you Ms. Jordan, or Ms. Munsterman. Have either one of you personally been subjected to the situation that was described as far as being “forced” to sign a lease without an opportunity to review it?

MS. JORDAN: Yes,

MS. MUNSTERMAN: Yes.

CHAIRMAN DUNN: Describe how that occurred, if you would.

MS. JORDAN: My lease, when I went to sign it, I asked to look at it. I was already in the park. I had no idea I had to sign a lease. So I’m ignorant. I was approved, and I moved in. And they told me to sign the lease immediately. So they set up a time for me to go down and I did. But prior to that I said, “Can I read it before I sign it?” She said, “I don’t have time.” And she refused to give it to me. They took about 15 minutes. Now, you not only have a 12-page lease, you also have like a 9- or 12-pages of rules and regulations. Try reading it in 15 minutes. Doesn’t work. Then she wouldn’t give it to me. It took almost three months before I got it back. I had no idea what I signed or what was in it. And I didn’t find out for, like I said, three or four months and that was upon pushing the park manager at that time to force Marsha Carter to sign the lease to get it back to me.

CHAIRMAN DUNN: And when did this occur?

MS. JORDAN: This occurred in September of 1994.

CHAIRMAN DUNN: These are long-term leases that you are talking about, over one year at the time, and you were already in the park?

MS. JORDAN: Yes. Mine was based on--she wrote down eight months, and I don’t know what eight months stood for. I mean, it’s on my

lease. It's written "eight months" where it should be "long-term." It was a month-to-month lease I agreed to.

CHAIRMAN DUNN: Okay, so you signed an eighth-month lease, but you paid her month-to-month. Not a long-term lease.

MS. JORDAN: No.

CHAIRMAN DUNN: How about you, Ma'am, you were in the park?

MS. MUNSTERMAN: We are not under that lease because we never signed it. My husband and I do not sign any paperwork of any kind from that office because we were intimidated and harassed when we first moved in there, and I said that was enough for me. So I don't sign anything.

CHAIRMAN DUNN: At the time you were asked to sign the long-term lease, do you ask for your right to a month-to-month, or year rental agreement?

MS. MUNSTERMAN: We just said, we're going month-to-month.

CHAIRMAN DUNN: Thank you. And one additional question for either one of you, particularly Ms. Jordan. Was there ever an explanation given to you on how you had to sign it with only a few minutes to view it, and why it took so long for you to get a copy of that lease?

MS. JORDAN: Number one, Mrs. Carter doesn't give you a choice. Number two, when I went to sign it, they do this. And I'm going to give you an example. And they do it on everybody. I have that documentation to prove it. What they do is they go through the lease here, and say, "This is the agreement that you're going to take month-to-month, pay the utilities, do this, and this, and this. Okay, sign here. Okay over here, back here, just a little bit. These are the services we provide, these are the facilities we provide. Okay, you agree? Right Okay. All right, it's not much other than that, and here just sign this. This is your lease, but now the rules and

regulations are what you need to obey.” So they take the next five minutes explaining the nine-page rules and regulations compared to what you just signed in this lease. It’s amazing. The rules and regulations are nothing.

CHAIRMAN DUNN: And what about an explanation for not receiving a copy for, I think you had indicated, up to 90 days. Did you ever receive an explanation?

MS. JORDAN: No, the manager just kept saying every time I called, I was really, really curious about what I signed because I was being told in the park, “You should have read your lease.” And when I called, Earlene at that time, used to say, “Marsha hasn’t signed it. She’ll get back to you when she can. Marsha hasn’t signed it.” And that’s unfortunately the same excuse that goes around today. Marsha hasn’t signed it so you don’t get it.

CHAIRMAN DUNN: Okay, all right. Thank you, you two.

And let us bring up our next two witnesses. (Applause). Hopefully, I pronounce this one correctly. Mr. Szep from Anaheim, and Gerlinde Mitchell from Westminster.

MR. BILL SZEP: Honorable Chairman, Senator Joe Dunn. Park owners and associates, manufactured homeowners and associates, fellow panel members and audience.

When a conclave is set up, normally we ask why, and what is going to get accomplished? The what is easier, the what is quite difficult. So why are we here? It is fear, just plain, old-fashioned fear. A political and civic-minded person fears his acts would be unproductive and fair to all. The manufactured park owners and associates fear all their work for all the millions of dollars they invest will not receive a return and worse, lose their businesses. The manufactured homeowners and associates fear loss of their

right to a fair, peaceful, and quiet enjoyment of their home and worse, loss of their estate and being homeless.

For everyone's consideration, I have five proposals that subtly or directly relate to leases and rents. Foremost of all that are the park owners, associates, and the affected officials vigorously trying to pressure local and state bodies, real estate entities, financial entities, and lawmakers to immediately classify mobilehomes as real estate. Thus the fear of park owners of their having their estates lost and closed would be minimized. Secondly, have all leases and contracts be a joint compromised document, and when meeting for discussion only a person with the ability by the park owner's consent to change, delete, and re-word amendments to chair the meeting.

Which lawyer here today would submit to his client a lease or contract where he had no right or input to make any clause to protect his client? For example, arbitration causes should be elective without fear of reprisal from saying "no" and without paying extra. Thirdly, the federal government aids financially troubled cities with rural housing goals. Let park owners allot 10 or 20 percent of their spaces to aid in this cause. For example, \$400 per month rents. Also if the park owner accepts HUD aid for a space of two people or a married couple, it legally should be required that he could not cancel this until the death of both parties, or the government terminates the plan. This would remove the pressure there is for retaliation by an owner threatening cessation of this aid to the aged and poor.

Fourth, to avoid discrimination and favoritism in rental charges, manufactured home buyers should be protected by a law that keeps the space rents for their home the same as the sellers until the seller's normal anniversary date. We see owners willing to aid new manufactured home

buyers so they can qualify for purchasing these homes through lower rent on their space as well as \$460 a month for three years. It signifies to all of us they are still making a profit, and the previous resident should not pay higher rents, for example \$800, but possibly a \$50 or \$60 above that figure of the new resident. This respects the dependable and older residents, an equal, equitable, fair rent and not a park with several different rent charges, especially when all enjoy the same environment, entity, and services.

And fifth, to speed up and eliminate confusion and misunderstanding, the owner should be required by civil law to furnish the seller in writing a comprehensive list of all the requirements and standards to be met by buyers. Thus the owner's fear of undesirable tenants could be erased and there'd be a lot of confusion gone. Confusion is a horrible state to be in.

These five proposals if acted on by the mobilehome owners, the civic leaders and the residents would eliminate a lot of stress and fear and get better leases, better rents and result in a strong, cohesive, happy, profitable cooperative unit. Thank you. (applause).

MS. GERLINDE MITCHELL: Senator Dunn, committee, good morning. My name is Gerlinde Mitchell, and I'm a senior resident at the Mission Del Amo Mobilehome Park in Westminster. You should know my face by now as many times I've been appearing in front of you regarding mainly the increases of the rents that affect mainly the seniors in our park, which amount to 33 percent, meaning \$150 per month more for the senior citizens that are on a fixed income.

I know the agenda is about rental agreements and leases, and I'd like to address the situation in our park or better said, the rental agreements that don't exist. We don't have any. The park has been for 30 years a senior park, and it was converted through the new owners into a family park without the

six months prior notice that is required by law. The then existing rent agreements ran out from '97 to '99 depending on how long the terms were on the previous leases. Ever since then, in spite of requests for new ones, we were told they were in the works, and they would be offered as soon as they would be available. Even the newcomers, the families, that moved into the park were given the old '93 leases, where in no paragraph whatsoever it ever mentioned the fact that it is now a family park. They had to sign these leases because there were no other ones available, and when they refused them they said, "Well, you better do it or you don't move into this park."

So two years later, we are still requesting a lease agreement, all of us, and we have not been provided with them. Not the newcomers, nor the seniors in the park. Now, my question is, are we being stalled about the issuance of these rental agreements just so they can justify the increases of 38 percent in our park? Or are we just totally and hopelessly subject to their whims and greed until they get good and ready to issue us our rental agreements? Of course, I talked with Mr. Tennyson on the phone at length, and he said there are laws on the books. But if they're not adhered to, what's the use of having any laws if they only can be enforced by engaging an attorney? {Now, you figure it. These senior citizens, to hire an attorney at their rates, how can they afford one if they don't even know where the next rent check comes from, at the increases that are being suggested for us to pay as of October 1st?}

It's inconceivable to me that it would take more than two years to prepare a lease after conversion from a senior park into a family park. Which by the way, this conversion was not done asking any of the remaining residents at the time whether they would agree to it or not, which they were very much opposed to. We have rules and regulations that we signed, that

states some things and makes promises about amendments, for the children, that are going to be created. None of that has ever been done. The rules and regulations, well, we have to abide by them. We do, but park management abuses those regulations that they created by totally ignoring what's in it whenever it suits their fancy.

Meaning, for example, mobilehomes that were not supposed to be moved in like singles. Well, the first thing they did was to move single coaches in there. Then there's a law that says two by two by one, meaning two people per bedroom plus one additional person. Well, we have 10 to 15 people living in any one mobilehome. So which, of course, creates the trash, creates the increase of wear and tear on the equipment and everything else? But since we are without leases, there's really nothing we can do. How can we oppose any of those doings because we are liable to be evicted at any time. This is my concern.

CHAIRMAN DUNN: Ms. Mitchell, two questions for you, and you and I have spoken about this, but comment if you would, please. Have you been given any explanation either for the two-year delay in obtaining a lease, or an explanation for the increases in rents that you've identified?

MS. MITCHEL: I have written a letter to park management on June 21st, and to this day, I have not received any answers, nor a commitment for a meeting. I'm the president of the residents association, and if I remember right in the Civil Code, it says that they do have to answer me. Now, I finally got fed up, and I called them back, and I said, "Did you misplace my letter that I sent registered?" So the answer was given, "Well, I'm too busy, I'm involved in other court cases, and I will let you know within two weeks when I'm going to be available."

CHAIRMAN DUNN: When did that phone call occur, Ms. Mitchell?

MS. MITCHEL: Two weeks ago or longer. Two and a half weeks ago. I have not heard since.

CHAIRMAN DUNN: Okay.

MS. MITCHEL: So truthfully, I have been really making a lot of waves. Writing seven letters, eight letters to Sacramento to Senators. Must be sitting room by room next to each other. But I appreciate you hearing me, I'm anticipating your office to answer me. We were talking at one time about the ombudsman. I did not hear a word from him.

CHAIRMAN DUNN: That's why we have legislation on it.

MS. MITCHEL: I talked in front of the city council, and they are going to engage the mobilehome commission. But I have not heard how successful they have been with the park owners.

CHAIRMAN DUNN: Thank you, both of you, very much. (applause).

The next two witnesses we have are Mr. Michael Hernandez and also Mr. Gerald Lenhard.

Mr. Hernandez.

MR. MICHAEL HERNANDEZ: Good morning. Mr. Chairman, missing committee members, ladies and gentlemen of this hearing. My name is Michael Hernandez, chairman of the Hacienda Mobilehome Park resident committee and member of GSMOL. The Hacienda Mobilehome Park is a 62 and older senior park in the city of Glendora, California.

My primary purpose this morning is to provide a quick overview of some scenarios leading to the possibility of lease abuse by J & H Asset Property Management Company, Inc. of Yorba Linda, California.

CHAIRMAN DUNN: The company you just identified, they are--...

MR. HERNANDEZ: That is the management company of the Hacienda Mobilehome Park.

I have submitted quite a package of documents to you that have details for far more than I'm going to cover today. The list is too long. Basically, the scenario in our park is that first-time home buyers or first-time residents to the City of Glendora are generally not introduced to the resident manager by real estate agents or by sellers. The local rent stabilization ordinance number 1642 is not disclosed before or during coach purchase negotiations.

Item number two, a credit application and park rules are given to prospective residents without mention of any rental agreement. In most cases, the California Civil Code is not given either. Number three, rental agreements are given to residents to sign at various times: a) at the possession of the coach after a cash transfer and escrow, we have documentation for that, b) while they are physically unloading the furniture and moving into their coaches, or c) at best one to two days before the close of a cash escrow.

Item number four, I'm not aware of anyone being allowed to review the rental agreements for a period of 30 days. Item number five, the resident manager strongly endorses or forces on the new tenants a pre-filled five year term. It has the one-year and so forth on it, but he fills in the blanks with five years, the entire contract is highlighted, and pointed for you to initial certain areas. The rental agreement is also headed with a statement by the management company, "When all choices are considered, a long-term agreement may be the very wise decision for homeowners who desire to continue residency in the park for several years."

Item number six, new tenants are not given copies of their contract to review, thus crippling the response to the 72-hour right of refusal, therefore causing the potential for signing away their rights. Item number seven, a letter of acceptance or any form of written acceptance is not given to the

residents before or after moving in. Item number eight, the management has agreed in writing to assign a rental agreement indicating that you would take the lease period and/or amount of rent of the prior owner of the coach, and then states that it could not be done. We have documentation for that also on one of the forms where he signed that. And number nine, the management has refused to re-negotiate an unexecuted contract. They have continued to enforce without consent to be bound to a contract that was not fully executed per California Civil Code. In our rental agreement, that's section number 46, the execution section.

As of yesterday, a gentlemen had sold his coach and the management company told the new buyers that they would not be allowed to move into the park unless they signed a five-year long-term lease agreement. They had the realtors and the homeowner and a city official call them and cause them to back down so that the individual was allowed to sign a one-year. But this is very typical. We actually have documentation from the management company that states in writing no one will be allowed in the park unless they sign a five-year agreement.

As with all problems, there's always the potential for some types of solutions or legislative suggestions. I've put a couple of these together. Number one, I believe that, being in property management myself for several years, that education is in order or some form of certification for the manager in parks with 50 or more coaches. There needs to be more clarity for the 30-day review period to allow people to review the contract even after they move into their coaches or take possession. Solution number three, an exact copy of the rental agreement such as a carbon copy or an NRC must be furnished at the time of signing. We spent two months begging the resident manager to get a copy of our contract.

Solution number four, disclose in plain language the rent control ordinance or mandate the distribution of rent control by management or to post the rent control in the manager's office, or to have the local government actually distribute these. I would like to see Item number five, HCD ombudsman or some other agency have the ability to review contracts, rules and agreement over the counter, so to speak. And also through the Department of Real Estate, perhaps enact stronger controls to avoid misrepresentation of space rent. When we moved into our coach, our realtor told us that the rent was one amount. In escrow, we had another amount prorated. The manager told us a third amount, and when we finally signed the contract. It was completely different. We got four different levels of payments.

And also if there should be consideration for the ability to level the rents, or let's say not have the margin get so far, or not have the margin get so large between space one and space two, as in our park. Shortly, we're going to have people selling their coaches next door to each other where the rents are \$350 and \$600, and the coaches are identical. The person obviously paying the \$600-a-month space rent is not able to sell his coach, and we are approximately 18 to 24 months away from that with better than 20 to 30 percent of our park.

Thank you very much. (applause).

MR. GERALD LENHARD: Good morning. I want to thank you, Senator Dunn, for having this hearing. This is the first time I've ever met you, and I'm looking forward to working with you in the future. John Tennyson, I've known John for several years. I've been to a number of these hearings before.

My name is Gerald Lenhard, and I live in a resident-owned park in Escondido, and I don't have these problems. Previously though, I lived in a rental home park. I'm a past president of the Escondido Mobilehome Positive Action Committee for ten years. I was on the board of directors of GSMOL, Congress of California Seniors, so I'm well-versed in what goes on in mobilehome parks around the state. It would take hours to speak on resident lease and other abuses statewide in mobilehome parks. And there's ample documented evidence of this from every past subcommittee hearing, every one of them.

Now, not only do mobilehome park owners abuse residents, the California Supreme Court ruled in April, 1994 that a person cannot be prosecuted for giving false testimony in arbitration. It's no wonder most parks try to force mandatory arbitration on residents in their leases. In Escondido, residents of two rental parks, brought lawsuits--this is five or six years ago--where leases were found abusive and fraudulent by a jury. Details are in a packet I provided you today, and there's also details in there that substantiate everything I say here today. In the two lawsuits won by the residents for abusive and fraudulent leases, the park owners were found guilty of fraud, malice and other lesser charges. Webster's dictionary defines malice as the intent to commit a non-lawful act or injure another without just cause or reason. And I would ask you or anyone, what kind of people are convicted of malice? The answer is malicious people.

The City of Escondido, after these two lawsuits were won by the residents, the City of Escondido filed lawsuits against four park owners for these leases. And those four park owners got the message, tore up the leases, and renegotiated other leases or rental agreements with the residents. The park owner attorneys--one of the most famous park owner attorneys, who's

not around any more, used to put out a newsletter every month or every couple of months. And in one of the newsletters of which I have copy at home--I didn't put it in the packet because I couldn't find it, but I can if you want it.

CHAIRMAN DUNN: If you would please send it.

MR. LENHARD: I will. In that newsletter, he advises park owners, don't return the signed lease for 72 hours. I don't have to tell you why that's in there.

So this is not some kind of an accident.

CHAIRMAN DUNN: Why is it there?

MR. LENHARD: Well, it's there because state law, I think, says you've got 72 hours to tear it up. So the park owner attorneys advise them, "Here's how you get around the law." And they send out newsletters advising them. When you pass a law after hearings like this, and you spend a year to get a law drafted and passed, and when it finally gets passed, five minutes later these attorneys are on the phones all over the state saying, "Here's how you get around this law that just passed."

Now, I would like to make four recommendations here that I think would solve all these problems. One is, and please don't scream, do away with rental mobilehome parks. They're a public nuisance. They spread misery year after year. As John Tennyson can relate, we discussed this with Senator Craven and John several years ago. These parks can and should be converted to resident or other ownership. Now, this is not some crazy idea. Two states already mandate sale to residents at fair-appraised value. It's documented in the information I gave you.

CHAIRMAN DUNN: Only two states? I have not seen your--

MR. LENHARD: One of them is Florida, I don't know which the other one is. There's a book in there of a study done nationwide by AARP, and it's in there. And I've got it highlighted in there.

Number two, residents should have the right of first refusal. Several states already have such mobilehome laws. Most states already have right of first refusal laws for apartment dwellers when a complex is "condominiumized." These people deserve no less. Apartment owners have no investment in their housing. Mobilehome residents not only own their housing, but must maintain it and also maintain the park owner space at resident expense. It's been proven in court that residents have \$3 invested in the park for every \$1 the park owner has invested. Let's protect the property rights of the majority.

Number three, we could pass statewide rent control. In 1991, Assemblyman Tom Umberg, I think from your district, proposed such a bill, and it failed by one vote. It can and should be passed now. This would start the Millennium by reviving justice for all and not justice for some. Four, we could put residency laws--and I think this is really important. This would solve problems real quick. Put residency laws under the Criminal Code instead of the Civil Code. This would allow equal justice. Most park owners ignore these laws usually on the advice of their attorneys, knowing fully residents can't afford to go to court. The truth is most residents are terrified, as they fear retaliatory eviction, which to them might be living in the streets as the homeless. Under the Criminal Code, it would bring in the district attorney's office and jail time, which is way over due.

In closing, I have seen hundreds of mobilehome leases, I've testified in court trials, and I believe most of them are adhesion leases under California law. Most of them are, if you read them. In my opinion, residents win

approximately 90 percent of suits when they sue park owners. However, park owners know their abusive tactics scare seniors and the elderly from filing suits. As long as they are allowed to continue these tactics, nothing will change. Personally, I moved from this mess nine years ago by moving to a resident-owned park. I pay \$100 a month to live in a beautiful park, and my rent won't go up unless I okay it. I have no abusive rules and regulations. Again, I urge you to start meeting with resident representatives in your district to discuss an end to this on-going abuse. We can document everything we say here today. We have solutions, not more rhetoric. Thank you. (applause).

CHAIRMAN DUNN: Let me ask you a question I've asked some of the previous witnesses. You identified a problem, as far as the time to sign the lease, the opportunity to view the rental agreement, et cetera. Has an explanation ever been given as to why, for example, an opportunity to review the rental agreement ahead of time has not been given to potential residents of the mobilehome park where you live?

MR. LENHARD: In most cases, there's no particular explanation other than the resident manager is off for a couple of days, he was busy, he'll be at his office later. You just get empty answers.

CHAIRMAN DUNN: Okay, has it been standard for all potential new residents or does this happen to some, doesn't happen to others?

MR. LENHARD: I'm probably best aware of maybe 60 to 70 percent of the people are just generally avoided.

CHAIRMAN DUNN: Okay, and no explanation to this day?

MR. LENHARD: No.

CHAIRMAN DUNN: Okay. Mr. Lenhard, a quick history, if you would share with us please. I think you identified that your park is resident-owned.

MR. LENHARD: Yes, sir.

CHAIRMAN DUNN: When did that occur, and what led to it?

MR. LENHARD: Well, it's always been a resident-owned park, and I moved in a rental park. I was there three months, and then I woke up one day, and said, "What am I crazy, I spent all this money, and this guy can triple my rent?" So I went to work and joined an organization called, EMPAC, in Escondido, and we got rent control and everything, code enforcement. And we stopped all this nasty lease stuff in Escondido because we had a city council that doesn't allow the seniors to be abused.

CHAIRMAN DUNN: What year?

MR. LENHARD: In 1988 rent control passed.

CHAIRMAN DUNN: Okay, thank you, the two of you. (applause).

Okay, we're going to shift at this point and have some of the park owner representatives. Now, I want to make a cautionary comment that I should have made earlier. Obviously, there's going to be different views and perspectives offered throughout the morning. Some you will agree with, some you don't agree with. But please keep your thoughts to yourself as we go through all of this. And every witness is to be treated with appropriate respect. So please bear that in mind.

Okay, we want to turn to Elaine Alstin and Greg Beam at this time. Ms. Alstin, if you would like to begin.

MS. ELAINE ALSTIN: My name is Elaine Alstin, and I've been practicing law for approximately 11 years, six plus years have been primarily--the bulk of my representation has been--for mobilehome park

owners. The firm I'm with has been practicing in this area for about 24 years. We have written a number of long-term leases, and a number of rental agreements.

The long-term leases as a general rule are negotiated documents in which there's a compromise taking place. They usually result in bringing certainty for a period of years in an uncertain world. In other words, the landlord is, in deciding what type of rental increases to place in that agreement, will take a look at what they think the market will do and the tenant, in deciding whether they wish to sign a long-term lease, is banking on the opposite result, that the increases are going to be much higher. So the result is that in a long-term lease the rental rates will have a formula that is usually somewhat less than what would be the consumer price index. Usually it's 8 percent of the consumer price index. And it rises.

Those people who are on a month-to-month rental agreement usually end up each year with a rental increase based upon the cost to the community as the total consumer price index plus other costs. For example, if a vendor cost to a park owner rises \$25 a week, then that in a 100-space park would result in a \$1 increase to each tenant in the mobilehome park the next year. If the park has eight or nine vendors that each raise their rates \$25 a week, then that would increase the rate to a park tenant \$8, or \$9, maybe \$10 over a period of time. In the long-term leases, usually it has a rate that's much lower than that. They're usually a compromise.

Now, I would like to address some of the problems that were noticed and most of those are absolutely counter to the advice that my firm has been giving for 24 years. The advice is to give anybody who asks or expresses any interest in moving into a park a copy of a rental agreement so they can review it, and a copy of the rules and regulations. That's the only way

somebody can intelligently decide if they want to move into the park. That's the best way for a landlord to make sure they're going to have people who want to abide by the rules and regulations, and who are willing to live there.

Unfortunately, what happens, as your problem was identified, is a number of people move into a mobilehome park, they purchase a home, and move in. They don't go talk to management. They don't take a look at the rules and regulations. They don't get a copy of a rental agreement ahead of time. Why, because they don't go talk to management and tell them they're moving in. They must know when they enter a mobilehome park and when they're purchasing the mobilehome from the person who owns the mobilehome, that person doesn't own the land, that it's leased land. So what they are not doing, is not coming and saying, "I want to move in, what are the terms, what are the conditions?" They show up at the park later and say, "I'm here." Then they're given the rental agreements, and then they're upset because they're not sure they like the terms in the rental agreement. Unfortunately, once they're already in the park, and they've purchased a home, it's a little late really to start negotiating very firmly with the landlord. They're already there.

We always advise to give a copy of the rental agreement as soon as it is executed. I can think of only a few times when this might change, if a Xerox machine is broken, if they don't have a carbon copy of it. But I can't think of any depositions that I've taken over the time where people have ever admitted not giving the rental agreement at the same time that they're signed. I am not aware of that as being a problem.

I can't imagine that any park owner, any manager would ever encourage a resident to sign a rental agreement without a blank completed for the amount of rent. I am sure that the tenants probably have blank

copies just as we've seen blank copies here that have been handed out. Those blank copies are usually given to residents when they say, "I'm interested in purchasing a home in this park. May I see the rental agreement?" They're given one. No, there's not a rent amount in there mainly because there's very, very different variances according to how much the rent might be in a park. If you're on a single space, maybe at the front of the park, far away from the clubhouse, that rent may be one amount. If you've got an extra large lot, you're at the back of the park on a triple-wide space, that may be a different rate. So no, the standard rental agreement that the park manager will have for people to look at is to see what the general terms are. Those will not generally contain an amount of rent. But when a person's going through escrow and has purchased a home, at that time there should be, and I cannot imagine a time when there would not be a rental amount in there.

I also want to address several of the terms that have been argued as being a problem for residents. One is the right of first refusal. That has been touted as a way for park owners to control the pricing of a home. That's not the case. The park owners have an obligation to accept anybody who based on prior tenancy shows at least that they're not going to disobey the rules and regulations, and that they have the financial wherewithal. They're subject to numerous lawsuits if they don't approve somebody. Those are the only ways they can reject. But what it gives the park owner the ability to do--and in our market of several years ago we saw it dramatically--was the housing market fell, and mobilehome tenants weren't able to sell their mobilehomes. And a few dealers were coming in offering them \$1000 or even less for their mobilehomes, and the dealer was pulling the mobilehome out of the park and sending it down to Mexico. This was in a time when the park was able to say to the people, "We'll buy your home, and we'll leave it in this park." That

keeps the value for the rest of the people who are living in the park with a home. Because a vacant space in a park decreases the value.

It is also a point in time when a mobilehome park owner can purchase a home for the same amount that somebody else would buy it. And if that home is in disrepair remove that home and buy and bring in a brand new home or allow somebody to bring in a newer mobilehome, which will upgrade the mobilehome park which and will then increase the value to all those that are living in the park.

Thank you.

MR. GREG BEAM: Good morning, my name is Greg Beam. I'm an attorney who's been practicing in this area for over 15 years. I've practiced at another law firm before starting my own law firm. That firm also concentrates on representing mobilehome park owners.

Unlike some of the attorneys in the industry, my practice is not limited solely to representation of mobilehome park owners. My firm is geared towards representing businesses in general, from small to medium size. I have never seen any industry that is as highly regulated as the mobilehome park industry is. I think everyone in this room can attest to the fact that the Mobilehome Residency Law is changed every single year. In over 15 years, I've never seen one year go by that there wasn't more legislation what started off as a document that maybe was four pages long is now ten, or 11 or 12 pages long, small print.

As is obvious, this is an area that involves a complex mix of both personal and real property rights. Both sides' rights have to be respected. The issues that we're talking about here today, and the stories that are being told, I think, are anecdotal and are not based on a comprehensive study of any kind. And I think it's important to keep that in mind. For instance,

when I hear that the lawyers in the industry in this state get together and immediately call their clients up and tell them how to circumvent a law, that's not true. I've never advised my clients in any way, shape, or form of how to go around circumventing laws like the Mobilehome Residency Law.

I represent numerous park owners and operators from individuals who own maybe one park to management companies that manage or own 30 or 40 mobilehome parks. My practice involves representing over 100 mobilehome parks primarily from Santa Barbara county south to Imperial county, San Diego county and east. I want to just speak to a couple of the issues that were raised in the materials that were sent out before. I would echo Ms. Alstin's comments about the issues of long-term leases. There were times in the past when parks were sold as they continue to be sold, hands change, and there were some people who came in and started raising rents by large amounts.

The certainty that is there for the long-term lease cuts both ways. Not only does the park owner know that he is going to get a certain amount of rent, and he's going to get his capital improvements paid for, et cetera, but the resident has benefits as well. The resident isn't going to be subject to a change of ownership. He's not going to be subject to willy-nilly arbitrary rent increases. The rent increases are defined, they're set out and they're set for a certain period of time. So the concept of being forced, supposedly, to sign a long-term rent agreement to the disadvantage completely of the resident and solely to the advantage of the landlord, I think, is erroneous. Similarly the arbitration clause that many leases have--I'm not aware, I've never heard of anybody that I represent telling people, "Take it or leave it." The leases that we prepare, the leases I've seen other offices prepare have a spot where it's to be initialed.

As an attorney, Senator Dunn, I'm sure you're aware of the strong feelings that the judiciary has for arbitration clauses. Arbitration clauses are encouraged by the Legislature and by the judiciary. They are enforced, they are an equitable, quick, and fairly cheap way to get issues resolved. Orange County, I think, leads the way in the state for being able to get cases to trial in the judicial system quickly. Quick being defined as within one year from the date of filing in superior court. If you're in Los Angeles county and you file a lawsuit, you could be there for years. Still three to four years to get a trial date in Los Angeles county. San Diego is about the same as Orange county, but it varies throughout the state. Arbitration clauses are not necessarily bad things for everybody.

The issue of how long you have to review a lease, and to reject a lease. I heard one speaker suggest that people should be able to have 30 days including a time period after they've moved into the mobilehome park. That is absolutely unworkable. The only time that a resident has to sign anything is when they're applying for tenancy. They have to give the landlord sufficient data to be able to be checked out, to see if they have the financial wherewithal to pay rent, to see if they've lived in other places and been a problem there. As Ms. Alstin said there's only two grounds to deny a residency application, financial inability to pay and based on prior tenancies reasonable belief that the resident or applicant won't abide by rules and regulations.

Mobilehome living is not for everybody. It's not like an apartment, where you move into the apartment. If you don't like the neighbor next door, they're too loud, they play their stereo too late at night, their kids are brats, they're terrorizing your kids, you move out. Residents make an investment in that park, they make an investment in their home, and they're going to be

there for a while hopefully. That's why there are rules and regulations that help everybody get along, hopefully. Now, if you don't have somebody who signs a contract before they move in, and who says, "I understand what I'm going to be abiding by, and I'm going to live up to these rules and regulations," then you have no way of enforcing that later down stream. That's why there's a provision of the Residency Law that says if you move in without having signed a rental agreement, absent certain other criteria, you're considered an unlawful occupant, you get a five-day notice, and you'll be evicted.

That's all I have to say.

CHAIRMAN DUNN: Okay, a few questions for both of you. I understand, Mr. Beam, that you stated that you've heard only anecdotal evidence and you would like a comprehensive study. That's what this is all about, that's what anecdotal evidence is as you well know as an attorney. It starts that examination and that's why we're here today. And I don't think we can dismiss that anecdotal evidence. I don't think you're suggesting that we do so. And I'm suspecting I'm hearing some agreement from actually both of you, Mr. Beam and Ms. Alstin, that if in fact there is a landlord that is out there demanding a 'take or leave it' arbitration clause, that there's legally no basis to do that. Would you agree with that?

MR. BEAM: I'm not ready to commit that it's not completely legal.

CHAIRMAN DUNN: That's what my fear was. Certainly you would agree that a potential new resident should have a reasonable opportunity, however we define reasonable, to review the lease prior to signing that lease.

MR. BEAM: Absolutely, and I don't know of anybody who doesn't allow that. I would also point out that--

CHAIRMAN DUNN: Hold on everybody.

MR. BEAM: I said I didn't know. I'm not saying there's nobody out there. But I would also point out that there are many other types of contracts in this world that people sign that have arbitration clauses in them. I would also point out there are many types of contracts that people sign that it's either 'take it or leave it.' And I can't hear anybody here today saying, "I only have one choice and one mobilehome park that I'm going to move into because that's the only one available." The economy goes up, the economy goes down. At the beginning of this decade there were many, many mobilehome parks that had many, many vacancies. The prices of the mobilehome parks went down. Prices of housing went down. People couldn't sell their mobilehomes for what they paid for them, and many of us who don't live in mobilehome parks went through the same thing.

There are no guarantees in this life.

CHAIRMAN DUNN: I don't think anybody's suggesting there is, Mr. Beam. Let me go back to the original question about--we all agree that there should be a reasonable opportunity to review a lease agreement prior to signing. You've been in this field for a while, Mr. Beam, as you have Ms. Alstin, how do we define it? From your experience, what do you consider to be a reasonable amount of time?

MS. ALSTIN: I think that 30 days, the 72 hours, makes sense. I think that the important factor is that for a brand new person who's moving into a mobilehome park that they not move in during that review period. That they review the agreement, get it set in the terms that they want, that they're willing to abide by. If it has arbitration, that they either negotiate and say, "I don't want it." And if somebody's trying to force it on them, they can move down the road. But they not move in, that they not purchase a mobilehome

until they're satisfied that the ground lease in the mobilehome park that they're going to move into is what they can live with.

And as I understand and my experience, and my advice to all my clients is to give anybody who expresses any interest whatsoever in a mobilehome to hand them a copy of all the park documents to say, "This is what you would be living under if you move into this community." Every mobilehome park that I have ever been into--and I've been into a lot of them around the state--have a sign, and it says, "Before purchasing a mobilehome, talk to the park management. See park management before purchasing a home." And at that time, my advice to all my clients is to give them complete copies so they can read and review it.

CHAIRMAN DUNN: And so if we accept some of the testimony we heard this morning about some of the parks where they can't get a copy of the lease, certainly that would be counter to your advice to any of your clients.

MS. ALSTIN: Absolutely,

CHAIRMAN DUNN: Mr. Beam.

MR. BEAM: I agree completely, and let me also point out a couple of other things. One is that the sales can take place in a number of ways. You have an existing resident who lists their home for sale and sells it through an agent or on their own. You have repossessions where the people that are buying are dealing with a bank. You have dealers who are involved and the people have moved out of the home and the buyer is dealing only with the dealer, or they're dealing with the dealer and the current resident. My point being that anyone of those sources typically can get you a copy of the rental agreement that was in effect for the current resident.

If you have a problem with the manager giving you a copy of a rental agreement that they want you to sign ahead of time, I would think that that

would set off warning bells. Nobody is prohibiting anybody from going up to other people in the park, it's not the norm, but you can knock on the door and say, "What do you think about living here." It's called doing a little bit of due diligence before you enter into a contract as important as one of where are you going to be living for the 'x' number of years.

CHAIRMAN DUNN: I don't think anybody disputes the due diligence that is required for all of us in any transaction. The question is, whether we can, in fact, hear and accept some of the testimony this morning, whether we do have some park owners that are not fulfilling their obligation of delivering those documents and also having provisions in the leases that shouldn't be there.

Let me just end with one other question for both of you. A suggestion was made by one of the earlier witnesses that perhaps part of the problem, not the complete problem, but part of the problem may be a lack of good communication between manager and potential resident, and that perhaps there should be a certification process or an education process for managers prior to accepting that role in a given park. How do the two of you feel about such a proposal?

MS. ALSTIN: I know that there's an organization called Western Mobilehome Association which is basically a park owners association which goes through and does do a certification-type program for park managers and has sessions where I have spoken. I know Mr. Beam has spoken at those in instructing park managers on what needs to be done. I'm not sure that an absolute license from the state should be required, but I certainly think that educational provisions should be provided. I think that getting people educated who are park managers is an important area.

CHAIRMAN DUNN: Well, why not make them mandatory? I mean, let's say we don't issue state license but require 'x' number of hours of education for a manager as a means of alleviating some of the communication problems that result at times, perhaps in some of the circumstances we've heard about already this morning. Would you be opposed to a mandatory education hour level for managers?

MS. ALSTIN: I don't believe I would.

MR. BEAM: I'm not opposed to it, and I would point out that there are voluntary organizations, trade organizations, that many mobilehome park owners belong to, but not all. And there are many managers who are very conscientious and want to learn more about doing the job. They voluntarily give up their time on weekends, and during the week to come down and listen to various speakers. The speakers typically involved are attorneys as well as members of management companies who have a broader experience than individual park managers or owners may have.

But you have to keep in mind that if you're going to impose some kind of requirements for training, for licensing that somebody has to pay for that. And what I hear most people saying is, "I don't want my rent to be any higher." You can't impose ever-increasing costs on landlords and park owners without expecting them to look for ways to pass those costs through.

CHAIRMAN DUNN: The only response I would say to that, Mr. Beam, and I think you're well aware of this, if it is the amount of dollars it takes to educate--the good managers that already seek out that training, I don't think you have a problem. They're the solution. We're after those who may not be so good in their positions. And if we can educate them and have actually a better performance at that level, it may in the long run be a

savings of a heck of a lot of dollars. But I think you know what I'm talking about.

MR. BEAM: Oh, I would agree. And as I said earlier, you change the law every day, you know, you can call this the lawyers' full employment act. Most people in the industry realize that it's a very difficult and chancy proposition to try and run a mobilehome park without getting competent legal advice.

CHAIRMAN DUNN: Understood. Thank you, the two of you. Let us move on to the next three, Robert Coldren, Terry Dowdall, and Chelu Travieso.

MR. ROBERT COLDREN: Yes, good morning. I'll make my prepared remarks very brief because in fact they're not prepared. I'm late arriving today. I am a little bit familiar with the general issues you're here to discuss today--

CHAIRMAN DUNN: Would you identify yourself, please?

MR. COLDREN: Yes, my name is Robert Coldren. I'm an attorney with the law firm of Hart, King & Coldren. I've been practicing in the mobilehome park law area for about 20 years. I represent a number of park owners, and I'm active in the trade association for the park owners, the Western Mobilehome Association.

I do apologize for being late. I was detained, and then I had a hard time finding this spot. I do understand that the purpose of today's hearing is to discuss certain lease practices. I would simply like to indicate, number one, that I believe that residents and homeowners, and prospective homeowners should be provided with all the relevant residency documents and should be given ample opportunity and adequate opportunity to consider

them, to consult with advisors of their own choosing if they desire before entering into them.

So to the extent there is any indication that there may be practices in this industry that amount to providing a prospective homeowner with an inadequate opportunity to understand what they're executing, I think that that would be completely inappropriate, and I think that park owners should provide that opportunity. I don't think that any homeowner should be involuntarily required to enter into an arbitration provision at all. I think that it ought to be a matter of choice and contract between the homeowner and the park owner. And in my experience, I think that's the way it works in the industry. We have in the Mobilehome Residency Law a comprehensive scheme that I've seen grow from a page and a half back in the late 70s. I think now the Mobilehome Residency Law covers eight or ten pages, front and back, and I think that that code section and provisions provide for significant protections. Civil Code 798.17, and Civil Code 798.18 spell out a clear, statutory scheme for the offering of long-term leases.

I personally feel that long-term leases are a big answer to the industry as a whole. I think it's high time that the acrimonious, adversarial perception between certain homeowners in certain communities and community owners needs to be dissipated. We need to do what we can do to make this a true community environment that's good for the landlord and good for the homeowner as well. And I think one of the main ways to do that is with long-term leases so that we can take these issues out of the hands of government which has, I think, better things to do than to regulate day-to-day contact in these housing environments. I think that homeowners and park owners should be allowed to solve their own problems in their own ways. And that involves long-term leases.

Frankly, I am somewhat shocked that the other trade association, Golden State Mobilehome Owners League, I understand, has of late been recommending and advising that residents not sign long-term leases. Because I view long-term leases as part of the solution, not part of the problem.

I hope that that at least touches upon some of the concerns that the committee is investigating.

MS. CHELU TRAVIESO: Thank you, Rob. My name is Chelu Travieso, and I'm here representing the California Mobilehome Parks Owners Alliance. I'm vice-president of that association, and we represent tens of thousands of mobilehome spaces throughout the state. I'm also on the executive board of the Manufactured Housing and Educational Trust, (MHET), who represents mobilehome park owners in Orange county, Riverside, and San Bernardino. I am the president of Mobile Community Management Company, and I represent approximately 4,500 spaces throughout the state.

I have to say that we will probably agree with the notion that, perhaps, some mobilehome park owners may have violated the law. However, I think that if they did so, they might have done so intentionally, or unintentionally. Sometimes the laws are not totally clear. I listened to everybody express their concerns, and I personally am representing the association that believes that long-term leases create stability for the owners, especially. I listened to the lady from Orange county who said she cannot get a lease.

We have experienced with some of the cities who have been faced with having to enact rent control, and they use the long-term lease as a vehicle to achieve peace between the residents and the mobilehome owner, and it has been successful. There have been some cities that, when they have enacted

their rent control ordinance for example, they have said if the majority of the residents on that particular park would sign long-term leases, then that particular park would be exempt from rent controls. So it gives cities an ability to choose for the landlord and the residents to work out their own scenario.

Personally, I would like to share how I feel about government control and federal regulations in our business. I have a small interest in mobilehome parks as well, and I'm not a native American. In my native country, I think, I experienced a lot of change in my life due to government regulation, as I call it, an excessive government regulation. But as a child, I saw and my family experienced the cry of the middle class, the complainers in middle class saying we want more government protection, we want more government protection.

First our land was regulated, those who did own it. My family did. They regulated who could own it, how much you can own, and what you could use it for. Next, that was not enough. The income property, if you had some, was also regulated. How much you can rent, to whom, and the occupancy. To make a long story short. More regulation came with time. We had to flee our country because of the excessive government regulation. I grew up in Mexico, and I came to the United States in 1968. I was very lucky. I had freedom here, and I really, really, personally oppose any kind of price controls on businesses which I feel that was the way perhaps this meeting is going. And that's with Mr. Lenhard saying what we need is rent control. I don't think that's really what we need. We see that as very anti-business and bad for California.

CHAIRMAN DUNN: Okay, a few questions for you. First, a response to your plea regarding regulation. I don't think there's anybody in the room

that's in favor of government regulation. It only steps in when there's a real problem that seems to be that's the only solution. If we can find another solution, I'm with you. But where's it's necessary to resolve a problem, obviously it's done. So let me, use that as a premise to follow up with a question. If in fact we can establish that there are some park owners, for example, in the organization that you represent, that are not doing what they should be doing, such as providing the ample opportunity to review, demanding arbitration clauses, is your organization willing to undertake some disciplinary steps to address the problem within your own industry?

MS. TRAVIESO: I think it may be constructive if a task force was formed whereby, perhaps, some of these problems would be aired from experts from both sides of the industry. And they can perhaps say, "This is my problem, and this is what happened." And see if we can get it resolved. We think in our groups that would be very helpful.

CHAIRMAN DUNN: Okay. Well, let me follow up then because being the new chair of this committee, I understand that concerns over the leases and potential abuses--let me just put it in neutral fashion here--is not a new issue. It's a fairly long-standing issue. Has your organization or any other industry organization done anything to zero in on the problem? Because I agree with you when it comes to avoiding having the elected officials step in and solve a problem, that's the better route. I don't think anyone disagrees with that. So I need to know what is the industry doing to investigate whether in fact there's a problem? You've already heard some of the testimony. Certainly we have witnesses in the room today that suggest there is a problem. What is the industry doing itself to see if there is a problem, and if there is to resolve it itself?

MS. TRAVIESO: I can only speak from my personal experience in my involvement with the Manufactured Housing Educational Trust in this county, that is very active. And we have even enacted a policy whereby we have posted phone numbers that the individual residents can call and express their concerns. And we follow through to find out what their concerns are and try to contact--and we usually do contact the park owner and say this particular resident has this problem, you need to work with them. If we find that perhaps he or she is not totally aware of the law, we recommend that they consult with legal counsel.

CHAIRMAN DUNN: Are you willing to take it even further? Because, again, if we could wrap up today and all walk away knowing that the industry will investigate and resolve these problems, it would require, if there is some misbehaving, so to speak, if I can phrase it that way, it would require some significant pressure from those who are complying with all the rules and regulations to force the other owners to behave themselves. Is the industry willing to do that? It's more a rhetorical question to be honest with you, Ms. Travieso, but it's one of the reasons that we're here today because I think there's a sense there is nothing being done about potential--we're trying to find out if there's a real problem--that nothing's being done within the industry to resolve that problem.

Mr. Coldren, let me turn to you for a second. From your perspective as a lawyer in this arena, would you have any objection to requiring that in each of the leases, where there is an arbitration clause in that lease, a special signature line for that clause that identifies that you, the potential tenant, has the right to decline this paragraph. Would you have a problem with that phrase being inserted in every lease that has an arbitration clause in it?

MR. COLDREN: Well, setting aside for a moment my disdain for additional government regulation, which I think Chelu has adequately addressed, I always am in favor of disclosure. And I think that, absolutely, arbitration clauses should always be conspicuous. They should always be bold printed. Many park owners I know even contain them on separate documents. In other words, as opposed to putting them in a lease document themselves, they put them in a separate document. And I agree that no resident or homeowner should ever be required to sign anything involuntarily. I will tell you I would simply like to observe that one of the protections that your Legislature has already provided to these residents is the opportunity to not sign anything.

I'm not sure whether it's been raised today or not, but my understanding of the law is that once a resident has taken up residency in a mobilehome park, once a homeowner is there, and absent some contract to the contrary, the law basically doesn't require the homeowner to ever again sign anything. So I'm a little perplexed by this whole notion of forced arbitration provisions. I recognize I'm coming into this hearing a little bit late, but I think a review of the MRL will reflect that an existing homeowner is not required to sign anything.

CHAIRMAN DUNN: I don't think anybody disputes that statement. What we're trying to find out is what practices may actually be out there in the field when again we're dealing with individuals who, for the most part I suspect, do not have law degrees and have a difficult time really distinguishing between what they can and can't do. And all of a sudden we have a park representative saying, "Here, please sign this." That's really what we're looking at. But from a pure theoretical side, I don't think anybody disputes your statement.

Thank you, both of you, for your testimony this morning.

We're going to move on and bring up our next panel which is three individuals, Mr. Tim Sheahan, Mr. Dave Hennessy, Mr. Bruce Stanton. And after this panel testifies, we will take a short break so you can either use the rest room or get recharged on coffee.

MR. TIM SHEAHAN: Good morning, gentlemen. My name is Tim Sheahan. I reside in Bella Vista Mobile Estates, located in San Marcos and that is in San Diego county. I'm currently president of my park homeowner association, president of the San Marcos Mobilehome Residents Association, and a vice-president of the County Mobilehome Positive Action Committee. And if I might interject right now, I want to mention that I'm a bit disappointed that Mr. Dowdall was not able to show up today. He's well known in San Marcos because he's a representative of owners that have sued the city over the past two grant review hearings. And this last year he tried to represent a park owner that tried to impose a \$155 rent increase, that equated to a 66 percent increase in the rent for a park in our city for residents that had had increases and agreed each of the last ten years prior to that to reach a compromise on the rents with the owner to avoid a rent hearing.

I come before you today to report on lease abuses and to suggest possible solutions. On one side of the poster before you are the scales of justice. On the other side are two heavyweights of the WMPA, also known as the WMA, for Sir Michael Walters, an attorney who represents the owners of around 200 mobilehome parks statewide, and Sir John Baldwin, the owner-manager of Baldwin Pacific Corporation, which owns or manages around 15 mobilehome parks in San Diego county. Mobilehome affairs seem to be as much a game as a business. In the photograph, Sir Michael is awarding Sir

John a corporate sword in celebration of slaying the dragon of rent control in San Diego county.

The problem for homeowners is that the playing field is not level in this monopolistic situation. These gentlemen along with the vast WMPA network have created an unfair imbalance in the scales of justice. Currently, trusting and unwary prospective homeowners are expected to be able to match wits with the knowledge, power, and cunning of the WMPA when negotiating a lease. Without intervention from state and local government, the scales would surely bottom out to the benefit of greedy park owners. The current corporate mentality of park owners seems to be to try to get away with all you can until someone calls your bluff.

The attached exhibits relate to actual leases in Bella Vista, while owned and managed by Baldwin Pacific between 1988 and 1998. In the years since Baldwin Pacific bought the park, no one was allowed to move into the park unless they signed a long-term lease. And thereby Baldwin Pacific was successful in evading the provisions of the city rent control ordinance. In many of Baldwin Pacific leases, all homeowners had to agree to pay for the following: Baldwin Pacific's attorney fees in excess of \$5,000 in a year, any increase in insurance premiums, the deductible on any insurance claim, any uninsured loss including an adverse court judgement against the owner-management, and any park repairs costing more than \$5,000. They also had to waive their opportunity for a trial by jury and assume full responsibility for maintenance and improvement of their space including drainage and trees and driveways. They had to accept a duty to report any park defects or otherwise lose their right to hold the park owner responsible. And they had to sign a general release waiving the application of California Civil Code section 1542.

In addition to these unconscionable provisions, those same residents saw their rents go up over 50 percent in ten years, while others in the park who signed leases in the same year saw their rents go up less than 10 percent. At the time, one oppressed family finally moved their home out of the park in the tenth year of their lease. They were being billed over \$50 a month more than new people moving into the park. And they were paying more for their space than one resident was paying rent on a home and a space from Baldwin Pacific. New homeowners are forced to assume existing leases, yet still incur vacancy rent increases over \$150 a month in many instances.

Solutions I propose include: require park management to provide a Senate informational pamphlet along with park rules to prospective homeowners at the time their credit check begins. Rather than just showing yearly percentage increases in rent, require that long-term leases show actual year-to-year rental charges as a result of compounding the yearly percentage increases. Prohibit mandatory assumption of leases upon the sale of the home. Prohibit perpetual leases, prohibit fixed increases “or CPI whichever is greater” clause from long-term leases. Establish exemplary rent control and vacancy controls on the state level to be complimented by municipal ordinances. Allow prospective and existing homeowners to record and use as evidence any conversations with park owners and their agents. Establish easier criminal prosecution of park owners and their agents accused of being guilty of conspiracy to commit fraud, bad faith in negotiating of contracts, mental duress, or other unethical behavior. Allow piercing of the veil of corporate and attorney/client protections. Mandate a reciprocal right of first refusal. And finally abolish use of the WMA misnomer when referring to the Western Mobilehome Park Owners Association.

May I answer any questions, or do you want to wait?

CHAIRMAN DUNN: We'll go on.

MR. SHEAHAN: Thank you.

MR. DAVE HENNESSY: My name's Dave Hennessy. I'm currently the president of CMRAA, California Mobilehome Resource and Action Association. Prior to this, I was the president of another association here for residents for over six years. And for one year, I served as the national president for the United States.

I've been involved in this about 17 years. When we noticed your letter that went out to everybody about this meeting, a committee, a select thing, we took it very seriously to the point that we extracted what you had on your letters and sent it out to our members from one end of the state to the other. We're hoping that what we can present here to you is a cosmopolitan picture, and we don't want to duplicate anything that's been said here already, which we'll try to avoid. But we'll start off with this here.

This is our corporate counsel, Bruce Stanton. The reason I brought him down here to represent CMRAA is because he's in the courtroom. He sees this stuff, day in and day out. I, as you know, am on the phones, and in the office, but we felt we've got a Q and A depending on which way this stuff went, according to Hoyle, and according to the law that if you want to get it right from the horse's mouth, we brought our own corporate counsel here to discuss it with you.

Go ahead, Bruce.

MR. BRUCE STANTON: Good morning, Senator Dunn, Mr. Tennyson. My name is Bruce Stanton, and I'm here on behalf of CMRAA. I'm grateful for the chance to have this hearing today, and I'd like to just publicly on behalf of CMRAA express our condolences and regrets at the

recent passing of Senator Craven. He was a great man, and a great champion for mobilehome residents. He'll be missed, and John, you're very lucky you worked for him as long as you did.

My own personal experience in this field goes back over 15 years, many cases large and small, legislative issues. I've reviewed too many leases to ever recount the number. I've written a lease manual when I was corporate counsel for a previous residents organization that I worked with. It's hard to summarize in five or ten minutes my thoughts on this. But I can tell you from sitting in 90 depositions in one case where we fought a five-and-a-half-year legal battle against a long-term lease that the concerns expressed so far today by residents are absolutely valid. I think we have to remember that these are immobilehomes in immobilehome parks. The residents find themselves in essentially a spatial monopoly situation. They can't just pick up and leave.

We also have to be careful that we correctly paint the picture of the incoming buyer who typically signs his purchase contract before having any real touch or in-depth knowledge of what the mobilehome park owner is going to require of him or her. So that by the time that they're in the escrow process, and they finally are ushered in for the all-important park interview, they feel that they're already into something that they can't get out very easily. And I believe that some park owners, not all, but some have very effectively utilized the stress of that situation to create some of the problems that you've heard about today. As we look at the history of long-term leases, certainly when 798.17 came into law, the idea was, "let's get together." As Mr. Coldren said, "Let's get rid of the acrimony, let's get rid of the rent control balance."

But what we've really seen is park owners use the concept of long-term leases to avoid rent control. Where there is rent control, they've got a high motivation to get that lease signed. When there is no rent control, but maybe it's in the wind, they have a high motivation to get it signed so that that voice is taken away from the political forum. There is a very high motivation on their part to do this. It has nothing to do with the sort of individual relationship between them as landlord and the tenant as a customer.

In 1985, when 798.17 was enacted, I don't think anybody on the homeowners side really understood how great this motivation was to be quite frank. And that has led to some of the other protections that have come up over the years, and it's led to why we're sitting here today. The conclusion really is that most of the lease problems have emanated from that motivation, I believe, and I think, there's also some unfair business practices out there. But it kind of leaves us as residents' attorneys and CMRAA as an organization to adopt a variation of the old Will Rogers motto which is, "I never met a lease I did like."

Looking at some of the problem areas. First of all, size and complexity. You know, I looked at the leases that were here today as exhibits. They're long enough. I wish that was as long as the ones I've ever seen. But I'm showing you one here. This is just the amendment to a lease. This is from a park that Ms. Travieso, one of the owners that her management company manages. It's 22 pages long. This is just the amendment. It's important to understand that the people who walk in and are presented with these documents, don't just get the lease, they might get an amendment like this. And by the way, the arbitration clause is six pages long on this document.

CHAIRMAN DUNN: Has a copy of that been submitted, Mr. Stanton?

MR. STANTON: I will submit a copy to you.

What they also receive which is recounted on this document is typically an abstract. There might be a separate sheet that has rental information on it, and they're asked to fill out the serial number of the coach, et cetera. Then you've got the lease itself, an amendment like this, the rules and regulations, a swimming pool agreement, pet agreement with pet rules and regulations, a lot inspection report might be also attached which indicates what the condition of the lot is--and it's asking them to make certain acknowledgements that they haven't found anything that's out of code, probably which they don't even know--and a storage agreement if they have an RV or there's some storage facility where they could be using that, along with a copy of the Civil Code if they've done their job correctly. We're talking about a huge stack of documents. This is not anything that anybody without a legal education could probably decipher very quickly. And we have to remember this has now almost become a sophisticated commercial lease. I mean that's almost what it's now become.

The problem is we've already heard what mandatory clauses is exacerbated by release-type language that says you acknowledge you're releasing the owner from any claims with respect to the condition of the lot because everything is hunky-dory. The remedy here is certainly not to legislate size. We're not asking for that. But there is a remedy that could be provided.

Did you want to indicate what you think that is, Dave?

MR. HENNESSY: We think that the Mobilehome Resident Law provisions should insure in general that residents are given a fair opportunity to read, understand, and agree to the terms. As Stanton just pointed out, you've got to have a Masters degree in English to move into a mobilehome park.

MR. STANTON: The issues of leases not being available for prior review by buyers, and that's really very, very interesting and a long-contested issue. I do have to take exception to the comment made by Ms. Alstin that these are somehow, she implied, situations where the residents just move in first and the park doesn't know about it. And then by the time they come down there's nothing to negotiate because they're already there. I could count on one hand the number of clients or situations I've seen where a buyer of a mobilehome simply moves in and then tries to cement the tenancy relationship after the fact. That simply does not happen. As I believe it was Mr. Beam that pointed out, that's an unlawful occupant who could be terminated on five-days notice.

What we're talking about here is people that are being given 'take it or leave it' instructions. And I listened to 90 of my clients say virtually the same thing in depositions in the case that I mentioned. They walk in, they're sitting down, the documents are put in front of them. Even if they're not told, "You've got ten minutes to sign it," with the manager looking at his watch and pacing around, and saying, "I've got another appointment." Most of my clients in that case actually stood at a window with a little wooden platform while the manager flipped the document over and said, "Initial here, sign here." Some never touched the document. It was clearly 'take it or leave it,' and the result is residents don't know what they're signing. Rent clauses can be buried.

Right now under the present MRL, prospective purchasers are not treated the same as homeowners. That's very clear, and there are cases which have been for the past decade rendered by appellate courts, reported cases, that agree with that assessment. The current language of the Mobilehome Residency Law does not give new buyers the same protections

under 798.17 and 798.18. The question is what's the remedy? Is there a remedy?

MR. HENNESSY: CMRAA feels that the remedy, and not ramming it down anybody's throat, is to give adequate time to review so that the buyer can read or take the lease to an advisor or an attorney. A copy could easily be provided at the time the residency application packet is picked up by the buyer.

MR. STANTON: And the key to that is that typically the agent or the prospective residents themselves visit the park first. And probably when they're doing a walk through or whatever, they obtain the information at that time about how we do a credit check, what process in general we're going to have to go through. But in my experience, far too many park owners absolutely will not allow that lease out of the office at that time. They will not. And only when the resident comes back for the final signing time, do they first lay eyes on the document.

Very quickly, the issue about not getting a copy after signing. All too often that's also true. It doesn't make a lot of sense to me that a park owner can't have the facility available to copy what really only needs to be signature pages on these documents after they're signed. There should be a blank copy in numerable amounts already available. So the copying issue to me is a non-issue.

Just to give you one example. I had a case, also in a park Ms. Travieso manages, where the residents became concerned about the rent increases they were receiving, which was essentially 9 percent every year. When the fifth year came, and they were told pursuant to your long-term lease, it's now 19 percent this year, they became very concerned. And they said, "Well, you know, we don't have a copy of the lease. Perhaps you could provide us with

one.” Well, when the park owner couldn’t give them that copy, and they came to me and I intervened, within short order we had a \$7,000 rebate in their hands, and confirmation that they were covered by rent control, and not by lease.

Without the intervention of an attorney, someone who’s intimidated, shy, confused would be blindly carrying on as if they were under a lease that they never signed. That’s an issue that definitely needs to be remedied and the remedy is--

MR. HENNESSY: We’ll recommend the remedy. It’s easy. That a copy must be provided immediately upon signing. That’s as simple as can be.

MR. STANTON: And again, the 72-hour rescission period is worthless if that doesn’t happen.

Very quickly, a couple other issues. I’ve found that there’s also lease assignment fraud scenarios where you have long-term leases that have five, ten, maybe even longer terms, and they run with the land. When the home is sold, the new buyer comes in, and they’re told there is an existing lease that you must assume. I have found that in more than one park, and, unfortunately, more than a few cases, the new buyer never sees the underlying lease that they’re supposed to assume. There are so many documents literally that that goes right by them. And they literally are in the home with escrow closed before they have a clue as to what they’ve just assumed or what they’re now legally responsible for. The remedy there, I think, clearly is--

MR. HENNESSY: Underlying leases must be disclosed, number one, and provided. Very simple.

MR. STANTON: There’s also been a lot of times where residents have been confused by, and I’ll just real briefly the last two things that I had, by

rent provisions that are scattered throughout the lease. It was in vogue a few years ago to put a market catchall rent clause buried in the back of the lease that would say one month before the lease ends, we get to raise your rent to the average of the highest three rents in the park, or something like that. We think that there could be a way to insure that rent-related clauses appear together in some kind of a separate abstract or they have to be clearly defined so that there's no confusion. There are also verbal promises made to induce people to sign. I think we can strengthen 798.17(d) that prohibits rent reduction promises but says they can offer gifts. I think we can strengthen that some.

My concluding comment is this. In the five-and-a-half-year battle that I was forced to wage on behalf of my clients, it cost them \$80,000 because of what we had to go through. Most residents could never afford that. Most residents if they're not in a group can't get a ticket to the courtroom. The solution wherever possible with minimal intrusion by government where we have actual problems should be to get proper regulation so that those residents are not left without remedy.

CHAIRMAN DUNN: I thank you, Mr. Stanton. Last comment, Mr. Hennessy.

MR. HENNESSY: The last comment, Senator Joe, is this. Without legislation, *without legislation*, the courtroom's the only remedy for the residents. When he said he had to raise \$80,000, he's an attorney. I went out and raised the \$80,000 with the residents. You go through pancake breakfasts, and spaghetti dinners until they're coming out your ears. But we had to keep going for five-and-a-half-years. Now, I can't speak any more about this one particular case due to the fact that the judge said we couldn't.

But you can read between the lines. We wouldn't tell you if we didn't win, but I can't tell you that.

CHAIRMAN DUNN: You just did.

MR. HENNESSY: I just did. (laughter).

CHAIRMAN DUNN: Thank you Mr. Hennessy, Mr. Sheahan, thank you. I'm going to take a ten minute break now. (applause).

BREAK

CHAIRMAN DUNN: I need everybody to take their seats as quickly as possible. If we can get started, please--don't make me use the gavel.

Earlier this morning, I had indicated that we would be joined by Garden Grove City Councilmember, Mr. Mark Rosen. He has, in fact, done that and sitting over here to my right is Mark Rosen.

I received several questions during the break about whether we are going to be doing additional hearings around the state, kind of bring the hearing process out to the communities. We are, in fact, going to do that. The next one is scheduled for September 21st in the Santa Rosa/Napa area. We don't have a specific location, but it will be in that general area. That one's going to cover at least at this point, registration and titling problems, although we may open it up to other issues as we get closer to that point in time. For those of you who are interested in knowing when and where we hold these hearings outside of the Sacramento area, we do have a mailing list right outside the door here. Please make sure before you leave today if you want to receive notices by direct mail for these hearings throughout California, make sure you're on that mailing list.

Okay, let's get started. We're going to speed it up a little bit because we are, unfortunately and most of you have probably determined already,

way behind. So let's start right off with Terrence Ellis, Rosemary Tomai, Jim Guillon, and Andrea Forbes.

Welcome, and why don't we start with Terrence Ellis.

MR. TERRENCE ELLIS: I appreciate the opportunity to be here. I live in Rancho Paso Senior Estates in Paso Robles. It's a condo conversion community of manufactured housing, 145 units in which 30 have been sold to individuals at this point. And one man, not the original developer, owns the other 115 lots, and he is making a determined effort to keep it a mobilehome park. And it's his practices that bring me here.

I have a wonderful opening statement. That large book on the bottom is mine.

CHAIRMAN DUNN: Yes, I know.

MR. ELLIS: I'm going to leave that in there and hope that you will read it. But I wanted a part because I've heard too many things here this morning that might go off that way. I'm new to the problem. We purchased our home in 1996. I wasn't going to mention it and haven't mentioned it in most of the documentation, but I feel it's important now. I'm a retired real estate broker, and I think I'm pretty damn good in commercial and industrial leases. I got brainwashed in that in Los Angeles for a long time. So I understand the relationship between the owner and the lessee, if you would. I know who does what to whom.

But I want to mention a couple of things. Most of these things are peculiar to the circumstance I'm in. Some gentleman brought up a piece of paper, and said, "I have an amendment," and said there were 22 pages to this amendment. I took the trouble last week to count up all the documents that tenants should read when they buy a home and lease the lot in our park. And it comes to 310 pages. The public report is there, and it's for the buyer

and the lessee. It refers to the CC&Rs, there's 251 pages right there. And the guidelines, the documents you have to sign, and the six-page lease. That doesn't include the Mobilehome Residency Law, which is another several pages that everybody gets and very few people read, really. That's the first count.

The second one is that I think a plain English lease, particularly from my experience, a plain English lease can be written, and it doesn't take six pages. For my part, I think most of these people are seniors, I'm impressed with that. I thought there would be a lot of younger people here, but it seems like the mobilehome park business is aimed at seniors. And there has to be a way, and if it must be legislated then so be it, that the important elements are highlighted. Now, this usually is the responsibility of an honorable real estate agent. And there are three or four of them around. (laughter). I'd like to think I'm one of them. But anyway, I'm a little bit of a speed reader, but I haven't met anybody else that can speed read through these leases.

The owners always have attorney's involved with the leases. Rarely does the tenant in this circumstance have an attorney. It is cost prohibitive. At least at the outset. The formation of resident or tenant groups, while it may be necessary, it certainly starts to get to the militant part of this thing. And I'm not sure that--the only thing that it accomplishes is that if we can get our tents together, maybe you can get the \$4000 or \$5000 to get an attorney's attention. There is one interesting thing I'll note. I've looked high and low for a retired attorney living in a mobilehome park, and I haven't quite figured out why that is, but I'm getting close. (laughter).

I will mention that in our particular circumstance, the abuses are listed in the letter. The counties just walked away from the problem. They were the interested third party in the conversion documents that were supposed to

protect the lessees. They just absolutely walked away from it. Nobody could deal with the present owner, or the former owner. I won't mention--I'll mention, at least, the present owner's name is Lester. He does not live in this county. He does not live in San Luis Obispo county. The prior owner was a man named King. And up in San Luis Obispo county they know what the word 'king' means. The local superior court, unfortunately, seems to come down in favor of the owners all the time. And there's one particular case in there of a lessee named Rouff. It's interesting to read his comments about what the judge said in that particular case. And that particular case involved a rent dispute of \$93 a month for ten years. So it wasn't a few dollars.

The present owner, Mr. Lester, has his own lease form. He's revised it three times this year, and it's still not right. There's still misspellings in it. Sentences that are not coherent. With all due respect to the English lit major, this is not a sentence kind of thing. He offers any term up to seven years, refuses to go beyond seven years. Now, if you're in a condo conversion, there are some sunset provisions in there. And if you're inside that sunset provision, you'll suffer a severe financial loss. The lot owner is in control of how much you're going to get for your house simply by virtue of how much he is going to then charge for your lot.

Now, the contract allows that man to remain as an owner and lease out a house and the lot at the same time. There's no law against that in this particular circumstance. But what he's doing is nailing all the people that presently own homes, he will not sell them a lot. They have no alternative but to continue renting and sign whatever he puts in front of them. And he's put a lot in front of them. He's very intimidating. A forty-six cents per

month rent issue brought back a threat of a three-day, 60-day eviction notice if people didn't pay it.

The one word that hasn't been mentioned here today, one word I have not heard is greed. Not one person has mentioned it, but I'm going to say it. I believe in the capitalist system. I'm a pretty good capitalist, and there's some bad ones. But greed is driving most of the problems here, not broken laws, but there are some.

Go on a little bit further here. My notes are disjointed but the woman, I think her name was Ms. Alstin, prefaced her remarks with, "It's an uncertain world, and they were trying to provide a certain fix to it." Well, this landlord I know makes more than a 14 percent return on his investment. I don't think that is too shabby. He's renting space, land, that nothing happens to for an average of ten years, to a senior. And these seniors average well over 70 years of age. You start at 55 and you quit at 90, you're going to end up with between 75 and 80 as the age of these people in there.

I want to mention one other thing. In the breaking of the leases, the former owner, there's evidence where he bought out three particular homes because they couldn't sell them. And he resold them within a year for 100 percent increase. The last thing, and I really am through here, I would like you to put on a disguise, Senator Dunn, and come to one of these parks and buy a home for your mom and dad. Please do that, I'll be very happy. The solutions will be apparent there, and I offer to number them.

Thank you very much.

CHAIRMAN DUNN: Thank you very much. (applause).

MS. ANDREA FORBES: Good morning. My name is Andrea Forbes, and I live at Cottonwood Estates in Sacramento, and I'm here on behalf of the

Cottonwood Homeowners Association. I'm the secretary/treasurer of our GSMOL chapter, and I'm past president of the homeowners association.

I'd like to tell you about our experience with our park owner with regard to trying to reach a compromise and behave like adults. In March, 1998, our homeowners association wrote to the park owner, Mr. Parrish, and requested a meeting to discuss specific issues related to new rules and regulations and a new version of the lease which had recently come to light. The new lease was significantly different from the previous one, and the homeowners felt that a face-to-face discussion would be very beneficial to the park owner and the homeowners. We proposed to find a common ground and reach a common goal.

June, 1998. The homeowners association received a letter from the park owner asking us to send a list of the areas we wanted to discuss. There was no mention of a meeting. October, 1998. After much discussion, the homeowners agreed to make a list of questions and concerns to send to Mr. Parrish, however, most felt that this approach was far less preferable than a face-to-face meeting. The homeowners association's letter noted that the homeowners feel the lease protects the owners and ignores the homeowners, that it patronizes the homeowners, and the homeowners feel betrayed. There was no response forthcoming from Mr. Parrish. April 10, 1999. Homeowners association sent a letter to Mr. Parrish asking for a response by April 21, to this request for a meeting. We assumed that in the intervening months, Mr. Parrish took our list to his attorneys and that his reply would be just so much legalese.

April 20, 1999. One date before the deadline. Homeowners association received a letter from Mr. Parrish's office assuring us that a reply was on the way. May 3, 1999. From Mr. Parrish's office another apology for not having

the material ready and a statement about his attorney needing to make further changes. May 6. Homeowners association acknowledged the receipt of Mr. Parrish's letter and again expressed disappointment in his failure to set a meeting date. May 11, 1999. Homeowners association received a letter from Mr. Parrish's office which confirmed our suspicions that he had no intention of discussing any of our issues or allowing any input other than the list we sent to him in 1998. He decided that, "He would not be able to accommodate our requests without seriously degrading and compromising the document. He was not willing or able to do that."

His reply to our request for an open and frank discussion was a newly composed lease with a new set of rules and regulations. We were also offered a choice between the 1997 lease and the 1999 version. Both contracts say essentially the same thing and include questionable items such as mandatory arbitration. The only long-term option of five years or one year and the following paragraph which was label exhibit A. By the way, the lease contains 21 pages, the rules and regulations are 16 pages, exhibit C is another four pages and that's on services and improvements.

This was the opening paragraph to the section on rules and regulations, titled, *Typical Residential Neighborhood Standards*. "As a general rule, Cottonwood Estates is like other typical residential neighborhoods of similar quality and population makeup in this geographic area. Just like any other typical residential area, tenants and other residents are expected to accept a reasonable amount of disturbances and other activity by their neighbors and others which won't be to their liking. For example, periodically, the neighbors might give a party, run their lawnmowers or other noisy equipment earlier than you'd like, make too much noise when they start their car, or do other things which commonly occur in any other neighborhood

which will disturb you. If one of your neighbors, another resident, or their guest is doing something they should not do, and you are reasonably being disturbed, the landlord also expects the tenants and the others who are reasonably affected to make reasonable efforts to talk to the person who is creating the problem or responsible for the guests or try to resolve it. If the problem is one where--

CHAIRMAN DUNN: Ms. Forbes, if I could interrupt you. I think you've submitted that, haven't you, to the committee.

MS. FORBES: No, I haven't.

CHAIRMAN DUNN: I can see it's a pretty long document, obviously, and I think--

MS. FORBES: You get the gist of it. It's extremely insulting. It's extremely demeaning. We interpret this paragraph to mean that the homeowners have to follow the attached rules and regulations, but the park owner has absolutely no responsibility for enforcing rules and regulations that relate to the quality of life. And those are the rules and regulations that we choose to live by because that was the quality of life we wanted. We feel that the park owner has totally abrogated his responsibility in living up to his part of the lease.

CHAIRMAN DUNN: Thank you.

MS. ROSEMARY TOMAI: Good morning, Senator Dunn and Mr. Tennyson. My name is Rosemary Tomai, and I'm from Sonora, California, and I'm also president of the Mobilehome Owners Coalition of Mobilehome Parks in Tuolumne county. We are a non-profit California public benefit corporation. And I want to state at this moment that we do have a rent control ordinance because that comes up later. I'm also proud to be a member of the GSMOL, and I'm also a member of CMRAA. And I think with

all of us working together that we can achieve some goals and balance the scales of justice here if we can really stick with our subject.

It was mentioned about three-day notices, or nobody was forced to sign a lease. I have a copy here which I will submit to you later on. I may have already sent it to you because I saw a copy of that lease on the table here when I came in, the Ponderosa. This lady has lived in Ponderosa Park in Tuolumne county for three years. She has chosen to be under the rent control ordinance, and now they've come up with the deal of a three-day notice. You will either sign a 20-year lease or a three-day notice for eviction. You have 30 days to get your mobile out of the park. You have to move it out if you can't sell it. If you can't afford to move it out, we'll purchase it from you for \$1,000. Now, this is the third incident that's happened in our county, and the one has been taken care of because we have a local attorney.

We also have an attorney from Sacramento that works with our local attorney down there. He's working on this case now, but as it stands now, every time she would go to pay her rent, she was refused. They wouldn't take the rent. It was sent registered mail direct to the owner. They sent it right back. So that's one of the problems. And they say you either have to sign a lease or get out. There are a number of people under rent control in that park, and they're being verbally told, "You're either going to have to sign a lease or move."

We have an Emala Bella Estates lease here which just recently they have cancelled. They're not making people sign any more leases. But those who are on leases, it's horrendous as to what they have to pay. The first year is \$10, the second year it goes up to something like \$15 or what have you. There's an analysis on the back here for you to read and tells you how it does go up from year to year. But since we've had problems with that, our

organization has been able to stop the leases. They've just given up on leases. There is a lease from Mona Vista Ranch, and they tell the people there that they have to sign or they can't move in. There is a lease from Mother Lode Estates telling the people, "If I have to go to court for any reason at all, you people have to pay. And tell your friends, your neighbors, and your relatives if you have guests coming in this park and they get hurt, they cannot sue the park. That's your responsibility."

We never had leases in this park until it was getting close to getting a rent control ordinance. He even went at 10 o'clock at night to a lady that's in her nineties, and coerced her into signing a lease by telling her it will not increase--this is just a mere form so that we've got you on a lease and so on. Now, each year her rent goes up. She didn't want to sign that, but she was forced into signing it. This man also collects ten cents per gallon on every gallon of propane that is sold in that park, and they pay the propane company direct. But the propane company gives him this money back. And over here on Ponderosa that I was referring to, they had their own propane service within the park. The park owner pays up to 89¢ per gallon, and as of today, the residents are paying \$1.52 per gallon for that propane which is a difference of 63¢.

This is a Timeron lease. This happens to be where I live. It's quite a lengthy lease. It also states in there that the park owner can spend up to \$20,000 a month without saying anything to the tenants and charge it back to us. Due to our rent control ordinance, many people are under the rent control ordinance. And when I started with the organization that we now have, I was on a lease, but now I'm off, and I'm under rent control.

I will say about Timeron Park, maybe it's because I live there, I have no idea, but due to good management and the homeowners coalition and the fact

that we have rent control, for the first time in 12 years we do have a waiting list. The park owners do not always agree with me, but we do have good communication back and forth. And we may argue a lot, but as far as the management is concerned, right now the management looks out for the tenants in that park. And we do have a waiting list.

CHAIRMAN DUNN: Thank you.

MR. JIM GUILLON: My paperwork here will be rather brief as far as the leases are. My name is Jim Guillon. I'm from Tuolumne county. I'm treasurer of the homeowners coalition here with Rosemary, and I'm also the president of our homeowners coalition in the mobilehome park that I live in in Tuolumne county.

I have two documents here that I'm going to give you, and I'm not going to talk about them other than just explain to you right now. One's a 12-month rental agreement, but I just want you guys to have this to peruse if you have an opportunity, and then I have one of my own park that I just want to show you quickly what the seniors have to read for the rules. Not too many people, seniors, got good eyes, and it takes a pretty good set of eyes to read this. Now, however, the coalition has tried to come back, and we've blown it up so the people can read it. But the small stuff is what the park owner wants you to have because first of all in the nine and a half years that I've lived in this park, not one time has there been the rules presented--the rules we have here are 1992--never--in accordance with the Mobilehome Residency Law--was there ever a meeting called for us to get together and peruse the rules that are being issued. Therefore the rules in here, many of them contradict the Mobilehome Residency Law and some other state laws as well. But that's another issue.

The two leases I have in front of me other folks have pretty well expounded on: One is for Roll-in Mobilehome Park in Sonora, and the other one is Sonora Hills. The only difference in Sonora Hills, they have a COLA that controls their rent. But in addition to that, every time their taxes go up or whatever they spend on upkeep during the year, et cetera, all these different things, insurance and all is prorated so their increases really go in roughly between \$12 and \$14 per month. Then, of course, they are on leases so they are on not protected by our ordinance. And they are demanded to sign a lease. They are 20-year and 30-year leases, and how many old folks starting there at age 55 are going to live that long, and most leases then are continued on with the next person that takes over that space, which is rather ridiculous. That's one of the things.

I'd just like to make a few comments, and this is all I'm going to say on this, but having heard the folks that have spoken already, one of the things that puzzles me, and the rhetoric I heard shortly by the attorneys representing the mobilehome parks shortly after 10:15, smacks of total bias. And I would like to ask, would these speakers, as educated as they are, live under these undesirable conditions? I think not. Would these same speakers handle cases for tenants as quickly as they would for park owners? Again, I think not because we don't have the money.

When you have eight to ten choices of mobilehome parks, and I heard the statement made, if you don't particularly like where you live, move. Take your home and go somewhere. And when all the park owners are alike you just step out of the skillet into the fire. So why do that? You have to stand united together, and we certainly appreciate you fellows' help in all of this stuff. We're very sincere in that, Mr. Dunn, because it's that way. Because you're our only hope that we can get something where we can have some

sanity put back into the seniors' life. I'm 74 years of age, and I've been involved in this thing since 1974 in mobilehome parks. Previously, I had a park owner, before I moved to the Sonora vicinity, that had me come into his home, and he offered me a \$100-a-month rent if I'd pull in my horns and quit fighting him.

Now, these attorneys can tell me how honorable these people are, but I've been living through this nightmare for a long, long time, and I've been asked by a WMA attorney one time, "Why would an idiot go back into a mobilehome park who went through this before?" That's the only place I can live and fight for them. So therefore, I rejoined them.

One of the comments that I might say that's already been stated and is the case in our place in Sonora in Tuolumne county that signed leases are demanded by many of the park owners. You either sign them or your don't come in. And we had just recently, Tuesday, had a situation in a rent control discussion for our ordinance where we wanted to make sure that when people applied to go in brand new. All of us are naïve when we go from having lived in a stick dwelling to a mobilehome park, there's a lot of things we don't know. And there's no book out there that you can study that gives you instructions of do you know. And therefore, we all step in the same doo-doo, unfortunately. Anyway as a result, what happened we wanted our ordinance passed out with the other massive documents you've heard that the people have dumped on them already, and the park owners were crying because we asked for a three-page document be added to their already 150 pages. They actually complained.

Anyway I thank you for the time.

CHAIRMAN DUNN: Okay. (applause).

Thank you very much. We're going to call up the next panel, and would you make sure that for those leases that we can have copies and leave them with the sergeant-at-arms please, either now or before you leave today.

Let me call up the next three that we have. And it's Mr. Steve Gullage, Mr. William Marks, Mr. Richard Anderson. And, again, I add for each of the witnesses now just to bear in mind, we've heard a lot of testimony already, so make sure you keep your remarks as brief as possible, and as right on the point as possible. We will start with Mr. Gullage.

MR. STEVE GULLAGE: Good morning, and I want to thank you sincerely for this meeting. It has been very informative, and my name is Steve Gullage. I live in Los Amigos Mobilehome Park in Huntington Beach. And I'm here today as the president of GSMOL, which is a well-known organization that has protected mobilehome owners in the state for over 37 years. And I'll try to be brief.

You've been hearing from the actual victims of these lease abuses, and you've heard testimony here this morning from mobilehome owners or their representatives about lease abuses which are really overwhelming in the mobilehome industry. And I can only echo the sentiments and complaints of the homeowners who have spoken here today. My office receives complaints almost daily relating to the contents of leases which are of major concern to the homeowner and to which many are being forced to comply. And usually these are long term leases which are presented to the homeowner on a restrained time limit and without explanation of other options the homeowner might have. Many times the homeowner is asked to stop by the office and sign his lease. No 30 days to review as you have heard. No chance to have an attorney or an advisor examine the document. And often with the admonition to sign or be evicted.

Now, usually the homeowner under extreme pressure by the park owner will cave in and sign the lease only to find out that later he or she is responsible for maintenance and repair of park-owned property. They signed away many civil rights, and have exempted themselves from any rent control for the term of the lease. Prospective buyers are forced to sign long-term leases, five to 20 years, in order to be able to buy a home in the park. They're not given an option or even study time, and in many cases will nullify a sale because of the conditions. But a prospective buyer who does sign finds that he has opened the door to a potential nightmare.

I firmly believe that we must readdress legislation necessary and needed in this state that will require a 12-month lease be first offered to a homeowner or prospective buyer with a letter accompanying that explains the long-term lease options available to the homeowner or buyer if he so wishes, and the rent control exemption of the long-term lease if it is opted for. I also firmly believe that a standard 12-month or long-term lease be drafted and used statewide that will protect the homeowner or prospective buyer from obligations that are the park owners and without offering any increase in the current space rent until the next general rent adjustment. The homeowner should have a major role in drafting such a lease.

GSMOL will be studying and pursuing this type of legislation in the coming months. And, incidentally, I do have copies of many leases and agreements that I will be forwarding to your office. Thank you very much.

CHAIRMAN DUNN: Thank you very much. Mr. Marks.

MR. WILLIAM MARKS: My name is Bill Marks. I'm region 9 manager for Riverside county for GSMOL.

Most of the things these park residents have mentioned today are, in fact, true. I've had parks where the owners demand a five-year lease to buy a

mobilehome within the park. This really curtails a possibility of reselling the mobilehome. As a result, the mobilehome values have dropped considerably. At another park, the park owner told the residents if they did not sign a lease, it would cost them \$3,000 to get an attorney to fight it. Another offered \$200 in groceries to sign a five-year lease. Unfortunately, on these leases you never know at the end of five years what's going to happen next. In many cases, the rent is up considerably after that five-year lease is up, and also the parks that are selling mobilehomes that they have bought at low cost to new buyers and charging less rent to the new buyers than what they were charging to the original tenants.

But again, they're signing a lease, and you don't know what's going to happen at the end of that lease. Another thing on the leases, a lot of the leases coming out, they're declaring a lot of the amenities that you had paid for in your rent are now going to be paid for by you in some of these leases. So you have to be real cautious. We advise everybody not to sign them. And, of course, again, as I said, this does affect the resale of the mobilehomes on all these things are coming up on these leases. And also when we've got a lease that's going in to 5 to 8 percent a year or something, it might not sound disastrous at the point that it goes in, but what about on a compounding basis, what it's going to amount to over a period of years for senior citizens. In 15 or 20 years, this can amount to quite a bit of money when you compound the factor of the increase in the rents.

Another thing I'd like to mention is that unfortunately most of the cities are afraid of lawsuits from park owners, and as a result they do not really get into enforcing your ordinances as much as they should. I'm lucky with a couple of cities that have really started doing this. And we get around a lot, my staff and myself, we do an average of 90 to 100 parks a year that we

visit out of our 240 parks in the region. I attended 58 meetings myself last year. So we're well up on what's going on with this, and probably out in the field more than the average person is on the general picture. So it is a real problem and I definitely advise nobody sign these leases until you read carefully, and unfortunately, a lot of parks are not offering the 12-month option to the new buyers.

And I want to thank you very much for having the hearing today. And that's about it. Everything else has been well discussed, Senator.

CHAIRMAN DUNN: Thank you very much.

MRS. DOROTHY ANDERSON: My name is Dorothy Anderson. I live at La Sage Rivera Mobilehome Park in Grover Beach, California. I'm speaking for my husband this morning because I've been taking notes and he wasn't.

In other words, what we have to say, and I speak for both of us, is that everything that has been said is positively true. We have had the same problem as everyone else has with leases. However, we do have one problem that has not been brought up and that's the circumvention of the Residency Law 798.1. About three months ago, people who did not participate--it's for residents in the park--were sent letters saying their rent was being increased anywhere from 50 to 90 percent, which is a steep amount in anybody's language. What they have done is they have all of a sudden said, "Well you can't rent your home or sublease your home." This was not in their leases, nor was it in the rules and regulations of the park until recently when this verbal announcement was made in order to raise these rents. At present, those people are in litigation with a lawyer.

Now, I'd like to read a letter here. It's a fax transmission to Pat, the manager of the park, from Candi Nordquist who is a real estate broker.

CHAIRMAN DUNN: If I may, Ms. Anderson, because I see the letter you have submitted. Could you just describe it for us?

MRS. ANDERSON: I just want to read one section of it.

CHAIRMAN DUNN: That would be fine.

MRS. ANDERSON: We were advised by our attorney not to sign a lease until after the scheduled meeting. On July 13th, neither the owner, the attorney, or any other representative of the owner showed up. Therefore nothing has been resolved. And as it goes on to tell what they went through after that in order to finally get residence within the park as of the first of August.

I believe that just about covers it. Thank you.

CHAIRMAN DUNN: Thank you.

MRS. ANDERSON: Oh, incidentally, my husband told me to say that he was 74. I'm 81, and I don't think we should have to be put through this.

CHAIRMAN DUNN: Understood. (applause) Thank you very much.

Our next witnesses--I'm going to bring all four up at the same time--as far as park owner representatives, they're Jim Fitzsimmons, Mr. Clay Hage, Mr. Mike Mihelich, and Mr. Mike Sullivan.

I'm guessing there's one substitution.

MS. MARY JO GELSER: From the emergency room I was asked to come.

CHAIRMAN DUNN: Okay, why don't we start with Mr. Fitzsimmons.

MR. JIM FITZSIMMONS: Good morning, my name is Jim Fitzsimmons. I'm an attorney in San Diego, and I've worked in the industry for 15 years. I represent mobilehome park owners in San Diego, Riverside, San Bernardino, and Orange county.

I understand basically what we're here for is to determine whether or not there is, in fact, an industry-wide problem as far as lease abuses. Although a number of areas have been covered, basically I understand the primary objections have been in the area of our forced arbitration clauses, for signing of long-term leases, and not getting copies of leases. In determining whether or not there is in fact an industry problem in this instance, I'm listening to various testimonies from what we'll call both sides of the fence on this. And as to the primary areas that we're concerned with, I'm hearing and I hope you agree with me, Mr. Dunn, a common agreement on the primary issues. There's been complaints about arbitration clauses being forced. The park owners have been saying, they agree. Arbitration clauses cannot be enforced. And, in fact, I believe most of the attorneys will agree with me that it's very questionable as to whether or not a forced arbitration clause, if it was forced, is enforceable in court. You mentioned yourself about the arbitration clause having a signed provision. You'll note two of the three arbitration clauses of the leases here do have places to be signed, and I think you'll find out nine out of ten leases will have a specific space to initial the arbitration clause. Chances are if that arbitration clause is not individually initialed, it's not enforceable on that.

Forced long-term leases. We agree. As to tenants in mobilehome parks, you cannot force them to have long-term leases. It is optional. The industry does not disagree on that. There is an example, as was brought up earlier, of a park owner down in San Diego who was found to have forced long-term leases on his tenants, and he was severely sanctioned.

As far as no copies of leases, frankly this is the first time I've heard that argument. I don't know of anybody who does not give out copies of leases at the time that they're given. So basically, we're saying as to the

industry, the industry itself agrees. Now, look at whether or not there is an industry problem here, and if it's something that requires legislative intervention to solve an industry problem, we are going to look at, "Does the industry disagree on this issue." And as to these primary issues, themselves the industry does not disagree on it. We must remember that there are 1,500 mobilehome parks in San Diego, Riverside, Orange, and San Bernardino. Fifteen hundred parks. As with any industry, be it the Legislature, the legal industry, mobilehome park industry, insurance, banking, you're going to have some people who push the envelope. You're not going to get away from that. There's always some that do. The question is, is that the exception to the rule, and I think legislative--excuse the term--interference would only be justified if you have a very significant industry-wide problem.

We have three organizations in Southern California for park owners, MHET, the Alliance, and WMA, all of whom are very heavy on education. All the attorneys who have testified this morning including myself participate in these education sessions with WMA, MHET, and the Alliance. You can't force all park owners to belong to that. I would say in order to isolate whether or not there is in fact an industry problem or not, thereby justifying further governmental intervention into the industry, we need to say take a look at if, in fact, these are isolated incidents which must be addressed on an individual basis, rather than imposing on the whole industry further regulations for the acts of a few.

CHAIRMAN DUNN: Okay. Next, which ever, take your pick.

MR. CLAY HAGE: Good morning, Mr. Chairman, members of the panel. My name is Clay Hage. I'm the government and public affairs representative from the Western Mobilehome Park Owners Association for LA, Orange county, and the Inland Empire region of California. WMA hired

me in September, 1986 to lobby local governments representing its members on all issues related to the industry, and today I'd be more than happy to answer questions you may have regarding our association and how we deal with the membership.

I've come to know quite intimately the political and practical impact of legislative policies in this region, which includes nearly 2,000 communities and the lives of over nearly a half million people. And in many areas, we have vacancies that range from 8 to 15 percent. I can go out to specific areas in the Inland Empire. So there are spaces available.

In the mobilehome industry, rules and laws change dramatically, and it's up to authorities like yourselves to change those rules, like the Legislature, county boards of supervisors, city councils, and the courts. Well, when you consider changes to the rules, please be aware of the consequences. During this consideration, it seems that one premise is your foundation stone, and that long-term leases are bad, and that rent control is good. This premise is faulty, and any conclusion based on it would be seriously flawed.

At your public forum in Santa Ana, on March 13th, I heard GSMOL advocates urge their neighbors to refuse signing long-term leases, and I hear that again today. The recommendations are from individuals who continually urge government to adopt strict rent control. They loath the idea that a long-term leased space is exempt from rent regulations, and for some reason that's bad. We, in our industry, believe that it is not a bad thing to protect our customers from the uncertainty of rent controls. This uncertainty can be devastating.

In 1997, the court ordered a \$97 per month rent increase under rent control formula in two Escondido parks. For years, the residents resisted long-term leases and opted for the protection of rent control. After years of

\$4 rent adjustments, a \$97 pop was really a big shock. In 1998, the residents of a rent control park in Yucaipa were hit with an \$80 per month rent increase, after years of \$1 and \$2 rent adjustments based on two-thirds of the CPI in the rent control ordinance. Why? Because the rent board had to follow its own rules as established by the courts. Since 1990, resident leaders in that town objected to long-term leases. In 1999, the Rialto Rent Board ordered up \$50 per month average rent increases retroactive 12 months to April of 1998. Some increases were \$10 and some were closer to \$50. And the board responded to a court order that it was required to establish a fair return. Many of the residents in the park had gotten used to increases of \$0 to \$5 per month per year for the previous decade.

The leaders of Ramrod, the resident group in Rialto, persuaded its constituency to stay away from long-term leases since 1986. And just last week the Escondido rent board ordered a \$70 per month rent increase in another park. There's another park in Rialto that's seeking a \$58 per month increase due to the previous court decision. The park owner there told me that if he had had a long-term lease over the last ten years, they would probably raise the rents \$5 per month, per year and wouldn't have had to come to the rent board to ask for \$58. Now, we firmly believe that the same would have happened in each of the incidents I cited above if long-term leases would have been embraced instead of rent controls. And they aren't the only cases.

In Palm Desert there was a \$58 rent increase in 1998, Oxnard \$80 in 1998. In Carson \$58 in 1997. Another case in Yucaipa, \$48 in 1996, and in Rohnert Park \$69 in 1993. Those are just a few in areas where rent control has allowed those huge rent adjustments. But you know the residents of Ontario mobilehome parks clearly say the problems with rent control, and

they worked to enhance communications with their park owners. They worked with park owners and city officials to craft an accord between the park owners and city council. And in the end, this accord, this contact between park owners and the city really looked like a 48-month long-term lease. The certainty of a long-term lease should give comfort to residents who are concerned with their rent obligations.

Now, we don't condone, WMA, illegal or coercive practices for our members who have way too much to lose to jeopardize the protections already afforded them by the Mobilehome Residency Law and existing laws that are already on the books. Please don't consider tinkering with current laws affecting long-term leases based on anecdotal information any more than you would require certain educational requirements of our members and our managers.

As Jim said as a point of information, WMA offers education, courses to management and owners in over 25 seminars annually throughout the state of California which are attended by hundreds of owners and managers. Actually everybody at this table has participated in those seminars. Also we could address the disciplinary action that you had asked panel members testifying about. At WMA we just don't think this is an appropriate action to take for our industry. We're not regulated like the realtors, like the medical profession, like lawyers in the Bar Association. We cannot really discipline our members like those associations can.

We appreciate the opportunity to address you today, and list our concerns.

MR. MIKE MIHELICH: Thank you, Senator Dunn, committee and staff, ladies and gentlemen. My name's Mike Mihelich. I'm an attorney out of Riverside, California. I've been practicing in the mobilehome park

industry area representing park owners and management companies for 18 years.

In my 18 years of practice, I have never been consulted by any client who requested advice on how to lawfully or unlawfully circumvent the law. We try and educate as Mr. Hage said. We've got many, many volunteer hours. I myself have over a hundred volunteer hours to WMA for seminars just within the last five years. By the way, those seminars that are put on by WMA which I'm proud to say is the Western Mobilehome Park Owners Association, those seminars are at cost. The park owner pays to send the staff whether it be management or the park owner. They are there on their own nickel. The presenters of the educational materials are volunteers.

But in terms of the specifics in the briefing paper that was distributed, as far as receiving a copy or an opportunity to review the lease before signing it, the 30 days is perfectly adequate. The 72-hour law is perfectly adequate, the 72-hour right of recession is built into the law. The law's already there. If there's an abuse or an intentional violation of the law, there is a remedy already built into the Mobilehome Residency Law. That remedy, by the way, was just beefed up within the year or so to increase the penalty for a willful violation of the Mobilehome Residency Law. I've never had anybody say, "Do I have to give my residents a copy?" And if they had asked me, I would say, "Oh course. Give them a copy."

This business of the rent not being filled in, or the rent being different in the office copy than it is on the homeowner's copy. Never seen that. No one's ever asked me if they could do that. And if I did, I'd say, "No, it's absurd. That's a per se violation of the Mobilehome Residency Law which states that the rent term must be in writing." In fact, it says the lease must

be in writing, and it must contain the rent term prior to establishment of the residency.

Mandatory arbitration. California Code of Civil Procedure requires mutual ascent. This is mandatory language that the agreement to arbitrate disputes must be voluntary. That's already part of the Code of Civil Procedure. We don't need further legislation with that. It's already the law. Another alleged abuse, right of first refusal. Well, maybe that's not so bad either. It provides a ready market for someone who's having trouble selling their home or who is motivated to sell. The park owner has an opportunity to purchase, and the right of first refusal basically states that the park owner has the right to purchase at the prevailing market rate at that time. At least the right of first refusal clauses that I've seen in general real estate contracts provide that this is a right of first refusal to purchase at the market rate. It's not a discounted rate that's agreed in advance. That would be an option. So the right of first refusal abuse, number one I've never seen it put in terms of an abuse.

We as an industry have suffered from an image problem. I think everyone in the room will agree that there's been an image problem. And the question I keep coming back to, why would an honest and reasonable community owner risk a very negative outcome, not only financially, but public relations wise? Why would they risk that just to employ these sharp practices? These sharp practices have only a very, very low chance of success, and if they do succeed it's only a short-term success. So they have very low upside. And whereas the more honest and reasonable approach, I think my clients are in it for the long-term. Many of these parks were built by families. They're family-owned business. And they want to improve the image of the

industry so that they can enhance the opportunity not only for the park owner, but for the residents to have a decent, affordable housing opportunity.

Thank you.

MS. MARY JO GELSER: Good morning. My name is Mary Jo Gelser. I'm a vice president with Newport Pacific Capital Company. My employer, Mike Sullivan, who is the owner was supposed to be here today, but he called me from the emergency room and asked me to please come. I was out in the field at that moment training one of my on-site managers on how to get a lease filled out. And I said, "What am I testifying to?" He said, "Leases." And I said, "How ironic." At that moment, I was explaining to my manager that most of our lease interviews take three hours to get through the lease, the rules and regulations, and the Mobilehome Residency Law.

All of our managers are required to have lots of water or drinks available during this three-hour process because it is so tedious. Hopefully, the resident who's coming in for this park interview has studied the materials that were given to him as early as 30 days prior to the interview because that information such as the long-term lease or month-to-month lease or one-year rental agreement is presented to that person when they come in and first make application.

Some of the things I've heard here this morning I would like to tell you that all my parks are perfect, and we never have any problems. In our management portfolio, we have 40 mobilehome parks that we manage which represents over 8,000 spaces. Of those 40 parks, many of them are managed for cities, for counties, for non-profit housing organizations. They also have leases at their properties too.

How do we go about putting leases in places? A majority of our leases have been negotiated with some type of resident group. And I'm here to tell

you that both private owners and non-profit owners and cities have pros and cons about why they would or would not want to see a long-term lease in effect at their property. I would very much hate to see a mandatory long-term lease standard or a mandatory one-year lease agreement or rental agreement as a state standard simply because I don't think they would fit for all these different types of new ownerships we're seeing.

Many new park owners are also reps out of New York and probably have no concept of what goes on here in California. When I look at the offering circulars that are put together by attorneys who specialize in either bonding documents, lending documents, private placement memorandums, they have no concept of Mobilehome Residency Law here in California. And it became apparent when they put together a lease that requires that each resident coming into the park provide me with a copy of their last tax return, which is in direct conflict with Mobilehome Residency Law.

So some things get done simply out of ignorance or a lack of understanding of what goes on in a particular county, state, or with a particular body of law. So while I think a standard agreement might be something that everybody should strive for, I don't think it's the perfect answer. Mr. Ellis, when he was up here, mentioned that he had to go over 300 pages of documents and information when he purchased his mobilehome. When I purchased a condominium in south Orange county, I had probably 3,000 pages of information to go through. I was given two, three-inch, three-ring binders of information to go through.

One thing we all need to understand is mobilehome living is probably one of the youngest forms of homeownership in the country. Apartments have been around for a long time. Condominiums, stick-built homes have been around for quite a long time. The body of legislation, the documents you

read when you purchase those properties is even more substantial. I think what we have here is probably a lack of training or understanding on the part of some mobilehome park owners. Again, I cannot stress education. We not only participate in the various trade organization classes and require that our managers become certified, we do our own training. We try to make sure they do a good job. I don't want them to go to an interview when they're negotiating a lease with a resident and not know what subrogation means. What does attornment mean? What does eminent domain mean? We strive for full disclosure.

When a resident is selling a home in our mobilehome parks, we ask that they give us a notice that they're selling their home so that we can disclose items of issues to them that they may or may not be aware of. Many times the response from the homeowners is, "it's none of my g-d business," that they're selling their home. Well, that's true, but you know what. They're going to be disappointed when a 30-year resident is paying rent at \$200 and today's market rent is \$400. I really don't want them to lose a sale because they've quoted the wrong rent which I could have made available to them if I had known they were selling their home.

So I think we need disclosure on both the part of the residents as well as the park owners and the management. And I must tell you I'm only as good as my on-site managers. I recently received a lease yesterday that had no term in the contract. We need to get it signed again, but those abuses do happen, and it's not necessarily an intended slight. It's not necessarily meant to defraud anyone. Things happen. You have to remember when most people are buying in a mobilehome park, they're coming in at the end of the month, or the beginning of the month, usually the busiest time for our on-site managers when they have 300 to 400 residents coming in to pay rent, and

they're trying to conduct a three-hour interview with someone about moving into a mobilehome park.

Thank you very much.

CHAIRMAN DUNN: Before I call up the last panel, I just want to share something with each of the four panelists we have here and that is that, I'm a little concerned about one issue. I would like to accept that everyone's comments today are honest comments as far as their perspective. And if I do that, clearly we reach the conclusion, I think, that we have some tremendous park owners that are performing very, very well, represented by the individuals perhaps testifying here today on the part of the park owners. But if we also accept the residents' comments, there are some that aren't doing so well, to put it in polite terms.

And so the question really is, and I think driven by the comments you made, Mr. Fitzsimmons, is you don't want any further government interference, I think that was the gist of the phrase that you had used. Now, again, I don't think anybody has the desire to do that unless necessary. But I think we've got a population, that everybody will agree, that in our mobilehome parks tends to be oftentimes senior, certainly on low or fixed incomes and clearly isn't in an equal bargaining position. So the fundamental question, if I accept everybody's testimony today, is what do we do about the few park owners that aren't doing the right thing? And that's why I asked the question earlier, I'm sorry I've forgotten the witness, and I pose it again. As far as, if we've got some misbehaving park owners suspected of not giving copies of the leases, not sufficient time, insisting on arbitration clauses, et cetera, what is the industry doing to clean up their own bad apples? Because if there is no answer to that, you put us in the position of having to address this issue. Mr. Fitzsimmons?

MR. FITZSIMMONS: Yes, thank you. It's an awkward position for the tenants, for yourself, and for our side of the industry as well. We first have to look to see if the sanctions presently on the books work or not. And we have to make a determination that the sanctions that are on the books for violation of law aren't working.

CHAIRMAN DUNN: Let me interrupt you. As lawyer to lawyer now, if we accept the testimony of the residents we heard, they're not working. Wouldn't you agree?

MR. FITZSIMMONS: No, because what we hear--I'm not saying that it doesn't occur. But what I haven't heard yet, is what the tenants then did to take the next step that was available to them to rectify the situation.

CHAIRMAN DUNN: Let's assume that situation--you heard the testimony today of a resident of a particular park who said, "I was given a lease and told that if I don't sign the arbitration clause, then I can take a walk, to use lay terms." We heard that testimony today. What's that next step for that person?

MR. FITZSIMMONS: The next step would be if there is--first of all the park owner would have to enforce that arbitration clause in that case. If they say, "I won't sign it until"--or they can't have a tenancy, then certainly they have a right to redress in the courts of law, the wrongful denial of a tenancy for failure to allow them in. Now, Mobilehome Residency Law provides that a tenancy can only be rejected for non-payment of rent or failure to abide by the rules and regulations. If a park owner, in fact, denies the application because the application is not a signed lease which has an arbitration clause, and they do not read the arbitration clause, the park owner is liable for substantial penalties for rejecting that application.

The park owner cannot tell that tenant to go take a walk, or that they cannot live in here unless you sign this arbitration.

CHAIRMAN DUNN: I understand that, Mr. Fitzsimmons, but I want to get back to the point because I'm not so sure you answered it, to be honest with you. I'm not trying to be adversarial with you here, but if we take that hypothetical, the resident who was forced to sign, in their view, forced to sign mandatory arbitration, what I heard you say was at the time of the forced signing, there's not much you can do about it. It's impact really is when there's a dispute that results in arbitration. But aren't you really saying, residents in mobilehome parks need a lawyer? Whether or not they had to-- "Gez, did I have to sign that arbitration clause, oftentimes requires lawyers advice which, when you're charged by the hour, I'm not so sure that's an answer, Mr. Fitzsimmons.

MR. FITZSIMMONS: I understand what you're saying. The answer is there's remedy in the courts of law presently available. Now, if the law were changed, and as a result of this committee enacting further laws, that wouldn't solve anything that we already have because still your answer is in the courts of law, regardless. You can pass whatever legislation you want to, but the enforceability of that legislation is in the courts of law as it is right now.

MR. HAGE: I think that WMA would follow the same line of reasoning in that you already have a lot of rules and regulations and laws on the books now. And the folks that have testified before you have said that those rules and regulations and laws are not being followed by certain individuals. If you have more laws, that doesn't follow that those laws are going to be followed too. If individuals have not followed laws in the past,

they're not going to follow laws in the future--okay--in that small segment that we've been talking about.

CHAIRMAN DUNN: I understand what you're saying.

MR. HAGE: Now, in response to that, WMA and I know that the Mobilehome Park Owners Alliance and the Manufactured Housing Education Trust conduct educational seminars for their members so that they can acquaint them with the changes in the laws, et cetera. Now, if we do that--

CHAIRMAN DUNN: Sir, hold on. You've covered this already...

MR. HAGE: But I'm in the middle of a sentence, sir.

CHAIRMAN DUNN: I'll let you go back. Because a number have talked about education. I don't think anybody in the room disagrees with the importance of education. But if we have a select few misbehaving owners out there, the likelihood of them going to the voluntary education seminars is pretty small. It's the good ones that go. So I'm less enthusiastic about education being the solution to a park owner that wants to skirt the law.

MR. HAGE: And that's why the second part of my sentence would have been that GSMOL, CMRAA also conduct educational seminars for their members as well. Get their members to be educated on what the law is and what their rights are and what their responsibilities are, just as we do on our side. And it seems to me that if you have a more educated populous living in those mobilehome parks, that they will be more aware of what their rights and responsibilities are.

Now, more laws isn't going to increase those numbers.

CHAIRMAN DUNN: One last question, then we have to move on, unfortunately. One last question. That one is, again, if we accept everybody's testimony today, is the industry willing to take further steps to

address--again, the phrase I've used is--misbehaving park owners on lease abuses?

MR. FITZSIMMONS: Well, I think the "industry" is perhaps an oversimplification of how diverse the industry really is. We represent, unfortunately, only about half, and the organizations that we refer to here today, WMA, Mobilehome Education Trust, and Mobilehome Park Owners Alliance, represent probably 50 to 60 percent of the park owners in the state. To that extent, we do have some control over the outlaw-type of park owner or the ignorant park owner, which from the resident's perspective are equally at fault, whether it's from ignorance or intentional misconduct. So we only have a limited authority if you will over the industry as a whole.

And I don't know what the answer to the question is other than education. I'm a very strong believer in education. We talked about it at length. Every homeowner, by law, gets a copy of the Mobilehome Residency Law. It's part of their lease, whether you have a long-term lease, a month-to-month or even an oral agreement, you ought to get that copy. And by law, the park owners have to distribute it to the residents every year before February 1st. Every year, everybody's got to get a brand new fresh copy. So you get one every year. It's not like you get one in year one and 15 years later. You get one every year. Read it. It's pretty readable. It's not very technical in nature, and I think that's part of the big solution. I think the remedies are already in place.

CHAIRMAN DUNN: All right, I want to thank each of the four of you. And bring up our last panel. And again my apologies for being way over time here. Our last panel consists of Mr. Priest, Mr. Semelsberger, and Mr. Allen.

MR. MAURICE PRIEST: Senator Dunn, ladies and gentlemen, my name is Maurice Priest. I'm a legislative advocate for GSMOL.

I'd like to make two specific proposals regarding legislation on the issue of lease abuses. The first is an observation. I think that lease abuses will continue until such time as we pass a state law that provides prospective homeowners the same rights and privileges as the law currently extends to homeowners living in the park. This is a point that's been raised today by many of our other speakers. What I'm talking about is the right of a prospective homeowner to be offered a one-year rental agreement, a month-to-month rental agreement, or a longer term lease as mutually agreed upon.

One of the last speakers indicated that in her parks they do offer the options to prospective homeowners, the three different leases. But in my experience in reviewing leases and speaking with hundreds, if not thousands, of homeowners around the state, most park owners do require that a prospective buyer sign a long-term lease, period. And I think that a proposal requiring park owners to offer a one-year, month-to-month, or a long-term lease is fair.

Consider that owners of apartment buildings, if they have a vacancy, and they're not collecting rent, have a financial motivation to be reasonable and fair when approaching and discussing rents and other issues with a prospective renter for that apartment. But in a mobilehome park situation, even if the resident dies, as long as that mobilehome is on the space, the heirs are responsible for the rent, the legal owner if it's a bank, the lender is responsible for the rent. If they do not pay rent, there are clear rights and remedies for park owners to sell those homes to recover their rent. So as long as that mobilehome is there, or even if it's occupied by a current homeowner that's trying to sell, that park owner's going to receive rent month after month after month as long as that home is there. So I think it really is going

to be essential that prospective buyers and homeowners receive the same rights.

And the second point is a clarification of the existing law which says that existing homeowners in a park must be offered the one-year rental agreement, a month-to-month rental agreement, or a longer term lease as mutually agreed upon. That's the existing law. The problem that I see in speaking with many mobilehome owners is that they're not actually offered those three options. I've reviewed many leases with a homeowner sitting across the desk, and I'll get to a part above their signature where it says, the homeowner who has signed below acknowledges that they have been given the option of a one-year rental agreement, a month-to-month or this long-term lease.

And I'll ask the client, "Where are these other documents that you were offered?" And they'll say, "Well, I wasn't offered any. I wasn't offered a month-to-month. I've never seen them at our park, but I was given this long-term lease." And there is a practice by some park owners to skirt the existing law by trying to build in, in their pre-printed leases, an acknowledgement form as if they did comply with the offer of a one-year rental agreement or a month-to-month when they haven't actually done that.

And on that point, I believe that if legislation is passed which says that management shall be required to obtain a signature that the homeowner would need to sign the actual one-year lease agreement that says, "I have been given and I have had the opportunity to review this one-year rental agreement," and they can say, "I accept or I decline." There would actually be a copy of a month-to-month rental agreement, and a signature by the homeowner which says, "I have received and had an opportunity to review this lease. I accept or decline." And the same thing with regard to the lease.

It's sad that we have to go to that extent to prove that they've actually been offered those options, but I think that unless that's done in state law, the homeowner's not going to be getting the benefit of what they should be receiving.

One of the comments made a few moments ago was educating homeowners, and a lot's been said about when people learn the most, you know, from cradle to grave. They talk about how much young children learn, infants learn. And I'm convinced that no person alive learns more than a person during their first year of mobilehome ownership. (Laughter and applause).

The people seated behind me, the homeowners, came in not knowing what their rights are. And they are motivated to learn, and the first question is, "My God, what have I done?" And then they get really busy and the most active GSMOL members are the ones who have recently experienced lease abuses because they get very motivated. But the problem is, it's after the fact. Had they known, if prospective homeowners were extended the same rights, they'd at least have a better chance to know what their rights are.

And I'd like to conclude with basically a happy story about how leases can result in some good things. There was a park in Placer county that was developed as a senior retirement park. It built up to a beautiful park, no maintenance problems. This is a well-maintained park, just a gorgeous park. And people moved there in retirement because it was advertised and held out as a retirement community. And just about three years ago, the residents received a six-month written notice that the park owner had decided unilaterally that this retirement community would be changed to all-ages. And you can image how concerned and distraught the residents were. And

even though it appears that under rules and regulations, the park owner had the right to make that change.

When I met with the residents of this particular park, they brought with them, I believe it was a 23-, 24-page lease that they had signed. And I'm pleased to tell you that buried on Page 12, paragraph 23 of this lease was a paragraph which stated, "The residents and park hereby agree that during the term of this lease it shall be a retirement, senior citizen mobilehome park." We sued in Placer County Superior Court for declaratory relief and sought an injunction. The court agreed with us that that was a provision written by the park, and it was enforceable. We won the case, and I just want to say that that's probably the only provision in the lease that the residents were happy and pleased with.

Thank you very much. (applause).

MR. DAVID SEMELSBERGER: Thank you, Senator Dunn, and Mr. Tennyson. Thank you for this opportunity to address the panel and the committee. My name is Dave Semelsberger. I'm one of the lawyers sitting here from Endeman, Lincoln, Turek, & Heater, a firm from San Diego that has a state-wide practice representing park residents and municipalities on rent control issues and lease abuses. And we've been doing so since 1987, and we've seen a lot of lease abuse over the years.

I wanted to make one comment about something that someone said, I believe, about this industry being the most regulated of any business in the state. I think that when you think about it, you have to realize this is not just a business that we're looking at. We're looking at communities, and we're looking at people's homes, and we're looking at incredible investments by people in their lives and their homes, in these communities, in these mobilehome parks. And when you have such a community setting, it is

appropriate for government to have regulation to deal with the issues that we're seeing and the abuses that we're seeing.

I want to be very brief and then turn my time over to Mr. Allen who has a lot more specifics on some of the abuses that we've seen. But two examples that I know of recently.

In a park in Ventura county, there was a separate arbitration agreement that was called a lease in that mobilehome park community, it was about 90 percent Spanish speaking. They were told by the park manager if they do not come down to the park office immediately to sign the new so-called rental agreement or lease, they would be evicted. What it turned out to be was a three-page arbitration agreement, a separate agreement. It had nothing to do with the leasing of the space, but it was--because the park owner was worried that the residents were forming an organization to do something about conditions in the park. And to try to protect himself, I guess, from a lawsuit, he forced these people to come down and sign this arbitration agreement that most of them didn't even understand because it was not in Spanish, and they did not understand English.

In another case, actually in San Diego county--and again, I agree with one of the comments that once a park resident is in a park and has signed a rental agreement, there should be no further need for the park owner to have them come down and sign a new rental agreement unless they want to change the terms to the park owner's benefit. In a situation in a park in southern San Diego county, the park owner wished to change the terms of the existing rental agreement, and insert arbitration clauses among other provisions that would protect the park owner.

He told the residents that he had new regulations that required them to have parking stickers in order to park in the park. And the only way to get

a parking sticker was to come in and sign the new rental agreement. So subject to having their cars towed at the whim of the park owner, many of them had no choice but to go in and sign this new rental agreement which had many, many more provisions that protected the park owner than it did the tenant. Those are just two examples that come to mind.

Thank you, Senator.

COUNCILMAN MARK ROSEN: May I ask--

CHAIRMAN DUNN: Yes, absolutely, Mr. Rosen.

COUNCILMAN ROSEN: In those two cases, what was the result? Did the courts uphold the arbitration clauses? What's been your experience in courts upholding these arbitration clauses?

MR. SEMELSBERGER: Well, I'll let Mr. Allen address that. In neither one of those situations do I know yet whether those arbitration clauses have been challenged, but he will address some situations where they have been.

MR. JIM ALLEN: I'd just like to introduce myself briefly. My name is James Allen. I'm a trial attorney. I started off in the San Diego County DA's office, practiced there for five years, and then in 1987, started my civil practice.

Since 1987, I have specialized in representing residents in mobilehome parks. I've been hired by cities to criminally prosecute mobilehome park owners for violation of sharp leasing practices which you've seen before. Specifically, the city of Escondido had laws requiring that prospective purchasers be advised of their rights, and the law and municipality attempted to apply the Mobilehome Residency Law to their ordinances and extend those rights. When we prosecuted five park owners for violating those leases, all five came around and resolved their cases, and we no longer have

that practice. Unfortunately, the appellate courts have held that the Mobilehome Residency Law preempts this field. So those type of ordinances at the municipal level are not effected. State legislation has to be done.

In direct answer, Mr. Rosen, to your question about what has happened. I've litigated arbitration clauses at the superior court level. What we find is this, in a case in front of Judge Victor up in San Bernardino. There is a park in Colton called Lake Cadena. The Park Owners Alliance, their president, Jeff Kaplan, owned it. He went out and basically had made everybody sign these long-term leases with these sharp provisions. The lease was for five years that renewed automatically for five times for a 25-year lease. It escalated at 6 percent a year, and then on the anniversary of the fifth year, escalated to 19 percent.

We went in to say that the arbitration clauses and that these other clauses were unconscionable, and the practices he used to get them to sign them were unconscionable. Judge Victor basically took the position and said, "They could move. If they didn't like it, they shouldn't have signed it." He was unpersuaded by the fact that they couldn't get a copy of it, they couldn't bring it to a lawyer. Out of all those cases, about 50 of those cases in front of him, he denied all but three of them, and those were the only three people that spoke Spanish. And he said, "I find that they couldn't read the lease, so therefore I'm going to overturn these." But the rest of them he upheld.

In arbitration provisions what we find--a case up in Napa we have right now--has a sharp arbitration clause. The trial courts are motivated to ease their case loads. They're under tremendous pressure to do that. So what they do when they see an arbitration clause, it's the end of the analysis in most cases, is then kicked into arbitration. Your remedy is to go through the arbitration process, and then file an appeal after that's done. You can file, as

we did, a writ challenging sending the case to arbitration. But the appellate court typically does not hear that writ and did not in our case in Napa, and says you have a remedy of appeal at the end of your case. So you have to go to the end of the case.

And what I really want to address in my time with you is to go through the arbitration clauses that are in front of you. And I brought with me two contracts. In the one I'm looking at now, the people are coming to us asking us to represent them. And most of the cases we take now are what we call 'failure to maintain' cases where you have parks that are just not maintained. Typically we have parks with sewage running down the street, electrical systems that are undersized and dangerous. In a case I just finished trying before the LA courts in March, they awarded \$12 million. In that case, the electrical lines were so bad they were falling on people's homes. These are the type of 'failure to maintain' cases we looked at. When we look at them, we look at their lease. One of the causes for action is breach of contract.

I brought with me, and I'll give it to the sergeant-at-arms when I'm done, some copies of leases that are in your area here. One's over at Dana Point, Beachwood. They asked us to look at their park. The reason we didn't take it was because of the arbitration clause. Another one is right over here called Hollydale. It's in Brea. They're asking us to take their case right now. They have serious problems in that park. But I want to go through with you and show you what these arbitration clauses do. They're not just arbitration clauses. A lady came in here and said, "Well, it's just a waiver of your jury rights." It's far, far more than that. And I'd like to point out to the panel what these things do.

First of all, there are a number of requirements in the Mobilehome Residency Law, one of which is, when you file a 'failure to maintain' case, you

must give a notice of intent to sue. And it has to just be general in nature. These arbitration clauses require that you set out the dates, the witnesses and all the details prior to filing the arbitration. Anything that's not included in that is stricken and not available to you. However, the park owner can do full discovery and defend fully at arbitration. So you're already setting up the situation, where without any expert witness, the plaintiffs attorney can go in, he has to set out the entire case, and then the park owner can do complete discovery and defend himself afterwards.

The other thing they do under the Mobilehome Residency Law is, you are entitled to have attorneys fees and costs paid if you're the prevailing party. Now, this is very, very important because the people who are living in these mobilehomes cannot afford to pay an hourly rate to myself or any of the attorneys you've seen here. So you have to take it on a contingent fee. But what you do is at the end, if you win, you get your fees and costs paid so the residents keep their judgement.

These arbitration clauses, each one of them before you, specifically denied the residents the right to collect attorneys fees and costs if they prevail. Therefore, they have to pay their fees out of--their attorney's fees come out of the judgement. Moreover, they cannot collect costs, and that's very important in these cases because in your arbitration provision, they require that you pay half the cost of the arbitration or mediation up front. Now, I can tell you from my experience, I've tried over ten of these to juries over ten years, and I've never had one that went less than a month. And I'm talking 20 court days in a month. Most of them go three months. I've had them up to six months.

The park owner calls every plaintiff whether you call them or not. They call their experts. If you take just an average of two months, 40 court

days, these require you go to JAMS. JAMS charges about \$300 to \$350 a hour for the mediator. That's \$120,000 for a two-month trial. You have to come up with \$60,000 up front. If you don't come up with the \$60,000, no matter the merits of your case, this arbitration clause requires that you forfeit your claim. In addition to that, you can't collect that cost at the end. Each side bears it's own cost. The real kicker is the park owner has insurance. He doesn't pay a cent. The insurance company pays it for him. So the resident is required to come up with \$60,000 before he gets to present one witness to the arbitrator, and that's not the worst of it.

Other provisions require that they can make this--and I cite the one from Hollydale--they can make this non-binding. And it is non-binding. The process is non-binding. Then in accordance with Code of Civil Procedure 3638, they refer it out. So the park owner gets a bad decision, then he refers it out to a referee who makes them do it all over again. And they have to file it within ten days and come up again in advance with whatever the arbitrator is going to require. And if they can't do it, they forfeit all their rights.

These people are losing a lot more than a right to a jury trial. The effect of all this is that park residents cannot get attorneys to represent them when they have arbitration clauses. And I recently was asked to attend the Alliance conference. You've heard them testify today. And it was in Los Vegas, and they wished me to speak on a trial that I just conducted, the one I told you about. And they were going to have the defense attorney there, and I was going to be there to tell them what the plaintiff's perspective was.

And right after I spoke, they invited me to sit in the audience, and I stayed for the rest of the seminar. At the end of it, they called for arbitration clauses in their leases because it had the effect of preventing park residents

from obtaining attorneys. And then I was sent a copy of their newsletter, which I'm going to give to the sergeant-at-arms, and in there they specifically note one of the speakers, called for the need for arbitration clauses to prevent park attorneys from taking the cases.

Now, that's just an abusive system. These arbitration clauses are being used as a weapon. These sharp practices you've heard about, they don't have a remedy in the courts because that remedy requires you have a lawyer willing to take your case. And a lawyer cannot take a case where he has to advance that much money up front for these kind of people, and they can't come up with it themselves. So I'm calling for a law that says it is illegal to require binding arbitration in any lease in the state of California. (applause).

CHAIRMAN DUNN: I just have one question for you and then I'm going to wrap up. We've heard from some of the park owner representatives that the real issue here is not any change in law but enforcement so that those bad apples can be addressed, so the entire industry doesn't have to receive a bad name from the abuses. And I know that right now the prosecution for abuses seems to go local jurisdiction by local jurisdiction. Have you considered, and if so, what are your thoughts, if we move the enforcement policy to the Attorney General's office?

MR. ALLEN: I have considered, not necessarily the Attorney General's office, but the effect of local enforcement. It's only as good as the will to enforce it, unfortunately. The Attorney General has the ability right now to enforce unfair business practices, but it doesn't. And unfortunately, what happens when you take something like that to the state level, you're going to have to have the manpower to staff it, and the will to do it. And unfortunately, what we see at the local level where they can do it, very, very few local entities are willing to do that because it costs money. The reason

we do these 'failure to maintain' cases, we have on the state level, HCD, Housing and Community Development, and they're supposed to inspect the parks. It started off once every five years. And you're probably aware of how slow that's gone, and it's because they don't have the manpower.

The case I just tried, I told you about, was in LA. They had 600 health and safety violations documented by HCD. HCD wrote the gentlemen ordering him to remove the electrical lines. They were bare, and they were falling on homes. They didn't do a thing. HCD was powerless to go forward, even though they would have the enforcement arm of the Attorney General or District Attorney. They could have done that, but the Attorney General just isn't going to do that. So I don't think it's very effective to say we'll have the Attorney General do it unless we're going to back him up and give him the manpower to do it.

CHAIRMAN DUNN: I want to thank the three of you for your testimony. And let me just make some last comments to everybody since we are an hour overdue, despite my promises to the contrary at the beginning.

It's clear from the testimony, at least in the chair's view, that we need to look into this issue further. I don't think today is the time that we drop the issue. There is enough out there that indicates we need to look into that. And I want to extend an invite to everybody, from the residents to the park owner representatives that we move on and address this issue, not in an adversarial nature, but lets pinpoint those owners that are not doing the right thing who are, unfortunately, victimizing people.

And let's do it in partnership if we can, and to minimize any disruption to the park owners, who are doing the right thing as we continue this process.

I want to thank all of the individuals who testified today. The information was very, very helpful, and we will continue this process. My

apologies again for going an hour over. I want to thank all of my staff, the City of Garden Grove for their hospitality, Comcast for staying throughout the entire proceeding, and the sergeant-at-arms who traveled here to be with us today. Thank each and every one of you and all that have been involved, and stay tuned. We'll continue this discussion. Thank you everybody.
(applause).

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TRANSCRIPT OF TESTIMONY

SEPTEMBER 21, 1999

SENATE SELECT COMMITTEE ON MOBILE AND
MANUFACTURED HOMES

Hearing II: Leases - Testimony
September 21, 1999

SENATOR JOSEPH DUNN, CHAIR: To give just a little bit of background so all of those in attendance today know about this issue, we're going to talk about it again. As is stated in the materials at the back of the room, we held a hearing a little over one month ago, in Southern California on the problems associated with leases. I mentioned a few of those problems that we heard extensively about in the opening comments. I won't repeat them now, but we did hear from many residents; we heard from industry representatives, we heard from attorneys who practice in the area, we heard from virtually all sides of the question. I do not believe when we put out announcements this time that any in the industry or attorneys wished to present their positions again. Those were already done in Southern California, and so what we have this afternoon is an opportunity for the homeowners here, in Northern California, to provide us with some input on the issue of lease abuses.

I want to emphasize, again, what I did at the outset, we're going to keep you to those issues relating to leases and abuses and if you wander off in another area I'm not going to be rude, but I am going to cut you off and keep you focused on leases. As I said, we'll be doing other hearings in the coming months and years and we'll address the other issues that you may want to talk about, but they are not for this afternoon. We are, unfortunately, already behind. I don't care to say by how much time we're behind, but

without any further ado, let's get started. Again, I'll call the panels up in two and threes. Let's start with Mr. Harrison, Mr. Christoffersen and Ms. Axley. Mr. Harrison, we'll start with you.

MR. CLAY HARRISON: Thank you, Mr. Chairman. Senator Chesbro, Mayor Ben Anderson, Mr. Tennyson. I supplied Mr. Tennyson with two exhibits of rental agreements, one, which is in my prepared testimony and the other one, which I just received yesterday evening. I want to call that to your attention first. This is a rental agreement that was handed to a resident in Auburn Hills Mobile Estates in Auburn. This resident transferred from one home to another and he was told that he had to execute a new document for tenancy. He showed me a letter that he received from the park owner's attorney which said that if he did not sign these documents by Friday the 24th, they would commence eviction proceedings. So I had him bring a copy of the rental agreement to my house last night. The rental agreement that they gave him to sign is blank. There is nothing in there showing -- well, it says month-to-month, and it also has \$10 for late charges pertaining to rent and \$10 for bounced checks. So that is the situation for this particular resident.

Now, if I may, I will then proceed through my prepared testimony.

As the GSMOL Region 11 manager and a resident of Rock Creek Manufactured Home Community, I respectfully submit this testimony and exhibit, which is now two exhibits, to this committee.

The exhibit that I have submitted, for my part, is a long-term lease of five years with an Automatic Renewal Clause, which has been in use since the inception of my tenancy in September '91. It is being used at the Rock Creek Manufactured Home Community, a community in Auburn, Placer County.

It is the recollection of my wife and I, that we were not given written notice of our rights pertaining to the signing of this lease as required pursuant to Civil Code 798.17 (f). This lease and pertinent documents were presented on a take-it-or-leave-it-basis at the time of our initial meeting with the resident manager. We were not given the opportunity to review, examine, or otherwise give due consideration to the documents we were asked to sign.

In my seven years as a GSMOL activist, which has involved an intense interaction with residents of manufactured communities, I have learned one outstanding lesson: the average applicant for tenancy in a community is a babe in the woods. They not only don't know what rights they have under the Mobilehome Residency Law; they have not even heard of such a vehicle. Therefore, from the get-go, management has the ability to exact abuses on the unsuspecting prospective homeowner.

Since the advent of the 1993 prohibition of Automatic Renewal Clauses, I undertook the task of determining if the Automatic Renewal Clause was still in use in my community. Much to my dismay, I found that it still was. Management, through their WMA representative, has publicly stated that since January 1, 1993, prospective homeowners mutually agree to the Automatic Renewal Clause. This is a direct contravention of 798.17 (g) which states that no rental agreement with a term of over one year entered into or after January 1, 1993, shall contain an Automatic Renewal Clause.

This abuse is twofold: the first has already been stated; management takes advantage of the unsuspecting prospective homeowner. The second is: management's total disregard of the statutes, by inserting the Automatic Renewal Clause, and thus being able to intimidate the new resident into

signing the agreement, the resident being unaware of his or her rights for reasons already stated.

This lease provides for the pass through of questionable fees, including a fee for sewer, which the PUC Code expressly prohibits. It also contains a clause requiring a homeowner to declare in writing, an intent to sell his or her home. At the time of our inception of tenancy, management of this community was engaged in the resale of homes. Such a clause gives management first crack at the listing for sale, and who is to say that management will not once again engage in the activity of home resale?

Also to be found in this lease is the infamous arbitration clause. A provision that we were required to agree to in order to gain admission to the community and which denies our right to go to court.

Thank you very much.

SENATOR DUNN: Mr. Christoffersen. Again, we'll do questions when we finish with the panel.

MR. HARRISON: It was less than five, John, right.

SENATOR DUNN: You did well, Mr. Harrison.

MR. GENE CHRISTOFFERSEN: Senator Dunn, Senator Chesbro, Mayor Anderson and Mr. Tennyson, I'm very happy and I want to thank you for the opportunity of being here today. I want to ask for your excuse for wearing the dark glasses because I just recently became pretty much blind in my left eye and the light there kind of gets to me, but I make up for it because I'm also half deaf. However, I'm afraid that I won't be able to participate too much in this hearing because it will be limited because on Monday the 13th the assistant manager of our park was shot by a resident that was given an eviction notice. The assistant manager, B. Bruno, is still in critical condition, but stable. When this happened every other problem went

out the window. We still have many serious considerations with the current offered lease. However, we didn't complete our research and/or negotiations because of the shooting. I will send Mr. Tennyson all of the information we came up with at the end of our search and negotiations.

I would like to take a few minutes of your time to describe a condition that we review as close to being criminal in action. I am referring to the makeup and language of the rental agreement or lease. The lease we are offered is extremely long. It went from five to six pages to twenty-two pages. The language and construction was unnecessarily verbose; redundant. It appears that they never used plain language when a convoluted legal phrase or word could be found. It took some good detective work on the part of my committee to find out the reason for some of the paragraphs and sections of the lease. I bring this up because I believe the average person could not correctly interpret or understand the majority of the sections in this lease. We have approximately 500 residents in our park and about one-third of these people have English as a second language. For these people it is virtually impossible to understand this lease. I have spoken to friends and relatives who are in the business; the mobile home business, management and others in Southern California and I find that this is extensive in Southern California too. I do not have any evidence that the documents were purposely written to confuse the reader. However, given the American penchant for instant everything and the timid character and tendency of many ethnic groups not to make waves, most of these individuals would sign the lease to release the pressure and not appear stupid, fearing that they would be turned down for tenancy.

In the background paper that you folks prepared you mentioned the amount of pressure and force that prospective tenants were subjected to. I

believe in many instances that these ponderous, wordy and confusing rental agreements were designed to put the prospective tenant in a defensive and awkward position. They would sign to get out from under the awkward position and be accepted as a tenant.

Again, I don't have any proof of any wrongdoing, however, I believe strongly that some action should be taken to simplify and make these documents more understandable to the average citizen. Because, specifically, of the diverse population that we have in California, I don't believe that the average tenant or person should have to seek legal advice to sign a rental agreement. And if we, as a group, could be of any help in this committee to help solve this problem or any other, we act as volunteers.

Thank you.

SENATOR DUNN: Thank you. Ms. Axley.

MS. MARGRET AXLEY: My name is Margret Axley and I'm in the Canada Cove Mobilehome Park in Half Moon Bay, California. And I would like to say thank you gentlemen for allowing me to come and speak before you. I'm going to talk particularly about two instances I feel are particularly egregious.

Half Moon Bay is one of the fastest growing cities in the state of California and especially because it is this lovely little place along the coast. Everybody wants to move there, so the developers are constantly building and so on. There is a road called Miramonte Point Road that runs along the side of our mobilehome park. It was just a dusty unconstructed road, but it was beautiful and you could walk right out to the bluffs on it. In about March of 1997, construction started on Miramonte Point Road because there was a hotel to be built out on the bluffs which will have somewhere between 200 and 300 rooms. They were also going to put up between 20 and 50 half-

million dollar homes out there so they had to do something about this road and they also had to widen the road. So all of this took place. The road was constructed. It was resurfaced and whatever, and in the doing of that, because it needed to be widened, the fence that ran along the side of the mobilehome park had to be removed and a new fence put up. We were not given any kind of documents to say what the cost of all of this was, but we were subsequently assessed as a pass-through \$2.81 for every household in the park, and it's about 350 households -- \$2.81 every month for the next 48 months. In addition to that, we are also assessed \$.61 which pays for the creating of a special school district tax and for the real estate tax and for storm drains and whatever. And we, in the park, feel that the widening of the road was not something that was necessary for the people who live in Canada Cove. It certainly was something that would benefit all of the people who would be using this hotel and the owners of the hotel. So that's one of my first complaints.

The second one is the fact that as a resident of Half Moon Bay Mobilehome Park, I pay \$131.16 on my San Mateo County secured tax bill. It states very clearly on this bill that I pay \$15.09 to the Cabrillo Unified School District Bond. So in essence, I am paying not only my own taxes, but I'm also being assessed the \$.61, I am being assessed the taxes of the owner of the park because on my monthly statement it says, "this pass-through includes \$.61 real estate tax, Cabrillo Unified School Bond and the federal state storm fee." And I feel that this is not only a grievance, but I'm wondering if it is completely illegal for him to do this. And that's all that I have to say today.

SENATOR DUNN: Okay. Thank you, Ms. Axley. Just one question, if I can, Mr. Harrison. You mentioned that in the -- you discovered the arbitration clause in the particular lease that you were talking about in your

testimony. Do you know if any residents in the park that you're referring to, or actually potential residents, notice that arbitration clause prior to signing the lease, refuse to sign it with the arbitration clause and therefore were refused tenancy. Are you aware of that happening? And I understand that it's a somewhat unrealistic situation because I agree with you that the leases tend to be extremely complex and oftentimes individuals don't quite understand all of the import of them. I'm just curious if you were aware.

MR. HARRISON: In most cases from my experience, a newly arrived resident in the mobilehome park not only doesn't know what they have signed, but they can't even find the documents that they have signed two or three months after they have been there.

SENATOR DUNN: Okay.

SENATOR CHESBRO: Can I ask Ms. Axley, did the lease or the rental agreement that you signed include any notification of the owners right to assess these fees, or is this something that's been done outside of the rental agreement process?

MS. AXLEY: Well, I think, as the gentleman to my right said, the lease is so full of legalese that when you read it you're not really sure what in the world it does say. There is some section in there that talks about government required services and then below that is a place that says taxes and benefit assessments. And it goes on to say that all general and special real estate taxes, personal property taxes, bonds, fees, and surcharges are assessments, blah, blah, blah, blah, presumably can be passed on to the tenants, although it doesn't specifically say that it is passed on. I wasn't aware that it's going to happen. I never in my world thought that I was going to be paying my own taxes and also be paying the taxes that were assessed to the owner of the park.

SENATOR CHESBRO: Thank you.

SENATOR DUNN: Ms. Axley, just so that you know, that the pass-through issue is one that we as a committee are very aware of. We understand that it has given rise to a lot of frustration among residents. Legally, it's a very difficult issue to wrestle to the ground but it's one that we're aware of and we'll see what we can do as time goes on, okay.

Thank you, the three of you. I want to call up the next panel which consists of Mr. Peterson, Mr. Henderson and, I'm sorry, my notes aren't clear enough, I don't know if it's a Mr. or Ms. Easter.

UNIDENTIFIED: Mr. Henderson will not be here.

SENATOR DUNN: Why don't we call up the next one then so that we have a panel of three up here and that is Mr. Hoffman.

MR. DON PETERSON: First I want to give just a short briefing about a WMA convention back in Las Vegas in October of 1990. This is when all of this started, incidentally. We don't put anything on the table. We leave a lot of blanks. You negotiate the best deal you can with those people. You get the best deal you can. Sooner or later they will follow along. We ought to push for our residents to sign long-term leases and give transferable leases. Very few people, residents, read documents. They will just take your word for it or they'll either change their mind under peer pressure. They'll move away, or if you're lucky, they'll die. This is from a WMA.

What I want to address is new homeowners coming into the park and I see that a lot of people are saying similar things to what I'm going to read here.

New homeowners are completely in the dark concerning their rights under the Mobilehome Residency Law in the California Civil Code. When

potential buyers enter a mobilehome park they seek out the managers or real estate agents for guidance concerning rents and availability of homes.

It is not until after the home has been purchased and the new owners are presented with their first multi-year lease that they find the rent increase of between 20% and 38% higher than the previous owner. One new owner reported to us that his rent was increased up to 75% of the former owner.

When complaints are registered at the office, the manager refers the new homeowner to Article 15 of the lease that was recently signed. This paragraph called, "Assignment and Subletting," is buried on page seven and allows the park to increase the rent to so-called market value or a percentage of the rent in place at the time of sale. It is at this time that the new owner is introduced to Article 7, section 798.74 (a) that allows management to insert any amount according to the parks sole discretion.

If such a clause is legal, there must be open disclosure to the incoming homeowner by placing any such wording under Section 3, which addresses the rent upon the turnover of ownership. This section of the lease is nothing more than rent gouging. The park owners and/or managers do nothing to warrant additional increases in this rent.

This is one example of the crying need for a statewide rent stabilization ordinance. This is not simply a local issue. Local politicians are extremely reluctant to become involved in what is considered tampering with private enterprise. What about the tampering of the fixed income of the elderly and infirmed? We are a senior park and those of us who are deeply concerned about this issue are helpless and frustrated due to the fact that we cannot generate sufficient support to put pressure on our city officials for a local rent stabilization ordinance.

Last year we discovered that the ownership was offering only a 10-year lease plus the obligatory one-year lease. This was after having had a lease of 5-years. A new homeowner coming in and as -- As new homeowners come in and as current homeowners' five-year leases expire, the park owner will have us tied up for 10-years before we could realize any benefits from rent stabilization. Therefore, as the rents increase automatically over the 10 years and it becomes unaffordable housing, elderly people will be forced to move in with their children, into a nursing home, or as the person from the WMA convention said, maybe they'll die.

SENATOR DUNN: Thank you, Mr. Peterson. Mrs. Easter.

MRS. EASTER: Thank you very much for allowing us to come and make our presentations this afternoon. I live at Canada Cove Mobilehome Park in Half Moon Bay in California. I want to talk about some sort of general issues that are going to mirror, I'm sure, what you're going to hear from your other participants today. Mobilehomes and manufactured homes are associated with affordable housing but when there are few, if any, curbs on the authority, or the ability, and of course the two are not synonymous, of park owners to increase space, rents and exact pass-throughs, what was once affordable may very quickly become less so, and in the cases of people who are on fixed incomes, the choice between eating and abandoning one's home becomes not just an academic dilemma but a real choice that has to be made. And we are finding that happening in our park because we are, as Marge Axley said, we're in an area that is growing on a percentage basis, but it is a very small community, and what is happening is that homes outside our mobilehome park are escalating in value tremendously and mobilehome parks which might have once enjoyed a stigma that kept people away are now becoming a much more affordable option. So the prices -- the rents are

rising. The prices of the homes are rising somewhat also, which is very nice, but if there should ever be an economic downturn, the prices of the homes in the park will go down, but unfortunately, the rents will not and residents will be caught in the double squeeze of watching their equity shrink and watching their rents increase.

We really believe that the issue of long-term leases is symptomatic of the fear of park owners that some sort of rent control will be exacted, will be imposed in various communities. But as long as the MRL allows rent control to go beyond only on those leases which are 12 months late, then there is not going to be any real change in what's happening to the way the park owners are managing the lease arrangements. We need to have a law that says, "If rent control is enacted in a given community, it doesn't matter what the length of your lease is, you will be grandfathered into the rent control provisions." And that is just critical because then all this rent -- this really is strong-arming in some communities that goes on about the length of the lease, these implied and sometimes not so implied threats of, "Well you know if you don't get a long-term lease, your rents are going to go up a whole lot more than if you would." Well, the reality is, in our particular situation, the rents are going to go up at least 4% per year no matter what. The lease says that. And it will go up to a maximum of 8%. Plus, they're all passthroughs that Mrs. Axley spoke about. There's everything. There isn't anything that isn't covered. In our particular lease there is no such thing as what you call overhead by park management because it's all passed through to the park residents.

So we believe this is one of the situations that really does need to be addressed. I know the Legislature has tried to do this several times and it has been rebuffed by either WMA, or whatever lobbying group. But I think I

speak for many of the park residents in this room to say, this is something that really does need to be done and would really give us a little bit of muscle on our own.

And we're not saying that we don't want park owners to have a legitimate profit. They're in business and we understand that. We just don't want to be gouged. We don't want to be hit with everything. There is such a thing as a legitimate profit.

The other problem that I would like to address is just a general one with the MRL, and that is unfortunately, better than nothing, it has very little in the way of teeth. If we do have a complaint basically we're told, "You've got to go to court." For most residents of mobilehome parks that's not financially affordable. There is philosophically a very charming option. So what happens, I think, is that there is an intimidation of sort, like, "if you don't like it, lump it. You can always leave." But you can't leave. You can't leave so easily when you own the roof over your head but you don't own the land, and the two things are tied together. It's not like an apartment lease where you say, "Okay, I'm out of here. I give you my 30-days notice and I'm gone." So, I think in this regard another thing that we need, as mobilehome residents, is some new forum where we can bring complaints short of having to hire private attorneys to make sure that the leases, the rules that we have to abide by, are legitimate and that we are not being forced to accept rules and leases which really put us at a very severe disadvantage.

I have, very briefly, an example at our park where new rules were proposed, they were sent around and characterized as being an update just to reflect changes in the MRL. Well they were that, but there was this little paragraph 13 that was slipped in there that said, "If you make any changes to the property you will pay for it. It will become the property of

management and you will take care of it at your expense and if you leave, management can come and ask you to take these improvements which they have just approved and now own, and ask you to undo them.” This is an egregious abuse of a particular section of the MRL. When we called management’s attention to it, basically their response was, “Hey, our attorney says something different.” The “so there,” was implied. What do you do? Until you have an actual example or someone has suffered some financial loss, you basically don’t even have a chance in administrative law because you have to prove it. So even though you have a rule that is very clearly not in accord with the law, you don’t have any standing to do anything about it and our inability to do something in a situation like this fuels the ability of the bullying that goes on to have future abuses such as this occur. That concludes my remarks.

SENATOR DUNN: All right. Thank you very much and now Mr. Hoffman.

SENATOR CHESBRO: Mr. Chair, while he’s getting the mike I wanted to make a couple of comments that have been elicited by listening to this testimony and I’m coming from -- speaking as somebody whose parents own a mobilehome and lived in it, and whose grandfather, before he died, lived in a mobilehome park. But mobilehome ownership is like no other form of housing. If you live in an apartment or rental house and the terms are unreasonable, you can fairly easily leave and go seek other housing. If you own both the property and the home and you’re stabilized for the most part with Prop. 13 and with mortgage rates, you’ve stabilized the cost of housing and you’re pretty much responsible for your own housing. But because it’s so hard, as it has been pointed out by our witnesses, to remove a mobilehome, most mobilehomes, most mobilehome owners are pretty much over the barrel.

And that really puts it in a different category where the marketplace which normally functions in other forms of housing, doesn't have the same ability to do its job; to counter balance the power of the seller or the landlord. So I just wanted to express my understanding of that situation and say that I think the Legislature, that's part of why we're here today, to hear about these problems. One of the reasons is because I think the Legislature has to get a better handle on it and try to figure out how to assure a more equal relationship -- negotiating a relationship between mobilehome park residents and park owners.

SENATOR DUNN: Mr. Hoffman.

MR. RICHARD HOFFMAN: My name is Richard Hoffman, Associate Regional Manager, Region 2, mostly working with Solano and sometimes the Napa County. I live in Vallejo in a mobilehome park. Like the lady to my left just mentioned a moment ago, I was given a copy of a five-year lease in which the park owner management -- the management offered that the woman had to sign this lease or otherwise she could not have residency in the park. That was abominable. The law should be changed to give the residents and residents to be (prospective residents) the same rights as the residents who have already signed a lease.

Also, I have three other examples which I'll get into in my speech in just one moment.

I want to thank you all for recognizing -- to help us residents and all the residents in the mobilehome parks. It is greatly appreciated by GSMOL, myself and many others.

To start with, mobilehome leases -- Western Mobilehome Association has a standard lease for new residents of a mobilehome park to sign when they move into the park. Most mobilehome parks I have seen have these

leases. Unfortunately, provisions in the leases are heavily weighted toward the park owner at the expense of the resident. Mobilehomes and their contents are personal property belonging to the residents. Everything else that is a fixture and land, permanent buildings, as you know, all belong to the park owner as part of the park owner's "real property" defined by law.

California Civil Code Section 658 - 669 states that property owners, or in this case, park owners, are responsible for their real property, the bottom land and everything permanently attached which includes fixtures. This was brought out in 798.15 (d), the MRL, which you know is the Mobilehome Residency Law, and 798.31 states that residents cannot be charged fees unless it's for a service actually rendered.

I have samples of three other leases which are standard. Western Mobilehome Association leases in which -- for improvements they mention all plants, shrubbery, trees planted on the home site, as well as all structures permanently embedded on the ground or attached shall be maintained repaired and when necessary, removed at the leasees, or the residents sole expense and responsibility. (Any maintenance is the responsibility of the resident), but if at anytime a tree is deemed a hazard, management reserves the right to require that the tree be removed at the lessee's sole expense. (This flies in the face of Civil Code 658 - 669 in which MRL 798.15 (d) ties it together that the park owner -- the property owner has the sole responsibility for the park maintenance).

We won a court case a few years back in which the damage -- a mature tree damaged a residence and we won in the Small Claims and Superior Court where the park owner had to pay the money for the damage. So we do have a precedent case.

Also, before I forget, under the tenant-to-be, or prospective tenant, they have a court case that has been -- at Court of Appeals, Fourth District, in favor of the city and the residents in which tenant-to-be, or prospective tenant, had the same rights that the language of 798.17 and 798.37 covered prospective residents. I'd like the panel to possibly use these cases and statutes that I just mentioned for strengthening the state law dealing with leases. So I have copies of this. I only have one copy but I'd be glad to make copies for everyone.

Continuing on, WMA, when they made these standard leases of which there are several thousand in the parks, the lawyers must have forgotten about Section 6 Civil Code 658 - 669. Why do they not realize that they would violate State code from the substandard WMA leases? It looks like they didn't -- in my opinion, they didn't want to. So in our park a resident was forced two to three years ago to remove a 75 foot palm tree with a diameter of about three feet (obviously a mature tree) and he had to pay for it; several hundred dollars of his own money because he was told to do so by the management and he had just moved into the park a few months before.

I want to thank you very much. Health and Safety Code 18250 and 251 guarantee mobilehome owners a decent living environment. Thank you very much for your consideration.

SENATOR DUNN: Thank you, Mr. Hoffman. Mayor, Senator, any questions? Thank you, each of you. We'll move on to our next panel which consists of Mr. Brown, Ms. Gaither and Mr. and Mrs. Richter. Why don't we start with Mr. Brown. And again, if I can remind all witnesses to keep their comments to the lease abuse issues and nothing more.

MR. DON BROWN: Thank you. My name is Don Brown and I live at 260 American Canyon. I represent myself but I also am employed as a real estate agent in Vallejo.

The couple of points I just wanted to make are that the enforcement of park rules and notices of those rules are to be delivered to the individual unit owners, and what happens -- what we've had in our particular park is a series of undefined hearings where rules are made, you apply the rules that were made -- back in 1995 or '96 with nothing updated, that was changed but no notification was given to the individual owners -- incidentally, as I read through your rules and regulations, didn't we change in the state legislature a year or so ago that they are no longer mobilehomes but they are manufactured homes? And as I read through all the rules and regulations they're referred to as mobilehomes. Just a little tidbit.

One of the things that has recently come up and I've never had it happen before, was that the park involved required disclosure of personal finances. In the code it says that they're not required to do so, but I know how the park determines whether you have sufficient income without some show of proof as to how much you earn or where it comes from. But it's in there and it's in the WAMA form that says that you have to provide that information. And just recently for the first time I've come across where parks, or a park, has required a prospective owner to give proof -- a copy of their driver's license or DMV ID, and I don't find it anywhere in the code where that is required or is permitted.

Secondly, another item is on rentals and mobilehomes. Most of the parks in this area say that you, as an owner, cannot rent or sublet your mobilehome. Yet, in some cases we find the complaint that, "No, they can't," but owners of the park through some quirk of the law, have been able to take

the unit, repossess it, turn around, fix it up and rent it. And yet in part of the code it says that the park owner shall be subject to the same rules and regulations as anyone who lives in the parks. And I don't know where the consistency of that is and how HCD, or DMV, or anyone else would be able to enforce those.

And we've had a situation where an owner of a park has indicated to the members who live in -- people who live in that park that the park owner will not meet with tenants but only with the association representatives. We don't have any legally formed association. And so I'm just asking personally, how do we enforce rules that say you have to, or you can, but you don't have to?

And then the last thing that I want to cover is that I heard rumors, I don't have any proof of it, where employees of parks are selling property. In the code it says they must -- the owner of the park, any person employed, shall be subject to and comply with all park rules.

SENATOR DUNN: Mr. Brown, I could be wrong, I'm not sure that really -- I understand the issue, but I don't think it has to do with lease abuses and we're trying to limit ourselves to lease abuses and so that's why I'm trying to keep everybody focused here.

MR. BROWN: I understand that, but it does affect the -- because it says the park management can, with written authority, affect the sale or leasing of a property, and yet at the same time it says in here that you have to have either a real estate license or a mobilehome dealer's license to do so. And it does affect you because if you were going to be living in that park you need to know which way you can operate and which way you can't. That's why I brought it up as a part of this section.

SENATOR DUNN: Okay. Is that it?

MR. BROWN: I think that covers it.

SENATOR DUNN: All right. Thank you, Mr. Brown. Mr. Richter, do you want to move on to Ms. Gaither first?

MS. BETTY GAITHER: I'm Betty Gaither. I live in Rancho Napa in Yountville. I had several things to say but a lot of it has been covered, and I'm going to cut down. People were being intimidated to sign. They don't know their rights and you can't educate them, and I don't know why some of the seniors are so hard to teach, but they have this mind set as explained in the *Last Generation*, by Tom Brokaw. We are coming back from the time of -- our contemporaries were killed in the war. We made deals on a handshake. We were hard to re-educate, some of us. At any rate, somewhere I read, and I don't know where right now, the park owners claim that if they're not getting 41% on their money they're out of business. Now that is an obscene rate of return.

Earlier, Ms. Easter spoke about mobilehome laws and the residency laws. The residency laws are pretty standard. They're good but no one will enforce them. We have to have an enforcement agency. Should we create another bureaucracy? That's not always a good idea. But we need someone to enforce them. Something besides Civil Codes. People shouldn't be intimidated by these things but we are because this is our home and you know how emotionally charged that is.

Not only that, when you sign the lease you -- by the very act of signing their new rules and regulations and our park owner has never come to us with a meeting to approve new rules and regulations, and yet there were many changes. I mean, pages long now that we should -- I won't go into the rules. I get too upset about it. But obviously something has to be done. If

something is not broke, you don't have to fix it, but this is broken so badly we really need something severe.

And I'm very happy that you all are having this committee. I'm happy and gratified to hear Mr. Chesbro has such knowledge of our problems and, Mr. Dunn, and all of you, thank you. And I know we all feel that way. But I've got one more thing that I have to say, and I hope I was brief. It is a form of insanity to exhibit the same behavior and expect different results. Now, just tap these people on the knuckles. There's got to be some teeth in what you're doing. Somebody has to enforce this. Thank you for this opportunity to speak.

SENATOR DUNN: Thank you, Ms. Gaither. Mr. Richter.

MR. JACK RICHTER: Thank you for this opportunity. Much of what I wanted to say has already been said so I won't go over it. Let me preface my remarks with this: Elaine and I have been in real estate for many, many years as individual developers, builders and (dirty word) landlords. When we were landlording we never, never had an opportunity to create a triple net lease, which is a lease that is reserved for the prime commercial properties in towns like San Francisco, New York and what not. A triple net lease is a lease in which all expenses are passed through to the occupants and all the owner does is collect the rent. He doesn't pay the taxes. He doesn't pay for the paint. He doesn't pay the upkeep. A triple net lease. Nor have I ever been able to have a lease that guarantees me a return on my income. Not on my investment, regardless of what the market is doing, it guarantees me a profit. When we were landlords we had a simple 1 ½ page rental agreement in 16-point type. No fancy words. This is what it is. This is what you get. This is what it will cost you and if you don't adhere to this it's out the door. Okay, the bottom line is that with most of your leases they are triple net

leases with a guaranteed return on income with no way out for the homeowner. The two-tiered lease, which is a 12-month or less, or a 12-month or over, does not serve the mobilehome population well. Why do some people get protection under a rent stabilization ordinance and others do not? Remember, originally the 798 MRL went into effect and had shortcomings so we came up with the RSO. The Rent Stabilization Ordinances were not put into effect because the owners of mobilehome parks were being too nice, and it was just the opposite. And I've run out of things to say. Thank you. I'll turn it over to my wife, Elaine.

SENATOR DUNN: Go ahead, Elaine.

MS. ELAINE RICHTER: As Jack was just saying, those who are covered by rental -- by ordinances are protected somewhat against lease abuses. But those who are not so lucky find the scales balanced very unfavorably. How long ago was this two-tier system put in place, I asked? Late 1980's I was told. Why? Because it was a compromise. The park owners said at that time it was for an incentive to be more fair but it hasn't worked out that way. So, I'm wondering, can it be replaced with a more fair system that would cover all residents? We now have a system which is sort of like quicksand; you have to get into it before you know you're in trouble. And as had been pointed out, unless you are an attorney, you don't read the fine print. Say you just bought a suitable mobilehome and you go to the management office to sign a lease. Management tells you that a one-year lease would not be good; yearly increases, etc. And a five-year lease, say, would give you protection and you'd wind up paying less. This is typical. Generally people will sign whatever is put in front of them, as Ms. Gaither just said. They have other things on their minds. They have a new home and moving in to it with all the related problems involved. As Jack said to me at

home, they have their heads in a packing box. So, many times a move-in will take a month or more. It did in our case. So a rescission period doesn't help and they still don't know our local rent stabilization ordinances exist, much less the protections that they give. So they sign a longer termed lease and they're stuck for the lease's duration; 5, 10 years or more. Can't we devise a better way, one that would level the playing field for everyone?

I have here a pretty thick file. This represents the three years worth of work that Jack and I have done. Take a look at it. Research. To try and keep our park owner from charging a pass-through on the resurfacing of our street -- and we have a pretty good rent stabilization ordinance -- Mayor Anderson, thank you. We've finally hired an attorney and we have had to raise a \$4,000 war chest. It finally looks hopeful. After going through eight other attorneys who turned us down when we tried to get a contingency basis case. No. None of them would touch it. You know, I do see some light at the end of the tunnel. If you can be open to some changes in the MRL to do away with this two-tier system, those who are protected and those who are not, because the length of the terms of the lease should not matter, but it does. So let's throw the-baby-out-with-the-bath-water this time. I think it's time it got discarded.

Well, there are two documents that I have here that I will put into your files with a digest of the many good points contained therein, if you wish, after this hearing. And in conclusion, you must remember that for every \$100 raise in rent, the value of a mobilehome decreases \$10,000 -- \$100/\$10,000. Thank you.

SENATOR DUNN: Thank you, Mrs. Richter. Mayor, Senator, any questions for this panel? Okay. Thank you very much. Let me call up our last panel which consists of Ms. Hancock, Mr. Clark, Ms. Phillips. As I

indicated to everybody, this is our last panel of the day. And why don't we begin with Ms. Hancock.

MS. CAROLYN HANCOCK: My name is Carolyn Hancock and my mobilehome is situated at Lake Berryessa . It's a regular mobilehome park. I purchased it at the beginning of May of this year. And I read -- I got the lease -- a copy of the lease and all that stuff that they're required to give you. I filled out an application and was approved. I was informed verbally that we were approved but they couldn't give us an actual lease to sign because there were new owners and the leases were not printed yet. But we were approved to move in. So I purchased the mobilehome. And at that point was informed I could not move into it until we cut the tongue off the trailer. This is the part of the trailer where you can -- actually makes it mobile. You can move it. I've also found out since then they have forced this on three other homeowners in this park; that you cannot move into it until you cut the tongue off which makes it no longer mobile. They won't give you the lease. They approve you to move in. You purchase the trailer and all of a sudden it's, "Here's your lease. You can't have it until you destroy part of your mobilehome." I can't sell it because it can't be moved. And I think that it's pretty scary. I mean, you can purchase a place and they dangle your lease in front of you. It's just something I thought somebody needed to hear about. And that's all I have to say.

SENATOR DUNN: Okay. Thank you very much. Mr. Clark.

MR. GEORGE CLARK: Good afternoon. My name is George Clark. I'm from Sonora, California. Recently I tried to purchase a mobilehome and had no idea what I was in for.

Back in August I pre-qualified, made an offer and was accepted on a mobilehome in Ponderosa Mobilhome Park in Tuolumne County near Sonora,

California. On August 16th, 1999, I paid a \$25 application fee and filled out an application for tenancy in the park. On August 17th I was accepted and given a lease to sign, all 14 pages. After reading a little of the lease I told the manager I would like to take the lease home and study it further because I was not comfortable with a part I had read. After reading the lease I said no way would I ever sign such a document.

I contacted the local mobilehome owners coalition and was told not to sign this lease. Same for my realtor and his boss, the Tuolumne County Supervisor, City Attorney for Sonora and finally an attorney I had to hire. This was a 20-year lease; 5% rent increase every year; 15% increase every five years; losses from lawsuits, attorney's fees, increase in insurance costs, repairs and so forth were passed on to the homeowners. An arbitration clause had to be signed in case you had any problems with the park and right of first refusal if you wanted to sell. The last page of the lease had a place to initial. It said I had been offered a 12-month or less rental agreement, which of course, I never was. I wasn't ever given a copy of the park rules or the California Civil Code, or the MRL. I tried several times to resolve these problems with the manager and was finally told she couldn't go any further with it, and I would have to talk to one of the owners.

One of the owners contacted me and when he did he said his only concession was to maybe give me a better annual rent increase for two or three years. This held up my escrow for weeks and then Friday, September the 17th I received a registered letter from the owners stating I was given the lease application in error. But in truth, I had to assume the 20-year lease the present owner signed in 1993.

My attorney called me yesterday. He advised me not to sign the lease assumption and to cancel the deal, which I did. I made an offer on another

mobilehome in a different park and it was accepted yesterday afternoon and we'll go into escrow today.

I lost my wife in May and wanted to buy a mobilehome to try to get on with my life. Instead I got a month of more stress which I feel has contributed to my having a stroke on September 11th and spending three days in the hospital. Plus I really feel badly for the present owner who lost her husband and had her home on the market for over a year and has now lost a sure sale. Something needs to be done about these kinds of park owners. Thank you.

SENATOR DUNN: Thank you, Mr. Clark. Ms. Phillips.

MS. JEAN PHILLIPS: I want to second the motion. My name is Jean Phillips and I'm region manager for Region 2, GSMOL, and am most delighted that you managed to have a Senate Select Committee on Mobilehomes meet in American Canyon. Thank you.

My statements are going to be brief because I think you've heard very inclusively the problems that occur in the mobilehome parks with lease agreements. My overview is this, as region manager, and this region has certainly had many problems with regard to leases, but a good number of them are because people are forced as they enter parks to sign leases in order to be admitted to live there.

The other problem with leases is that park owners have divided the residents of the parks into two groups; those who are on leases and those who are not. And where Mobilehome Stabilization Ordinances exist, the division becomes quite large.

I would like to say that I have a recommendation for you, as a committee, if you will consider it please. It is my recommendation that you amend 798.15, which deals with the required contents of rental agreements

in this way: that all rental agreements, regardless of duration, need to be prefaced by statements which follow: One would be the opening statement in 798.18 which is a) and says, “A homeowner shall be offered a rental agreement for, 1) a term of 12 months, 2) a lessor period as a homeowner may request, or 3) a longer period.” I state that again because I believe that it should preface all of the agreements. That it should be one of the things that the lease agreement shows immediately to the person who is a prospective buyer in the mobilehome park that they do have rights. And if it is not there they will never see the Mobilehome Residency Law. They will never know their rights and we can’t tell them according to what I hear, although I think sometimes we have an opportunity in a way to pass that word along. But it is not our position to be able to tell people, “don’t sign the lease,” when they’re showing a person the home.

The other thing that I would feel is pertinent to be included is something that exists now under the rent control exemption and that is under 798.17 (f). I believe this should be printed in every lease agreement. At the time the rental agreement is offered to the homeowner the management shall provide written notice to the homeowner of the homeowner’s right 1) to have 30-days to inspect the rental agreement, and 2) to void the rental agreement by notifying management in writing within 72 hours of acceptance of the rental agreement. And whether that wording is included or not could be certainly your legal choice.

My concern is that if these items are not in the rental agreement itself, and preferably in large print, the person looking at these leases which become wordy as has been described to you, there is no way that they are going to know whether it’s safe to sign it or not. Thank you very much for your time and attention.

SENATOR DUNN: Thank you, Ms. Phillips. Questions, Mayor?
Senator? No questions.

SENATOR CHESBRO: I would just like to -- I assume you're about to make concluding remarks. I'd like to thank everybody who's testified for continuing the education of a couple of senators and I assume, a mayor, as well. It's very valuable to have you here -- to hear real stories from real people, with all due respect to lobbyists. All day long when we're in session we have people knocking on our doors who are paid to tell us things. And the value to me of being off when we're through, and being out in my district, and I appreciate Senator Dunn leaving his district to come up here with me to do this, but is to hear how -- what's going on in people's lives and what can be done in Sacramento to try to improve those lives. So thank you so much for your testimony.

MAYOR ANDERSON: I do have one question.

SENATOR DUNN: Mayor, go ahead.

MAYOR ANDERSON: How many of you here have rent stabilization covering your mobilehome park?

UNIDENTIFIED: Ordinance?

MAYOR ANDERSON: Ordinance, yes. Okay. Thanks very much.

SENATOR DUNN: Let me, if I can, just make a few comments before we wrap it up here. As Senator Chesbro and I know very, very well, although sometimes people tend to deny it, residency in mobilehome parks gives rise to an extremely special relationship that's probably unique under the law. I'm not aware of any other relationship where a resident is both an owner and a renter at the same time. And at the time of a purchase there's really three parties: the seller, the purchaser, and of course, the park owner who is about to be the lessor to the lessee. That gives rise to complicated questions,

complicated problems, everybody in this room knows it very well. We've heard a lot of testimony today, and in conjunction with the hearing we had in Southern California when we heard many of the same problems, I know we see problems, such as never being able to see the lease prior to signing, never being able to review it as required under the law, or arbitration clauses surfacing in a lease, or rent increases that seem unwarranted, other problems that we've heard along the way. Enumerating the problems is easy; coming up with a solution is not so easy. I know that people have advocated rent stabilization, and that is a local issue subject to local jurisdictions. My own personal opinion as far as statewide, there is little support in getting statewide rent stabilization through the Legislature, and it is up to the local jurisdiction.

But there are other options we will be exploring such as -- as I was whispering to John throughout the afternoon -- the potential for a standardized lease that would have the type of language for example, Ms. Phillips that you referenced. But they would still address the concerns of the park owners as well.

And I want to underscore something, and I think everybody here knows it -- please pardon my cold, as you can probably hear it in my voice -- is that I think the majority of park owners are trying to do the right thing. Unfortunately, a small percentage have engaged in conduct that has given rise to many of the problems that we have heard of this afternoon, and we oftentimes hear from the park owners, "Address the bad actors but try to leave the rest of us alone." And I think everybody in the room would agree with that if we can do that. We want to minimize the impact on the park owners who are doing the right thing.

We will continue to work on this. We hopefully will come up with some attempted resolutions next year. But I also want to emphasize it's like kicking the can from one end of the block to the other; you can't do it in one big swift kick. You've got to do it in little kicks along the way. So I'm sure we'll try a few of those smaller kicks in this upcoming legislative session.

I would also like to thank all the witnesses, as Senator Chesbro already did, to the Mayor and the good city of American Canyon, a wonderful, wonderful place, by the way; also to the Boys and Girls Clubs and to the Lions Club for all of their wonderful hospitality this afternoon; also to John and Ken our Sergeant-at-Arms here who have been diligently working and taking care of us this afternoon, Charles for doing the video taping, and Jack and Elaine for all of your work, as well. I want to thank you for the hospitality. Thank you for the testimony. We'll be around for a little bit for questions, comments and concerns. This is an ongoing process. The process will continue. Thanks everybody.

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SUMMARY AND CONCLUSION

SUMMARY of the TESTIMONY

Homeowners

There were numerous general complaints. Some residents complained about parks that, in their leases, “pass through” numerous operation and maintenance costs on top of the rent. Others claimed that some lease clauses try to abrogate park responsibilities by making residents responsible for reporting park defects before management is liable for repairing them. At least one homeowner said there are parks in his area that still require residents to sign agreements with automatic renewal clauses, even though the law has prohibited such clauses since 1993. There were claims that space rents were misrepresented to buyers, that the rent wasn’t filled in on copies of the lease until after signature and that widely differing rents were charged to buyers for the same kinds of spaces in some parks. Many complained that leases are often too lengthy and legalistic – sometimes 20 or more pages. Others mentioned there is usually no disclosure to buyers where rents are regulated by local rent control. A few instances were cited of Spanish-speaking buyers who were not in an equal bargaining position to sign leases they couldn’t read because there were no translations. Some suggested the state should draft a standardized lease for use in all mobilehome parks. But much of the homeowner testimony repeatedly focused on a few “key” issues.

Long-term leases: The most frequent charge heard is that many parks require homeowners or prospective homeowners to sign long-term leases exempt from rent control and refuse to offer them optional month-to-month or year-to-year rental agreements available under the Mobilehome Residency Law. Some homeowners claimed they are prevailed upon by managers to initial lease clauses that say they have been offered month-to-month or year-to-year rental agreements which they have declined, when in fact they have not been offered these options. Where the optional agreements are available, some parks allegedly “threatened” homeowners with rent increases every 90 days unless they signed the long-term lease.

Review and disclosure: Another issue frequently mentioned involves the “tactics” used by some park managers to get buyers to sign leases. Some parks apparently will not let the lease “out of the office,” and copies are allegedly not available to buyers to read and study before they must sign a lease in order to move into the park. According to some, the scenario is something like the following: prospective homeowners are asked to come into the office just before close of escrow where the lease is revealed for the first time, with the manager taking 10 or 15 minutes to explain the park rules and regulations and flip through the 15-20 page lease, telling the buyer/homeowner what’s in it and asking him/her to initial or sign various paragraphs or clauses, like an automobile conditional sales contract. Homeowners say they feel pressured. Those who ask to read the lease or take it out of the office are told to trust the manager, or that the manager has another appointment in 20 minutes, that escrow closes in the next few days and there is no time. Others cited an example of being allowed to move into the home in the park and then being told to stop by the office for a few minutes to sign the lease. Even after the lease is signed, some residents claim they never received a copy or, if they did, it was weeks or months later. Some contended that this was done to keep homeowners from rescinding the agreement 72 hours after they signed it, as provided by the Mobilehome Residency Law.

'Mandatory' arbitration: Several witnesses testified that, although agreeing to arbitration is supposedly "voluntary," the fact that the arbitration clause was included within the lease made it difficult or impossible not to sign it. It was said that if the resident tried to cross out the arbitration clause, the park manager refused to accept the lease. Others showed the committee examples of a lease where the signature block for the lease and the arbitration clause were essentially one in the same. They claimed that the management had them over a barrel. If they didn't sign or initial the arbitration clause the management wouldn't accept the lease. If they didn't have a lease they couldn't close escrow, or where they already had moved in they could be evicted from the home they already purchased. A homeowner's attorney testified that some parks use arbitration as a weapon because arbitration normally does not allow a prevailing plaintiff (resident) to collect court costs or attorney fees from the defendant park owner but requires both parties to split and pay the costs of arbitration up front. He indicated that most residents don't have this kind of "up-front" money, and most attorneys won't take cases where residents have signed arbitration clauses.

Park Owners

There were a number of park-owner attorneys and representatives at the July 30th hearing, but none chose to testify at the September 21st hearing. Generally, park owner representatives contended that the practices alleged by homeowners are not an industry-wide problem. One attorney opined that the park industry was one of the most regulated in the State of California. Several pointed out that homeowner testimony, however compelling, was only anecdotal and did not represent a complete study that indicated that lease problems were a major problem throughout the state. Several management representatives and park owner attorneys conceded that some problems may exist, but they are isolated cases perpetrated by ignorant or "rogue" park owners, and that there are adequate remedies under current law for such abuses. One park owner association representative pointed out that if a few "bad actor" park owners or managers weren't complying with existing laws, enacting more laws or regulations wouldn't change anything because they would ignore new laws as well. Education was touted as the answer to 'reining in' recalcitrant park owners and managers, and the management seminars and programs put on by the Western Mobilehome Park Owners Association (WMA) were cited as examples of an industry sensitive to its image and willing to police its own members.

Long-term leases: Park owner representatives argued that the long-term lease was the best arrangement for the homeowner because the rents are predicated on specific CPI increases that ensure stability for those who intend to remain in the park for some years. One park association representative characterized the homeowners' view of the long-term lease as "bad" and of rent control as "good" as a misconception. He cited examples of cases where cities with rent control had built up a false sense of security among mobilehome owners, only to have them dashed when the ordinances were amended or the cities lost court cases and park owners were thereafter allowed to make up for lost revenues by imposing even higher rents. Park representatives characterized the future world of rent control as "uncertain" and that of the long-term lease as providing security or certainty in such a world. One park owner attorney claimed that he had never heard of a "take it or leave it" lease and that park owners don't impose forced leases. Another park attorney contended that most of these leases are negotiated with homeowners or their associations so they are not one-sided as homeowners may believe.

Review and disclosure: Park owner attorneys argued that they would never advise their park owner/management clients to use the kinds of “tactics” homeowners complained of, such as not giving out advance copies of the lease, not filing in the rent, or not giving a lease copy to the resident after he/she signed it. Park representatives said that some people buy and move into a home without notifying the management and to protect both the homeowner and the park, the management needs the buyer to sign a rental agreement. Otherwise they can be treated as unlawful occupants under the Residency Law. It’s not the park’s fault, they say, that the buyer didn’t notify the management. Park representatives say they want buyers to know the terms of the lease and rules and regulations before they move into the park in order to minimize later disputes. In other cases park owner representatives speculated the reason a homeowner didn’t get a copy of the lease may have been due to a mistake on the part of the manager or something as simple as a broken photocopy machine. One park attorney, when asked to pinpoint a timeline, suggested that buyers should have a 30-day period to review the lease before signing it.

‘Mandatory’ arbitration: Park representatives indicated that arbitration is beneficial for two reasons: it lowers the cost of litigation and is beneficial to the courts in reducing the backlog of cases. But they contended that their park-owner clients do not force residents to sign arbitration agreements or make signing such an agreement a condition of tenancy or acceptance of a rental agreement or lease. Moreover, one attorney pointed out that current law is adequate for those aggrieved by any manager who tries to force them to sign such an agreement, as the Code of Civil Procedure provides that arbitration is voluntary.

CONCLUSION

Focus. There were many sub-issues brought up at the lease hearings, not all of which can be addressed legislatively in one year. Since the hearings, the committee has received much additional input from homeowners by phone or letter, some suggesting that the Legislature scrap all Mobilehome Residency Law provisions relating to rental agreements and, instead, enact a comprehensive state ‘model lease’ that would be required to be used in all mobilehome parks. Although the model lease concept may have some merit, writing entire leases common to all mobilehome parks would take considerable time, deliberation and negotiation, not something that can be accomplished in the hurried atmosphere of one legislative session’s deadlines. Therefore, the committee cannot recommend a model mobilehome park lease as the answer to resolving key issues of immediate concern brought out at the hearing, but rather that any legislation introduced in the coming year needs to focus on solutions to two basic problems.

Homeowner and Buyer. The Mobilehome Residency Law already provides that homeowners have the right to a 12-month rental agreement or a month-to-month tenancy if requested by the homeowner as options to the long-term lease (See Civ. Code Section 798.18). The Residency Law also provides that with regard to the long-term leases of more than one year, a homeowner shall have 30 days to inspect and accept or reject the agreement and 72 hours to void the agreement after signing it. (Civ. Code Sec. 798.17). Residents contend that managers do not follow these requirements, and park owners contend existing law adequately protects the residents. Both are partially correct. The real problem is that existing provisions of the Residency Law define a ‘homeowner’ as a person who has a tenancy in a mobilehome park under a rental agreement. (Civ. Code Sec. 798.9). A buyer who has opened escrow to purchase a home in the park and who is about to sign a rental agreement is technically not a ‘homeowner’ and therefore may have no right under the Residency Law to a 30-day review of the lease or to

be provided with or request a 12-month or month-to-month optional agreement. Similarly, Residency Law provisions on the 30-day review of a rental agreement would appear to apply only to the long-term agreements or leases exempt from rent control under Sec. 798.17, not the shorter month-to-month or year-to-year rental agreements offered under 798.18.

In originally enacting Residency Law sections dealing with rental agreements, whether the Legislature intended to include only existing homeowners and not those buying a home in the park is not clear. Some park owner representatives indicated at the hearings that they felt long-term leases are optional, and anyone should have a right to a 30-day advance copy of the lease. Some parks do permit buyers to choose an optional month-to-month or year-to-year tenancy. But park owners have traditionally opposed legislation in the past (AB 3203, Valerie Brown '94; SB 1886, Craven '88, among others), that attempted to clarify that prospective homeowners have these rights, because the shorter rental agreements are not exempt from local rent control. Some park owners see mandatory long-term leases as part of their salvation from rent control, even though most jurisdictions with rent control have vacancy decontrol ordinances, with the minority that have vacancy control ordinances continuing to diminish. But in many cases, prospective homeowners buying homes in a park, even if they do not live in a rent control jurisdiction, are required to sign a long-term lease as a condition of tenancy.

Whether they are home buyers or existing homeowners living in the park, everyone should have the same rights with regard to some of the basics. They should all have the right to review the rental agreement, whether short or long-term, for a reasonable number of business days before being required to sign it. They should have the right to know what the rent is and have the rent filled in on the agreement they are reviewing before they are expected to sign. They should receive a copy of what they sign at the time they execute the agreement. And whether they should sign a park rental agreement for a year or less, as opposed to being required to sign a 5, 10, or 20 year lease by the management as a condition of tenancy, should be the buyer's or homeowner's decision.

Arbitration. Arbitration helps to unclog court calendars and resolve disputes at less cost. The problem is that it is not always at less cost to the homeowner, who is often the aggrieved party in a dispute where he/she is not always in an equal bargaining or financial position with the park owner. In accordance with the Code of Civil Procedure, arbitration is supposed to be entered into voluntarily. But the reality is that when an arbitration clause is included in a rental agreement or lease, which the management requires to be signed as a condition of tenancy, the buyer or homeowner is not in a good position to refuse to sign the rental agreement or cross out the arbitration clause. Even the reference to the "voluntary" nature of arbitration is buried in the clause itself.

Park owners should be able to continue to offer their homeowners or buyers arbitration clauses. But they should be truly voluntary and not incorporated in the lease so that a signature of the lease is construed as signature of the arbitration clause, or so that initialing the arbitration clause is a condition of signing the lease or tenancy in the park. The arbitration agreement should be a separate and distinct agreement from the park lease or rental agreement.

Committee conclusions are made with the knowledge that park owners have contended that complaints at the hearings are only anecdotal. But whether these kinds of complaints represent

5% or 50% of the practices in the park industry is difficult to determine without a lengthy survey involving polling or interviews that could take many months, if not years to complete. The real question is not how many “abusive practices” exist, but whether they should exist at all. If, as park representatives contend, the majority of parks do not engage in these practices, such as requiring residents to sign arbitration clauses as a condition of tenancy, or refusing to give them copies of leases in advance of signing them, then the park industry as a whole should not object to new laws that seek to prevent these practices. Voluntary education programs put on by park owner associations are commendable, but not all park owners/managers belong to these associations or follow their advice even if they are members.

Since the hearings, the committee has received copies of dozens of leases or rental agreements, too numerous to include in this report. Many of these leases have arbitration clauses and other provisions that were the subject of complaints at the hearings. It is impossible to include all of them. Along with some other materials, copies of eight typical park leases or rental agreements received by the committee are included in this report’s Appendix.

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APPENDIX

(Related Materials and Information)

JULY 30, 1999 AND SEPTEMBER 21, 1999

KATELLA MOBILE HOME PARK
8681 KATELLA AVENUE
STANTON, CALIFORNIA 90680

MOBILEHOME RENTAL AGREEMENT

THIS AGREEMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, ADMINISTRATIVE DECISION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT THAT WE AS THE PARK OWNER MAY CHARGE YOU AS A HOMEOWNER/RESIDENT FOR RENT.

INFORMATION SUMMARY

The following information from the Agreement is summarized for the convenience of both of us. Please see the applicable paragraphs in this Agreement for the complete information which controls if there is a difference between it and the following:

A. Space Number: _____

B. Resident(s): _____

C. Date this Agreement Begins and Length/Term of this Agreement:

(1) On a month-to-month basis beginning July 1, 1995.

(Resident's Initials)

(2) For a period of _____ months beginning July 1, 1995 (not to exceed 12 months).

(Resident's Initials)

D. Monthly Rent: _____

Your monthly rent will be \$ _____. Except as provided in paragraph 2 below, the amount of your rent may be increased at any time and in any amount on ninety (90) days' notice as permitted by law.

(Resident's Initials)

E. Utilities: Utilities may be increased or changed as allowed by this Agreement.

(1) Utilities You Pay to Park:

Electricity, Water, and Natural Gas on submetered basis.

Sewer and Trash at an initial charge of \$ _____/month for Sewer and \$ _____/month for Trash.

(2) Utilities Included in Your Rent: None.

(3) Utilities you purchase from Others: Telephone and Cable TV.

Utilities may be increased or changed as allowed by this Agreement.

F. Other Charges:

(1) Late Payment: \$ _____

(2) Returned Checks: \$ _____

(3) Security Deposit: No security deposit will be charged existing residents but it may be charged to new residents.

- (4) RV/Extra Vehicles: \$40.00 per month per vehicle for vehicles parked in the RV storage area and \$25.00 pr month per vehicle for vehicles parked in excess parking spaces in other areas of the Park.
- (5) Government Fees: As charged to Park
- (6) Extra Persons Charge: \$2.00 per day per person
- (7) Other: _____

These above charges may be increased or changed as allowed by this Agreement.

- G. Facilities to be provided by the Park for Residents during the term of this Agreement, unless changed: The streets, R.V. storage area (subject to separate agreement and charge), the clubhouse, 2 swimming pools and spa, gas barbecues, and shuffleboard. (Note: The second clubhouse is closed and not available for use.)
- H. Services to be provided by the Park for Residents during the term of this Agreement, unless changed: Park Manager, electricity, natural gas, water, sewer, and trash.

Facilities and services may be decreased or changed as allowed by this Agreement. The cost of providing and maintaining facilities and services may increase your rent per the provisions of this Agreement.

DISCLOSURES AND IMPORTANT ACKNOWLEDGMENTS

YOU ACKNOWLEDGE THAT WE HAVE OFFERED YOU THE OPTION OF HAVING THIS AGREEMENT HAVE A TERM OF 12 MONTHS OR LESS, INCLUDING A MONTH-TO-MONTH TENANCY. YOU ALSO ACKNOWLEDGE THAT YOU HAVE VOLUNTARILY SELECTED THE TERM LISTED AT PARAGRAPH C ON PAGE 1 OF THIS AGREEMENT.

THIS PARAGRAPH IS ONLY APPLICABLE TO YOU IF AT THE SAME TIME YOU WERE OFFERED THIS AGREEMENT, YOU WERE ALSO OFFERED OUR OTHER RENTAL OR LEASE AGREEMENT WHICH HAS A TERM IN EXCESS OF 12 MONTHS ("LEASE"). IF YOU REJECTED THE LEASE, THEN PLEASE NOTE THE FOLLOWING. THE FIRST 12 MONTHS OF THE LEASE YOU REJECTED BEGINS ON JULY 1, 1995, AND ENDS ON JUNE 30, 1996. DURING THAT 12-MONTH PERIOD TO THE EXTENT THAT THE TERMS OF THIS AGREEMENT DIFFER FROM THE LEASE YOU REJECTED, THE TERMS OF THE REJECTED LEASE WILL BE APPLICABLE TO YOUR TENANCY. THIS IS TRUE BECAUSE THIS IS A REQUIREMENT OF THE MOBILEHOME RESIDENCY LAW. AFTER THE END OF THE 12-MONTH PERIOD NOTED EARLIER IN THIS PARAGRAPH, HOWEVER, NONE OF THE TERMS OF THE LEASE WILL BE APPLICABLE TO YOUR TENANCY. INSTEAD, ALL OF THE TERMS OF THIS AGREEMENT WILL BE APPLICABLE TO YOUR TENANCY. BECAUSE OF THE PROVISIONS OF THIS PARAGRAPH, YOU ACKNOWLEDGE AND AGREE THAT YOU HAVE BEEN GIVEN A COPY OF THE LEASE WHICH YOU REJECTED SO THAT YOU MAY MAKE YOUR OWN DETERMINATION AS TO WHICH OF THE PROVISIONS IN THE LEASE ARE DIFFERENT THAN THE PROVISIONS OF THIS AGREEMENT.

ARBITRATION OF DISPUTES: YOU AGREE THAT THOSE DISPUTES WHICH ARE SPECIFIED IN PARAGRAPH 6 OF THIS AGREEMENT, WHICH IS ENTITLED 'ARBITRATION OF DISPUTES,' WILL BE DETERMINED BY SUBMISSION TO WHAT IS KNOWN AS AN ARBITRATION AND NOT BY WHAT MOST PEOPLE CONSIDER THE NORMAL LAWSUIT OR BY RESORTING TO NORMAL COURT PROCESSES. BY SIGNING THIS AGREEMENT, BOTH YOU AND WE ARE GIVING UP OUR CONSTITUTIONAL RIGHT TO HAVE THOSE DISPUTES DECIDED IN A COURT OF LAW BEFORE A JURY AND, INSTEAD, ARE ACCEPTING THE USE OF THE ARBITRATION PROCEDURES.

I AGREE I HAVE READ AND UNDERSTOOD THE ABOVE DISCLOSURES AND ACKNOWLEDGMENTS.

SIGNATURE: _____ DATE: _____
SIGNATURE: _____ DATE: _____
SIGNATURE: _____ DATE: _____

1. **TERM:** You are renting the Space listed at paragraph A on page 1 of this Agreement in KATELLA MOBILE HOME PARK, located in Stanton, California (the Park). This Agreement is for the term and begins on the date listed at paragraph C on page 1 of this Agreement unless it terminates earlier per the termination paragraphs of this Agreement.

2. **RENT:**

2.1 Your rent will be the amount listed at paragraph D on page 1 of this Agreement. From July 1, 1995 through June 30, 1996, your rent may only be increased per the provisions of paragraph 2.2 below and the rent of a buyer or other transferee of your mobilehome per paragraph 8.1 below. Beginning July 1, 1996, the amount of your rent and the rent of a buyer or other transferee of your mobilehome may be increased at any time and in any amount on ninety (90) days notice as permitted by law.

2.2 **OTHER RENT ADJUSTMENTS:** You and we agree that the following other rent adjustments are part of the rent you are to pay to us and are only identified separately for the purpose of explaining how rent adjustments will be calculated. **Property Taxes, Government Services and Facilities, and Insurance:** Increases (not decreases) in property taxes and in the cost of government services and facilities over the cost of these items for calendar year 1994 will be used to increase your rent. Any increases or decreases will be divided by 12 months and by the number of spaces in the Park and may be added to your rent at any time on 90 days written notice. "Government services and facilities" are any services or facilities which we are required by government to provide, or do provide voluntarily, to the residents of the Park, including services provided by utility companies, private parties and quasi-governmental entities as well (such as utilities, fire protection and paramedic services or facilities or other services and new or changed on-site and off-site improvements.) "Insurance" includes any insurance which we purchase for the operation of the Park. "Property taxes" include all real estate taxes, personal property taxes, bonds, fees, charges, surcharges and assessments, or other charges made in lieu of real property taxes, bonds, fees, charges, surcharges and assessments, or other charges made in lieu of real property taxes which we are required to pay. They also include any tax or excise on rents or any other tax, which is assessed against the Park as a direct substitution for any real property taxes. **General:** At the time of any rent increase, we will have available for you to examine in the Park office a copy of all bills and invoices to support the increase, if any, in the other rent adjustments noted above.

3. **UTILITIES:**

3.1 You are responsible for making sure that your mobilehome and all appliances and equipment in your mobilehome are compatible with the 100 amp electric service and capacity now available, and we shall have no liability or responsibility to you if the available electrical supply is incompatible. You agree not to install electrical appliances which will use energy in excess of the electrical service and capacity available to your Space.

3.2 We will provide, submeter and separately charge you monthly for gas, water, and electricity. Any increases in the cost of utilities submetered will be immediately passed-through and paid by you. We will initially charge you monthly the amount indicated in paragraph F(1) on page 1 of this Agreement for trash and sewer. Any increase in the cost of utilities separately charged will be immediately passed-through and paid by you, at such prevailing rates regulated and authorized by the utility companies. You will contract with and pay directly for all other utilities you require.

4. **RENT AND OTHER CHARGES:**

4.1 If you do not maintain your mobilehome or Space as required by this Agreement and the Rules and Regulations, we may give you a notice requiring you to comply in fourteen (14) days. If you do not, we may charge you a reasonable fee for having this work done.

4.2 If you store or park a vehicle, trailer or something else in the recreational vehicle storage lot or other extra vehicle parking area, you will be charged the amount indicated in paragraph G(4) on page 2 of this Agreement. This charge may be increased at any time on sixty (60) days' written notice. This storage or parking will be per the terms of a separate agreement which you will be required to sign, not by this Agreement. We are not obligated to provide parking for all vehicles, access to this area is on a first-come, first-served basis and it may be eliminated on ninety (90) days' written notice and the area used for another purpose.

4.3 Rent and all other charges except utilities are due in advance on the first day of each month. Utility charges are also due by the first day of each month. Rent and all other charges must be paid without any deduction or offset whatsoever and will be late if not paid in full by 5:00 p.m. on the 6th day of each month. You must pay a late charge whenever rent or other charges are paid more than six (6) days after they are due and a handling charge whenever a check is returned for any reason in the amounts indicated in paragraphs G(1) and (2) on page 2 of this Agreement. Payment will be made at the Park Office or at such other location we designate. All rents and other charges shall be paid by check or money order. We may, upon 10 days' notice, require payment in cash, or its equivalent. All of the charges and other amounts noted in this Agreement may be increased at any time on 60 days' notice without reducing the rent or changing any other term or provision of this Agreement.

4.4 Unless otherwise prohibited by law, all government charges and fees charged the Park may be billed by us to you.

4.5 You agree to pay, before delinquency, all taxes, assessments, license fees and other charges ("taxes") that are levied or assessed against your personal property and improvements which are installed or located in or on the Space, including your mobilehome and its accessory structures and equipment ("improvements"). Upon our request, you will furnish us with satisfactory evidence of these payments. If any taxes on your improvements are levied against us or our property, or if the assessed value of the Park, the Space and/or other improvements is increased by the inclusion of a value placed on your improvements and if we pay the taxes on any of these improvements or the taxes based on the increased assessment of these improvements, you will, at our request, immediately reimburse us for the taxes levied against us or the proportion of the taxes resulting from the increase in our assessment. We will have the right to pay these taxes regardless of the validity of the levy or assessment.

5. **SECURITY DEPOSIT:** When you sign this Agreement, you will give us the amount indicated as paragraph G(3) on page 2 of this Agreement as a security deposit for your performance of this Agreement. (If you are already a resident, the amount of any security deposit you previously gave us will be this deposit.) If you default, we can use the security deposit to cure the default or compensate us for any damage because of your default. You will immediately pay us a sum equal to the portion of the security deposit we use to maintain it the sum initially deposited. We can commingle the deposit with our other funds and are not required to pay you interest on it.

6. **ARBITRATION OF DISPUTES:**

6.1 **IT IS AGREED THAT ANY DISPUTE BETWEEN US WITH RESPECT TO THE PROVISIONS OF THIS AGREEMENT AND TENANCY IN THE COMMUNITY SHALL BE SUBMITTED TO ARBITRATION CONDUCTED UNDER THE PROVISIONS OF CODE OF CIVIL PROCEDURE §§1280, ET SEQ. YOU ALSO AGREE THAT AS IS TRUE OF ALL OF THE OTHER PROVISIONS OF YOUR RENTAL AGREEMENT, THESE ARBITRATION PROVISIONS ARE APPLICABLE TO ALL MEMBERS OF YOUR HOUSEHOLD, INCLUDING ANY PERSON(S) WHO HAS NOT SIGNED THIS AGREEMENT OR MAY BECOME A MEMBER OF YOUR HOUSEHOLD AFTER THE DATE YOU SIGNED THIS AGREEMENT.**

6.2 THE ONLY NON-ARBITRATION EXCEPTIONS ARE ANY CONTESTED RIGHTS OF OWNER WHICH RELATE TO: (a) TERMINATION OF TENANCY DUE TO FAILURE TO PAY RENT OR OTHER CHARGES UNDER CIVIL CODE §798.56(d); (b) FORCIBLE DETAINER; (c) INJUNCTIVE RELIEF PURSUANT TO [i] CODE OF CIVIL PROCEDURE §527.6, OR [ii] CIVIL CODE §798.87(B), OR [iii] PAYMENT OF THE MAINTENANCE FEE PROVIDED FOR IN CIVIL CODE §798.36, OR [iv] CONDEMNATION OR A CHANGE OF THE USE OF THE COMMUNITY AS PROVIDED IN CIVIL CODE §798.56(e) AND (f), OR [v]. ALL OTHER DISPUTES OF ANY KIND, EXCEPTING THE FOREGOING EXCEPTIONS SET FORTH IN THIS SUBPARAGRAPH 6.2, SHALL BE SUBJECT TO ARBITRATION.

6.3 DISPUTE INCLUDES BY WAY OF ILLUSTRATION, BUT IS NOT LIMITED TO, DISPUTES, CLAIMS, DEMANDS, OR CONTROVERSIES RESPECTING: MAINTENANCE, CONDITION, NATURE, OR EXTENT OF THE FACILITIES, IMPROVEMENTS, SERVICES AND UTILITIES PROVIDED TO THE SPACE, COMMUNITY, OR THE COMMON AREAS OF THE COMMUNITY, ENFORCEMENT OF THE RULES AND REGULATIONS; LIVING CONDITIONS; INJURIES OR DAMAGES RESULTING TO YOU, OTHER RESIDENTS AND INVITEES, OR TO PROPERTY OF ANY KIND, FROM OWNER'S OPERATION, MAINTENANCE, OR THE CONDITION OF THE COMMUNITY OR ITS EQUIPMENT, FACILITIES, IMPROVEMENTS OR SERVICES, WHETHER RESULTING IN ANY PART FROM OWNER'S NEGLIGENCE OR INTENTIONAL CONDUCT OR OTHERWISE; BUSINESS ADMINISTRATION OR PRACTICES OF THE OWNER; PUNITIVE DAMAGE AND CLASS ACTION CLAIMS; AND, INTERPRETATION OF THIS LEASE. "DISPUTE" INCLUDES NOT ONLY DISPUTES YOU MAY HAVE WITH US BUT ALSO DISPUTES AGAINST ANY OF OUR EMPLOYEES, CONTRACTORS, AGENTS OR ANY OTHER PERSON WHO YOU CONTEND HAS INJURED YOU AND YOU ALSO CONTEND THAT WE ARE RESPONSIBLE FOR THAT OTHER PERSON'S ACTS OR FAILURE TO ACT.

6.4 SOME DISPUTES MAY BE ONLY PARTIALLY ARBITRABLE. IN SUCH CASES, ARBITRATION SHALL BE COMPLETED AS TO THE ARBITRABLE MATTERS BEFORE COMMENCING A JUDICIAL ACTION EXCEPT: (i) AS TO ACTIONS FOR TERMINATION OF TENANCY DEFINED IN SUBPARAGRAPH 6.2 ABOVE WHICH SHALL PROCEED TO JUDGMENT THOUGH RELATED TO AN ARBITRABLE DISPUTE (ONLY BY COURT ORDER SHALL SUCH ACTIONS ABATE PENDING ARBITRATION, AND ONLY THEN UPON A CLEAR SHOWING THAT THE ARBITRABLE DISPUTE MUST BE RESOLVED AS PART OF THE ACTION); AND, (ii) APPLICATIONS FOR INJUNCTIVE RELIEF DEFINED IN SUBPARAGRAPH 6.2 ABOVE.

6.5 ARBITRATION MUST BE COMMENCED BY SERVICE UPON THE OTHER AND THE JUDICIAL ARBITRATION AND MEDIATION SERVICE, INC. ("JAMS") OF A WRITTEN DEMAND OR NOTICE OF INTENTION TO ARBITRATE. YOU MUST GIVE US THIS NOTICE NOT LATER THAN ONE (1) YEAR FROM THE DATE YOU OR ANY MEMBER OF YOUR HOUSEHOLD FIRST BECAME AWARE OF (OR REASONABLY SHOULD HAVE BEEN AWARE OF) THE DISPUTE. IF YOU DO NOT GIVE US NOTICE WITHIN THE ONE (1) YEAR TIME PERIOD, YOU AGREE THAT WE WILL NOT BE LIABLE TO YOU FOR ANY INJURY OR DAMAGE YOU OR OTHERS IN YOUR HOUSEHOLD MAY EXPERIENCE AND, THEREFORE, THAT DISPUTE WILL NOT BE SUBJECT TO ARBITRATION OR ANY PROCEEDING IN THE COURTS. SUCH NOTICE MUST PROVIDE: (i) A DESCRIPTION OF THE DISPUTE, AND (ii) FACTS FROM WHICH THE DISPUTE ARISES INCLUDING WITNESSES, DATES, TIMES AND CIRCUMSTANCES. IF THE DISPUTE IS NOT RESOLVED TO EACH PARTY'S SATISFACTION WITHIN NINETY (90) DAYS, TOGETHER WITH SUCH OTHER NOTICE PERIODS AS MAY BE REQUIRED BY LAW, THE DISPUTE SHALL BE RESOLVED BY BINDING ARBITRATION AND NOT BY LAWSUIT OR COURT PROCESS, EXCEPT FOR JUDICIAL REVIEW. THE ARBITRATOR SHALL REFUSE RELIEF TO ANY COMPLAINANT PARTY IF THAT PARTY HAS NOT ABIDED BY THE TIME PERIODS ABOVE, DESPITE THE MERITS.

6.6 IF THE PARTIES CANNOT AGREE ON AN ARBITRATOR WITHIN TEN (10) DAYS FROM THE LAST DAY PERMITTED FOR RESOLUTION OF THE DISPUTE AS DEFINED IN PARAGRAPH 6.5 ABOVE, JAMS SHALL PROVIDE BOTH PARTIES WITH A LIST OF AT LEAST FIVE (5) NEUTRAL ARBITRATORS, FROM WHICH THE PARTIES SHALL AGREE ON THE SELECTION OF THE ARBITRATOR, ABSENT WHICH JAMS SHALL MAKE THE SELECTION FROM SAID LIST. EACH PARTY SHALL, HOWEVER, BE GIVEN THE RIGHT OF ONE PEREMPTORY CHALLENGE. ARBITRATION SHALL COMMENCE WITHIN ONE HUNDRED TWENTY (120) DAYS FROM THE DATE THE ARBITRATOR IS APPOINTED, UNLESS CONTINUED ON REQUEST TO THE ARBITRATOR.

6.7 ARBITRATION SHALL BE CONDUCTED PURSUANT TO CODE OF CIVIL PROCEDURE §§1280, ET SEQ., IN SO FAR AS NOT INCONSISTENT WITH RULES OF EVIDENCE AND LAW. CIVIL DISCOVERY RULES TO PROVIDE FULL AND COMPLETE DISCOVERY INCLUDING DEPOSITIONS ON ORAL EXAMINATION, INTERROGATORIES, AND ALL OTHER DEVICES AND EXAMINATION SHALL BE PERMITTED. ALL PRE-TRIAL AND OTHER MOTIONS WHICH WOULD BE PERMITTED IF THE DISPUTE WERE TRIED IN THE SUPERIOR COURT ARE ALSO PERMITTED. THE ARBITRATOR'S DECISION SHALL COMPLY WITH ALL LEGAL STANDARDS AND RULES OF EVIDENCE. A STATEMENT OF DECISION SHALL BE INCLUDED IN THE FINAL DECISION. UNLESS BOTH PARTIES AGREE, NO DISPUTE SHALL BE CONSOLIDATED OR JOINED TOGETHER WITH ANY DISPUTE OF ANY OTHER PERSON FOR CONSIDERATION, HEARING OR DECISION. ANY OTHER DISPUTE BY ANY OTHER PERSON SHALL ABATE WITHOUT NECESSITY OF COURT ORDER PENDING RESOLUTION OF ANY PRIOR DISPUTE ON A FIRST IN TIME, FIRST IN RIGHT BASIS.

6.8 IF THESE ARBITRATION PROVISIONS ARE HELD UNENFORCEABLE FOR ANY REASON, IT IS AGREED THAT ALL ARBITRABLE ISSUES IN ANY RELATED OR THEN PENDING OR FUTURE ARBITRATION OR JUDICIAL PROCEEDING WILL BE SUBJECT TO AND REFERRED ON MOTION BY ANY PARTY OR THE COURT FOR HEARING AND DECISION BY A REFERENCE TO A RETIRED JUDGE AT JAMS WHO SHALL DECIDE ALL OF THE ISSUES WITHOUT A JURY AS PROVIDED BY CALIFORNIA LAW, INCLUDING CODE OF CIVIL PROCEDURE §§638, ET SEQ.

6.9 COSTS FOR THE ARBITRATION AND REFERENCE SHALL BE ADVANCED EQUALLY BETWEEN US DUE AND PAYABLE ON DEMAND. AS SOON AS PRACTICABLE AFTER SELECTION OF THE ARBITRATOR, THE ARBITRATOR OR HIS/HER DESIGNATED REPRESENTED SHALL DETERMINE A REASONABLE ESTIMATE OF ANTICIPATED FEES AND COSTS OF THE ARBITRATOR, AND RENDER A STATEMENT TO EACH PARTY SETTING FORTH THAT PARTY'S PRO RATA SHARE OF SAID FEES AND COSTS. THEREAFTER EACH PARTY SHALL, WITHIN 10 DAYS OF RECEIPT OF SAID STATEMENT, DEPOSIT SAID SUM WITH THE ARBITRATOR. FAILURE OF ANY PARTY TO MAKE SUCH A DEPOSIT, INCLUDING ANY ADDITIONAL DEPOSIT SUBSEQUENTLY DETERMINED TO BE NECESSARY BY THE ARBITRATOR DURING THE COURSE OF ARBITRATION, SHALL RESULT IN A FORFEITURE BY THE NON-DEPOSITING PARTY OF THE RIGHT TO PROSECUTE OR DEFEND THE CLAIM WHICH IS THE SUBJECT OF THE ARBITRATION, BUT SHALL NOT OTHERWISE SERVE TO ABATE, STAY, OR SUSPEND THE ARBITRATION PROCEEDINGS. ATTORNEYS' FEES AND COSTS INCURRED IN ANY ACTION TO COMPEL ARBITRATION OR SEEK INJUNCTIVE RELIEF THE RESPONDING PARTY WOULD NOT IN ADVANCE STIPULATE TO, TO ABATE SUBSEQUENT DISPUTE(S), OR TO CONFIRM THE ARBITRATION AWARD SHALL BE AWARDED TO THE PREVAILING PARTY. OTHERWISE, UNLESS SPECIFICALLY REQUIRED BY A STATUTE OF THE STATE OF CALIFORNIA, ATTORNEYS' FEES AND COSTS SHALL NOT BE AWARDED TO ANY PARTY BUT SHALL BE BORNE BY EACH PARTY SEPARATELY.

6.10 YOU ALSO AGREE THAT THE PROVISIONS IN THIS PARAGRAPH 6 WILL APPLY TO YOU AT ALL TIMES IN THE FUTURE (EVEN THOUGH THAT MAY BE BEYOND THE TERM OF THIS AGREEMENT OR AFTER YOUR TENANCY OR THIS AGREEMENT HAS BEEN TERMINATED OR YOU HAVE MOVED FROM THE COMMUNITY) UNLESS THESE PROVISIONS ARE ELIMINATED BY A WRITTEN 60-DAY NOTICE FROM US TO YOU.

6.11 NOTICE: BY INITIALING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW, AND YOU ARE GIVING UP ALL RIGHTS YOU MIGHT HAVE TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION OR ALTERNATIVELY TO A "REFERENCE" AS PROVIDED IN PARAGRAPH 6.8 ABOVE.

Initials of Homeowner(s) who originally signed this Agreement: _____

7. **SALE OF MOBILEHOME:** You may sell/transfer your mobilehome per your and our rights and obligations under this Agreement. You must, however, give us sixty (60) days' written notice of your intent to sell/transfer your mobilehome. You must also give us written notice at least ten (10) days prior to your execution of any escrow, sale, exchange, transfer or other agreement. The requirements of this Agreement and this paragraph will apply even if you sell or transfer only a portion of your interest in your mobilehome.

8. **APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:**

8.1 If your prospective buyer/transferee intends for the mobilehome to remain in the Park, or the buyer/transferee intends to reside in the Park, the buyer/transferee must do the following before occupying the mobilehome or Space: complete an application for residency, sign the Park's current rental or lease agreement which may be different than this Agreement and be accepted by us. From July 1, 1995 through June 30, 1996, the rent we are then charging may be immediately increased to 10% or the highest rent then being charged for any homesite in the Park, whichever is higher. Starting July 1, 1996, the rent we are then charging may be increased to any amount we believe appropriate. We may request a financial statement, credit report, references and other reasonable information we need from any prospective buyer/transferee. If the buyer/transferee is not approved by us or does not sign the Park's current rental or lease agreement, they will have no rights of tenancy in the Park and they may not leave the mobilehome here or occupy the Space. In such event, you will remain fully responsible to us for the full performance of this Agreement. We may also, at our option, pursue such remedies as we may have against the buyer/transferee/assignee alone, against both you and them or against you alone.

8.2 The requirements of this Agreement will apply before any person other than the ones listed on the signature page of this Agreement, will be permitted to become a resident of the Park. A guest or other person who has not previously signed this Agreement who remains in the Park after his host has died, moved, or for any other reason does not physically reside in the Park on a regular basis, will be considered to be the equivalent of a buyer/transferee/assignee and will be subject to the requirements of this Agreement. This means that the guest or other person will have their rent increased as provided for in this Agreement. This will be true regardless of whether the guest is listed as a "legal" or "registered" owner of the mobilehome. The requirements of this Agreement will also apply if you only sell/transfer a portion of your interest in your mobilehome or assign only a portion of your right to occupy your Space.

8.3 You agree to do such other things and to execute and deliver to us such additional documents as we may reasonably require to protect our interest in conjunction with the sale/transfer/assignment of this Agreement.

3. ASSIGNMENT AND SUBLEASING:

9.1 You may not assign this Agreement and any purported assignment will be void. You may not assign the right to occupy your mobilehome or Space and any such assignment will be void. (If the mobilehome is to be removed from the Space and not replaced with another mobilehome, we must also be given at least 60 days' advance written notice and the right to possession and control of the Space will, at our option, revert to us. The only exception is if you replace it with another mobilehome you personally occupy as your residence.) Unless this Agreement is changed in the future to permit subleasing, subleasing is prohibited and any attempted subleasing will be void. (If subleasing is permitted at a later date, it will be void unless done per the requirements of this Agreement.)

9.2 This Agreement may be terminated, at our option, if you assign or sublet in violation of this Agreement. The Park or anyone it designates may rent, lease or sublet any Space or any mobilehome.

9.3 We may, at our sole option and without reducing the rent or changing other terms of this Agreement, amend this Agreement on thirty (30) days written notice to you to permit subletting and then, after doing so, later change the terms on which subletting is permitted or later prohibit it entirely. If we do, or if the law is changed so that the Park is required to permit subletting, then, unless specifically prohibited by law, the following will be applicable. The Park may amend this Agreement or its Rules and Regulations without a reduction in rent or changes in other terms to provide for subletting requirements and restrictions we deem appropriate. The Park may also require that you and the sublessee execute documents and comply with all of the Park's subleasing and other requirements, including those necessary to protect the interests of the Park and the other residents. These requirements and documents may require, among other things we believe appropriate, that you remain primarily liable for the performance of this Agreement, and that if your sublessee breaches this Agreement we shall hold you responsible and liable for your sublessee's breach. These requirements may also include any which are necessary to maintain the exemption from rent controls per the first paragraph of this Agreement. If the sublessee or you fail to comply with our requirements, we may, with or without your consent, also terminate the sublessee's right to occupy the mobilehome. We may also, at our option, treat the sublessee as a "Homeowner" as defined in the Mobilehome Residency Law and require the sublessee to execute documents in such capacity for purposes of establishing "tenancy" in the Park as also defined by the Mobilehome Residency Law. The sublessee must also be approved for residency by us and the rent and other charges may, at our option, be increased. (If the law limits the amount in rent or other charges we may charge when subletting occurs to a lesser amount, we may charge the maximum permitted by law.)

9.4 If we subsequently allow subletting or the law is changed to require subletting and you or the sublessee fail, in advance of the sublessee taking possession of the mobilehome or Space, to comply with our requirements, execute the documents, or obtain the Park's approval of the sublessee, the sublessee will have no right to live in the Park and may not reside on any basis in the mobilehome or at the Space. Subletting means any renting, regardless of the time period or how it is characterized, of the mobilehome or Space.

10. **CONFLICTS:** If there are any conflicts between the terms of this Agreement and the terms of any other documents this Agreement refers to, the terms of this Agreement will prevail.

11. SERVICES AND IMPROVEMENTS:

11.1 SERVICES AND IMPROVEMENTS PROVIDED:

A. We are responsible for providing and maintaining the services and physical improvements in the common areas of the Park in good working order and condition which are described below, but you agree these responsibilities are as defined and limited by this Agreement. If you do not believe we are fulfilling these responsibilities, you must immediately give us a detailed written notice. The costs of providing services and improvements may be used to increase your rent per the rent adjustment provisions of this Agreement.

B. The services we are to provide are: the services of the Park Manager, electricity, natural gas, water, sewer and trash. The physical improvements we are to provide include: The streets, R.V. storage area (subject to separate agreement and charge), the clubhouse, 2 swimming pools, spa, gas barbecues, and shuffleboard. (Note: The second clubhouse is closed and not available for use.)

C. These services and improvements are for the non-exclusive use of ourselves and Park residents and their guests subject to the Rules and Regulations and other conditions of tenancy imposed by us from time to time. All services and improvements are subject to interruption or closure due to maintenance, repairs, and other reasons described in this Agreement.

D. 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 only be heated from approximately Memorial Day to Labor Day at an approximate temperature of 70-80°. The spa will be heated all year at an approximate temperature of 90-95°. The swimming pool and spa may be closed for cleaning and repair. The swimming pool and spa temperatures will not remain constant at all times, but will vary because it is cooler in the morning after the heaters are first turned on, variations in air temperature, and other factors. We may reduce or stop heating the swimming pool and spa or other facilities because of energy conservation considerations.

E. The provisions of this paragraph are in addition to the other agreements found in this paragraph and elsewhere in this Agreement and the Rules and Regulations and other residency documents which are incorporated by reference in this Agreement. To the extent that those other agreements provide greater rights for us as owners of the Park, those agreements will prevail over the following. Effective January 1, 1994, Section 798.15 of the California Civil Code provides, in effect, that with respect to a sudden or unforeseeable breakdown or deterioration of the facilities, equipment, and other improvements, we shall have a reasonable period of time to repair a sudden or unforeseeable breakdown or deterioration and bring the facilities, equipment, or other improvements into good working order and condition after we know or should have known of the breakdown or deterioration. A reasonable period of time to repair a sudden or unforeseeable breakdown or deterioration shall be as soon as possible in situations affecting a health or safety condition, and shall not exceed thirty (30) days in any other case except where exigent circumstances justify a delay.

F. You agree that: (1) from time to time, our facilities and improvements, including our utility systems, will break down or provide less than adequate service; (2) These breakdowns are inevitable and expected and part of the normal conditions in our Park; (3) So long as we make reasonable efforts to reinstate or repair per paragraph I below, you will not complain or make any claim against us when this occurs; (4) That these breakdowns may occur for reasons other than a sudden or unforeseeable breakdown or deterioration; (5) We are not in any way responsible for things which are beyond our control, including the following: the interruption or failure of any utility system caused or substantially contributed to by the supplier of these utilities or others over whom we have no control; the condition, taste, color or smell of our water if it is delivered to you in substantially the same condition as that which we receive from the supplier of the water; utility failures caused by deliberate sabotage, the negligence of you or other persons, the failure of any equipment in your mobilehome or others' mobilehomes, or failures or other interruptions in utility services which occur on your side of the utility connection.

G. Any prevention, delay, or stoppage due to strikes, walkouts, or other labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes for them, 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 our providing any services or facilities (including utilities) to you for a time period equal to the delay. You will remain responsible, without abatement or reduction, for the rent, utilities, and other charges to be paid by you per the terms of this Agreement.

H. We will use reasonable efforts to reinstate or repair any services or facilities, including utilities, which have been interrupted. If you believe we are not using reasonable efforts to reinstate the services or facilities, you must resolve the matter per the "Arbitration of Disputes" provisions of this Agreement. We will not be liable under any circumstances for any loss or injury to property or persons because of a failure to furnish any services of facilities (including utilities) during the period of interruption.

I. We purchase our utilities from others and we are not responsible for any defects in the quality of these utilities or the service provided by the utility companies, including the taste, color or smell of water, power outages, interruptions in service and other similar things.

11.2 CHANGES IN RESIDENCY DOCUMENTS, STANDARDS OF MAINTENANCE, SERVICES, EQUIPMENT, OR PHYSICAL IMPROVEMENTS: Our Rules and Regulations, this Agreement (with the exception of the length of the term of your tenancy and the rent provisions which may not be changed unless this Agreement is terminated) and our other residency documents and our standards of maintenance, service, equipment, and improvements may be changed at any time, at our option, during the term of this Agreement. Our services and facilities and the standards of maintenance of physical improvement, services (including utilities, equipment and physical improvements in the Park) may also be changed at our option, from time to time, during the term of this Agreement. Any such change which we are required to make because of requirements by government, utility companies or others over whom we have no control or through no reasonable fault or option of ours may be made without reducing the rent or changing any part of this Agreement. The same is true of such changes if they reasonably do not detrimentally affect the typical homeowner in some meaningful way. Any other such changes except as permitted by other provisions of this Agreement will, however, be compensated for by us by either a correspondingly reasonable reduction in the rent or the changing of part of this Agreement or the addition of something in place of the item which was changed or modified or by any other reasonable method or means as we determine. Any dispute regarding changes covered by this paragraph B will be resolved per the "Arbitration of Disputes" provisions of this Agreement.

11.3 We are not a "security" Park and we have not made any representations or warranties to you that the Park is secure from theft or other criminal acts which may be perpetrated by any resident of the Park or other persons.

12. TERMINATION OF THIS AGREEMENT BY YOU: You may terminate your obligations to us under this Agreement only if you give us sixty (60) days' advance written notice and then only if one of the following also occurs: (1) You or any person acting on your behalf sells or otherwise transfers your mobilehome or assigns your right to occupy your Space to someone who agrees to sign a new lease or rental agreement which is acceptable to us. Of course, the requirements of this Agreement regarding our approval of a new resident and all other requirements relating to the sale/transfer of the mobilehome or the assignment of the Space are also applicable. Or, (2) You remove your mobilehome and other property from the Park and the right of possession and control of the Space reverts to us. If either of the two options noted in this paragraph are not accomplished, you may not terminate your obligations to us under this Agreement and you will remain responsible to us for its full performance.

13. TERMINATION OF THIS AGREEMENT BY THE PARK: If you breach any term or provision of this Agreement or otherwise fail in any way to keep any of your contractual commitments with us, or we are otherwise entitled by law to do so, this Agreement may, at our sole option, be declared forfeited and/or terminated and/or your tenancy may be terminated in accordance with and for the reasons permitted by the Mobilehome Residency Law and other applicable law, including changes to these laws which may occur in the future.

14. INDEMNIFICATION: To the fullest extent the law allows, we have no liability to you or anyone else for anything which is not caused by our active negligence or willful acts and you agree to completely release, discharge, indemnify, and hold us free and harmless from all claims for which we are not liable, including providing a defense and the payment of attorneys' fees and costs of an attorney we choose. You agree to indemnify and hold us harmless from all claims, including providing a defense and the payment of attorneys' fees, and costs of an attorney we choose, which occur because of the negligent or willful conduct of you or others who you invite to be in the Park. You also agree to indemnify and hold us harmless from all claims you may have of economic loss, diminution in market value, or depreciation of your mobilehome, and other improvements.

15. INCORPORATED DOCUMENTS: You agree you have received, read and understood a copy of: This Agreement; the Mobilehome Residency Law which is effective as of January 1st of the year in which you signed this Agreement or signed a document accepting an assignment of this Agreement (which you agree was attached to this Agreement at the time you received it); the Rules and Regulations (including signs posted in the common areas) which you agree are effective immediately; R.V. Storage Agreement; and other: _____

You understand that by signing this Agreement, you are bound by all of the terms and conditions of these documents and signs as they may be revised per this Agreement.

16. **COMPLIANCE WITH LAW AND RULES AND REGULATIONS:** You agree to comply with all applicable laws, ordinances, regulations and all terms of this Agreement, the Rules and Regulations, and all terms contained in any document referred to in this Agreement, as they may be changed.

17. **CONDEMNATION:** If any portion of the 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, or the utility systems or other portions of the Park are or will be affected by the condemnation to the point where, in our sole opinion, it is not desirable to continue operations, we will have the right to terminate this Agreement. The entire amount of any award for taking of all or any part of a Space or the Park or for any other reason will be our property whether such award is made as compensation for diminution in value of the leasehold or for taking the fee or the taking of any interest you may have because of this Agreement or any other lease or rental agreement you have with us or your tenancy in the Park. Nothing in this paragraph prevents you from receiving any award from the condemning authority to you for the loss of or damage to your mobilehome or other removable personal property.

18. **ZONING, USE PERMIT AND OWNER INFORMATION:** The zoning under which the Park operates is MHP. The permits under which the Park operates are not subject to expiration or renewal. The Park is located on land which we lease from someone else, and that lease expires on December 31, 2018.

19. **TRANSFER OF PARK'S INTEREST:** If we sell or transfer our interest in the Park to anyone else, we will be automatically relieved of our obligations under this Agreement which occur after the date of the sale/transfer.

20. **NOTICES:** All notices required or allowed by this Agreement must be in writing. Except for notices terminating your tenancy, the service of any other notice on you will be valid if it is personally served on you or mailed to you at your address in the Park by First Class United States Mail, postage prepaid.

21. **WAIVER:** If you fail to meet any of your obligations under this Agreement, 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 Agreement 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 Agreement 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 Agreement, including any rule, regulation or other term or provision contained in any document referred to in this Agreement.

22. **ENTIRE AGREEMENT:** Please understand that our Park Manager, other personnel, mobilehome dealers, the selling homeowner or sales person who sold you your mobilehome and other persons are not authorized to make any representations or agreements with you about the Park unless those agreements and representations are contained in this Agreement and the other documents and posted signs referred to in it. Therefore, you agree that this Agreement 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 Agreement, other documents and signs. This Agreement completely supersedes and replaces any and all prior and contemporaneous agreements, representations and understandings of you, any other person, or us.

23. **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 other litigation, disputes covered by the "ARBITRATION OF DISPUTES" provisions of this Agreement, between the two of us that is not covered by the Mobilehome Residency Law or other laws.

24. **HEADINGS AND FORMATTING:** The titles of the paragraphs and subparagraphs in this Agreement 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 Agreement. You agree that this Agreement is to be considered a typed, not printed document, so that any legal requirements regarding printed documents are not applicable.

25. **PARTIAL INVALIDITY:** If any part of this Agreement or any document referred to in it is, in any way, invalid or unenforceable, the remainder of this Agreement 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 Agreement, or any document referred to in this Agreement, is, in any way, invalid or unenforceable to any person or circumstance.

26. **ALTERATION OF THIS AGREEMENT:** This Agreement may be changed only as provided for by this Agreement or by a written agreement signed by you and us or by operation of law. This Agreement will be construed and interpreted as though both of us had written it together, not as if it had been written by us alone.

27. **DEFINITIONS OF OWNER OF THE PARK, HOMEOWNERS, RESIDENTS, SALE OF MOBILEHOME AND BUYER:** The terms "we," "us," and other similar terms used in this Agreement which refer to the owners and the operators of the Park include all owners of the Park and their partners, shareholders, directors, representatives, officers, employees and agents, and their successors and assigns. The term "Park" means the mobilehome park identified in this Agreement. The term "you," "Homeowners," "residents" or any other similar term used in this Agreement which refer to the person(s) who has signed this Agreement or signed another document accepting an assignment of this Agreement includes not only those persons but all members of their household who resided with them at the time this Agreement, or another document accepting an assignment of this Agreement, was signed who had been approved by us for residency in the Park or who were subsequently approved by us for residency in the Park. Note: To shorten this Agreement, the term "sale" is used to refer to any sale or other transfer of the mobilehome and/or any assignment or other transfer of the right to occupy the Space. The term "buyer" is used to refer to anyone buying or otherwise acquiring the mobilehome and/or acquiring the right to occupy the Space by an assignment or other method permitted by this Agreement. Other similar terms consistent with the preceding have also been used.

28. **HOLD-OVER TENANCY:** If you continue to live in the Park after the term of this Agreement has expired or it has been terminated (including any extension of the initial term we agree to), and you have not signed a new rental or lease agreement with us, you shall be on a month-to-month tenancy. During that month-to-month tenancy, you will pay all rent and other charges required by this Agreement and all the terms and provisions of this Agreement, including the "Arbitration of Disputes" provisions will continue to apply to you. We may, however, increase the rent or charges you pay or change any other terms of this Agreement upon 90 days' written notice to you.

29. **COUNTERPARTS:** This Agreement may be signed in duplicate copies, each of which shall be considered an original, but all of which taken together will be one and the same document.

30. **EXHIBITS:** Each exhibit or other document referred to in this Agreement is attached or enclosed and incorporated in this Agreement by this reference.

31. **STATUTE OF LIMITATION: ANY LAWSUIT OR OTHER ACTION AGAINST US MUST BE FILED BY YOU WITH THE COURT NOT LATER THAN ONE (1) YEAR FROM THE DATE YOU OR ANY MEMBER OF YOUR HOUSEHOLD FIRST BECAME AWARE OF (OR REASONABLY SHOULD HAVE BEEN AWARE OF) THE DISPUTE OR CLAIM. IF YOU DO NOT FILE THE LAWSUIT OR OTHER ACTION AGAINST US WITH THE COURTS WITHIN THIS ONE (1) YEAR TIME PERIOD, YOU WILL HAVE NO RIGHT TO PROSECUTE OR PURSUE THE LAWSUIT OR OTHER ACTION AND YOU AGREE WE WILL NOT BE LIABLE TO YOU FOR ANY OF THE CLAIMS, DAMAGES, OR OTHER ALLEGATIONS AND RELIEF ASSERTED IN THE LAWSUIT OR OTHER ACTION. IF THE ARBITRATION OF DISPUTES PROVISIONS OF THIS AGREEMENT ARE APPLICABLE TO YOUR DISPUTE OR CLAIM, THEY TOO WILL BE SUBJECT TO THE LIMITATIONS OF THIS PARAGRAPH.**

32. RIGHT OF FIRST REFUSAL TO PURCHASE HOME: You grant to us or our designee (collectively referred to as "us") the "right of first refusal" to purchase your Home. If you receive an acceptable offer to purchase your Home, you agree to offer to sell the Home to us on the same terms and conditions. We have five (5) business days (e.g., Monday through Friday, excepting holidays) from receipt of your written notice to notify you that we will buy your Home. If we fail to notify you within five (5) working days, you will be free to accept the original offer and sell the Home on the same terms which were submitted to us. If after we have failed to purchase your Home on the terms submitted, any of those terms are changed, you must once again submit the new offer to us advising of the change in terms, and we will have the same right to purchase the Home on the same terms. Also, if we do purchase your Home, you will assign this Agreement to us.

33. USE AND OCCUPANCY:

33.1 Your mobilehome and Space may be used only as a private residence and no business or commercial activity may be conducted there. This prohibition applies to any commercial or business activity, including but not limited to, the following: (a) Any activity requiring the issuance of a business license or permit; and (b) The leasing, subleasing, sale or exchange of mobilehomes. No persons other than those listed on the last page of this Agreement, or on a document assigning this Agreement, may reside at the Space without the Park's prior written consent. At all times, one of the persons listed on the last page of this Agreement must be the "registered" owner of the mobilehome and that person must regularly occupy the mobilehome. (Note: If this Agreement has not been completed and returned by you to us as we have requested, no persons other than those previously approved by us to reside at your Space may live in the Park without our prior written consent. Additionally, one of those previously approved persons must be, at all times, the "registered" owner of the mobilehome and that person must regularly occupy the mobilehome.0 No more than two persons per bedroom may regularly occupy the mobilehome.

33.2 You agree not to do anything that will constitute waste, nuisance or unreasonable annoyance to the other residents in the Park. You also agree not to do anything which will cause damage to the Space or the Park. You also agree not to permit any act or maintain or permit to be maintained any condition on your Space or mobilehome which may cause an increase in the rate of insurance we pay or in any way increase the risk of damage to the Space, or the Park, or any person.

33.3 You agree that the information you have provided us regarding you, other members of your household or your mobilehome is true and correct. You also agree to promptly notify us, in writing, of any change in this information.

33.4 Please refer to the Rules and Regulations for further clarification of your use and occupancy of the mobilehome and Space.

34. GUESTS: You agree to acquaint all your guests with the conditions of tenancy in the Park, including, but not limited to, the Park's Rules and Regulations. You are personally responsible for all the actions and conduct of your guests. You agree to pay the extra person's charge noted in Paragraph G(6) of the INFORMATION SUMMARY of this Agreement for any guest or other person who stays with you for longer than 20 consecutive days or 30 days in any calendar year. No charge will be made for persons who are specifically excluded by Civil Code Section 798.34.

35. ENFORCEMENT OF RULES AND REGULATIONS: We will use our best efforts to enforce all of the Rules and Regulations and conditions of tenancy applicable to residents in the Park in a reasonable and equitable manner. You agree, however, that the enforcement of the Rules and Regulations and other conditions of tenancy are a private matter between us and the affected resident and the enforcement or lack thereof shall not result in any damage to or claim by you. You also acknowledge that you are not a third party beneficiary of any other lease or rental agreement between us and any other resident in the Park or of the Rules and Regulations.

36. **ALTERATIONS AND ADDITIONS:** You agree not to make any alteration, improvements, additions or utility installations on or about your Space or mobilehome, not install, remove or change any existing improvements, or modify the landscaping nor make any contract for such work without our prior written consent and approval which we agree not to unreasonably withhold. In giving or withholding our consent to any such work, we may, at our option, take into account and base our agreement or refusal of consent entirely upon aesthetic considerations and the compatibility of such changes to the Park. If you fail to obtain our prior written consent and approval, all such alterations, improvements, additions or utility installations shall be promptly removed by you, at your expense, upon our request.

37. **EXECUTION:** The Agreement is signed by you at ____:____ o'clock __.m., on _____, 199__. This Agreement is signed by us on _____, 199__. **NOTE TO NEW RESIDENTS: THIS AGREEMENT WILL NOT BE EFFECTIVE UNLESS YOU COMPLETE THE PURCHASE OF THE MOBILEHOME AND IF YOU DO NOT, YOU WILL HAVE NO RIGHTS OF TENANCY IN THE PARK.**

PLEASE READ CAREFULLY BEFORE SIGNING THIS AGREEMENT AND ALL OF THE OTHER DOCUMENTS REFERRED TO IN THIS AGREEMENT.

I/WE AGREE THAT WE HAVE READ, UNDERSTOOD AND VOLUNTARILY AGREED TO ALL OF THE PROVISIONS OF THIS AGREEMENT WHICH CONSIST OF THIS MOBILEHOME RENTAL AGREEMENT AND THE OTHER DOCUMENTS REFERRED TO IN IT.

NOTICE: BY SIGNING THIS AGREEMENT, YOU ARE AGREEING THAT THOSE DISPUTES WHICH ARE SPECIFIED IN PARAGRAPH 6 OF THIS AGREEMENT, WHICH IS ENTITLED 'ARBITRATION OF DISPUTES' WILL BE DECIDED BY A NEUTRAL ARBITRATOR AND YOU ARE GIVING UP YOUR RIGHT TO A JURY OR COURT TRIAL. SEE PARAGRAPH 6 OF THIS AGREEMENT.



HOMEOWNER(S) SIGNATURE(S)

KATELLA MOBILE HOME PARK

By: _____

Person(s) in addition to the above who will reside in the above Space

1 LARRY G. NOE, ATTORNEY AT LAW
130 South B Street
2 Tustin, California 92780-3609
3 (714) 505-9099 Bar No. 128640
4

5 Attorney for Plaintiffs
6
7

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF ORANGE
10

11 ANGEL BAHENA; KARINA CARILLO;
12 PATRICIA DUNBAR; DANIEL DUNBAR;
13 SOLEDAD FLORES; CLISERIO FLORES;
14 EDUARDO FRUTOS; JULIA FRUTOS;
15 ALFREDO GOMEZ; EMELIA GOMEZ;
16 TIM GRAHAM; EMMA HERNANDEZ;
17 JESUS HERNANDEZ; JOSE HERNANDEZ;
18 TRACY IGARIK; PEDRO LINARES;
19 ANGELA LINARES; MIGUEL MIRANDA;
20 MICHAEL NELSON; SHARON NELSON;
21 JAVIER ORTEGA; NORA ORTEGA;
22 ALMA ORTEGA; CHRISTANOS PINEDA;
23 MARIA RENTERIA; GONZALO RENTERIA;
24 CRISTINA SANTY; GENE SANTY;
25 ESTELA SEBASTIAN; ARTHUR STEVENS;
26 ALICE STEVENS; ERASMO YANEZ,
27

28 Plaintiffs,

-VS-

22 KATELLA MOBILE HOME ESTATES, a
23 limited partnership;
24 MJM PROPERTIES, INC.;
25 GOLDEN SUN HOMES; GOLDEN CIRCLE
26 FINANCIAL SERVICES; OAKWOOD
27 ACCEPTANCE CORPORATION;
28 MARSHA CARTER; DONALD SCOTT;
PHILLIP SCOTT; GOLDEN WEST HOMES;
OAKWOOD MOBILE HOMES, INC.;
AND DOES 1 THROUGH 50, inclusive,

Defendants.

CASE NO. 769948

OPPOSITION TO DEFENDANT'S
PETITION TO COMPEL
ARBITRATION; MEMORANDUM OF
POINTS AND AUTHORITIES
IN SUPPORT THEREOF; AND
ACCOMPANYING DECLARATIONS;
OPPOSITION TO MOTION FOR
JOINER BY OTHER DEFENDANTS

DATE: March 4, 1997
MOTION TIME: 1:30 P.M.
EVAL CONF TIME: 3:00 P.M.
DEPARTMENT 24

JUDGE JAMES P. GRAY

1 DECLARATION OF ALFREDO GOMEZ

2 BAHENA vs KATELLA, et al
3 ORANGE COUNTY SUPERIOR COURT
4 Case No. 769948

5 1. I, Alfredo Gomez, am a Plaintiff in this matter and am over
6 the age of 18 years. I live at 10800 Dale Street Space 105,
7 Stanton, California.

8 2. I have personal knowledge of the following facts and if
9 called upon and sworn to testify, could and would competently
10 testify thereto.

11 3. On or about January 23, 1996, I was taken to Katella Mobile
12 Home Park by a salesman for Golden Sun Homes. The purpose of going
13 to Katella Mobile Home Park was due to the fact that we were told
14 that escrow was ready to close on our mobile home and that we needed
15 to meet with the owner of Katella Mobile Home Park before moving
16 into the Park.

17 4. The meeting took place at the Park and was at around 5:00
18 p.m. Marsha Carter was the owner of the park as far as we were told
19 and she had lots of documents for us to sign.

20 5. The documents were all scattered on the table. We were not
21 given the opportunity to read the documents or to have someone read
22 them to us. I do not read English.

23 6. Marsha Carter stated that she could not go over the
24 documents with us since she did not have time but would explain the
25 park rules to us briefly.

26 7. The entire meeting took about 15 minutes.

27 8. No mention was made of arbitration. We were not told at
28 all about arbitration.

 9. We were not allowed to read the lease and the other

1 documents but were told to just sign.

2 10. We were not aware that we had the right to look at the
3 lease for 30 days and that we had the right to cancel within 72-
4 hours. Again we were not allowed to read the lease.

5 11. Our mobile home was already in place in the park and we
6 had put our life savings down on the mobile home.

7 12. At the same meeting on January 23, when we asked about the
8 \$600.00 rent we were told by "George" the salesman for the dealer
9 not to believe the \$600.00 as shown on the first page. George
10 stated that Marsha would never raise the rent to \$600 as rent
11 control was coming and that Marsha was being sued by other tenants.

12 I declare under penalty of perjury under the laws of the State
13 of California that the foregoing is true and correct.

14 Executed this 24th day of February, 1997, at Stanton,
15 California.

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18 Plaintiff, Alfredo Gomez
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1 DECLARATION OF ANGEL BAHENA RODRIQUEZ

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3 BAHENA vs KATELLA, et al
4 ORANGE COUNTY SUPERIOR COURT
5 Case No. 769948

6 1. I, Angel Bahena Rodriguez, am a Plaintiff in this matter
7 and am over the age of 18 years. I live at 10800 Dale Street Space
8 107, Stanton, California.

9 2. I have personal knowledge of the following facts and if
10 called upon and sworn to testify, could and would competently
11 testify thereto.

12 3. On or about December 7, 1995, I was taken to Katella Mobile
13 Home Park by a salesman for Golden Sun Homes. The purpose of going
14 to Katella Mobile Home Park was due to the fact that we were told
15 that escrow was ready to close on our mobile home and that we needed
16 to meet with the owner of Katella Mobile Home Park before moving in.

17 4. The meeting took place at the Park and was at around 5:00
18 p.m. Marsha Carter was the owner of the park as far as we were told
19 and she had lots of documents for us to sign.

20 5. The documents were all scattered on the table. We were not
21 given the opportunity to read the documents or to have someone read
22 them to us. I do not read English.

23 6. Marsha Carter stated that she could not go over the
24 documents with us since she did not have time but would explain the
25 park rules to us briefly.

26 7. The entire meeting took about 15 minutes.

27 8. No mention was made of arbitration. We were not told at
28 all about arbitration.

 9. We were not allowed to read the lease and the other

1 documents but were told to just sign.

2 10. We were not aware that we had the right to look at the
3 lease for 30 days and that we had the right to cancel within 72-
4 hours. Again we were not allowed to read the lease.

5 11. Our mobile home was already in place in the park and we
6 had put our life savings down on the mobile home.

7 12. At the same meeting on December 7, when we asked about the
8 \$600.00 rent we were told by "George" the salesman for the dealer
9 not to believe the \$600.00 as shown on the first page. George
10 stated that Marsha would never raise the rent to \$600 as rent
11 control was coming and that Marsha was being sued by other tenants.

12 13. We did not get a copy of the lease that day but a copy was
13 provided to us after more than two (2) months of living in the park.

14
15 I declare under penalty of perjury under the laws of the State
16 of California that the foregoing is true and correct.

17 Executed this 24th day of February, 1997, at Stanton,
18 California.

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21 Plaintiff, Angel Bahena Rodriguez
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DECLARATION OF JESUS HERNANDEZ PEREZ

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Jesus Hernandez Perez, am a Plaintiff in this matter and am over the age of 18 years. I live at 10800 Dale Street Space 404, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about May 7, 1996, I was taken to Katella Mobile Home Park by a salesman for Golden Sun Homes. The purpose of going to Katella Mobile Home Park was due to the fact that we were told that escrow was ready to close on our mobile home and that we needed to meet with the owner of Katella Mobile Home Park. A short time later we moved into the mobile home.

4. The meeting took place at the Mobile Home Park and was at around 4:30 p.m. Marsha Carter was the owner of the park as far as we were told and she had lots of documents for us to sign.

5. The documents were all scattered on the table. We were not given the opportunity to read the documents or to have someone read them to us. I specifically requested to take the documents, including the lease, home so that we could review them. I was told that we could not take a copy home but to just sign.

6. Marsha Carter stated that she could not go over the documents with us since she did not have time but would explain the park rules to us briefly.

7. The entire meeting took about 20 minutes.

8. No mention was made of arbitration. We were not told at

1 all about arbitration.

2 9. We were not allowed to read the lease and the other
3 documents but were told to just sign.

4 10. We were not aware that we had the right to look at the
5 lease for 30 days and that we had the right to cancel within 72-
6 hours. Again we were not allowed to read the lease.

7 11. At this point we had put our life savings down on the
8 mobile home and felt that we could do nothing but sign.

9 12. When questioned about the \$600.00 rent we were told by
10 "George" the salesman for the dealer not to believe the \$600.00 as
11 shown on the first page. George stated that Marsha would never
12 raise the rent to \$600 as rent control was coming and that Marsha
13 was being sued by other tenants. We were even shown a copy of an
14 article in the paper with the Headlines stating about rent control
15 coming. He stated that the rent would probably even go down.

16 13. We were not given a copy of the lease until about one
17 month after signing the lease.

18 I declare under penalty of perjury under the laws of the State
19 of California that the foregoing is true and correct.

20 Executed this 24th day of February, 1997, at Stanton,
21 California.

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24 Plaintiff, Jesus Hernandez Perez
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DECLARATION OF ALMA ORTEGA

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Alma Ortega, am a Plaintiff in this matter and am over the age of 18 years. I live at 10800 Dale Street Space 418, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about April 27, 1996, I was taken to Katella Mobile Home Park by a salesman for Golden Sun Homes. The purpose of going to Katella Mobile Home Park was due to the fact that we were told that escrow was ready to close on our mobile home and that we needed to meet with the owner of Katella Mobile Home Park. This was just before we moved in.

4. The meeting took place at the Mobile Home Park and was at around 3:00 to 5:00 p.m. Marsha Carter was the owner of the park as far as we were told and she had lots of documents for us to sign.

5. The documents were all scattered on the table. We were not given the opportunity to read the documents or to have someone read them to us.

6. Marsha Carter stated that she could not go over the documents with us since she did not have time but would explain the park rules and the important subjects such as the pool and other facilities of the park.

7. The entire meeting took about 20 minutes.

8. No mention was made of arbitration. We were not told at all about arbitration.

1 9. We were not allowed to read the lease and the other
2 documents but were told to just sign.

3 10. We were not aware that we had the right to look at the
4 lease for 30 days and that we had the right to cancel within 72-
5 hours. Again we were not allowed to read the lease.

6 11. At this point we had put our life savings down on the
7 mobile home and felt that we could do nothing but sign.

8 12. When we questioned about the \$600.00 rent we were told by
9 "George" the salesman for the dealer not to believe the \$600.00 as
10 shown on the first page. George stated that Marsha would never
11 raise the rent to \$600 as rent control was coming and that Marsha
12 was being sued by other tenants over the rent.

13 13. We were not given a copy of the lease until about five
14 week later when I went to pay the rent for June, 1996.

15 I declare under penalty of perjury under the laws of the State
16 of California that the foregoing is true and correct.

17 Executed this 24th day of February, 1997, at Stanton,
18 California.

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21 _____
22 Plaintiff, Alma Ortega
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DECLARATION OF SHARON NELSON

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Sharon Nelson, am a Plaintiff in this matter and am over the age of 18 years. I live at 8681 Katella Avenue Space 860, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about August 11, 1995, my husband and I went to Katella Mobile Home Park and paid for 1/2 months rent, approximately \$180.00, because we were told to do so by the dealer's salesman.

4. On or about August 13, 1995, we moved into our new mobile home in Katella Mobile Home Park without a lease.

5. On or about August 20, 1995, we had our first meeting with Marsha Carter, who we were told was an owner of the park. It was at this time that the lease agreement was signed, not on August 10, 1995, as the lease states.

6. The meeting took place at the Mobile Home Park on the morning of the 20th. Marsha Carter had lots of documents for us to sign.

7. The documents were all scattered on the table. We were not given the opportunity to read the documents but were told that she would go over the important things in the documents.

8. Marsha Carter also stated that she could not fully go over the documents with us since she did not have time, but that she would explain the park rules to us briefly.

1 9. The entire meeting took about 20 minutes.

2 10. No mention was made of arbitration. We were not told at
3 all about arbitration.

4 11. We were not allowed to read the lease and the other
5 documents but were told to just sign.

6 12. We were not aware that we had the right to look at the
7 lease for 30 days and that we had the right to cancel within 72-
8 hours. Again we were not allowed to read the lease.

9 13. At that point we had put our life savings down on the
10 mobile home and felt that we could do nothing but sign. Especially
11 since the mobile home was in place and we had moved in and it would
12 cost thousands of dollars to move the unit.

13 14. We were not given a copy of the lease until about one
14 month after signing the lease.

15 I declare under penalty of perjury under the laws of the State
16 of California that the foregoing is true and correct.

17 Executed this 24th day of February, 1997, at Stanton,
18 California.

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21 _____
22 Plaintiff, Sharon Nelson
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DECLARATION OF TRACY IGARIK

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Tracy Igarik, am a Plaintiff in this matter and am over the age of 18 years. I live at 8681 Katella Avenue Space 861, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about September 9, 1996, we went to Katella Mobile Home Park to meet with the owner to sign the lease. We had already moved and had been trying to meet with the owner.

4. The entire meeting took about 15 minutes.

5. We were not allowed to read the lease and the other documents but were told to just sign. Marsha Carter just showed us where to sign. We asked to take the lease with us to review and Marsha Carter said we could not have it.

6. Marsha Carter did not tell us that we had the right to look at the lease for 30 days or that we had the right to cancel within 72-hours. There was not mention of arbitration by Marsha Carter. Again we were not allowed to read the lease.

7. At that point we had put our life savings down on the mobile home and felt that we could do nothing but sign.

8. We were not given a copy of the lease until two (2) month later.

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2 I declare under penalty of perjury under the laws of the State
3 of California that the foregoing is true and correct.

4 Executed this 24th day of February, 1997, at Stanton,
5 California.

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8 Plaintiff, Tracy Igarik
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DECLARATION OF NORA ORTEGA

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Nora Ortega, am a Plaintiff in this matter and am over the age of 18 years. I live at 8681 Katella Avenue Space 874, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about June 26, 1996, we went to Katella Mobile Home Park to meet with the owner to sign the lease.

4. My husband, Javier, and I are both deaf and cannot speak. But, I can read some slowly.

5. At our meeting with Marsha Carter she did not explain the lease but only went over a brief explanation of the park rules.

6. The documents were all scattered on the table. We were not given the opportunity to read the documents or take them home to have them explained to us.

7. The entire meeting took about 15 minutes.

8. No mention was made of arbitration. We were not told at all about arbitration and I don't understand what it is.

9. We were not allowed to read the lease and the other documents but were told to just sign.

10. We were not told that we had the right to look at the lease for 30 days and that we had the right to cancel within 72-hours. Again we were not allowed to read the lease.

11. At that point we had put our life savings down on the

1 mobile home and felt that we could do nothing but sign.

2 12. We were not given a copy of the lease until about ____
3 ____ after signing the lease.

4 I declare under penalty of perjury under the laws of the State
5 of California that the foregoing is true and correct.

6 Executed this 24th day of February, 1997, at Stanton,
7 California.

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11 Plaintiff, Nora Ortega
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DECLARATION OF PATRICIA DUNBAR

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Patricia Dunbar, am a Plaintiff in this matter and am over the age of 18 years. I live at 8681 Katella Avenue Space 903, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about July 3, 1996, at about 5:00 p.m. we went to Katella Mobile Home Park to meet with the owner to sign the lease.

4. Our mobile home had been delivered prior to this and we had been waiting in a motel for several days for delivery and close of escrow.

5. The entire meeting took less than 20 minutes.

6. We were not allowed to read the lease and the other documents but were required to just sign.

7. We were not told that we had the right to look at the lease for 30 days and that we had the right to cancel within 72-hours. Again we were not allowed to read the lease.

8. At that point we had put our life savings down on the mobile home and felt that we could do nothing but sign.

9. We were not given a copy of the lease until approximately 2 1/2 months later.

I declare under penalty of perjury under the laws of the State

1166

1 of California that the foregoing is true and correct.

2 Executed this 24th day of February, 1997, at Stanton,
3 California.

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6 Plaintiff, Maria Renteria
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DECLARATION OF ALICE STEVENS

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Alice Stevens, am a Plaintiff in this matter and am over the age of 18 years. I live at 8681 Katella Avenue Space 914, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about November 27, 1995, at about 7:30 p.m. we went to Katella Mobile Home Park to meet with the owner to sign the lease. We moved in shortly thereafter.

4. The entire meeting took about 25-30 minutes.

5. We were not allowed to read the lease and the other documents but were told to just sign. The papers were scattered about on a table were not organized. Marsha Carter just showed us where to sign. We could not tell which papers went with which papers they were so disorganized.

6. We were not told that we had the right to look at the lease for 30 days and that we had the right to cancel within 72-hours. Again we were not allowed to read the lease.

7. At that point we had put our life savings down on the mobile home and felt that we could do nothing but sign.

8. When we asked about the \$600.00 a month rent, George, the salesman from Golden Sun Homes, stated that the coming of rent

1 control would not let the rent go higher than \$345.00 per month and
2 that our rent was \$345.00 per month. Marsha Carter heard this and
3 said nothing to correct this.

4 9. We were not given a copy of the lease until one (1) month
5 later.

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8 I declare under penalty of perjury under the laws of the State
9 of California that the foregoing is true and correct.

10 Executed this 24th day of February, 1997, at Stanton,
11 California.

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14 Plaintiff, Alice Stevens
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DECLARATION OF EDUARDO FRUTOS

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Eduardo Frutos, am a Plaintiff in this matter and am over the age of 18 years. I live at 8681 Katella Avenue Space 910, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about February 27, 1996, we went to Katella Mobile Home Park to meet with the owner to sign the lease. This was just before moving into the mobile home.

4. The entire meeting took about 20-30 minutes.

5. No mention was made of arbitration. We were not told at all about arbitration.

6. We were not allowed to read the lease and the other documents but were told to just sign. Marsha Carter held onto the lease papers and would not let go as we signed them.

7. We were not told that we had the right to look at the lease for 30 days and that we had the right to cancel within 72-hours. Again we were not allowed to read the lease.

8. At that point we had put our life savings down on the mobile home and felt that we could do nothing but sign.

9. When we asked about the \$600.00 a month rent, George the salesman from Golden Sun Homes, stated that the coming of rent control would not let the rent go higher than \$345.00 per month.

DECLARATION OF CRISTINA SANTY

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Cristina Santy, am a Plaintiff in this matter and am over the age of 18 years. I live at 8681 Katella Avenue Space 934, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about July 15, 1996, at about 5:30 p.m. we went to Katella Mobile Home Park to meet with the owner to sign the lease. We had been trying to meet with the owner for two week prior to that date.

4. The entire meeting took about 20 minutes.

5. We were not allowed to read the lease and the other documents but were told to just sign. The papers were scattered about on a table were not organized. Marsha Carter just showed us where to sign. Marsha Carter was in a great hurry and rushed us through.

6. We were not told that we had the right to look at the lease for 30 days and that we had the right to cancel within 72-hours. Again we were not allowed to read the lease.

7. We were not told about arbitration at all.

8. At that point we had put our life savings down on the mobile home and felt that we could do nothing but sign. The mobile

1 home was already in place in the park.

2 9. We were not given a copy of the lease until over one (1)
3 month later.

4
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6 I declare under penalty of perjury under the laws of the State
7 of California that the foregoing is true and correct.

8 Executed this 24th day of February, 1997, at Stanton,
9 California.

10
11
12 Plaintiff, Cristina Santy

DECLARATION OF MARIA RENTERIA

BAHENA vs KATELLA, et al
ORANGE COUNTY SUPERIOR COURT
Case No. 769948

1. I, Maria Renteria, am a Plaintiff in this matter and am over the age of 18 years. I live at 8681 Katella Avenue Space 906, Stanton, California.

2. I have personal knowledge of the following facts and if called upon and sworn to testify, could and would competently testify thereto.

3. On or about August 6, 1996, we went to Katella Mobile Home Park to meet with the owner to sign the lease.

4. The entire meeting took about 20 minutes.

5. No mention was made of arbitration. We were not told at all about arbitration.

6. We were not allowed to read the lease and the other documents but were told to just sign.

7. We were not told that we had the right to look at the lease for 30 days and that we had the right to cancel within 72-hours. Again we were not allowed to read the lease.

8. At that point we had put our life savings down on the mobile home and felt that we could do nothing but sign.

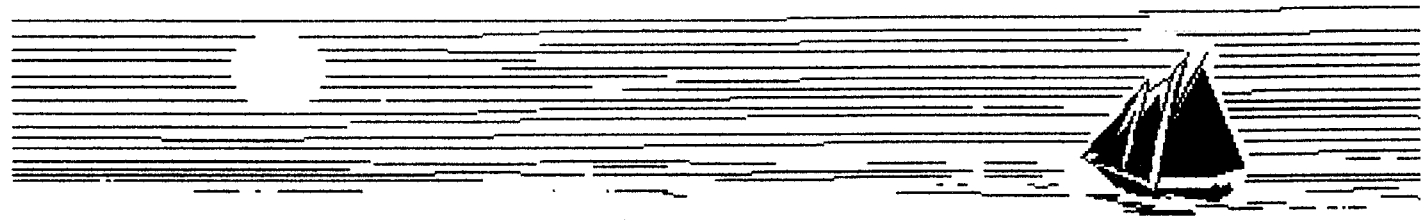
9. We were not given a copy of the until two (2) months later.

I declare under penalty of perjury under the laws of the State

1 of California that the foregoing is true and correct.

2 Executed this 24th day of February, 1997, at Stanton,
3 California.

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6 Plaintiff, Patricia Dunbar
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James & Cathy Henderson

85 Creekside Drive/Half Moon Bay, CA 94019

September 21, 1999

Senator Joseph L. Dunn
Chairman
Senate Select Committee on
Mobile and Manufactured Homes

Re: Mobilehome Park Rental Agreement
And Lease Problems

Dear Senator Dunn:

As I cannot be here today, please except these comments in lieu of a personal appearance.

I would like to speak concerning a clause in the attached sample lease agreement, which my wife and I were forced to sign. I say forced, because if we did not sign and initial such a document we would be without a lease.

As you can see from the attached, the Canada Cove lease consists of 8 1/2 pages, two pages of which deal with arbitration of disputes. At the end of section 24 you will be the words " by initialing in the space below you are agreeing....." The problem, of course, is that most residents did not agree, but if they did not sign they would have no lease. This applies *to all leases* offered — 1, 5 and 10 year leases. By signing we are giving up our rights to a trial of our peers.

This is nothing less than coercion! Please also take note of the Tahoe Verde Mobilehome Park ~~ATTACHMENT~~ which is one page with a cover page that helps a perspective homeowner to answer questions about what makes "a good lease." It even suggests the council of a knowledgeable person such as an attorney.

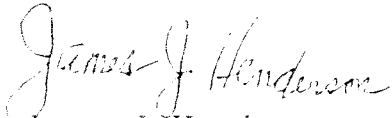
All mobilehome leases are not the same. Some are "good leases" and some are not.

Those of us who do not have good leases need legislative help in establishing a level playing field for all those who want — or must — live in mobilehome parks.

Government's purpose is to establish laws to protect and watch over its citizens who cannot help themselves.

Please take the necessary action to protect seniors who depend on mobilehome living as an affordable alternative to the high cost of housing in California.

Respectfully,


James J. Henderson

CANADA COVE
Highway No.1 - P.O.Box 65
Half Moon Bay, CA. 94019

LONG - TERM LEASE AGREEMENT

THIS AGREEMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT THAT PARK MAY CHARGE RESIDENT FOR RENT.

This Rental Agreement (hereafter referred to as "AGREEMENT") made and executed this _____ day of _____, 19____, between CANADA COVE, hereinafter designated the "PARK" and _____ hereinafter collectively designated as the "RESIDENT", consists of the following agreements:

1. DEFINITIONS: The following definitions will apply in this lease unless otherwise defined hereinafter:

A. Mobilehomes: For the purposes of this Lease, the term "Mobilehome" shall be as defined by the statutes of the State of California.

B. Consumer Price Index (CPI): The Index published by the United States Department of Labor, Bureau of Labor Statistics known as Consumer Price Index for all Urban Consumers for the San Francisco/Oakland/San Jose area.

If the Index is discontinued or revised, 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.

C. BASE YEAR. For purposes of this lease, the term "base year" shall refer to that twelve (12) month period beginning on March 1st, 19____, and ending on February _____, 19_____.

D. Space Rent: The rent paid by the RESIDENT for the use of the space in the PARK. Nothing herein, however, shall be construed to prevent the PARK from establishing and increasing such fees and charges as may be authorized by the Mobilehome Residency Law (California Civil Code Sections 798 et seq.) For purposes of calculation of base rent increase, space rent shall not include utility charges for utility service, including gas, electricity, water, sewer service and garbage removal provided to an individual mobilehome space (as opposed to the PARK in general) where such charges are billed to such a RESIDENT'S space separately from the space rent (i.e.: separately metered utility charges).

- E. Government Required Services: Any existing or new, additional, or changed services or physical facilities which the PARK is required to provide, including the charges or other costs and expense for water, sewer, trash pick-up and trash bin rentals and utilities provided by the PARK. This term also includes government required services and facilities provided by private parties and quasi-governmental entities as well as governmental entities. Each Tenant shall pay, on his/her November 25, statement the Fire District Special Tax of \$10.00. If the rate is increased, prior to November. Tenant agrees to pay the increase.
- F. Taxes and Benefit Assessments: All general and special real estate taxes, personal property taxes, bonds, fees, changes and surcharges or assessments, whether actually paid or unpaid, levied upon or payable in connection with or referable to the land on which the PARK is located for park-owned improvements to the land constituting the PARK or the use thereof by the PARK, including any taxes, assessments or charges levied or assessed either on-site improvements or in lieu of real property taxes and also including any tax or excise on rents or any other governmental tax, fee or assessment whatsoever, however described, which is levied or assessed against the PARK or Park Owners. This term does not include State or Federal income taxes.
- G. Capital Expenditure: Capital expenditures which may be passed through are of two kinds: Capital Replacements and Capital Improvements, which are defined below.

Capital Replacement refers to replacement of any EXISTING thing or item in the PARK. Capital Improvement refers to any thing or item which is NEW and NOT BEFORE EXISTING in the PARK. Capital Improvements and Capital Replacements must be estimated as useful for at least one year.

Repairs deductible as ordinary expenses under the Internal Revenue Code and Amendments are not included under any circumstances as Capital Expenditures.

EXAMPLES OF CAPITAL REPLACEMENT:

Park streets require resurfacing or resealing; a sewer line requires replacement. not to be construed as upgrading, but to be of comparable quality, workmanship, and materials, or upgraded as necessary to comply with the law.

EXAMPLES OF CAPITAL IMPROVEMENT:

Construction of a new swimming pool where none existed before; addition of new landscape where none existed before; installation of air condition in the clubhouse where none existed before.

- H. "Reasonable" Shall mean that, that is considered customary within the mobilehome park industry in the State of California and consistent with the Mobilehome Residency Law.

2. TERM: PARK leases to the RESIDENT the premises known as _____ Half Moon Bay, California, 94019, in PARK to be used by RESIDENT as his residence and no other purposes for the term of _____ commencing on the first day of _____, 19____, and expiring on _____, 200____.

3. RENT: RESIDENT agrees to pay to the PARK as base rent for said premises the sum of _____ Dollars (\$_____) per month. Park may, upon the service of at least sixty (60) days written notice to RESIDENT, increase the monthly rent annually on the first day of March of each year. Each such increase will be limited to:

- a) An amount equal to the percent of increase in the Consumer Price Index for the twelve (12) month period ending three months prior to the date of each such increase. In no event shall the CPI increase result in a rent increase of more than eight percent (8%) in any one year.

Park shall be entitled to a minimum of four percent (4%) rent increase each year for CPI increase, even if the CPI increased less than the four percent (4%) in a given year; plus,

- b) Pass-through assessments for increases in the costs of Government Required Services, comparing the costs of those services during the base year, to the cost for the same and any additional Government Required Services over a twelve (12) month period ending 120 days prior to the effective date of each rental increase.

In the event of an increase by a fixed amount of any particular Government Required Service, the Park shall pass-through the dollar amount of said increase in full, regardless of whether or not the Park paid such dollar amount increase for a full twelve (12) months prior to passing it through. Upon request, PARK will provide to RESIDENT copies of actual bills to verify these service increase; plus.

- c) Pass-through assessments for increases in Taxes and Benefit Assessments, comparing the costs of those items during the base year, to the costs for the same and any additional required items over a twelve (12) month period ending 120 days prior to the effective date of each rental increase. Should property tax rates decrease resulting in a reduction in the amount of property taxes actually paid by park, Resident shall receive a credit on his rental billing in the month of May and January for each year that such reduction continues, said credit reflecting one hundred percent (100%) of Resident's prorata share, based upon the number of spaces in the Park, of the savings realized by Park; plus,
- d) An amount necessary to pass through one hundred percent (100%) of the increase in costs of any Capital Expenditure, whether it be a Capital Replacement or a Capital Improvement. All Capital Expenditures will be passed through on a pro-rata basis, based upon the number of spaces in the PARK. The pass-through will appear a separate line-item on RESIDENT'S monthly rent bill, and will be removed from the bill when the expenditure has been fully amortized. The pass-through provision of this paragraph shall not apply to Capital Expenditure regarding existing Gas or Electric system.

Capital Expenditures up to the amount of \$10,000.00 will be passed-through over 12 months. Capital Expenditure, when divided by 12 months amounts to an \$833.33 pass through per month. When that figure is divided by 360 spaces, a \$2.31 pass-through for each space would be imposed for 12 months.

Capital Expenditures between \$10,001.00 and \$20,000.00 will be amortized over two (2) years. Therefore, a \$18,000.00 expenditure is then divided by 24 months resulting in a \$750.00 monthly expenditure, which is then divided by 360 spaces, resulting in a \$2.08 per month pass-through for each space for a total of 24 months.

Capital Expenditure of \$20,001.00 to \$30,000.00 will be amortized over three (3) years. Therefore, a \$25,000.00 expenditure is then divided by 36 months resulting in a \$694.44 monthly expenditure, which is then divided by 360 spaces amounts to \$1.92 per month pass-through for each space for a total of 36 months.

Capital Expenditures of \$30,001.00 to \$40,000.00 will be amortized over four (4) years. Therefore, a \$39,000.00 expenditure is then divided by 48 months resulting in a \$812.50 per month expenditure, which is then divided by 360 spaces amounts to \$2.25 per month pass-through for each space for a total of 48 months.

Capital Expenditures of \$50,000.00 or more are amortized over an eight (8) year period, divided by 96 months to derive a monthly pass-through based upon 360 spaces in the park.

- e) An amount necessary to pass-through, on a pro-rata basis, increased costs, legal expenses, including attorneys fees and costs of suit incurred by PARK in good faith and in association with PARK operations, to the extent that such fees or costs exceed \$10,000.00 in any one year.
- f) In no single year shall all the pass-through portions of the rent increase exceed \$10.00 (ten) per month. This \$10.00 (ten) limitation shall apply to all pass-throughs, but not to the Consumer Price Index adjustment.

4. UTILITIES: As additional rent, RESIDENT agrees to pay on the first day following billing, the charge for the following utilities or services furnished to Resident. Gas and electricity are subject to PUC jurisdiction, and will be billed at prevailing rates. Water, garbage collection, and sewer will be billed to Resident at the same rate as if Resident were supplied with those items directly by the utility provider. Charges for these utilities will appear monthly as separate line items on Resident's rent statement, and are subject to increase as the utility providers increase rates. Cable T.V. is provided to RESIDENT by the cable provider, and Resident will be billed directly by the cable provider.

5. FACILITIES: The following facilities will be provided by PARK during the term of this Agreement, unless modified or changed as provided by law: Clubhouse, swimming pool, sauna and coin operated laundry.

6. SERVICES: The following services will be provided by PARK during the term of the Agreement unless modified or changed as provided by law: Resident Management.

7. PAYMENT OF RENT: Payment of rent is due on the first day of each month at the PARK office without any set-off, counterclaim or deduction whatsoever. As additional rent, a late charge of \$40.00 will be imposed if rent is not paid by the sixth of the month. This charge does not, in any way, relieve RESIDENT of his obligation to pay rent by the first of the month and is levied to cover the costs of additional accounting and collection expenses. Additionally, there will be a \$20.00 handling charge for all checks dishonored by RESIDENT'S bank for any reason.

8. THE MOBILEHOME RESIDENCY LAW: Attached hereto marked as Exhibit "A" and by this reference made a part of the Agreement as though set forth in full, is a copy of the current Mobilehome Residency Law, and by signing this Agreement RESIDENT acknowledges that he has received a copy of that law.

9. RULES AND REGULATIONS: Attached hereto marked as Exhibit "B" and by this reference made a part of this Agreement as though set forth in full, is a copy of the present Rules and Regulations of the PARK. RESIDENT agrees to comply with all such Rules and Regulations, and such additional Rules and Regulations as may be promulgated from time to time in accordance with State Law. RESIDENT, by signing this Agreement, acknowledges receipt of these Rules and Regulations.

10. RESPONSIBILITY OF THE PARK; It is the responsibility of the PARK to provide and maintain the physical improvements set forth above and the common areas in good working order and condition and to continue to provide the services set forth above, during the term hereof.

11. AMENDMENT TO RULES AND REGULATIONS: Rules and Regulations may be amended at any time with your written consent. If you do not consent, amendment shall take place six (6) months after written notice to you of the change. The PARK will meet and consult with you about any changes or amendments as provided by law. Amendments pertaining only to Rules and Regulations applicable to recreational facilities shall become effective sixty (60) days after written notice to you of the change.

12. ENTRY UPON RESIDENT'S SPACE: RESIDENT hereby acknowledges that the PARK has the right of entry upon said premises to maintain utilities or in case of emergency. Management may charge a reasonable fee for services relating to maintenance of the land and premises upon which a home is situated if RESIDENT fails to maintain the land and premises in accordance with PARK Rules and Regulations after written notice to RESIDENT'S and RESIDENT'S failure to comply within fourteen (14) days.

13. TERMINATION OF TENANCY; The tenancy created hereby may be terminated by the RESIDENT only upon the giving of written notice to the PARK not less than sixty (60) days before vacating the tenancy, and the actual physical removal of RESIDENT'S mobilehome within said sixty (60) day period.

14. REMOVAL ON SALE: PARK may, at its option, exercise its rights under the Mobilehome Residency Law to require removal of the mobilehome upon resale to a third party, under the conditions specified therein. 798.73

15. ASSIGNMENT OR SUBLETTING: RESIDENT may freely assign this Lease to any person approved in writing by the PARK. Such approval may be obtained by the submission by each potential assignee of an application for tenancy to PARK in such form as PARK may from time to time have in use.

Each such application will be reviewed by PARK, and a determination of approval or rejection will be made in accordance with the requirements of the California Civil Code, Mobilehome Residency Law, Section 798.74, or any statute replacing that section. Upon approval of such application and acceptance of such assignment by the assignee, PARK may increase space rent hereunder to the lower (to the nearest dollar) of the following:

- 1) An amount which, in the PARK'S sole discretion, represents the fair market value for the premises, or
- 2) An amount equal to _____ per-cent (%) of the then existing rent.

SUBLETTING; RESIDENT may not sublet the space, any portion of the space or any mobilehome located on the space. Any such subleasing will be void. Any purported assignment of the space or mobilehome will be void unless done per the terms of this agreement.

Any assignment of the space alone without the mobilehome situated thereon will be void and the space will revert to PARK.

16. USE PROHIBITED: Resident shall not use or permit the demised premises or any part hereof to be used for any purpose other than a personal and actual residence for the persons listed above. No other person may make his or her permanent residence at the premises without the prior written consent of the PARK. Such consent may be granted or withheld in the PARK'S sole discretion and depending upon availability of existing facilities to handle the number of permanent RESIDENTS in the PARK. Residency shall consist of occupancy in excess of thirty (30) days in any calendar year.

17. FIXTURES: All fixtures including but not limited to plants, shrubs and trees planted on the premises, as well as all structures, including fences embedded in the ground, black top or concrete, shall become the property of the PARK, and shall not be removed by the RESIDENT without prior written consent of the PARK. However, RESIDENT shall maintain all such plants, shrubs, trees and structures during the term of his tenancy.

18. HOLDING OVER: Any holding over by the RESIDENT at the expiration of the initial term hereof with the actual or implied consent of the PARK, shall be deemed to be a month-to-month tenancy on the same terms and conditions of this Agreement, except that Park may increase rents without regard to the provisions of Paragraph 4 hereof.

19. SERVICE OF NOTICES: RESIDENT understands that any notice terminating his tenancy must be given to him in writing in the manner described by Section 1162 of the California Code of Civil Procedures. However, as additional consideration of the execution of this AGREEMENT, RESIDENT agrees that any service of any other notice upon him, including but not limited to, a notice of rent increases, notices of non-compliance with PARK Rules and Regulations, notice of termination of this AGREEMENT and notice of any meeting to discuss amendments to PARK Rules and Regulations, standards for maintenance and physical improvements in the PARK, etc., will have been duly and validly affected if a notice is mailed to the RESIDENT at his address in the PARK, via first class United States mail, postage prepaid. RESIDENT agrees that any notice served upon him in this manner shall be deemed served five (5) days subsequent to its mailing. RESIDENT also agrees that service of future copies of the Mobilehome Residency Law may be served in the same manner.

20. WAIVER: The waiver by PARK of or the failure of PARK to take action in any respect by any breach of 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 PARK shall not be deemed to be a waiver of any preceding breach by RESIDENT of an term, covenant or condition of this covenant other than the failure of RESIDENT to pay the particular rent so accepted, regardless of PARK'S knowledge of such preceding breach at the time of accepting such rent and whether or not the breach is continuing in nature.

21. ATTORNEY'S FEES AND COURT COSTS: If an action at law or equity shall be brought to recover any rent or any utilities due under this AGREEMENT or on account of any breach of, or to enforce or interpret any of the covenants, terms or conditions of this AGREEMENT or the rules attached hereto for the recovery of possession of the demised premises, the prevailing parties shall be entitled to recover from the other 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 and the PARK shall be entitled to receive as court costs the cost of the service of any notice required to be served upon the RESIDENT in relationship to the legal action.

22. TIME OF THE ESSENCE: Time is of the essence of this AGREEMENT.

23. SAVING CLAUSE: Each provision of this AGREEMENT is separate and distinct and individually enforceable. In the event any provision is declared to be unlawful, the enforceability of all other provisions shall not be affected.

24. INSPECTION OF PREMISES AND APPROVAL:

a. By signing this AGREEMENT, tenant acknowledges that tenant has carefully inspected the space to be rented and all the PARK'S facilities and has found them to be in every respect, as represented by Park to Resident, whether orally or in writing.

b. If at any time, the RESIDENT believes that there exists a deficiency in the maintenance, repair, or upkeep of the common areas or utility systems of PARK, RESIDENT agrees to notify PARK as soon as reasonably practicable, in writing, of the specific nature of such deficiency, and to request that such deficiency be remedied. For purposes of this Agreement, "common areas or utility systems" shall be defined as those items for which PARK is responsible for maintenance as specified in California Civil Code Section 798.15(d), including, but not limited to, the items listed in Paragraph 6 above, and gas and electric utility systems up to and including the utility pedestal on the RESIDENT'S space.

c. Upon receipt of the written notice specified in Paragraph 25 (b) above, PARK shall have forty-five (45) days to investigate same, and if necessary, remedy the deficiency. On or before the expiration of said forty-five (45) day period, PARK shall notify RESIDENT, in writing, of the results of its investigation and the status of any remedial work done or to be done.

25. ARBITRATION OF DISPUTES:

a. IF, UPON RECEIPT OF PARK'S RESPONSE SPECIFIED IN PARAGRAPH 25 (c) ABOVE, A DISPUTE BETWEEN RESIDENT AND PARK STILL EXISTS REGARDING THE ALLEGED DEFICIENCY, RESIDENT OR PARK MAY REQUIRE ARBITRATION OF THE MATTER BY FOLLOWING THE PROCEDURES SET FORTH HEREIN. IT IS HEREBY AGREED THAT SAID ARBITRATION PROCEDURE IS THE SOLE AND EXCLUSIVE LEGAL REMEDY FOR DISPUTES REGARDING CLAIMED DEFICIENCIES AS SET FORTH IN PARAGRAPH 25 (b) ABOVE. MATTERS OF EVICTION, UNLAWFUL DETAINER, OR ITEMS OTHER THAN DEFICIENCIES DESCRIBED IN PARAGRAPH 25 (b) ABOVE ARE NOT SUBJECT TO ARBITRATION.

b. IN ORDER TO INVOKE THE ARBITRATION PROCESS, THE PARTY DESIRING ARBITRATION SHALL NOTIFY THE OTHER PARTY, IN WRITING, WITHIN TEN (10) DAYS OF THE EXPIRATION OF THE FORTY-FIVE (45) DAY PERIOD PROVIDED BY PARAGRAPH 25 (c) ABOVE. SAID

NOTICE SHALL SPECIFY THE ELECTION TO ARBITRATE, AND SHALL SET FORTH THE ISSUES TO BE ARBITRATED. SAID NOTICE SHALL FURTHER INCLUDE THE NAME OF AN ARBITRATOR SELECTED BY THE PARTY DESIRING ARBITRATION TO RULE UPON THE DISPUTE.

c. UPON RECEIPT OF THE NOTICE SPECIFIED IN PARAGRAPH 26 (b) ABOVE, THE RESPONDING PARTY SHALL WITHIN TEN (10) DAYS NOTIFY THE REQUESTING PARTY OF ITS SELECTION OF A SECOND ARBITRATOR TO RULE UPON THE DISPUTE. THEREAFTER, AND WITHIN 30 DAYS, THE TWO NAMED ARBITRATORS SHALL MUTUALLY SELECT A THIRD ARBITRATOR, AND THE MATTER SHALL BE ARBITRATED BEFORE THE THREE-MEMBER ARBITRATION PANEL. IF THE TWO NAMED ARBITRATORS ARE UNABLE TO AGREE UPON A THIRD ARBITRATOR, THE THIRD ARBITRATOR SHALL BE APPOINTED BY THE PRESIDING JUDGE OF THE SAN MATEO COUNTY SUPERIOR COURT.

d. THE ARBITRATION SHALL BE CONDUCTED BEFORE THE THREE-MEMBER ARBITRATION PANEL PURSUANT TO THE PROVISIONS OF TITLE 9 OF PART 3 OF THE CALIFORNIA CIVIL CODE OF PROCEDURE COMMENCING WITH SECTION 1288. ANY DECISION OF THE ARBITRATION PANEL SHALL BE FINAL AND BINDING, BUT SHALL HAVE NO RES JUDICATA OR COLLATERAL ESTOPPEL EFFECT, AND SHALL BE BINDING ONLY BETWEEN THE ACTUAL PARTIES TO SUCH AN ARBITRATION.

e. IF A DISPUTE BETWEEN RESIDENT AND PARK INVOLVES BOTH ARBITRABLE AND NON-ARBITRABLE ISSUES, THE ARBITRABLE ISSUES SHALL PROCEED FIRST AND SEPARATELY TO COMPLETION THROUGH THE ARBITRATION PROCESS PRIOR TO ANY JUDICIAL ACTION BEING COMMENCED ON THE NON-ARBITRABLE ISSUES. HOWEVER, IF THE NON-ARBITRABLE ISSUES INVOLVE AN ACTION FOR TERMINATION OF TENANCY PURSUANT TO CALIFORNIA CIVIL CODE SECTION 798.56 OR AN ACTION FOR INJUNCTIVE RELIEF BROUGHT PURSUANT TO THE CODE OF CIVIL

PROCEDURE SECTION 527.6 OR CALIFORNIA CIVIL CODE SECTIONS 798.87(b), 798.56 (e) (f), OR TO PRESERVE A PARTY'S EQUITABLE RIGHTS APPERTAINING TO ANY ARBITRABLE DISPUTE PRIOR TO RESOLUTION BY ARBITRATION, SUCH NON-ARBITRABLE MATTERS SHALL PROCEED TO JUDGEMENT EVEN THOUGH RELATED TO AN ARBITRABLE DISPUTE.

f. COSTS FOR THE ARBITRATION SHALL BE BORNE EQUABLY BY THE PARTIES AND SHALL BE SET BY THE THREE MEMBER ARBITRATION PANEL. SAID COSTS WILL BE PAYABLE UPON DEMAND BY THE ARBITRATION PANEL. SHOULD EITHER PARTY FAIL TO PAY ITS SHARE OF SAID COSTS UPON DEMAND, THE ARBITRATION PANEL MAY EITHER ABATE THE ARBITRATION PROCEEDINGS PENDING RECEIPT OF SAID COSTS, OR MAY PROCEED WITH THE ARBITRATION WITH OR WITHOUT THE NON-PAYING PARTY IN SUCH MANNER AS THE PANEL DEEMS APPROPRIATE ATTORNEYS' FEES AND OTHER COSTS INCURRED SHALL NOT BE AWARDED THE ARBITRATION PANEL, BUT SHALL BE BORNE BY EACH

PARTY SEPARATELY. HOWEVER, ATTORNEYS' FEES AND COURT COSTS INCURRED IN ANY JUDICIAL PROCEEDING TO COMPEL ARBITRATION OR OBTAIN AN INJUNCTIVE RELIEF WHICH THE RESPONDING PARTY REFUSED TO STIPULATE TO IN ADVANCE, OR TO ABATE SUBSEQUENT DISPUTES, OR TO CONFIRM AN ARBITRATION AWARD, SHALL BE AWARDED TO THE PREVAILING PARTY.

g. SHOULD ANY OF THESE ARBITRATION PROVISION BE HELD UNENFORCEABLE FOR ANY REASON, IT IS AGREED THAT ALL ARBITRABLE ISSUES IN ANY JUDICIAL PROCEEDING SHALL BE SUBJECT TO A REFEREE ON MOTION BY ANY PARTY FOR HEARING AND DECISION BY A REFEREE AS ALLOWED BY STATE LAW. INCLUDING CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 638, ET SEQ. IN SUCH EVENT, SAID REFEREE SHALL BE APPOINTED BY THE COURT.

"NOTICE: BY INITIALLING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW, AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVER AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY."

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

RESIDENT'S INITIALS

RESIDENT'S INITIALS

26. 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 homesite, or by any defect in improvements erected thereon, or rising from any cause whatsoever, unless resulting from the negligence or willful act of PARK. RESIDENT acknowledges that PARK is not a "Security Park". PARK makes no representation that the PARK is secure from theft or any other criminal act perpetrated by any RESIDENT or other person.

27. CAPTIONS, ET AL: The captions of the various articles and paragraphs of the AGREEMENT are for convenience and ease of reference and do not define, limit, augment or describe the scope, content, or intent of this AGREEMENT or any of its parts. Additionally, the neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the neuter and masculine, and each includes a corporation, partnership or other legal entity when the context so requires and the singular number includes the plural whenever the context so requires.

28. RESIDENT'S ACKNOWLEDGEMENT OF CIVIL CODE SECTION 798.17: RESIDENT specifically acknowledges that he has been provided with at least thirty (30) days to accept or reject this Lease. RESIDENT further acknowledges that he is aware that he may void this AGREEMENT by notifying PARK in writing within 72 hours of RESIDENT'S execution hereof, as permitted by California Civil Code Section 798.17.

Resident Initials

29. SUBORDINATION AND ATTORNMENT: PARK reserves the right to place liens on, encumber, mortgage or convey by deed or trust, PARK or part of PARK containing Resident's space. If this occurs, this Lease and Resident's leasehold interest will, at PARK'S option be subject thereto and to any renewals, extensions or replacements thereof.

Resident agrees to, and shall when requested in writing by the PARK, execute, acknowledge and deliver to PARK, or the person designated by PARK, all documents required to subordinate Resident's rights under this Lease to any such lien, encumbrance, mortgage or deed of trust.
Resident may not record this lease.

30. MECHANICS LIENS: If any lien is placed upon the Leased Premises or any improvement thereon by reason of work undertaken by or at the request of Resident, Resident within ten (10) days from recordation of said lien, shall cause the same to be discharged or released by the posting of a bond. Resident shall defend and indemnify and hold Park harmless against all liability or claims arising out of any work or installation caused to be performed by Resident on the Leased Premises. In the event Resident fails to so act, Park may, but shall not be required to, pay all such sums as are required to cause the release of such lien and deliver to Resident written notification of such payment and Resident shall pay said sum to Park within five (5) days of receipt thereof.

31. EMINENT DOMAIN:

A. In the event all or any portion of the Leased Premises is taken by right of eminent domain or purchased under threat of condemnation so as to render the Leased Premises unsuitable for the uses for which the premises were leased, either Park or Resident shall have the option to terminate this Lease, as of the date the condemning authority takes possession.

B. In the event all or any portion of the mobilehome park is taken by right of eminent domain or purchased under the threat of condemnation such that operation of the Park after such taking will not return the same profit to Park as it realized immediately before such taking, Park shall have the option to terminate this lease as of the date of possession.

C. A party having an option to terminate under this Section 33, may exercise said option only by giving of written notice of termination to the other party within sixty (60) days after notice of taking or sales is received.

D. All of any award made as a result of a taking of all or portion of the Leased Premises shall belong to Park, including any award for the leasehold estate, except that Park shall have no interest in any award made to Resident for the taking of personal property and fixtures belonging to and removable at termination hereof by Resident, or for Resident's cost of relocation.

32 ENTIRE AGREEMENT: This AGREEMENT contains the entire agreement between the parties. No promise, representation, warranty or covenant, whether written or oral, not included in this AGREEMENT has been or is relied on by either party. Each party has relied on his own examination of this AGREEMENT, a counsel of his own advisor, and the warranties, representations and covenants in the AGREEMENT itself. Failure or refusal of either party to inspect the premises or improvement, to read the AGREEMENT or other documents, or to obtain legal or other advise relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on such reading, inspecting or advice. Additionally, in any interpretation of this AGREEMENT, it shall be deemed that this AGREEMENT and its exhibits were written by both parties.

The undersigned hereby agree that, in the event the undersigned wishes to sell the undersigned's mobilehome and have it remain at Cañada Cove Mobilehome Park after resale, an HCD inspection of the mobilehome, both inside and out, must be arranged and paid for by the undersigned, and the results of said inspection presented to the Management of Cañada Cove Mobilehome Park. All violations noted in the HCD Inspection Report must be corrected as part of the resale of the undersigned's mobilehome in the mobilehome park.

RESIDENT and each of them acknowledge that they have read, understood and received copies of this AGREEMENT and all attachments hereto and agree to be bound by its terms and conditions.

EXECUTED this _____ day, of _____, 19__.

at Half Moon Bay, California.

PLI

RESIDENT

RESIDENT

RESIDENT

BY _____
CANADA CLOVE MORTENHOME PARK

LEASE AGREEMENT

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

THIS AGREEMENT is made as of the date specified below between BALINESE, a California Limited Partnership, dba EL MATADOR MOBILE HOME PARK (the "Owner"), and those persons listed on the last page of this Rental Agreement (the "Agreement") as the Resident (the "Resident").

1. SPACE:

1.1 Owner rents to Resident and Resident rents from Owner Space No. _____ (the "Space"), in EL MATADOR MOBILE HOME PARK, (the "Park"), located at 777 Alamo Lane, Vacaville, California, 95687. By signing this Agreement, Resident acknowledges and agrees that he/she has fully and completely examined and inspected, to his/her satisfaction, the premises, including, without limitation, the Space, the streets, the laundry facilities, the recreational facilities, the common areas and all other areas open to Resident for his/her use. Resident further acknowledges and agrees that he/she has received all information requested, that he/she found all conditions as being safe and acceptable as now existing and maintained by Owner. Resident further agrees that if, at some future date, there should exist any condition other than as set forth herein, Resident will immediately notify Owner of same in writing. For your convenience, written forms are available at the Park office.

(Resident's Initials)

1.2 By signing this Agreement, Resident acknowledges that he/she understands that he/she will be a tenant of Park and rents only the land upon which his/her mobilehome is located. Resident further acknowledges that he/she has no other rights in the land, the Park, or the value of the land or Park, except those which are expressly given by him/her by this Lease, the Mobilehome Residency Law, or any other applicable law.

(Resident's Initials)

1.3 NOTE: The California Department of Justice, sheriff's department, police departments serving jurisdictions of 200,000 or more and many other local law enforcement authorities maintain for public access a data base of the locations of persons required to register pursuant to paragraph (1) of subdivision (a)

of Section 290.4 of the Penal Code. The data base is updated on a quarterly basis and a source of information about the presence of these individuals in any neighborhood. The Department of Justice also maintains a Sex Offender Identification Line through which inquiries about individuals may be made. This is a "900" telephone service. Callers must have specific information about individuals they are checking. Information regarding neighborhoods is not available through the "900" telephone service.

2. TERM:

2.1 The tenancy created under this Agreement shall be for a period of FIVE (5) years and shall commence on _____ 19____ and end on _____, 19____, unless sooner terminated in accordance with the terms of this Agreement.

PLEASE NOTE: PARAGRAPH 35 OF THIS LEASE CONTAINS AN AUTOMATIC RENEWAL PROVISION.

2.2 Resident acknowledges that Owner has, unless Resident is not a "homeowner" as defined by the Mobilehome Residency Law, offered Resident the option of: a month-to-month rental agreement; a rental agreement having a term of twelve (12) months; a rental agreement having a term which is longer than a month-to-month tenancy but less than twelve (12) months in length; and a rental agreement having a term of five (5) years. Resident acknowledges his/her understanding that he/she may elect to accept any one of these four (4) options and that this selection is solely at Resident's option. Resident further acknowledges that even though he/she has these four (4) options, he/she has voluntarily elected the term of tenancy set forth above. If Resident is not a "homeowner" as defined by the Mobilehome Residency Law, Resident acknowledges that Owner need not offer Resident any option other than a rental agreement having a term of five (5) years.

(Resident's Initials)

2.3 Resident acknowledges that owner has, by this paragraph, provided written notice to resident/homeowner of the right to have at least 30 days to inspect this lease/rental agreement and further that resident/homeowner has the right to VOID this lease/rental agreement upon written notice to owner or park management within 72 hours of acceptance of this rental agreement.

(Resident's Initials)

3. RENT:

3.1 Resident shall pay as rent to Owner without deduction or offset (without waiving Civil Code Section 1942) and on the first day of each month:

(1) The base rent (as it may be adjusted) as specified in paragraph 3.2 below.

(2) Guest charges of Five Dollars (\$5.00) 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 the meaning of Civil Code Section 798.34(b).

(3) Recreational and extra vehicle storage of _____ Dollars (\$ _____) per month for each recreational or extra vehicle parked in the recreational vehicle storage area.

(4) 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 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.

Other Monthly Charge (specify):
(City/County Library tax \$4.83/mo); (Security \$5.00.mo), and/or

Charges for guests, recreational and extra vehicle storage and charges listed after the "Other Monthly Charges" may be increased upon sixty (60) days' notice to Resident.

3.2 Base Rent: The base rent shall be _____ Dollars (\$ _____) per month and this base rent shall remain in effect until _____, 19____. Effective _____, 19____, and each _____ 1st thereafter for the remaining term of this Agreement, the then current monthly base rent shall be adjusted based upon 100% of the annual increase in the Consumer Price Index (CPI) for the San Francisco, Oakland, San Jose area (1982-1984 - 100), utilizing the "All Urban Consumers" Index as of the month five (5) months prior to the month the rent is being

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adjusted. In no event shall the annual increase in the base rent be less than five percent (5%) nor more than ten percent (10%) of the previous year's base rent.

CPI EXAMPLE

Let's assume that the base rent when you moved in the Park on September 1, 1998 is \$300 per month, and that the CPI increase from April 1998 to April 1999 is 5.5%. Your new base rent would be figured as follows:

\$ 300.00 Existing base rent
+ <u>16.50</u> CPI increase - \$300.00 x 5.5%
\$ 316.50 Base rent adjusted to 9/1/99

In addition, your rent would be increased by the pass-throughs noted below.

3.3 All rents payable hereunder shall be paid by check or money order. Two-party checks will not be accepted. Owner may, upon ten (10) days' written notice to Resident require payment to be made in cash or equivalent. If the entire rent owed by Resident is not paid by the sixth (6th) day of the month, Resident shall pay a late charge of Thirty Dollars (\$30.00) to Owner. Resident shall also pay to Owner a Forty Dollar (\$40.00) charge for each check of Resident's which is returned or dishonored for any reason by Owner's bank. 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.

3.4 This Agreement provides that Resident's monthly base rent (as set forth in paragraph 3.2 above) is subject to be increased for increases in government-required services, taxes, insurance, capital improvements and replacements and uninsured losses. The amounts of the rent increase attributable to any such increase will be computed in accordance with subparagraphs "A," "B," "C," "D," and "E" below. These additional amounts shall be added to the amount of each of the rent increases noted in paragraph 3.2 above and are considered additional rent.

A. GOVERNMENT-REQUIRED SERVICES:

The increases in the cost of government-required services will be computed for the 12 month period preceding the month the rent increase notice is given to Resident and comparing these costs to the costs for the immediately preceding 12 months. One-twelfth (1/12th) of the amount of the increase in the cost of government-required services will then be divided by the number of spaces in the Park and added to the then current monthly base rent. Government-required services are defined as any existing or new, additional or changed services which Owner is required by any

Governmental entity 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 (if water is submetered, this will apply only to water used on common areas), sewer and utilities provided by the Park. Included within the meaning of governmental-required services are services provided by private parties and quasi-governmental entities as well as governmental entities.

EXAMPLE

Let's assume that there are 307 Spaces rented by tenants in EL MATADOR MOBILE HOME PARK. If we experienced an increase in the cost of government-required services of \$1,800.00, the \$1,800.00 increase would be divided by 12 months and the 307 Spaces to equal \$0.49. The forty-nine cents would be added to the base rent, and increased at the anniversary date after we give you ninety (90) days' notice of the increase.

B. TAXES:

If Owner's property taxes increase by more than two percent (2%) per year, then that amount which exceeds two percent (2%) will be added to the base rent by dividing the amount of the increase in excess of two percent (2%) by twelve months, dividing the result again by the number of spaces in the Park and adding the result to the then current monthly base rent. Property taxes are defined as all general and special real estate taxes, personal property taxes, bonds, fees, charges, surcharges and assessments, whether actually paid or unpaid, levied upon or payable in connection with or related to the land and/or improvements to the land constituting the Park or the use thereof by Owner, 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 Owner as a substitution in whole or in part for any real property tax.

EXAMPLE

If the property taxes were \$28,000.00 on the 1997-1998 bill and \$28,560.00 on the 1998-1999 bill, there would be no pass-through of property taxes to you, as the increase did not exceed 2%.

C. INSURANCE:

If Owner's fire, property and general liability insurance premium for the Park is increased over the amount paid during the 1997 base year, then the amount of the increase which exceeds the amount paid during the base year will be added to the base rent by dividing the amount of the increase by twelve months, dividing the result again by the number of spaces in the Park and adding the result to the then current monthly base rent.

D. CAPITAL IMPROVEMENTS AND REPLACEMENTS:

"Capital Improvement" refers to any thing or item which is new and not previously existing in the Park. Capital Improvements include all items which the Park reports as capital improvements and as allowed by the Internal Revenue Service. "Capital Replacement" refers to the replacement or major reconstruction of any existing thing or item in the Park. The "cost" of capital improvements and replacements shall consist of the actual cost of the capital improvements and replacements plus all interest, points and other costs and charges related to the borrowing or any sums by Owner to make capital improvements and replacements. Only costs for capital improvements and replacements made during the twelve (12) month period preceding the month in which the notice of increase in rent is given shall be used to determine the amount of any increase in the then current monthly base rent. The cost of such capital improvements and replacements shall be amortized over a five (5) year period. If Owner lends the Park funds to make the capital improvement or replacement, Owner will, in addition to the cost of such capital or replacement, be entitled to interest computed at two (2) percentage points over the then effective Bank of America prime rate. The amortized amount will then be divided by twelve (12) and again by the number of spaces in the Park. The result will then be shown as a separate charge on the monthly billing immediately following a 60-day notice of charge for capital improvements and replacements. Pass throughs for capital improvements and replacements will not be included in base rent for purposes of calculating the annual CPI increase. Once the cost of a particular capital improvement or replacement has been fully recovered by amortization, it will be removed from the billing. Any capital improvement (a new thing or item not previously existing in the Park) in excess of Fifty Thousand Dollars (\$50,000.00) will not be passed through unless it has been approved by a majority vote of the voting residents (one vote per space) or is required (at Owner's discretion) by an emergency which does not allow sufficient time for such approval, is required to protect the health and safety of the Park or has been mandated by a government or quasi-governmental agency.

CAPITAL IMPROVEMENT/REPLACEMENT EXAMPLE

Let's assume that there are 307 Spaces in EL MATADOR MOBILE HOME PARK rented by tenants. If we were to rebuild a portion of the clubhouse in 1999 at a cost of \$52,300.00, including interest, the cost to be passed through to you would be calculated as follows:

\$ 52,300.00 divided by 60 months = \$ 871.67

\$ 871.67 divided by 307 Spaces = \$ 2.84 per Space per month for 5 years

E. UNINSURED LOSS:

Uninsured loss is defined as any loss for which the Owner is not actually compensated by insurance. The loss will be amortized over a five (5) year period and the result will be divided by the number of spaces and again by twelve (12). The result will then be shown as a separate charge on the monthly billing immediately following a 90-day notice of charge for uninsured loss. Pass-throughs for uninsured losses will not be included in base rent for purposes of calculating the annual CPI increase. Once the cost has been fully recovered by amortization, it will be removed from the billing. Owner will keep a policy or policies of insurance with extended coverage endorsements for ninety percent (90%) or more of the replacement value of the buildings and equipment or such other fire and casualty insurance as Owner, in his sole discretion, determines provides equal or greater protection. Earthquake and flood insurance are not included in this provision.

UNINSURED LOSS EXAMPLE

Assume an earthquake occurred during the year. If the cost to us to repair damage was \$15,240.00, including financing, the cost to be passed through to you would be calculated as follows (assuming 307 Spaces in 1999 rented by residents):

\$ 15,240.00 divided by 60 months = \$ 254.00 per month

\$ 254.00 divided by 307 Spaces = \$ 0.83 per Space per month for 5 years

4. UTILITIES:

Owner shall provide water, sewer and refuse collection without separate charge to Resident. Owner may, however, upon giving sixty (60) days' prior notice to Resident, elect to charge Resident for water by separate charge. Electricity and natural gas are provided and billed as a separate charge on your monthly bill. For those utilities which are separately charged, any increase in utility rates shall be immediately passed through and paid by Resident. Telephone and cable TV service is available by direct contract between provider and Resident.

5. INCORPORATED DOCUMENTS:

5.1 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, _____, a copy of which is attached hereto as Exhibit "1" and incorporated herein by this reference;

(1) Owner and Resident agree to comply with all provisions of the Mobilehome Residency Law and other applicable state and local laws and ordinances. Any additional rights granted to Owner or Resident as a result of amendments to the Mobilehome Residency Law or other applicable state or local laws and regulations may be enforced by Owner and Resident.

(2) The incorporation into this Agreement of the Mobilehome Residency Law is for the purpose of advising Resident of the rights and duties of Resident and Owner under the Mobilehome Residency Law. The incorporation into this Agreement of the Mobilehome Residency Law is not intended to alter the rights and duties of the parties, to give any party any additional rights than such party would have had if the Mobilehome Residency Law were not incorporated into this Agreement, or to extend the statute of limitations or any claim brought under the Mobilehome Residency Law. By way of example, without limiting the scope of this provision, Resident's rights to initiate arbitration for an alleged failure by Owner to maintain the Park is subject to the statute of limitations for bringing an action for negligence or violation of a statutory duty, and is not subject to the statute of limitations for a breach of contract.

B. The Park's Rules and Regulations dated _____

C. Other (Specify): _____

6. MODIFICATION OF RESIDENCY DOCUMENTS:

Owner 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, provision, 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 water), 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. 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.

7. 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 except for those commercial activities that comply with the City of Vacaville Home Occupation Permit standards. 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 more than two (2) persons per bedroom, plus one (1) additional person per mobilehome, shall regularly occupy the Space. 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 on 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 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 OWNER WITH A COPY OF THE CURRENT REGISTRATION CARD ON RESIDENT'S MOBILEHOME. IF RESIDENT FAILS TO PROVIDE OWNER A COPY OF HIS REGISTRATION WITHIN THIRTY (30) DAYS OF OWNER'S WRITTEN REQUEST, RESIDENT AGREES THAT OWNER MAY OBTAIN A COPY AND BILL RESIDENT, AS ADDITIONAL RENT, THE COST OF OBTAINING SAME.

8. GUESTS:

Guests and visitors are limited to stays of 20 consecutive days or a total of 30 days in a calendar year. Written approval of management is necessary prior to any extension of guest's stays. Guests authorized to staying longer than 20 consecutive days or 30 days in a calendar year are subject to additional charges of \$5.00 per day/per guest. Guests must comply with all rules of the park

9. TERMINATION OF TENANCY BY TENANT:

THE RESIDENT OCCUPYING THE SPACE MAY ELECT TO TERMINATE THIS AGREEMENT ON SIXTY (60) DAYS WRITTEN NOTICE TO SUCH EFFECT TO OWNER 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 Owner's control and Owner 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 Owner for tenancy in the Park in accordance with the terms of this Agreement.

10. TERMINATION OF TENANCY BY PARK:

This Agreement, 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.

11. REMOVAL ON SALE:

The Park may, in order to upgrade the quality of the Park, require the removal of mobilehomes 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.

12. APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:

12.1 Resident may sell 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 intention 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 occupying the Mobilehome:

- (1) Complete an application for tenancy;
- (2) Be accepted by the Park;
- (3) Execute a rental agreement or other agreement for the occupancy of the Space; and
- (4) 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 FAILS TO EXECUTE THE PARK'S RENTAL AGREEMENT, HE SHALL HAVE NO RIGHTS OF TENANCY. 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 agreement, Rules and Regulations and other residency documents now in effect.

12.2 Except for guests, the requirements in paragraph 13.1 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.

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 assign or encumber his/her interest in this Agreement or in the Space. 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. OWNER RESERVES THE RIGHT TO LEASE, RENT OR SUBLET ANY OF ITS SPACES OR MOBILEHOMES WITHIN THE PARK.

Notwithstanding that which is set forth herein, RESIDENT MAY ASSIGN THE REMAINING TERM OF THIS LEASE TO A NEW PURCHASER OF RESIDENT'S MOBILEHOME PROVIDED RESIDENT HAS COMPLIED WITH THE PROVISIONS OF PARAGRAPH 13 HEREIN. In such event, Owner may increase the base rent to be charged the new purchaser by an amount not to exceed fifteen percent (15%) of the then current base rent.

14. 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.

15. INFORMATION REGARDING RESIDENT'S MOBILEHOME:

15.1 Resident agrees to provide to Owner the following information concerning the mobilehome which presently occupies, or will occupy the Space which is the subject of this Agreement. Resident further agrees to immediately notify Owner in writing of any change to any of the following information. Resident grants Owner permission to contact the legal owner of Resident's mobilehome directly should the need arise. Resident represents and warrants that all such information, including changes to such information, is true and correct to the best of Resident's knowledge.

15.2.

A. Legal Owner's Information (i.e., usually the lender who financed the mobilehome)

Name: _____

Address: _____

Telephone Number: _____

Loan Number: _____

B. Registered Owner's Information (i.e., usually your name/etc.)

Name: _____

Address: _____

Telephone Number: _____

C. Make of Mobilehome: _____

D. Model of Mobilehome: _____

E. Year of Manufacture: _____

F. Vehicle Identification Number: _____

G. License or Decal Number: _____

16. COMPLIANCE WITH LAW AND RULES AND REGULATIONS:

Resident agrees to abide by and conform with all applicable law, 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 Owner as permitted by the terms of this Agreement.

17. RESPONSIBILITY OF THE PARK:

17.1 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, all recreational facilities and equipment, pool (unheated), lawns, laundry facilities, car wash facility, 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. 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, all air conditioning and heating will be operated as required to maintain reasonable temperature levels.

17.2 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 therefore, governmental restrictions, regulation 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 obligation 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.

17.3 Resident acknowledges and agrees that the Park is not a "security" park. Owner makes no representation or warranty that the Park is secure from theft or any other criminal act perpetuated by any Resident or any other person.

18. CHANGES IN STANDARDS OF MAINTENANCE, SERVICES
EQUIPMENT OR PHYSICAL IMPROVEMENTS:

18.1 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.

18.2 Improvements. All plants, shrubs, and trees planted on the premises as well as all structures, including fences permanently embedded in the ground, blacktop or concrete or any structures permanently attached to the ground, shall become the property of the Park as soon as they are installed and may not be removed by the Resident without the prior written consent of the Park. Resident shall maintain all of the above at Resident's sole expense and responsibility and shall be completely responsible for each of them although they are the property of the Park, who may remove them at its option.

19. NOTICES:

All notices required or permitted under this Agreement must be in writing and may be served upon Owner 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 in 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. Any such notice served upon Resident in this manner shall be deemed served five (5) days after its mailing.

20. WAIVER OF DEFAULT:

No delay or omission in the exercise of any right or

remedy of Owner on any default by Resident 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 herein after any default on the part of Resident 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 Resident. The acceptance of rent hereunder shall not be, or be 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.

21. ATTORNEY'S FEES AND COSTS:

Except as specifically provided to the contrary in paragraph 33 herein, 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 attorney's fees and costs. A party shall be deemed a prevailing party if the judgment is rendered in his or her favor or where the litigation is dismissed in his or her favor prior to or during the trial, unless the parties otherwise agree in the settlement or compromise.

22. 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 part of this Agreement.

23. 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.

24. 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 circumstances 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.

25. INSPECTION OF THE PREMISES:

By signing this Agreement, Resident acknowledges that he has carefully inspected the space to be rented and all the Park's facilities and has found them to be in every respect as represented by Park to Resident, 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.

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 Owner may terminate or refuse to renew Resident's tenancy in accordance with the paragraph in this Agreement entitled "Termination of Tenancy by Park." Owner may also, on sixty (60) day's notice, increase the rental rate and other charges of the Park charged Resident.

27. LIENS AND CLAIMS:

Resident shall not suffer or permit to be enforced against Owner's interest in 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 Resident shall pay all such liens, claims and demands before any action is brought to enforce the same against the Park. Resident agrees to hold Owner and the Park free and harmless from all liability for any such liens, claims or demands, together with all costs and expenses, including, but not limited to, attorneys' fees and court costs incurred by Owner and the Park in connection therewith.

28. INDEMNIFICATION:

28.1 Owner 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 Owner or the Park.

28.2 Resident acknowledges that Park does not carry public liability or property damage insurance to compensate Resident, Resident's guests 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 this type of insurance coverage is desired, Resident should obtain, at Resident's own cost, extended coverage for 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 Resident, Resident's guests or others from loss or liability.

29. DAMAGE:

Resident agrees to pay for all damages to the Park, Space and other persons and/or property caused by Resident or Resident's guests. Resident indemnifies and holds Owner harmless from any damage or injury to any person or property arising from any acts or omissions of Resident, Resident's family, Resident's guests or any invitee of Resident.

30. TRANSFER OF OWNER'S INTEREST, SUBORDINATION:

In the event Owner transfers its interest in the Park, Owner shall be automatically relieved of any obligations hereunder which occur after the date of such transfer. This Agreement shall always be subject and subordinate to all present and future trust deeds and encumbrances that are or may be placed upon the Park.

31. CONDEMNATION:

If any portion of the 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 proceeds are pending, or the utility systems or other portions of the Park are or will be affected by the condemnation to the point where, in Owner's sole discretion, it is not practical to continue to operate the Park, Owner will have the right, but not the obligation, to terminate this Lease as of the date of the condemning authority takes possession. The entire amount of any such award given for any reason under the power of eminent domain will be Owner's property whether such award shall be made as compensation for diminution in value of the leasehold or for taking the fee or the taking of any interest Resident may have as a result of this Lease or Resident's tenancy in the Park.

Nothing contained in this paragraph, however, will preclude Resident from obtaining, or giving Owner any interest in, any award to Resident for the loss or damage to Resident's mobilehome or other removable property.

32. ARBITRATION OF DISPUTES:

32.1 Any dispute between Resident and the Park relating to, concerning or connected with this agreement, residency documents, the interpretation or enforcement thereof, the leasehold, the leasehold premises, services, facilities, or maintenance in or about the mobilehome park, and any dispute respecting these matters between Resident and any officer, director, agent, employee, or partner of Park shall be resolved solely by mediation and arbitration in accordance with the provisions set forth below, instead of in court. Arbitration shall be binding and nonappealable by all parties.

32.2 Any demand for arbitration or request for mediation shall be in writing and must be made within a reasonable time after the claim, dispute, or other matter in question has arisen. In no event shall the demand for arbitration be made after the date that institution of legal or equitable proceedings based upon such claim, dispute or other matter would be barred by the applicable statute of limitations. Notice of demand for mediation or arbitration must provide: (1) a description of the dispute; (2) facts from which the dispute arises, including witnesses, dates, times and circumstances; and (3) a description of the relief or action requested.

32.3 With respect to any dispute between the parties that is to be resolved by arbitration, the parties shall first attempt in good faith to mediate such dispute and shall use their best efforts to reach agreements on the matters in dispute. Within ten (10) days of the request of any party, the parties shall attempt to employ the services of a mutually acceptable third person to conduct and conclude such mediation within thirty (30) days of his appointment. If the parties are unable to agree upon a mutually acceptable mediator or, upon completion of such mediation, the parties are unable to agree and settle the dispute, then the dispute shall be referred to arbitration as set forth in 33.4.

32.4 Any dispute between the parties that is to be resolved by arbitration shall be settled and decided by arbitration by the Judicial Arbitration and Mediation Service, Inc. ("JAMS"). If JAMS is unwilling or unable to act as arbitrator, the parties shall apply to the presiding judge of the superior court of the county in which the Park is located. JAMS, or the presiding judge, shall provide the parties with a list of three (3) neutral arbitrators from which the parties shall select the arbitrator. Should the parties fail to agree and select an arbitrator from the provided list, JAMS or the presiding judge, shall make the selection from the list provided, however, that each party shall be entitled to one (1) peremptory challenge. Such arbitration shall be held and conducted before the one (1)

selected arbitrator.

A. All proceedings involving the parties shall be reported by a certified shorthand court reporter and written transcripts of the proceedings shall be prepared and made available to the parties.

B. The arbitrator shall prepare and provide the parties with written factual findings and reasons upon which the decision of the arbitrator is based.

C. A final decision by the arbitrator must be made within one hundred eighty (180) days from the date the arbitration proceedings are initiated.

D. Each party to the arbitration shall bear its pro rata share of the cost and fees of the arbitration as well as their attorneys' fees, expert and non-expert witness costs and expenses incurred in connection with the arbitration.

E. As soon as practicable after the selection of the arbitrator shall determine a reasonable estimate of anticipated costs and fees of the arbitrator and each party shall deposit with the arbitrator within five (5) days from the determination, an amount equal to one-half (1/2) of the estimates costs and fees. Failure of any party to make such a deposit shall result in a forfeiture by such non-depositing party of the right to defend or prosecute the claim subject to arbitration, but shall not otherwise serve to abate, stay or suspend the arbitration proceedings.

F. Arbitration shall be conducted pursuant to California Code of Civil Procedure Section 1280 et seq., the provisions of Title 9 of Part 3 of the California Code of Civil Procedure, including Section 1283.05, and successor statutes. Expanded discovery proceedings shall be applicable to all disputes which are arbitrated.

G. If these arbitration provisions are, for any reason, held unenforceable, it is agreed that all otherwise arbitrable issues in any judicial proceeding will be subject to and referred on motion by any party for hearing and decision by a referee as provided by California Code of Civil Procedure Section 638 et seq.

32.5 Notwithstanding anything contained herein to the contrary, the following matters shall be exempt from arbitration:

A. Actions filed in small-claims court;

B. Unlawful detainers, forcible detainers or actions for judicial declarations of abandonment of the

mobilehome; and

C. Actions for injunctive relief provided, however, that any such action shall be abated or stayed except to the extent necessary to afford the parties the right to obtain and enforce provisional injunctive relief (temporary restraining orders and preliminary injunction).

32.6 NOTICE: BY INITIALLING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY A NEUTRAL ARBITRATOR AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SAID RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO ARBITRATION.

Resident's Initials

33. WAIVER OF JURY TRIAL:

Resident acknowledges that he/she is aware of and has had the opportunity to seek the advise of counsel of his/her choice with respect to his/her rights to trial by jury under the Constitution of the United States and the State of California. Park and Resident do hereby expressly and knowingly waive and release all such rights to trial by jury in any action, proceeding or counterclaim brought by either party hereto against the other (or against their officers, directors, employees, agents or subsidiary or affiliated entities) on any matters whatsoever arising out of or in any way connected with this Rental Agreement or Resident's use or occupancy of the Premises and any dispute arising from or connected with such matter shall not be tried by jury.

Resident's Initials

34. AUTOMATIC RENEWAL OF THIS LEASE:

UNLESS EITHER PARTY TO THIS LEASE NOTIFIES THE OTHER 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. AT THE BEGINNING OF THE EXTENSION TERM, THE BASE RENT YOU WILL BE CHARGED MAY BE INCREASED BY AN AMOUNT NOT TO EXCEED 15% OVER THE THEN CURRENT BASE RENT IN ADDITION TO THE RENT INCREASE AND PASS-THROUGH PROVISIONS DESCRIBED ABOVE IN PARAGRAPH 3.

35. EFFECTIVE DATE OF LEASE:

This lease shall be effective on the date it is signed even though that date may be before the beginning date of this lease unless Resident is a "Prospective Resident." If Resident is a "Prospective Resident," and are signing this Lease in accordance with Civil Code Section 798.75(a), this Lease, and any tenancy created hereby shall be null and void, and of no force and effect unless and until: (a) escrow is closed within fourteen (14) days of execution of this Lease; (b) at least one (1) person signing this Lease shall be the registered owner of the mobilehome located on the Space; and (c) you assume physical occupancy of the mobilehome within thirty (30) days of the execution of this Lease.

36. ZONING AND USE PERMIT INFORMATION:

A. The nature of the zoning under which the Park operates is _____.

B. There is no date of expiration or renewal of any conditional use or other permits required to operate the Park.

C. The Park is not subject to any lease.

D. If a change occurs concerning the zoning or permit under which the Park operates, all residents shall be given notice within thirty (30) days of such change.

37. ENTIRE AGREEMENT:

This Agreement and the documents referred to herein constitute the entire agreement between Resident 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.

38. 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.

39. 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 understood each of these documents and the other Rules and Regulations posted in an about the Park. Resident understands that by executing this Agreement they will be bound by the terms and conditions thereof.

PLEASE NOTE: PARAGRAPH 34 OF THIS LEASE CONTAINS AN AUTOMATIC RENEWAL PROVISION.

DATED: _____
OWNER/PARK MANAGEMENT

DATED: _____
RESIDENT

DATED: _____
RESIDENT

Person(s) in addition to the above who will reside in the above space:

**AMENDMENT TO LEASE/RENTAL AGREEMENT
WITH RENT ADJUSTMENT**

THIS AMENDMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, ADMINISTRATIVE DECISION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT THAT OWNER MAY CHARGE RESIDENT FOR RENT.

IMPORTANT NOTICE

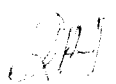
THE PURPOSE OF THIS AMENDMENT IS TO CHANGE SOME OF THE TERMS OF THE EXISTING LEASE/RENTAL AGREEMENT, INCLUDING THE RENT INCREASE AND LATE FEE PROVISIONS AS SET FORTH IN PARAGRAPH 3, AND TO INCLUDE THE ARBITRATION PROVISIONS AS SET FORTH IN PARAGRAPH 16. RESIDENT ACKNOWLEDGES AND VOLUNTARILY AGREES TO THESE AND OTHER CHANGES AS PROVIDED IN THIS AMENDMENT, INCLUDING PARAGRAPH 16, ARBITRATION OF DISPUTES, BECAUSE RESIDENT HAS DETERMINED THAT THEY ARE BENEFICIAL TO RESIDENT.

THIS AMENDMENT TO LEASE/RENTAL AGREEMENT WITH RENT ADJUSTMENT (hereinafter, "Amendment") is entered into by and between Owner and those Residents whose names appear on the Abstract Information for Amendment to Lease/Rental Agreement with Rent Adjustment (hereinafter, "Abstract"), and on the signature lines below (hereinafter, "Resident"), and is intended by the parties to supersede any provisions to the contrary in the underlying Lease/Rental Agreement (hereinafter, "Lease"). In all other respects, the Lease shall remain in full force and effect. By this Amendment, for good and valuable consideration, receipt of which is hereby acknowledged, Owner and Resident desire to modify the Lease and to provide for other agreements as set forth below.

1. **SPACE:** The term "Space" refers to the entire area from curb (including side curb) to rear lot line and side yard; including the driveway, yards, fencing, patios, trees (including roots, trunks and limbs even if located outside the Space), landscaping, parking areas, and the area upon which Resident'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 areas adjoining the Space.

2. **INCORPORATED DOCUMENTS:** Resident acknowledges that Resident has received a copy of the following documents, and agrees that all of the following documents are incorporated into this Amendment by this reference:

- A. Abstract Information for Amendment to Lease/Rental Agreement With Rent Adjustment;



- B. This Amendment to Lease/Rental Agreement With Rent Adjustment;
 - C. The Lease;
 - D. The Park's Rules and Regulations;
 - E. The Park's Swimming Pool and Recreational Facilities and Common Area Agreement;
 - F. The Park's Pet Rules and Regulations;
 - G. Mobilehome and Lot Inspection Report;
 - H. The California Civil Code provisions known as the "Mobilehome Residency Law" dated January 1, 199___;
 - I. Storage Agreement;
 - J. Other _____
-

3. RENT:

3.1 Commencing on the Rent Adjustment Date as set forth in the Abstract, the rent for the Space shall be the Adjusted Initial Rent as set forth in the Abstract. All other provisions of the Lease pertaining to rent shall remain in full force and effect except to the extent modified by this Amendment. If Resident has been advised that the Mobilehome or Space require maintenance or repairs, any such items will be set forth in detail on the Mobilehome and Lot Inspection Report, which has been made a part of this Amendment pursuant to the provisions of Paragraph 2 above. Resident agrees that all items of maintenance or repair set forth on the Mobilehome and Lot Inspection Report shall be completed in advance of the Rent Adjustment Date, unless Owner agrees in writing to extend the time for Resident to complete all items of repair or maintenance.

3.2 Resident's rent will increase on each anniversary of the date of the commencement of the underlying Lease occurring after the Rent Adjustment Date, as referred to in the Abstract, (which is referred to in this Amendment as the "Annual Rent Increase Date") by the Consumer Price Index formulas, as referred to in the Abstract and explained below, plus any amounts of Cost or Expense as set forth in Paragraph 3.3 of this Amendment. All such rent increases will take effect on each Annual Rent Increase date, unless provided otherwise in this Amendment. Resident's rent increase will be calculated as follows: The annual percentage change in both of the Consumer Price Indexes (CPIs) referred to in the Abstract will be calculated and then four percent (4%) will be added to each of those percentage changes. To determine the CPI portion of Resident's rent increase, the higher percentage increase which results from the calculation in the preceding sentence will be used to multiply Resident's rent which is in effect immediately before each Annual Rent Increase Date. If either CPI change is negative, four percent (4%) will still be added to each negative change in the CPI. **In no event will a rent reduction occur** because of the use of the CPI formulas. The annual percentage change in each of the CPIs referred to in the Abstract will be determined by comparing the most recent CPIs which are available when Owner prepares the rent increase notice with the same CPIs for the same month which were published 12 months earlier (even if such earlier 12-month period precedes the beginning date of this

7/15

Amendment). If the CPIs are discontinued or revised or the base year changed during the term of this Amendment, the other governmental index or computation which replaces it will be used to obtain substantially the same adjustment which would occur if the CPIs had not been discontinued or revised. Resident agrees that this paragraph constitutes notice of each and every annual rent increase pursuant to this Paragraph 3.2 and that Owner has no obligation to give additional advance notice of each rent increase in order for it to be effective. Owner may, however, at Owner's option, give advance written notice thereof.

The following is a hypothetical mathematical example of how to calculate the CPI formulas:

(A) Assuming the following numerical point change for each index for the previous 12 months:

(i)	CPI-U All Items:		
	January 1997	=	150.8
	January 1996	=	<u>-147.8</u>
			<u>3.0</u>
(ii)	CPI-U Shelter:		
	January 1997	=	160.5
	January 1996	=	<u>-158.0</u>
			<u>2.5</u>

(B) Based upon the foregoing, the annual percentage change for each index is as follows:

(i)	CPI-U All Items:		
	3.0 - 147.8	=	0.02029
(ii)	CPI-U Shelter:		
	2.5 - 158.0	=	0.01582

(C) The greater percentage change of these two indexes, in this example the CPI-U All Items, is then used to calculate the annual percentage change in rent as follows:

(i)	Applicable CPI	2%
(ii)	Plus 4%	<u>+4%</u>

Your total Percentage Rate Increase is 6%

3.3 Cost or Expense:

A. 1. Additionally, on each Annual Rent Increase Date, the then monthly rent shall increase by an amount (not less than 0) equal to the amount by which any category of "Cost or Expense" incurred by Owner in connection with the operation, maintenance or ownership of the Park for the calendar year first preceding each such Annual Rent Increase Date increased over such category of "Cost or Expense" for the calendar year second preceding such Annual Rent Increase Date. The different categories of Costs or Expense shall be as determined by the various categories used by Owner in Owner's internal accounting system. Each category will be evaluated separately to determine whether the costs within that category have increased, and the determination of whether Resident's rent will be increased shall be based on a category-by-category determination, not by aggregating all of the categories together. In the event any category of "Cost or Expense" decreases, such decrease shall be disregarded. As used in this paragraph 4, the term "Cost or Expense" means all costs and all expenses paid by Owner in connection with the operation of the Park (computed on a cash basis), including, and without limitation, taxes, licenses, insurance, legal and accounting, judgments (except as otherwise provided in Civil Code Section 798.42), management fees, repairs and maintenance, salaries, debt service (limited to adjustments to the periodic debt service [excluding balloon principal payments]) calculated as a separate category as to each debt (including any refinancing) of Owner which is or may hereafter be secured by or which otherwise relates or may relate to the Park (but excluding from such calculation that portion of any increase in debt service attributable to any increase in the outstanding principal balance of any debt as of the end of the calendar year first preceding the Annual Rent Increase Date over that which existed as of the end of the calendar year second preceding the Annual Rent Increase Date as a result of any refinancing or new loan obtained during the calendar year first preceding the Annual Rent Increase Date); or pursuant to any contractual obligation of Owner to its lessor(s), or any third parties, and all other ordinary and extraordinary costs and expenses, excluding expenditures which Owner is required to capitalize for federal income tax purposes ("Capital Expenditures"). To determine Resident's share of rent increases based on increases in Cost or Expense, Owner shall divide the total Cost or Expense increases by the number of occupied Spaces in the Park, then divide by twelve, to result in the rent increase per month to Resident for Cost or Expense increases. Owner shall give at least thirty (30) days advance notice of such increases, but Owner's failure to give notice prior to any Annual Rent Increase Date shall not constitute a waiver of Owner's right to give notice subsequent to the Annual Rent Increase Date, and to collect not earlier than thirty (30) days thereafter the monthly rent with such increase made a part thereof. If Owner leases the land on which the Park is located from another party, this information will be noted in the Abstract. (A copy of any such lease will be available in the Park's Office for residents to examine, and such lease, if applicable, is incorporated herein by reference.) All such rent increases Owner has to pay to the other party for the lease of the land will be included in Cost or Expense.

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The following is a hypothetical mathematical example of how to calculate a Property Tax Cost or Expense Increase for a hypothetical 200 space park:

1997 Property Tax Bill	\$50,000
1996 Property Tax Bill	- <u>\$40,000</u>
Annual Property Tax Cost or Expense Increase:	\$10,000
divided by:	<u>200</u> spaces
Annual Property Tax Cost or Expense Increase per Space:	\$ 50
divided by:	<u>12</u> months
Monthly Property Tax Cost or Expense Increase per Space:	<u>\$4.17</u>

A. 2. Notwithstanding the timing of any rental increase resulting from any increase in Cost or Expense pursuant to Paragraph A.(1), Owner, may, at Owner's option, upon not less than thirty (30) days notice, accelerate the collection of any increased Cost or Expense prior to any Annual Rent Increase Date and prior to the end of any calendar year by the amount of any category of Cost or Expense which has then increased over the same category of Cost or Expense for the full 12 months of the preceding calendar year. Owner shall give at least thirty (30) days advance notice of such projected increase, but Owner's failure to give such notice shall not constitute a waiver of Owner's right to give notice at any time thereafter, either prior or subsequent to the next Annual Rent Increase Date, and to collect not earlier than thirty (30) days after such notice is given, the monthly rent with such increase made a part thereof.

B. Additionally, the monthly rent shall be increased at any time for Capital Expenditures and "Capital Expenditures Interest Factor". Each Capital Expenditure shall be amortized on a straight line basis over a period of years equal to fifty percent (50%) of the useful life of the Capital Expenditure specified by the Internal Revenue Code for straight line depreciation purposes, but not in excess of ten (10) years. To determine Resident's share of rent increases based on the Capital Expenditure made in any previous or current year, Owner shall calculate the total ("Annual Capital Expenditure Total") of the current year's (i) amortized amount of each Capital Expenditure (to be calculated each year as to each Capital Expenditure until the full Capital Expenditure has been recovered in rent by Owner pursuant hereto in the current year and any previous years) and (ii) Capital Expenditures Interest Factor, and Owner shall then divide the Annual Capital Expenditure Total by the number of then occupied spaces in the Park, then divide such amount by twelve (12), to result in the rent increase per month to Resident for Capital Expenditures. Owner shall give at least thirty (30) days advance

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notice of such increase, but Owner's failure to give notice prior to any Annual Rent Increase Date shall not constitute a waiver of Owner's right to give notice at any time thereafter, and to collect not earlier than thirty (30) days thereafter the monthly rent with such increase made a part thereof. As used herein, the term "Capital Expenditures Interest Factor" shall be an assumed interest factor, whether or not Owner actually borrows the money to fund any Capital Expenditure, applied on an annual basis to that portion of each Capital Expenditure which has not then been recovered in rent by Owner pursuant to this Paragraph B. The Capital Expenditures Interest Factor shall be the highest annual rate of interest which is not usurious under California law at the time each Capital Expenditure is made.

3.4 Rent is due in advance on the first (1st) day of each month and all other charges including utilities are due in arrears on the first (1st) day of each month. If the entire amount owed by Resident is not paid by 5:00 p.m. on the sixth (6th) day of each month, Resident must pay a late charge of ten (10%) percent to Owner. Resident must also pay Owner a handling charge equal to the amount the bank charges Owner for each check returned by the bank due to insufficient funds in Resident's account or for any other reason the bank gives for returning Resident's check. All rents and other charges shall be paid by check or money order. Owner may, however, upon ten (10) days written notice to Resident, require that payment be made in cash, or its equivalent.

4. UTILITIES AND SERVICES:

4.1 Resident is responsible for making sure that Resident's Mobilehome and all appliances and equipment in Resident's Mobilehome are compatible with the electric service and capacity now available, and Owner shall have no liability or responsibility to Resident if the available electrical supply is incompatible or inadequate. Resident agrees not to install electrical appliances which will use energy in excess of the electrical service and capacity available to Resident's Space. Resident also agrees that Resident will not attempt to increase the electrical-service and capacity of Resident's Space by installing any device unless Resident has received Owner's prior written permission. If Resident's electrical demands exceed the capability of the Park, or are otherwise inconsistent with the capabilities of the Park, Resident shall be deemed to be in default under the Lease, and Resident shall, in addition to all of the other remedies available to Owner, reimburse Owner within five (5) days for any cost or expense Owner incurs in remedying the situation Resident created by Resident's excessive or inconsistent electrical demands, and indemnify and hold Owner harmless against any loss, cost, damage, expense (including attorneys' fees) or other liability incurred by reason of any person, association, firm or corporation claiming to have an interest in the event that injury to any person or property whatsoever occurs as a result of Resident's excessive or inconsistent electrical demand.

4.2 Owner shall provide and separately bill Resident for such utilities and services as set forth in the Abstract. Any increases in the cost of utilities which are sub-metered or separately charged by Owner to Resident will be immediately passed through

and paid by Resident on the next monthly billing without any further notice. Owner will make available in the Park office for Resident to examine, the prevailing residential utility rate schedules as published by the serving utilities.

4.3 Owner may, at any time, without notice to Resident and, at Owner's sole option, without reduction in Resident's rent or change in any other term of the Lease or this Amendment, elect to charge Resident for any of the "Additional Separate Charges" as referred to in the Abstract. If such an election is made, the provisions of Paragraph 4.2 shall apply thereto except that the charge for any such utility or service will be based upon either a separate meter installed to measure Resident's monthly use or a calculation of the proportionate share of the charges allocable to Resident's Space in the manner described in the last two sentences of Paragraph 4.4.

4.4 Pursuant to paragraph 4.3 of this Amendment, Owner intends to separately bill, without any offset in rent, for Additional Separate Charges which appear in the Abstract. Additionally, Owner may, at any time, elect to separately charge Resident for any other utilities or services presently provided to Resident. If such an election is made, the provisions of Paragraph 4.2 shall apply thereto except that: (a) the charge for any such utility or service will be based upon either a separate meter installed to measure Resident's monthly use or a calculation of the proportionate share of the charges allocable to Resident's Space, and (b) Resident's monthly base rent may or may not, at Owner's sole option, be reduced by 1/12 of the proportionate share of such charges which Owner incurred for such utility or service during the previous calendar year. Owner shall make a determination of the proportionate share of charges which shall reduce the monthly base rent by reasonable allocation of the charges attributable to the Space and those attributable to the common areas. This determination shall be deemed reasonable and binding upon Resident.

4.5 Resident will contract for and pay for any utilities or services which Resident may desire which are not provided by Owner and which do not otherwise violate the terms and provisions of this Amendment.

5. INDEMNIFICATION:

5.1 Owner will not be liable for any damage, injury, loss, expense or inconvenience to any person or property caused by any use of the Park or Resident's Space or by any defects in any improvements or failure of services or amenities, or arising from any other cause, unless resulting from Park's active negligence or willful acts. Resident agrees that any damage or injury claimed by Resident, members of Resident's household, Resident's invitees, or others, is limited by the time period allowed by law for Resident to terminate the Lease, and such injury or damage shall be prospectively barred as of such termination date. Resident agrees to release, discharge, indemnify, and hold the Park free and harmless from all such injury, damage, loss, expense, or inconvenience for which the Park is not liable, including the provision of a defense and payment for attorneys' fees and costs which relate thereto. This paragraph is not an exculpatory

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clause of any legally imposed duty of care upon the Park, or disclaimer or release of liability to other than the fullest extent permitted by law, and shall not be otherwise construed or interpreted.

5.2 Resident shall indemnify, defend (by counsel reasonably acceptable to Owner), protect and hold Owner, and each of the Owner's partners, employees, agents, successors and assigns, free and harmless from and against any and all claims, liabilities, penalties, forfeitures, losses and expenses (including attorneys' fees) for death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly from Resident's default under the Lease or from Resident's negligent, willful, or intentional conduct, or the condition or the maintenance, or lack thereof, of Resident's Mobilehome, Space, vehicle(s), equipment, accessory structures, property, improvements, or all of them. For the purpose of the release and indemnity provisions hereof, any acts or omissions of Resident, or by guests, agents, assignees, contractors or subcontractors of Resident or others acting on behalf of Resident (whether or not they are negligent, intentional, willful, or unlawful) shall be strictly attributable to Resident.

5.3 Resident understands that the variables inherent in a Mobilehome investment include risks of obsolescence, changes in demand, location, Mobilehome maintenance, wear and tear, age and technological advances, interest rates and terms, economic climate and development, neighborhood changes, and many other factors beyond Owner's control. The value of Resident's Mobilehome may decline in the future, like any personal property. Resident further understands that this Amendment allows Resident to terminate this Amendment at any time, and move Resident's Mobilehome out of the Park to another location upon sixty (60) days' notice. In consideration of Owner's execution of this Agreement and continued use of existing land and improvements as a mobilehome park, Resident agrees to indemnify, discharge, release, and hold Owners free and harmless against, and in the event of, economic loss, diminution of market value, or depreciation of Resident's Mobilehome, or its accessory structures or equipment, and other improvements, including lack of demand therefor, which results in the future. Resident understands the existence of such investment risk, and agrees to accept all risks of economic loss or loss in value to the Mobilehome. This indemnification and release does not relieve Owner of any legally imposed duty of care as to injury or property damage (for example, physical damage Owner has a duty to repair or compensate for).

6. **SUBORDINATION:** Without the necessity of an additional document being executed by Resident for the purpose of effecting a subordination, and at the election of Owner or any mortgagee with a lien on the Park or any ground lessor with respect to the Park, this Amendment shall be subject and subordinate at all times to: (a) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Park or the land upon which the Park is situated, or both, and (b) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Park, land, ground leases, or underlying leases, or Owner's interest or estate in any of said items is specified as security. Notwithstanding the foregoing, Owner

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shall have the right to subordinate or cause to be subordinated any such ground leases or underlying leases or any such liens to this Amendment. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed on, or a conveyance in lieu of foreclosure is made for any reason, Resident shall, notwithstanding any subordination, attorn to and become the Resident of the successor-in-interest to Owner, at the option of such successor-in-interest. Resident covenants and agrees to execute and deliver, upon demand by Owner, and in the form requested by Owner, any additional documents evidencing the priority or subordination of this Amendment with respect to any such ground leases or underlying leases, or the lien or any such mortgage or deed of trust. Resident hereby irrevocably appoints Owner as Attorney-in-Fact of Resident, to execute, deliver and record any such documents in the name and on behalf of Resident.

7. ENFORCEMENT OF CONDITIONS OF TENANCY: Resident agrees that the enforcement of the Lease, this Amendment, the Rules and Regulations and the provisions of other documents and conditions of tenancy are a private matter between Owner and Resident, and the enforcement or the lack thereof shall not result in any damage or injury to, or claim by Resident. Resident also agrees that Resident is not a third party beneficiary to any agreement between Owner and any other resident or person(s). Resident also recognizes and agrees that the Park has no age restrictions, so that there may be large numbers of young children and teenagers living in the Park, having pets and engaging in normal activities of children of this age. Therefore, the environment of the Park will be consistent with that of a normal single-family residential housing development with a similar population makeup. Consequently, Owner is not obligated to attempt to enforce conditions of tenancy to provide a living environment which is free of noise or the other normal disturbances and activities which would be expected under similar circumstances. Additionally, with regard to the enforcement of the Rules and Regulations and other conditions of tenancy, Resident agrees that it is the Resident's responsibility to first attempt to reach a reasonable resolution of any problems or complaints Resident may have with other residents or members of their households before Owner is asked to take any action.

8. SERVICES AND IMPROVEMENTS PROVIDED BY OWNER:

8.1 Owner is responsible for providing and maintaining the existing services and existing physical improvements located in the common facilities of the Park in good working order and condition. Resident agrees that these responsibilities of Owner are as defined and limited by this Amendment, in particular, this paragraph 7. Resident also agrees that if at any time Resident does not believe Owner is fulfilling these responsibilities, Resident will immediately give Owner written notice which will describe in detail how Resident believes Owner has failed to fulfill these responsibilities. Rules applicable to the use of such facilities are posted and may, but are not required to be, contained in the Park Rules and Regulations. Use of such facilities by Resident and Resident's guest(s) is conditional upon compliance with all Park Rules and Regulations, all applicable laws, ordinances, regulations and any amendments to the Park Rules or the

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Lease. The swimming pool and spa temperatures will not remain constant at all times. Rather, these temperatures will vary because of a variety of factors such as cooler temperatures in the morning hours after the heaters are first turned on, or variations in temperature because of wind, air temperature, amount of sun, or other similar factors. Owner will use reasonable efforts to keep the swimming pool and spa reasonably heated during the times of the year that these facilities are open; however, Owner, will abide by and conform to energy conservation programs established by government or utility companies. The cost of providing services and improvements may be used to increase Resident's rent per the rent adjustment provisions noted earlier in this Amendment.

8.2 Resident agrees that the standard of maintenance and repair Owner is to be held to with regard to the Park is that of an average mobilehome community in California which is substantially similar to the Park in terms of age, condition, number of spaces, quality, location, containing similar mobilehomes having values similar to the mobilehomes in the Park, is or is not regulated by rent control or other restrictive laws or regulations, has a similar population make up, and otherwise closely approximates the Park. Resident also agrees that from time to time the physical improvements in the common facilities, including our utility systems, will break down or provide less than adequate service. Resident agrees that these breakdowns are inevitable and expected and are part of the normal conditions in the Park so that Resident will not complain or assert any claim against Owner when this occurs. With respect to a sudden or unforeseeable breakdown or deterioration of the physical improvements in the common facilities, Owner shall have a reasonable period of time to repair the sudden or unforeseeable breakdown or deterioration and bring the improvement into good working order and condition after Owner knows or should have known of the breakdown or deterioration. Resident also agrees that Owner is not in any way responsible for the following things because they are beyond Owner's control: The interruption or failure of any utility system caused or substantially contributed to by the supplier of these utilities or others over whom Owner has no control; the condition, taste, color or smell of the water if it is delivered to Resident in substantially the same condition as that in which it is received by Owner from the supplier thereof; utility failures caused by deliberate sabotage, the negligence of Resident or other persons, the failure of any equipment in Resident's Mobilehome or mobilehomes belonging to others in the Park, or failures or other interruptions in utility services which occur on Resident's side of the utility connection.

8.3 With respect to the Park providing any services or facilities (including utilities) to Resident, any prevention, delay, or stoppage due to strikes, walkouts, or other labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes for them, governmental restrictions, regulations or controls, judicial orders, fire/flood or other natural disaster or casualty, breakage, repairs, and other causes beyond the reasonable control of the Park, will excuse the Park's performance of these obligations for a time period equal to the delay. Resident will remain responsible, without abatement or reduction, for the rent, utilities, and other charges to be paid by Resident per the terms

of this Amendment. The Park will use reasonable efforts to reinstate or repair any services or facilities, including utilities, which have been interrupted as set forth hereinabove. If Resident feels that the Park is not using reasonable efforts to reinstate such services or facilities, Resident must arbitrate the matter pursuant to the provisions of Paragraph 16, Arbitration of Disputes of this Amendment. The Park will not be liable under any circumstances for loss of or injury to property or persons, however occurring through or in connection with or incidental to the failure to furnish any services or facilities (including utilities). Note that Owner purchases utilities from utility companies and Owner is not responsible for any defects in the quality of these utilities or the service provided by the utility companies. This includes, by way of example, the taste, color or smell of water, power outages, interruptions in service and other similar things.

8.4 The Park's Rules and Regulations, the Lease (with the exception of the length of the term of Resident's tenancy and the rent provisions which may not be changed unless the Lease is terminated) and the Park's other residency documents, may be changed, at Owner's option, from time to time, during the term of the Lease without reducing the rent or changing any other term or provision of the Lease. The Park's services and facilities and the standards of maintenance of physical improvements, services (including utilities, equipment and physical improvements in the Park) may also be changed at Owner's option, from time to time, during the term of the Lease. Any such change which Owner is required to make because of requirements by government, utility companies or other similar parties or through no reasonable fault or option of Owner may be made without reducing the rent or changing any other term or provision of the Lease. The same is true of such changes if they reasonably do not detrimentally affect the typical resident in the Park in some meaningful way. Any other such changes except as permitted by the first sentence of this paragraph and other provisions of this Amendment will, however, be compensated for by Owner either by a correspondingly reasonable reduction in rent or a change in another term or provision of the Lease or the addition of something in place of the item which was changed or modified, or by any other reasonable method or means as determined by Owner. Any dispute between Resident and Owner regarding such changes will be resolved pursuant to the provisions of Paragraph 16, Arbitration of Disputes, of this Amendment.

8.5 Resident acknowledges that the Park is not a "security" Park. Owner has not made any representations or warranties to Resident that the Park is secure from theft or other criminal acts which may be perpetrated by any resident of the Park or other persons.

8.6 Resident acknowledges that Resident has been requested to and has been given the opportunity to inspect the Park and surrounding areas; that Resident has independently inspected the Park and surrounding areas; and that Resident acknowledges the existence of physical conditions which may have an adverse effect on living in the Park. This includes, by way of example, proximity to high voltage power lines, freeway noise, air traffic noise, railroads and other environmental matters such as soils

conditions and other similar matters. Resident has made independent inquiry as to how these and other types of similar matters impact Resident and Resident's Mobilehome.

9. MAINTENANCE OF MOBILEHOME AND SPACE:

9.1 Resident is responsible to maintain the entire area from curb (including side curb) to rear lot line and side yard party lines; including the driveway, yards, fencing, patios, trees, landscaping, parking areas, the area upon which Resident's Mobilehome is located, Resident's Mobilehome and all equipment, structures and other improvements to Resident's Space in good condition and repair, and in an aesthetically pleasing condition at all times. The foregoing includes, and applies regardless of whether Resident is the original resident/occupant of the Space or purchased the home from a former resident, without limitation to the following: Mobilehome, accessory equipment and structures, fences, driveways, trees including the roots, trunks and limbs, even if located outside the Space. Resident is financially responsible for insuring at all times that the Mobilehome, Space, and their improvements comply with all local, state and federal laws and regulations. (The only exception is any of the park's utility systems on the Space which are owned by Owner or a utility company). The preceding includes without limitation such things as: insuring that the drainage is sufficient to prevent water from accumulating around or under the Mobilehome, or running off so it adversely affects other Spaces or Owner's property; that all required setbacks and lot line requirements are met and there are no encroachments on other property; that all building codes and other similar requirements are met; and that all building and other permits have been obtained.

9.2 If Resident does not maintain the Mobilehome or Space as required by the Rules and Regulations, Owner may charge Resident a reasonable fee for having this maintenance, repair or replacement work done. Resident also agrees that the reasonable fee Owner may charge Resident for having this work done will be calculated by taking the actual cost or charge for performing the work (regardless of whether Owner's own personnel do the work or Owner hires someone else to do it) plus an additional fifteen (15%) percent to be added to the actual cost or charge as compensation for Owner's efforts in performing the service. Resident agrees that Resident will pay, within ten (10) days from the date of invoice, any fee for maintenance charged to Resident by Owner. In addition to the foregoing, Resident's failure to maintain the Space constitutes a default under the Lease.

9.3 Resident agrees not to make any alterations, improvements, additions or utility installations to, on or about Resident's Space or Mobilehome (excluding alterations which are done to the interior of the Mobilehome in accordance with law) or install, remove or change any existing improvements, modify the drainage or landscaping, or contract for such work without Owner's prior written consent and approval. In giving or withholding Owner's consent to any such work, Owner may, at Owner's option, take into account and base Owner's agreement or refusal to agree entirely upon aesthetic considerations and the compatibility of such changes to the Park. If Resident fails to

obtain Owner's prior written consent and approval, such failure shall constitute a default under the Lease and all such alterations, improvements, additions or utility installations shall be promptly removed by Resident, at Resident's expense, upon Owner's request. Resident agrees that any utility pedestal and utility line, no matter where situated, are the property of Owner. If Resident, by Resident's action or inaction, causes tampering or damage to such utility pedestals or lines, such action or inaction shall constitute a default under the Lease. Resident agrees to indemnify and hold Owner harmless against any loss, cost, damage, expense (including attorneys' fees) or other liability incurred by reason of claims by any person, association, firm or corporation claiming to have an interest in the event that Resident's utility pedestals or lines are tampered with, broken, or destroyed.

9.4 Resident agrees to pay, before delinquency, all taxes, assessments, license fees, and other charges ("taxes") that are levied or assessed against Resident's personal property and improvements which are installed or located in or on the Space, including Resident's Mobilehome and its accessory structures and equipment ("Resident's improvements"). Upon Owner's request, Resident will furnish Owner with satisfactory evidence of these payments. If any taxes on Resident's improvements are levied against Owner or Owner's property, or if the assessed value of the Park, the Space and/or other improvements is increased by the inclusion of a value placed on Resident's improvements or the taxes based on the increased assessment of these improvements, Resident will, at Owner's request, immediately reimburse Owner for the taxes levied against Owner in Owner's assessment. Owner will have the right to pay these taxes regardless of the validity of the levy or assessment. Resident may contest any such tax that is levied or assessed against Resident's personal property and improvements. However, Resident is still obliged to pay such tax, before delinquency.

9.5 Resident shall not permit any lien, claim or demand arising from any work of construction, repair, restoration, maintenance or removal done for Resident, or for Resident's Mobilehome or Space to be enforced against Owner, and Resident will pay all liens, claims, or demands before any action is brought to enforce them. If Resident permits any lien, claim or demand to be put against the Park in the first instance, such action shall constitute a default by Resident under the Lease. Owner shall have the right at all reasonable times to post and keep posted on the Park premises any notice which it deems necessary for protection against such liens. Resident agrees to hold Owner free and harmless from all liability for any and all such liens, claims or demands, together with all cost and expenses, including but not limited to, attorneys' fees and court costs incurred by Owner in connection with them. If any such lien, claim or demand is made, Owner may require Resident to discharge it within 5 days by either payment, deposit or bond. If Resident fails to do so, then, in addition to any other rights or remedies Owner may have, Owner may, but is not obligated to, procure the discharge of the lien, claim or demand by either paying the amount claimed to be due by deposit in court or bonding. Any amount Owner pays or deposits plus all other costs and expenses Owner incurs, including reasonable attorneys' fees and costs in defending any such action or procuring

the discharge of the lien, claim or demand shall be payable by Resident to Owner as additional rent on the next monthly rent payment date, plus ten (10%) percent interest per annum from the date of payment or deposit by Owner.

10. NON-RESPONSIBILITY OF PARK: Owner is not responsible to inspect or approve any work done by Resident or for Resident by others, including, but not limited to, the installation of Resident's Mobilehome, driveway, walkways, fences or any other equipment or improvement of any type. To the extent that Owner may inspect or approve something, it is for Owner's own purpose only, and Resident is not entitled to rely on that inspection or approval to ensure that the item has been installed or constructed correctly, or that the work has otherwise been done as required. Instead, Resident is responsible for all required inspection and approvals, and Resident agrees to indemnify and hold Owner harmless from any work which is improperly done.

11. OPPORTUNITY TO REMEDY: If, at any time, Resident believes Owner has not fulfilled any legal obligation Owner may have to Resident or other Residents, Resident agrees to immediately give Owner notice specifying what Resident believes Owner has failed to do, and indicating what Resident believes Owner has to do in order to fulfill these obligations. This notice shall be as detailed as possible so that Owner may fully understand Resident's concerns. Resident agrees that Owner will have at least ninety (90) days, or such longer period as is reasonably necessary after receipt of Resident's notice to remedy the problem(s) Resident has identified in Resident's notice. If Owner does remedy the problem(s) within the time period allotted, Resident agrees that Owner will have no liability whatsoever to Resident for any expense, cost, injury, or damage Resident may have sustained. If Resident fails to promptly give Owner this written notice as soon as Resident is aware of any problem(s), or Resident fails to give Owner a reasonable opportunity to remedy the problem(s), Owner will have no liability to Resident for any expense, costs, damage, or injury which Resident may sustain as a result of the problem(s). If Owner fails to remedy the problem(s) within a reasonable time after receipt of Resident's written notice, the problem(s) will be subject to arbitration as set forth in Paragraph 16, Arbitration of Disputes, of this Amendment. Resident hereby acknowledges and represents that Resident has fully and completely examined and inspected the Park, including, without limitation, the space, streets, clubhouse, laundry facilities, recreational facilities, and all other areas open to Resident for Resident's use, and finds all to be safe and acceptable to Resident as they are now existing and maintained by Owner. Resident further agrees that if, at some future date, there should occur any condition other than as set forth herein, Resident will immediately notify Owner of same in writing. For convenience, written forms are available at the Park office.

12. ESTOPPEL CERTIFICATE:

12.1 Within ten (10) days following any written request which Owner may make from time to time, Resident shall execute and deliver to Owner a statement certifying: (a) the date of commencement of this Amendment; (b) the fact that the Lease

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and this Amendment is unmodified and in full force and effect (or, if there have been modifications hereto, that the Lease and this Amendment is in full force and effect, as modified, and stating the date and nature of said modifications); (c) the date to which the rental and other sums paid under the Lease and this Amendment have been paid; (d) the fact that there are no current defaults under the Lease and this Amendment by either Owner or Resident, and that Owner has not violated any law or regulation affecting Resident except as specified in Resident's statement; and (e) such other matters as requested by Owner. Owner and Resident intend that any statement delivered pursuant to this paragraph may be relied upon by Owner or any mortgagee, or purchaser of the Park or any other person having an interest in the financial condition of Owner or the Park.

12.2 Resident's failure to deliver such statement within such time shall be conclusive upon Resident (a) that the Lease and this Amendment is in full force and effect without modification except as may be represented by Owner, (b) that there are no uncured defaults in Owner's performance, and Owner had not violated any law or regulation affecting Resident and (c) that no more than one (1) month's rent has been paid in advance.

12.3 Resident represents and warrants that as of the date of this Amendment, (a) the Lease is unmodified and in full force and effect; (b) Resident is in compliance with all obligations under the Lease; (c) Owner is in compliance with all obligations under the Lease, in addition to any other obligations of Owner to Resident; and (d) Resident has not prepaid more than one month's rent.

13. LIMITATION OF OWNER'S LIABILITY: In consideration of the benefits accruing hereunder, Resident agrees that, in the event of any actual or alleged failure, breach or default hereunder by Owner: (a) the sole and exclusive remedy shall be against the Owner/partnership and its partnership assets; (b) no partner of Owner shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership); (c) no service of process shall be made against any partner of Owner (except as may be necessary to secure jurisdiction of the partnership); (d) no partner of Owner shall be required to answer or otherwise plead to any service of process; (e) no judgement will be taken against any partner of Owner; (f) any judgment taken against any partner of Owner shall be vacated and set aside at any time, nunc pro tunc; and, (g) no writ of execution will ever be levied against the assets of any partner of Owner. These covenants and agreements are enforceable both by Owner and also by any partner of Owner.

14. RIGHT OF PRIVACY: Unless Resident otherwise requests in writing, Resident agrees that Owner shall not disclose Resident's identity to any other resident or resident organization.

15. LOT LINES AND LOT LINE MARKERS:

15.1 Except as provided in Paragraph 15.2, the lot lines originally established at the time the Park was built will be the lot lines used for all purposes regarding the present and future installation of mobilehomes and all other accessory structures, equipment and other improvements to the Space.

15.2 Where the originally established lot lines were subsequently changed by Owner with the intention of deliberately altering such lot lines, those subsequently changed lot lines will remain in effect. Owner reserves the right to modify any lot line at any time provided that such modification does not violate any applicable law. If Resident or any prior resident of the space or any adjoining space has installed landscaping or other improvements that encroach across any lot line and by those actions has established, over an extended period of time (in the opinion of Owner), that the area encroached on belonged to and is allowed to be used by that Resident, then Resident, or Resident of any adjoining space will be permitted to continue to use the area encroached upon. This use of the encroached upon area will not, however, affect the location of the lot line markers.

15.3 Resident shall maintain Resident's lot line markers as they currently exist. Resident agrees to indemnify and hold harmless Owner and its agents, employees, representatives, assigns and successors, against any loss, cost, damage, expense (including attorney's fees) or other liability incurred or imposed by reason of any person, or entity claiming to have an interest in the event that Resident's lot line markers are lost, moved or destroyed.

16. ARBITRATION OF DISPUTES:

A. EXCEPT AS PROVIDED IN PARAGRAPH B., IT IS AGREED THAT ANY DISPUTES BETWEEN OWNER AND RESIDENT WITH RESPECT TO THE PROVISIONS OF THIS AMENDMENT OR THE LEASE OR WITH RESPECT TO RESIDENT'S RESIDENCY IN THE PARK SHALL BE SUBMITTED TO ARBITRATION CONDUCTED UNDER THE PROVISIONS OF CODE OF CIVIL PROCEDURE SECTION 1280, ET SEQ. THE ARBITRATION SHALL BE CONDUCTED AND DECIDED BY A RETIRED JUDGE AND NO JURY WILL BE USED. RESIDENT ALSO AGREES THAT THIS PARAGRAPH 16 IS APPLICABLE TO ALL MEMBERS OF RESIDENT'S HOUSEHOLD, INCLUDING ANY PERSON(S) WHO HAS NOT SIGNED THIS AMENDMENT OR WHO MAY BECOME A MEMBER OF RESIDENT'S HOUSEHOLD AFTER THE DATE RESIDENT SIGNS THIS AMENDMENT.

B. THE ONLY NON-ARBITRATION EXCEPTIONS WHICH MAY BE PURSUED IN A COURT OF LAW ARE ANY CONTESTED RIGHTS OF OWNER WHICH RELATE TO ANY OF THE FOLLOWING: (a) TERMINATION OF TENANCY DUE TO FAILURE TO PAY RENT OR OTHER CHARGES UNDER CIVIL CODE

SECTION 798.56(d); (b) FORCIBLE DETAINER; (c) INJUNCTIVE RELIEF PURSUANT TO [i] CODE OF CIVIL PROCEDURE SECTION 527.6, OR [ii] CIVIL CODE SECTION 798.87(B), OR [iii] CIVIL CODE SECTION 798.88, (d) PAYMENT OF THE MAINTENANCE FEE PROVIDED FOR IN CIVIL CODE SECTION 798.36; (e) CONDEMNATION OR A CHANGE OF THE USE OF THE PARK AS PROVIDED IN CIVIL CODE SECTIONS 798.56(f) and (g), AND (f) PRESERVATION OF OWNER'S EQUITABLE RIGHTS APPERTAINING TO ANY ARBITRABLE DISPUTE BEFORE RESOLUTION BY ARBITRATION. ALL OTHER DISPUTES OF ANY KIND, EXCEPTING THE FOREGOING EXCEPTIONS SET FORTH IN THIS PARAGRAPH B., SHALL BE SUBJECT TO ARBITRATION. NOTWITHSTANDING THE FOREGOING, THERE SHALL BE NO RIGHT OF ARBITRATION FOR ANY AFFIRMATIVE DEFENSES ASSERTED BY RESIDENT AGAINST ANY ACTION BY OWNER WHICH RELATES TO TERMINATION OF TENANCY OR APPLICATION FOR ANY INJUNCTIVE RELIEF REFERRED TO IN THIS PARAGRAPH B.

C. "DISPUTE" INCLUDES BY WAY OF ILLUSTRATION, BUT IS NOT LIMITED TO, DISPUTES, CLAIMS, DEMANDS, OR CONTROVERSIES RESPECTING: MAINTENANCE, CONDITION, NATURE, OR EXTENT OF THE FACILITIES, IMPROVEMENTS, SERVICES AND UTILITIES PROVIDED TO THE SPACE, PARK, OR THE COMMON AREAS OF THE PARK, ENFORCEMENT OF THE RULES AND REGULATIONS, LIVING CONDITIONS, INJURIES OR DAMAGES RESULTING TO RESIDENT, OTHER RESIDENTS AND INVITEES, OR TO PROPERTY OF ANY KIND, FROM OWNER'S OPERATION, MAINTENANCE, OR THE CONDITION OF THE PARK OR ITS EQUIPMENT, FACILITIES, IMPROVEMENTS OR SERVICES, WHETHER RESULTING IN ANY PART FROM OWNER'S NEGLIGENCE OR INTENTIONAL CONDUCT OR OTHERWISE; OWNER'S BUSINESS ADMINISTRATION OR PRACTICES; PUNITIVE DAMAGE AND CLASS ACTION CLAIMS; AND, INTERPRETATION OF THE LEASE. "DISPUTE" INCLUDES NOT ONLY DISPUTES RESIDENT MAY HAVE WITH PARK BUT ALSO DISPUTES AGAINST ANY OF PARK'S CONTRACTORS, AGENTS, OR ANY OTHER PERSON WHOM RESIDENT CONTENDS HAS INJURED RESIDENT FOR WHICH RESIDENT CONTENDS THAT OWNER IS RESPONSIBLE. "DISPUTE" INCLUDES CLAIMS FOR ALL TYPES OF DAMAGES INCLUDING, WITHOUT LIMITATION, COMPENSATORY, STATUTORY AND PUNITIVE AND ALL TYPES OF THEORIES OF RECOVERY INCLUDING, WITHOUT LIMITATION, CONTRACT, TORT AND STATUTORY VIOLATION.

D. SOME DISPUTES MAY BE ONLY PARTIALLY ARBITRABLE. IN SUCH CASES, ARBITRATION SHALL BE COMPLETED AS TO THE ARBITRABLE MATTERS BEFORE COMMENCING A JUDICIAL ACTION EXCEPT AS FOLLOWS: (a) AS TO ACTIONS FOR TERMINATION OF TENANCY DEFINED IN PARAGRAPH B., ABOVE, WHICH SHALL PROCEED TO JUDGMENT THOUGH RELATED TO AN ARBITRABLE DISPUTE. (ONLY BY COURT ORDER SHALL SUCH ACTIONS ABATE PENDING ARBITRATION, AND ONLY THEN UPON A CLEAR SHOWING THAT THE

ARBITRABLE DISPUTE MUST BE RESOLVED AS PART OF THE ACTION) AND (b) APPLICATIONS FOR INJUNCTIVE RELIEF DEFINED IN PARAGRAPH B. ABOVE.

E. ARBITRATION MUST BE COMMENCED BY SERVICE UPON THE OTHER AND THE JUDICIAL ARBITRATION AND MEDIATION SERVICE, INC. ("JAMS") OF A WRITTEN DEMAND OR NOTICE OF INTENTION TO ARBITRATE ("THE ARBITRATION NOTICE"). THE ARBITRATION NOTICE MUST BE SO GIVEN WITHIN THE APPLICABLE STATUTE OF LIMITATIONS SPECIFIED BY LAW OR THE LEASE, WHICHEVER IS SHORTER. THE ARBITRATION NOTICE MUST PROVIDE: (a) A DESCRIPTION OF THE DISPUTE, AND (b) FACTS FROM WHICH THE DISPUTE ARISES INCLUDING WITNESSES, DATES, TIMES AND CIRCUMSTANCES. IF THE DISPUTE IS NOT RESOLVED TO EACH PARTIES' SATISFACTION WITHIN NINETY (90) DAYS, TOGETHER WITH SUCH OTHER NOTICE PERIODS AS MAY BE REQUIRED BY LAW, THE DISPUTE SHALL BE RESOLVED BY BINDING ARBITRATION AND NOT BY LAWSUIT OR COURT PROCESS, EXCEPT FOR JUDICIAL REVIEW. THE ARBITRATOR SHALL REFUSE RELIEF TO ANY COMPLAINANT PARTY IF THAT PARTY HAS NOT ABIDED BY THE TIME PERIODS ABOVE, DESPITE THE MERITS.

F. IF THE PARTIES CANNOT AGREE ON AN ARBITRATOR WITHIN TEN (10) DAYS FROM THE LAST DAY PERMITTED FOR RESOLUTION OF THE DISPUTE AS DEFINED IN PARAGRAPH E. ABOVE, JAMS SHALL PROVIDE BOTH PARTIES WITH A LIST OF AT LEAST FIVE (5) NEUTRAL ARBITRATORS, FROM WHICH THE PARTIES SHALL AGREE ON THE SELECTION OF THE ARBITRATOR, ABSENT WHICH JAMS SHALL MAKE THE SELECTION FROM SAID LIST. EACH PARTY SHALL, HOWEVER, BE GIVEN THE RIGHT OF ONE PEREMPTORY CHALLENGE. ARBITRATION SHALL COMMENCE WITHIN ONE HUNDRED TWENTY (120) DAYS FROM THE DATE THE ARBITRATOR IS APPOINTED, UNLESS CONTINUED ON REQUEST TO THE ARBITRATOR. JAMS SHALL DETERMINE THE DATE OF THE HEARING AND SHALL DESIGNATE ITS LOCATION FROM AMONG THE COUNTIES OF LOS ANGELES, ORANGE AND SANTA CLARA, BASED UPON THE CONVENIENCE OF THE ARBITRATOR, THE PARTIES AND THE WITNESSES. AT LEAST SEVEN (7) DAYS BEFORE THE DATE SET FOR SUCH HEARING, THE PARTIES SHALL EXCHANGE COPIES OF EXHIBITS TO BE OFFERED AS EVIDENCE, AND LISTS OF THE WITNESSES WHO WILL TESTIFY AT SUCH HEARING. ANY PARTY MAY CAUSE TO BE PREPARED, AT ITS EXPENSE, A WRITTEN TRANSCRIPTION OR ELECTRONIC RECORDATION OF SUCH HEARING.

G. ARBITRATION SHALL BE CONDUCTED PURSUANT TO CODE OF CIVIL PROCEDURE SECTIONS 1280, ET SEQ. INSOFAR AS NOT INCONSISTENT WITH RULES OF EVIDENCE AND LAW. CIVIL DISCOVERY RULES TO PROVIDE FULL AND COMPLETE DISCOVERY INCLUDING DEPOSITIONS ON ORAL EXAMINATION, INTERROGATORIES, AND ALL OTHER DEVICES AND EXAMINATION SHALL BE PERMITTED, TO THE EXTENT THE MATERIAL

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REQUESTED IS NON-PRIVILEGED AND RELEVANT TO THE ISSUES TO BE DETERMINED BY THE ARBITRATOR. ALL PRE-TRIAL MOTIONS NORMALLY ALLOWED IN OTHER CIVIL LITIGATION MATTERS BROUGHT IN THE SUPERIOR COURT ARE ALSO PERMITTED AND THE ARBITRATOR SHALL HEAR AND DECIDE SUCH MOTIONS AS IF HE OR SHE WERE SITTING AS A SUPERIOR COURT JUDGE. UNLESS BOTH PARTIES AGREE, NO DISPUTE SHALL BE CONSOLIDATED OR JOINED TOGETHER WITH ANY DISPUTE OF ANY OTHER PERSON FOR CONSOLIDATION, HEARING OR DECISION. ANY OTHER DISPUTE BY ANY OTHER PERSON SHALL ABATE WITHOUT NECESSITY OF COURT ORDER PENDING RESOLUTION OF ANY PRIOR DISPUTE ON A FIRST IN TIME, FIRST IN RIGHT BASIS. THE ARBITRATOR'S DECISION SHALL COMPLY WITH ALL LEGAL STANDARDS AND RULES OF EVIDENCE AND THE ARBITRATOR SHALL MAKE NO RULING OR DECISION THAT A COURT OF LAW COULD NOT MAKE. ANY AWARD BY THE ARBITRATOR SHALL BE SET FORTH IN A WRITTEN DECISION SUPPORTED BY WRITTEN FINDINGS OF FACT AND CONCLUSIONS OF LAW WHICH THE ARBITRATOR SHALL DELIVER CONCURRENTLY TO THE PARTIES. THE ARBITRATOR SHALL DETERMINE ALL CHALLENGES TO THE LEGALITY AND/OR ENFORCEABILITY OF THIS PARAGRAPH 16. THE ARBITRATOR SHALL GIVE EFFECT TO ALL LEGAL AND EQUITABLE DEFENSES IN DETERMINING ANY CLAIM OR CONTROVERSY, INCLUDING, WITHOUT LIMITATION, THE STATUTE OF FRAUDS, WAIVER AND ESTOPPEL. THE AWARD OF THE ARBITRATOR MAY INCLUDE EQUITABLE RELIEF. THE ARBITRATOR MAY NOT AWARD PUNITIVE DAMAGES UNLESS THE ARBITRATOR FIRST MAKES WRITTEN FINDINGS OF FACT THAT WOULD SATISFY THE REQUIREMENTS FOR RECOVERY OF PUNITIVE DAMAGES UNDER CALIFORNIA LAW. ANY SUCH AWARD OF PUNITIVE DAMAGES SHALL NOT EXCEED A SUM EQUAL TO TWICE THE AMOUNT OF ACTUAL DAMAGES AS DETERMINED BY THE ARBITRATOR.

H. IF FOR ANY REASON THE PROVISIONS OF THIS PARAGRAPH 16 ARE DETERMINED TO BE UNENFORCEABLE, IT IS AGREED THAT ALL OF THE DISPUTES WHICH WOULD OTHERWISE BE SUBJECT TO ARBITRATION PER PARAGRAPH B. WILL, INSTEAD, BE DECIDED BY WHAT IS CALLED A "REFERENCE" WHICH IS SIMILAR TO ARBITRATION AND IS AUTHORIZED BY CODE OF CIVIL PROCEDURE SECTION 638, ET SEQ. THE REFEREE WHO WILL CONDUCT THE REFERENCE WILL BE A RETIRED JUDGE AT JAMS WHO WILL DECIDE ALL OF THE ISSUES OF THE DISPUTE WITHOUT A JURY. THE PROVISIONS OF THIS PARAGRAPH H. APPLY TO ALL THEN EXISTING DISPUTES WHICH HAVE NOT BEEN FINALLY RESOLVED BY ARBITRATION AS WELL AS ALL FUTURE DISPUTES WHICH WOULD OTHERWISE HAVE BEEN ARBITRATED.

I. COSTS FOR THE ARBITRATION AND REFEREE SHALL BE ADVANCED EQUALLY BETWEEN OWNER AND RESIDENT DUE AND PAYABLE ON DEMAND. AS SOON AS PRACTICABLE AFTER SELECTION OF THE ARBITRATOR, THE ARBITRATOR OR HIS/HER DESIGNATED REPRESENTATIVE SHALL

DETERMINE A REASONABLE ESTIMATE OF ANTICIPATED FEES AND COSTS OF THE ARBITRATOR, AND RENDER A STATEMENT TO EACH PARTY SETTING FORTH THAT PARTY'S PRO RATA SHARE OF SAID FEES AND COSTS. THEREAFTER, EACH PARTY SHALL, WITHIN TEN (10) DAYS OF RECEIPT OF SAID STATEMENT, DEPOSIT SAID SUM WITH THE ARBITRATOR. FAILURE OF ANY PARTY TO MAKE SUCH A DEPOSIT, INCLUDING ANY ADDITIONAL DEPOSIT SUBSEQUENTLY DETERMINED TO BE NECESSARY BY THE ARBITRATOR DURING THE COURSE OF ARBITRATION, SHALL RESULT IN A FORFEITURE BY THE NON-DEPOSITING PARTY OF THE RIGHT TO PROSECUTE OR DEFEND THE CLAIM WHICH IS THE SUBJECT OF THE ARBITRATION, BUT SHALL NOT OTHERWISE SERVE TO ABATE, STAY, OR SUSPEND THE ARBITRATION PROCEEDINGS. ATTORNEYS' FEES AND COSTS INCURRED IN ACTION TO COMPEL ARBITRATION OR SEEK INJUNCTIVE RELIEF THE RESPONDING PARTY WOULD NOT IN ADVANCE STIPULATE TO, TO ABATE SUBSEQUENT DISPUTES(S), OR TO CONFIRM THE ARBITRATION AWARD, SHALL BE AWARDED TO THE PREVAILING PARTY. OTHERWISE, ATTORNEYS' FEES AND COSTS SHALL NOT BE AWARDED TO ANY PARTY BUT SHALL BE BORNE BY EACH PARTY SEPARATELY.

J. RESIDENT AGREES THAT THIS PARAGRAPH 16 WILL APPLY TO RESIDENT'S TENANCY IN THE PARK FOR AS LONG AS THE RESIDENT RESIDES IN THE PARK AND SHALL SURVIVE AFTER TERMINATION OF THE UNDERLYING LEASE AND ANY AMENDMENTS THERETO. AFTER THE TERM OF THE LEASE HAS EXPIRED, OWNER MAY, AT ITS SOLE OPTION, ELIMINATE THIS PARAGRAPH 16 BY GIVING RESIDENT SIXTY (60) DAYS WRITTEN NOTICE.

K. RESIDENT HAS READ AND UNDERSTANDS THIS PARAGRAPH 16 AND HAS HAD AN OPPORTUNITY TO DISCUSS IT WITH AN ATTORNEY AND ANY OTHER ADVISOR RESIDENT CHOOSES. RESIDENT FURTHER ACKNOWLEDGES HAVING READ AND UNDERSTOOD ALL OF THE TERMS, CONDITIONS, AND PROVISIONS OF THE UNDERLYING LEASE AND ANY AMENDMENTS THERETO AND ALL DOCUMENTS INCORPORATED THEREIN BY REFERENCE.

17. CONTRACTUAL STATUTE OF LIMITATIONS OF CERTAIN ACTIONS:

17.1 ANY LAWSUIT, CROSS-COMPLAINT, OTHER ACTION OR CLAIM OF ANY KIND ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE UNDERLYING LEASE OR RESIDENT'S TENANCY IN THE PARK WHICH IS FILED WITH ANY COURT OR ANY ARBITRATOR BY OWNER AGAINST RESIDENT OR RESIDENT AGAINST OWNER WHICH CONTAINS ANY OF THE ALLEGATIONS, CLAIMS OR CAUSES OF ACTION LISTED IN PARAGRAPH 17.2 BELOW MUST BE FILED WITH THE COURT OR ARBITRATOR NOT LATER THAN ONE (1) YEAR FROM THE DATE THE PARTY CLAIMING INJURY FIRST BECAME AWARE OF (OR

REASONABLY SHOULD HAVE BEEN AWARE OF) THE FACTS WHICH CAUSED THE CLAIMED INJURY.

17.2 THE ALLEGATIONS, CLAIMS AND CAUSES OF ACTION WHICH ARE SUBJECT TO THE ONE (1) YEAR STATUTE OF LIMITATION IN PARAGRAPH 17.1 ABOVE ARE: NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS, EXEMPLARY OR PUNITIVE DAMAGES, PAIN AND SUFFERING, STATUTORY PENALTIES OR DAMAGES, EXCEPT FOR ATTORNEY'S FEES AND COSTS, RESCISSION, RESTITUTION, REFORMATION, LOSS OF CONSORTIUM, LOSS OR DIMINISHED USE BY RESIDENT OF THE MOBILEHOME OR SPACE, DIMINISHED VALUE OF THE MOBILEHOME OR OTHER PROPERTY BELONGING TO THE RESIDENT, A CLAIM BY RESIDENT THAT THE REASONABLE RENTAL VALUE OF THE SPACE IS LESS THAN THE RENT PAID TO OWNER, CONSTRUCTIVE EVICTION, INCONVENIENCE, AND UNFAIR BUSINESS PRACTICE.

17.3 NOTE: ALLEGATIONS, CLAIMS AND CAUSES OF ACTION WHICH ARE NOT SUBJECT TO THE ONE (1) YEAR STATUTE OF LIMITATION INCLUDE, WITHOUT LIMITATION, THE FOLLOWING: (a) TERMINATION OF TENANCY DUE TO A FAILURE TO PAY RENT OR OTHER CHARGES; (b) FORCIBLE DETAINER; (c) INJUNCTIVE RELIEF PER (i) CODE OF CIVIL PROCEDURE SECTION 527.6, (ii) CIVIL CODE SECTION 798.87 (b), OR (iii) CIVIL CODE SECTION 798.88; (d) PAYMENT OF THE MAINTENANCE FEE PROVIDED FOR IN CIVIL CODE SECTION 798.36; AND (e) CONDEMNATION OR A CHANGE OF THE USE OF THE PARK AS PROVIDED IN CIVIL CODE SECTION 798.56(f) AND (g).

17.4 IF THE LAWSUIT, CROSS-COMPLAINT, OR OTHER ACTION OR CLAIM REFERRED TO IN PARAGRAPH 17.2 IS NOT FILED WITHIN THE REQUIRED ONE (1) YEAR TIME PERIOD, THE MOVING PARTY IN SUCH ACTION WILL HAVE NO RIGHT TO PROSECUTE OR PURSUE THE LAWSUIT, CROSS-COMPLAINT, OTHER ACTION OR CLAIM AND THE RESPONDING PARTY WILL NOT BE LIABLE TO THE OTHER FOR ANY OF THE ALLEGATIONS, CLAIMS OR CAUSES OF ACTION ASSERTED IN THE LAWSUIT, CROSS-COMPLAINT, OTHER ACTION OR CLAIM. IF RESIDENT HAS SIGNED AN AGREEMENT WITH OWNER PROVIDING FOR ARBITRATION OR ANOTHER SIMILAR METHOD OF RESOLVING DISPUTES, THE ONE (1) YEAR TIME PERIOD CONTAINED IN THIS PARAGRAPH 17 SHALL ALSO BE APPLICABLE TO THOSE DISPUTE RESOLUTION PROCEDURES.

17.5 OWNER AND RESIDENT AGREE THAT THIS PARAGRAPH 17 SHALL APPLY TO THEM AT ALL TIMES IN THE FUTURE EVEN THOUGH THAT MAY BE BEYOND THE TERM OF THE LEASE OR AFTER RESIDENT'S TENANCY OR THE LEASE HAS BEEN TERMINATED OR RESIDENT MOVES FROM THE PARK. RESIDENT ALSO AGREES THAT RESIDENT HAS READ AND UNDERSTOOD THIS PARAGRAPH 17 AND HAS HAD AN OPPORTUNITY TO DISCUSS IT WITH AN ATTORNEY AND ANY OTHER ADVISOR RESIDENT CHOOSES. RESIDENT

ACKNOWLEDGES THAT THE PROVISIONS OF THIS PARAGRAPH 17 MAY REQUIRE RESIDENT AND OWNER TO FILE A LAWSUIT, CROSS-COMPLAINT, OTHER ACTION OR CLAIM SUCH AS DESCRIBED IN PARAGRAPH 17.2 SOONER THAN THE TIME PERIOD PROVIDED BY LAW.

NOTICE: BY SIGNING BELOW, RESIDENT AGREES TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED HEREIN TO BE DECIDED BY ARBITRATION AS PROVIDED BY CALIFORNIA LAW, AND RESIDENT IS GIVING UP ANY RIGHT RESIDENT MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL AND TO THE RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED HEREIN, AND FURTHER AGREES TO A LIMITATION ON ANY PUNITIVE DAMAGES AWARD. IF RESIDENT REFUSES TO SUBMIT TO ARBITRATION AFTER AGREEING TO THESE PROVISIONS, RESIDENT MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. RESIDENT'S AGREEMENT TO THESE ARBITRATION PROVISIONS IS VOLUNTARY.

RESIDENT HAS READ THIS AMENDMENT AND ALL DOCUMENTS IT MODIFIES, AND INCORPORATES BY REFERENCE, AND HAS HAD AN OPPORTUNITY TO DISCUSS IT WITH AN ATTORNEY AND ANY OTHER ADVISER RESIDENT CHOOSES. RESIDENT ACKNOWLEDGES HAVING READ AND UNDERSTOOD ALL OF THE TERMS, CONDITIONS, AND PROVISIONS OF THE LEASE, THIS AMENDMENT, AND ALL DOCUMENTS INCORPORATED BY REFERENCE.

EXECUTED this _____ day of _____, 199_____.

Date Resident

Date Resident

Date Resident

Date Authorized Agent of Owner

DEL CIELO MOBILE ESTATES
3210 Santa Maria Way
Santa Maria, California 93455

TO: All Residents of Space 158

Re: New Rental Agreement

Dear Resident(s):

Enclosed is a copy of a new Rental Agreement being offered by Del Cielo Mobile Estates (the "Park"). The Park is making available a lease with either a term of twelve (12) months (or less) or with a month-to-month tenancy.

We would appreciate your executing a new Rental Agreement, and returning it to us on or before January 31, 2000. At that time, we will provide you with a signed copy of the document.

PLEASE NOTE: IF YOU DO NOT RETURN THE EXECUTED DOCUMENT TO US BY JANUARY 31, 2000, THIS WILL BE CONSIDERED TO BE AN ELECTION BY YOU TO BE ON A MONTH-TO-MONTH TENANCY. THE PROVISIONS OF THE ENCLOSED RENTAL AGREEMENT WHICH MERELY RE-STATE THE PROVISIONS OF YOUR EXISTING RESIDENCY DOCUMENTS WILL BE IN EFFECT IMMEDIATELY. ANY OTHER PROVISIONS, BESIDES PARAGRAPH 32 OF THE ENCLOSED RENTAL AGREEMENT, WILL BECOME EFFECTIVE WITHIN THIRTY DAYS OF SERVICE OF THIS NOTICE AND THE RENTAL AGREEMENT UPON YOU AS PROVIDED BY CIVIL CODE SECTION 827.

Thank you for your kind attention to this letter and the Enclosed Rental Agreement.

Very truly yours,

DEL CIELO MOBILE ESTATES

Dated: December 20/99

By: [Signature]
Owner/Authorized Agent

§ 827. Leases; term less than a month; change in terms; notice

In all leases of lands or tenements, or of any interest therein, from week to week, month to month, or other period less than a month, the landlord may, upon giving notice in writing to the tenant, in the manner prescribed by Section 1162 of the Code of Civil Procedure, change the terms of the lease to take effect, as to tenancies for less than one month, upon the expiration of a period at least as long as the term of the hiring itself, and, as to tenancies from month to month, to take effect at the expiration of not less than 30 days, but if such change takes effect within a rental term, the rent accruing from the first day of such term to the date of such change shall be computed at the rental rate which obtained immediately prior to such change; provided, however, that it shall be competent for the parties to provide by an agreement in writing that a notice changing the terms thereof may be given at any time not less than seven days before the expiration of a term, to be effective upon the expiration of such term.

The notice, when served upon the tenant, shall of itself operate and be effectual to create and establish, as a part of the lease, the terms, rents, and conditions specified in the notice, if the tenant shall continue to hold the premises after said notice takes effect.

(Added by Code Am.1873-74, c. 612, p. 220, § 110. Amended by Stats.1907, c. 39, p. 58, § 1; Stats.1929, c. 138, p. 256, § 1; Stats.1937, c. 356, p. 774, § 1; Stats.1939, c. 1013, p. 2799, § 1; Stats.1947, c. 676, p. 1708, § 1.)

DEL CIELO MOBILE ESTATES

RENTAL AGREEMENT

SPACE NO. 158

THIS RENTAL AGREEMENT (hereinafter the "Agreement") is made and entered into this _____ day of _____, _____ by and between the management of Del Cielo Mobile Estates (hereinafter the "Owner") and _____ (hereinafter collectively the "Homeowner"), who are also listed on the last page of this Agreement as the Homeowner.

1. SPECIFIC INFORMATION.

1.1 **Homesite:** The homesite designated as Space No. 158 (hereinafter the "Homesite") in Del Cielo Mobile Estates, located at 3210 Santa Maria Way, Santa Maria, California 93455.

1.2 **Term:** Check appropriate box:

- () The tenancy created under this Agreement shall be for a period of twelve (12) months and shall commence on _____, _____, and end on _____, _____, unless sooner terminated in accordance with the terms of this Agreement.
- () The tenancy created under this Agreement shall be for a period of _____ () months and shall commence on _____, _____, and end on _____, _____, unless sooner terminated in accordance with the terms of this Agreement.
- () The tenancy created under this Agreement shall be on a month-to-month basis and shall commence on _____, _____.

Homeowner's Initials

1.3 **Anniversary Date:** _____ of each year.

1.4 **Rent:**

Base Rent: _____ Dollars and _____ Cents (\$ _____) per month

Security Deposit: _____ Dollars and _____ Cents (\$ _____)

Extra Person Charge: _____ Twenty-Five Dollars (\$25.00) per month

Late Rent Charge: _____ Twenty-Five Dollars (\$25.00)

Check Handling Charge: _____ Twenty-Five Dollars (\$25.00)

Other: _____ \$ _____

1.5 **Utilities:**

A. Provided without separate charge to Homeowner: Water, trash removal and sewer service (see paragraphs 5.3D(2) and 6.3).

B. For Spaces 1 through 97, the following utilities are provided and separately itemized when billed to Homeowner: Natural gas and electricity.

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C. For Spaces 98 through 185, the following utilities must be contracted from the utility provider and paid directly by Homeowner: Natural gas and electricity.

D. For all Spaces, the following services must be contracted with the appropriate provider and paid directly by Homeowner: Telephone and cable television service.

1.6 The specific information provided in paragraph 1 is only a summary and is more fully detailed in this Agreement.

2. DEFINITIONS.

The definitions set forth below shall apply unless the context indicates that a different meaning is intended:

2.1 "Park" means Del Cielo Mobile Estates.

2.2 "Owner" includes, but it is not limited to, the owners of the Park (including the owner's partners, directors, representatives, officers, employees, and agents) and the management of the Park.

2.3 "Resident" is (a) the person(s) signing this Agreement as Homeowner; (b) any person who lawfully occupies the mobilehome on the Homesite; or (c) minor child or a parent of Homeowner.

2.4 "Extra Person" includes all of Homeowner's agents, employees, persons sharing the Homesite pursuant to Civil Code Section 798.34(b), invitees, permittees or licensees or other persons in the Park or on the Homesite at the invitation, request or tolerance of Homeowner. "Extra Person" also includes any mobilehome occupant who is not a homeowner.

2.5 "Common Facilities of the Park", "Park Facilities" and "Common Areas" mean those facilities of the Park generally available to Residents and their guests.

2.6 "Homesite" means the real property rented to Homeowner by Owner. The boundaries of the real property rented to Homeowner shall be the lesser of either (1) the lot lines as determined by a governmentally approved survey or by a recorded plot plan or (2) the apparent physical boundaries of the Homesite as they exist at the time this Agreement is entered into. However, if the minimum area necessary to comply with set back requirements of state and local agencies comprises a smaller area than stated above, then this smaller area shall comprise the "Homesite."

2.7 "Mobilehome Residency Law" means those provisions of the California Civil Code Sections 798 et seq. which are known as the "Mobilehome Residency Law."

3. RENT OF HOMESITE.

Owner rents to Homeowner, and Homeowner rents from Owner, the Homesite.

4. TERM.

The tenancy created under this Agreement shall be for the term specified in paragraph 1.2.

5. RENT, UTILITIES AND INCIDENTAL REASONABLE SERVICE CHARGES.

5.1 Homeowner shall pay in advance (without deduction or offset) to Owner on the first day of each month:

A. The Base Rent as defined in paragraph 5.2 below and formula increases to Base Rent as specified in paragraph 5.3 below (as both may be adjusted).

B. All utility charges billed to Homeowner by Owner during each month.

C. Charges imposed by the Park for recreational and other extra vehicles that may be stored in the extra vehicle parking area.

D. The Extra Person charge listed in paragraph 1.4 above.

E. Such other amounts and charges as are set forth herein, authorized or required by law, or added or increased as provided by law or this Agreement or amendments thereto.

F. All rent payable hereunder shall be paid by check or money order to Owner at the Park Office or such other address as provided by Owner upon notice to Homeowner. Owner may, upon at least ten (10) days' written notice to Homeowner, require payment to be made in cash or equivalent.

(1) If the rent is not paid to the office by 5:00 p.m. on the sixth (6th) day of the month, the late charge specified in paragraph 1.4 above shall be charged to cover Owner's cost for additional accounting and collection expenses.

(2) Additionally, the handling charge specified in paragraph 1.4 above shall be required for all checks returned by the bank due to insufficient funds in Homeowner's account or for any other reason.

(3) Late charges and returned check handling charges may be increased pursuant to governing law.

(4) 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.

(5) Any payment of rent by Homeowner shall first be applied to discharge any past due amounts, including, but not limited to, late charges, check handling charges, key charges, and utility charges. After such past due amounts have been paid, the remainder of any monies received by Park Management from Homeowner shall be applied to past monthly rent amounts, then to the current month's rent.

5.2 **Base Rent.** The Base Rent shall be the amount specified in paragraph 1.4 above and shall remain in effect until the first Anniversary Date of this Agreement, whereupon adjustments to the Base Rent shall be made at any time upon at least ninety (90) days' notice to Homeowner.

6. UTILITIES.

6.1 Owner shall provide and separately bill to Homeowner for utilities as set forth in paragraph 1.5 above.

6.2 Utilities will be billed monthly, in arrears. Utility rates charged by Owner which are governed by law (presently electricity and natural gas) shall be billed at the maximum rate as allowed by law.

6.3 Owner shall provide without separate charge to Homeowner: Water, trash removal and sewer service. Owner may, however, upon sixty (60) days' notice to Homeowner, elect to charge Homeowner for any of the utilities which have previously been provided to Homeowner without separate charge.

A. In the event Owner elects to charge Homeowner for any of the utilities listed in this paragraph, Owner shall charge Homeowner based upon the rate structure for that utility as outlined in paragraph 6.2 above.

B. Furthermore, pursuant to Civil Code §798.41, for each utility service to be separately billed, the base rent for each homesite shall be reduced by an amount equal to the average monthly amount charged to the Park during the twelve (12) months immediately preceding notice of commencement of separate billing, divided by the number of spaces in the Park. In the event Owner elects to submeter the water, the base monthly rent paid by Homeowner shall be reduced by an amount equal to eighty percent (80%) of Owner's average monthly water bill during the last twelve (12) months for water service at the Park, prorated over the number of spaces in the Park.

6.4 Homeowner shall contract with the appropriate utility company or provider and pay directly for all other utilities and/or services, such as telephone and cable television service, as required or desired by Homeowner.

6.5 Owner shall not be liable for any loss or injury, and Homeowner shall not be entitled to any abatement or reduction of rent by reason of Owner's failure to furnish any of the foregoing utilities when failure is caused by accident, breakage, repairs, strikes, or other labor disputes or by any other cause, similar or dissimilar, beyond the reasonable control of Owner. Homeowner acknowledges that any interruption of any utility service beyond control of Owner is not cause for non-payment or deduction of any amount billed to Homeowner by Park. (Please Note: The provisions of the paragraph below entitled "INDEMNIFICATION" apply to this paragraph.)

6.6 Utilities are provided by utility companies and other service providers to the Park, and Owner is not responsible for any variances or problems in the quality of utilities provided by utility companies and/or service providers. Such variances include, but are not limited to, the condition, taste, color or smell of water; interruption of gas or electrical service; or problems with gas, electrical, water or sewer systems on Homeowner's side of the meter or hookup.

6.7 Homeowner shall not connect, except through existing electrical or natural gas outlets or water pipes on the Homesite, any apparatus or device for the purposes of using electric current, natural gas or water.

7. SECURITY DEPOSIT.

Pursuant to the provisions of Civil Code § 798.39, any new Homeowner moving into the Park shall be required, upon execution of this Agreement, to deposit the amount specified in paragraph 1.4 above as a security deposit for the performance by Homeowner of the provisions of this Agreement. Owner may maintain the security deposit separate and apart from Owner's general funds or may commingle the security deposit with Owner's general and other funds. Owner will not be required to pay to Homeowner interest on the security deposit.

8. HOLDOVER TENANCY.

If Homeowner remains in possession of the Homesite after the expiration of the term of this Agreement and has not executed a new occupancy agreement with respect to the Homesite, said possession by Homeowner shall be deemed a month-to-month tenancy, and Owner may terminate or refuse to renew Homeowner's tenancy in accordance with the paragraph in this Agreement entitled "TERMINATION OF TENANCY BY OWNER." Notwithstanding anything contained in this Agreement to the contrary, Owner may also, upon written notice of increase pursuant to governing law, increase the Base Rent then in effect and other charges of the Park, without limitation, to the Homeowner who is holding over.

9. RESPONSIBILITY OF THE PARK.

9.1 It is the responsibility of the management to provide and maintain the physical improvements in the Common Facilities of the Park in good working order and condition. Owner shall provide the following physical improvements for the non-exclusive use of Residents: All streets, non-restricted parking areas, all recreational facilities and equipment (including swimming pool, spa pool, sauna, recreational building, shuffleboard courts, and billiard room), lawns, laundry room, a car wash area and all other facilities, equipment and conveniences located in the Common Areas and Common Facilities for the use of residents. Owner shall provide the following services for the non-exclusive use of Residents: The services provided by the Owner and other persons employed by the Park and the utilities specified in this Agreement.

9.2 With respect to any sudden or unforeseeable breakdown or deterioration of the physical improvements of the Park, Owner shall have a reasonable period of time to repair the sudden or unforeseeable breakdown or deterioration and bring the improvements into good working order and condition after Owner knows or should have known of the breakdown or deterioration.

9.3 The clubhouse will be kept ventilated as required by law, but the heating system will not be operated on a constant basis in order to conserve energy. Rather, heating will be turned on as required to maintain reasonable temperature levels. Regarding heating, air conditioning of the clubhouse and, if available, heating of the swimming pool and spa pool, the Park may have to follow and conform with energy conservation programs as mandated by government or by utility companies.

9.4 The Park may, upon the giving of lawful notice, amend, delete, add or modify any of the services or facilities provided.

10. EXTRA PERSONS.

10.1 For any Extra Person who stays more than a total of twenty (20) consecutive days or more than a total of thirty (30) days in a calendar year, such Extra Person must register with the Owner, and, in addition, Homeowner may be charged guest fees referenced in this Agreement. However, no such charge will be imposed if the Extra Person is a member of Homeowner's immediate family as defined in the Mobilehome Residency Law. The Extra Person charge listed in paragraph 1.4 above shall be assessed for each calendar month or any portion thereof for each Extra Person who has stayed more than a total of twenty (20) consecutive days or a total of thirty (30) days in any calendar year. Such Extra Person fee shall commence the day after an Extra Person has exceeded the grace time specified in the preceding sentence and shall be payable in full for each calendar month or portion thereof. This additional charge for an Extra Person shall not, however, apply if prohibited by Civil Code §798 et seq. or other applicable law.

10.2 Each Extra Person must complete an application for tenancy, be approved by Owner and execute all other residency documents 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 Homeowner for a period greater than the grace period. Notwithstanding such application, however, Extra Person shall have no rights of tenancy in the Park unless, upon prior written approval of the Park, such Extra Person executes a copy of this Agreement, the Rules and Regulations, and other residing documents of the Park then in effect.

10.3 Any Extra Person, family member or other invitee of Homeowner shall be bound by the Rules and Regulations and any other residency documents, and any conduct in violation of such Rules and Regulations or other residency documents shall be imputed to Homeowner.

11. INCORPORATED DOCUMENTS.

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 attached as exhibits to this Agreement and incorporated herein by this reference: (a) the California Civil Code provisions known as the "Mobilehome Residency Law" and (b) the Park's Rules and Regulations.

12. USE OF HOMESITE AND PARK.

12.1 The Homesite shall be used only as a site to locate, maintain and occupy a mobilehome for private residential purposes. No business or commercial activity of any nature shall be conducted on the Homesite. This prohibition applies to any commercial or business activity, including, but not limited to, the following:

- A. Any activity requiring the issuance of a business license or permit by any governmental agency.
- B. The leasing, subleasing, sale or exchange of mobilehomes.

12.2 At all times at least one of the persons listed on the last page of this Agreement as Homeowner must be a "registered" owner of the mobilehome which occupies the Homesite.

13. MAINTENANCE OF HOMESITE.

In the event Homeowner fails to maintain Homeowner's Homesite as provided in the Rules and Regulations, Owner may, upon giving written notice to Homeowner, perform the required maintenance and charge Homeowner a reasonable fee for said maintenance. The written notice shall state the specific condition to be corrected, that Owner will perform the maintenance if Homeowner does not perform such within fourteen (14) days of the notice, and an estimate of the charges to be imposed.

14. ENTRY UPON HOMEOWNER'S HOMESITE.

Owner shall have a right of entry upon Homeowner's Homesite for maintenance of utilities, for maintenance of the Homesite where Homeowner fails to maintain the Homesite in accordance with the Rules and Regulations, and for the protection of the Park at any reasonable time, but Owner may not do so in a manner or at a time which would interfere with the occupant's quiet enjoyment. Owner may enter a mobilehome without the prior written consent of Homeowner in the case of an emergency or when Homeowner has abandoned the mobilehome.

15. **WAIVER OF DEFAULT.**

No delay or omission in the exercise of any right or remedy of Owner on any default by Homeowner 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 Homeowner 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 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.

16. **TERMINATION OF TENANCY BY OWNER.**

16.1 This Agreement, at the sole option of Owner, may be declared forfeited and/or the tenancy may be terminated and/or Homeowner's right to renew his or her tenancy may be denied in accordance with the provisions of the Mobilehome Residency Law (including any amendments, deletions or modifications) and other applicable law. The issuance of a termination of tenancy notice shall be considered an election to forfeit the tenancy within the meaning of this Agreement.

16.2 If Homeowner remains in possession after Homeowner's tenancy has been terminated, Homeowner shall pay to Owner an amount equal to the rental charges Homeowner was paying to Owner at the time Homeowner's tenancy was terminated. Acceptance of any money by Owner pursuant to this provision shall not be construed as a reinstatement of Homeowner's tenancy.

16.3 If all or a substantial part of the Park is damaged or destroyed due to earthquake, fire, flood or other natural disaster or catastrophe, and if the cost of repairs and rebuilding exceed \$250,000.00 or if, in Owner's sole opinion, the balance of the Park is not suitable for a mobilehome park, then Owner may terminate this Agreement upon sixty (60) days' written notice to Homeowner. Owner may exercise this option even if loss to the Park may be covered all or in part by insurance.

17. **TRANSFER OF OWNER'S INTEREST.**

In the event Owner transfers Owner's interest in the 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.

18. **TERMINATION BY HOMEOWNER.**

Homeowner may terminate this Agreement if all persons occupying the Homesite rented to Homeowner by this Agreement terminate their tenancy as to said Homesite and sell Homeowner's mobilehome to another party who has been approved by Owner for tenancy in the Park in accordance with the terms set forth in the paragraph entitled "APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS". In such event, this Agreement may, at Owner's sole option, be assigned or transferred to the other party in accordance with the terms of this Agreement.

19. **APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS.**

19.1 Homeowner may sell Homeowner's mobilehome at any time pursuant to the rights and obligations of Homeowner and Owner under the Mobilehome Residency Law and other applicable law. Any rights granted to Homeowner or to Owner by the Mobilehome Residency Law (including amendments, deletions, or modifications thereto) and by other applicable law may be enforced by Owner or by Homeowner. Homeowner must, however, immediately notify Owner in writing of Homeowner's intent to sell Homeowner's mobilehome. If the prospective purchaser of the mobilehome intends for the mobilehome to remain in the Park, said purchaser must do the following before occupying the mobilehome: (a) complete an application for tenancy (which may include a fee for obtaining a financial report or credit rating); (b) be accepted by the Owner; (c) execute a new rental agreement or other agreements for the occupancy of the Homesite; and (d) execute and deliver to the Owner a copy of the Park's then effective Park Rules and Regulations and other residency documents. **IF THE PURCHASER FAILS TO EXECUTE A RENTAL AGREEMENT, SUCH PURCHASER SHALL HAVE NO RIGHTS OF TENANCY.** The rental agreement, Rules and Regulations and other residency documents signed by the prospective purchaser may be different in their terms and provisions than this Agreement, the Rules and Regulations, and other residency documents now in effect.

19.2 Notwithstanding anything contained herein to the contrary, Owner may, in order to upgrade the quality of the Park, require the removal of the mobilehome from the Homesite upon its sale to a third party, in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any rights granted either party by the Mobilehome Residency Law (including amendments, deletions or modifications thereto) and by other applicable law may be enforced by either party at that party's option.

20. INSURANCE.

Owner does not carry public liability or property damage insurance to compensate Homeowner, Homeowner's guests, or any other persons from any loss, damage, or injury except those resulting from actions where Owner would be legally liable for such loss, damage or injury. Homeowner is responsible for obtaining, at Homeowner's own cost, extended coverage for homeowners, 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 Homeowner, Homeowner's invitees or others from loss or liability, and Homeowner hereby agrees to indemnify and hold harmless Owner from any liability therefor.

21. LIENS AND CLAIMS.

Homeowner 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 or maintenance of the Homesite or mobilehome. Should any lien, demand or claim be filed, Homeowner shall cause it to be immediately removed. In the event Homeowner, in good faith, desires to contest such lien, demand or claim, he may do so, but in such case Homeowner agrees to and shall indemnify and save Owner harmless from any and all liability for damages, including reasonable attorneys' fees and costs, resulting therefrom and agrees to and shall, in the event of a judgment of foreclosure on said lien, cause the same to be satisfied, discharged and removed prior to execution of the judgment. Should Homeowner fail to discharge any such lien or furnish bond against the foreclosure thereof, Owner may, but shall not be obligated to, discharge the same or take such other action as it deems necessary to prevent a judgment of foreclosure on said lien from being executed against the property, and all costs and expenses, including, but not limited to, reasonable attorneys' fees and court costs incurred by Owner in connection therewith, shall be repaid by Homeowner to Owner on written demand.

22. ABANDONMENT.

During the term of this Agreement or any period of holding over, Homeowner shall not abandon the Homesite or the mobilehome located thereon. In the event Homeowner does abandon either the Homesite or Homeowner's mobilehome, such action may (at Owner's sole option) be deemed as Homeowner's election to terminate this Agreement and Owner shall have the rights afforded to Owner under California law to dispose of Homeowner's mobilehome and personal property located on the Homesite and within the Park.

23. ATTORNEYS' FEES AND COSTS.

If any action arises out of Homeowner's tenancy, this Agreement, or the provisions of the Mobilehome Residency Law, the prevailing party or parties shall be entitled to recover reasonable expenses, including without limitation attorneys' fees and costs. A party shall be deemed the prevailing party if judgment is rendered in his favor or where the litigation is dismissed in his favor prior to or during trial, unless the parties otherwise agree in the settlement or compromise.

24. HEADINGS.

The title of the paragraphs and subparagraphs contained herein are inserted solely for convenience only and do not define, limit, construe or describe the scope or intent of such paragraphs and subparagraphs, and under no circumstances are they or any of them to be treated or construed as any part of this Agreement.

25. NOTICES.

All notices required or permitted under this Agreement must be in writing and may be served upon Owner or Homeowner by any means then permitted by law. Homeowner understands that any notice of Owner terminating Homeowner's tenancy must be given to Homeowner in writing in the manner described by Section 1162 of the California Code of Civil Procedure. The service

of any other notice on Homeowner (including, but not limited to: a notice of rent increase; a notice of amendments to the Park's Rules and Regulations; a notice of change of standards for maintenance of physical improvements in the Park; a notice of additions, alterations or deletions of services, equipment, or physical improvements; and notices relating to other matters in Articles 1 through 5, inclusive, and Article 7 of the Mobilehome Residency Law) may be duly and validly served if the notice is mailed to the Homeowner at his or her address in the Park by First Class United States mail, postage prepaid. Any such notice served upon Homeowner in this manner shall be deemed served five (5) days after its mailing.

26. 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.

27. 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 circumstances 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.

28. 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.

29. INSPECTION OF HOMESITE AND PARK.

By signing this Agreement, Homeowner acknowledges that Homeowner has carefully inspected the Homesite to be leased and all the Park's facilities, has found them to be in good and sanitary order, condition and repair as represented by Park to Homeowner, either orally or in writing, and to the extent that they are not exactly as represented, either orally or in writing, agrees to accept them as they are.

30. RENTING, SUBLETTING OR ASSIGNMENT.

Unless permitted by the Rules and Regulations, Homeowner shall not sublease, rent or assign Homeowner's mobilehome, the Homesite or any rights or interest that Homeowner may have under this Agreement. Should the law change such that Owner is required to permit subletting, Owner may place such restrictions upon subletting as are permitted by law, may increase the rent charged to Homeowner as permitted by law, and may amend this Agreement to include provisions regarding subletting. For purposes of allowing Owner to so amend, this provision of this 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.

31. MEGAN'S LAW DISCLOSURE.

NOTICE: The California Department of Justice, sheriff's department, police department serving jurisdictions of 200,000 or more, and many other local law enforcement authorities maintain for public access a data base of the locations of persons required to register pursuant to paragraph (1) of subdivision (a) of Section 290.4 of the Penal Code. The data base is updated on a quarterly basis and a source of information about the presence of these individuals in any neighborhood. The Department of Justice also maintains a Sex Offender Identification Line through which inquiries about individuals may be made. This is a "900" telephone service. Callers must have specific information about individuals they are checking. Information regarding neighborhoods is not available through the "900" telephone service.

32. ARBITRATION OF DISPUTES.

32.1 ANY DISPUTE BETWEEN HOMEOWNER AND PARK RELATING TO, CONCERNING OR CONNECTED WITH THIS AGREEMENT, RESIDENCY DOCUMENTS, THE INTERPRETATION OR ENFORCEMENT THEREOF, THE LEASEHOLD, THE HOMESITE, SERVICES, FACILITIES, OR MAINTENANCE IN OR ABOUT THE PARK, AND ANY DISPUTE RESPECTING THESE MATTERS BETWEEN HOMEOWNER AND OWNER SHALL BE RESOLVED SOLELY BY MEDIATION AND ARBITRATION IN ACCORDANCE WITH THE PROVISIONS SET FORTH BELOW, INSTEAD OF IN COURT.

32.2 ANY DEMAND FOR ARBITRATION OR REQUEST FOR MEDIATION SHALL BE IN WRITING AND MUST BE MADE WITHIN A REASONABLE TIME AFTER THE CLAIM, DISPUTE OR OTHER MATTER IN QUESTION HAS ARISEN. IN NO EVENT SHALL THE DEMAND FOR ARBITRATION BE MADE AFTER THE DATE THAT INSTITUTION OF LEGAL OR EQUITABLE PROCEEDINGS BASED UPON SUCH CLAIM, DISPUTE OR OTHER MATTER WOULD BE BARRED BY THE APPLICABLE STATUTE OF LIMITATIONS. NOTICE OF DEMAND FOR MEDIATION OR ARBITRATION MUST PROVIDE: (a) A DESCRIPTION OF THE DISPUTE; (b) FACTS FROM WHICH THE DISPUTE ARISES, INCLUDING WITNESSES, DATES, TIMES, AND CIRCUMSTANCES; (c) A DESCRIPTION OF THE RELIEF OR ACTION REQUESTED.

32.3 WITH RESPECT TO ANY DISPUTE BETWEEN THE PARTIES THAT IS TO BE RESOLVED BY ARBITRATION, THE PARTIES SHALL ATTEMPT IN GOOD FAITH FIRST TO MEDIATE SUCH A DISPUTE AND SHALL USE THEIR BEST EFFORTS TO REACH AGREEMENTS ON THE MATTERS IN DISPUTE. WITHIN TEN (10) DAYS OF THE REQUEST OF ANY PARTY, THE REQUESTING PARTY SHALL ATTEMPT TO EMPLOY THE SERVICES OF A THIRD PERSON MUTUALLY ACCEPTABLE TO THE PARTIES TO CONDUCT AND CONCLUDE SUCH MEDIATION WITHIN FIFTEEN (15) DAYS OF HIS APPOINTMENT. IF THE PARTIES ARE UNABLE TO AGREE ON SUCH THIRD PERSON, OR, IF ON COMPLETION OF SUCH MEDIATION, THE PARTIES ARE UNABLE TO AGREE AND SETTLE THE DISPUTE, THEN THE DISPUTE SHALL BE REFERRED TO ARBITRATION AS SET FORTH BELOW.

32.4 ANY DISPUTE BETWEEN THE PARTIES THAT IS TO BE RESOLVED BY ARBITRATION SHALL BE SETTLED AND DECIDED BY ARBITRATION. IF THE PARTIES ARE UNABLE TO MUTUALLY AGREE UPON AN ARBITRATOR, THEN THE PARTIES SHALL APPLY TO THE PRESIDING JUDGE OF THE SUPERIOR COURT OF THE COUNTY IN WHICH THE PARK IS LOCATED. IF SUCH APPLICATION IS MADE, THEN THE PRESIDING JUDGE SHALL PROVIDE BOTH PARTIES WITH A LIST OF AT LEAST THREE (3) NEUTRAL ARBITRATORS, FROM WHICH THE PARTIES SHALL SELECT THE ARBITRATOR. SHOULD THE PARTIES FAIL TO AGREE UPON AND SELECT AN ARBITRATOR THEREFROM, THE PRESIDING JUDGE SHALL MAKE THE SELECTION FROM SAID LIST. EACH PARTY SHALL, HOWEVER, BE GIVEN THE RIGHT OF ONE (1) PREEMPTORY CHALLENGE. ARBITRATION SHALL BE HELD AND CONDUCTED BEFORE THE ONE (1) SELECTED ARBITRATOR.

A. ALL PROCEEDINGS INVOLVING THE PARTIES SHALL BE REPORTED BY A CERTIFIED SHORTHAND COURT REPORTER, AND WRITTEN TRANSCRIPTS OF THE PROCEEDING SHALL BE PREPARED AND MADE AVAILABLE TO THE PARTIES.

B. THE ARBITRATOR OR ARBITRATORS SHALL PREPARE AND PROVIDE THE PARTIES WITH WRITTEN FACTUAL FINDINGS AND THE REASONS ON WHICH THE DECISION OF THE ARBITRATOR IS BASED.

C. FINAL DECISION BY THE ARBITRATOR MUST BE MADE WITHIN ONE HUNDRED SIXTY (160) DAYS FROM THE DATE THE ARBITRATION PROCEEDINGS ARE INITIATED.

D. THE PREVAILING PARTY SHALL BE AWARDED REASONABLE ATTORNEYS FEES, EXPERT AND NON-EXPERT WITNESS COSTS AND EXPENSES, AND OTHER COSTS AND EXPENSES INCURRED IN CONNECTION WITH THE ARBITRATION. COSTS AND FEES OF THE ARBITRATOR SHALL BE BORNE BY THE NON-PREVAILING PARTY.

E. AS SOON AS PRACTICABLE AFTER SELECTION OF THE ARBITRATOR, THE ARBITRATOR SHALL DETERMINE A REASONABLE ESTIMATE OF ANTICIPATED COSTS AND FEES OF THE ARBITRATOR, AND EACH PARTY SHALL DEPOSIT WITH THE ARBITRATOR AN AMOUNT EQUAL TO ONE-HALF (½) OF THE ESTIMATED AMOUNT WITHIN FIVE (5) DAYS FROM THE DETERMINATION. FAILURE OF ANY PARTY TO MAKE SUCH DEPOSIT SHALL RESULT IN A FORFEITURE BY THE NON-DEPOSITING PARTY OF THE RIGHT TO DEFEND OR PROSECUTE THE CLAIM SUBJECT TO ARBITRATION, BUT SHALL NOT OTHERWISE SERVE TO ABATE, STAY OR SUSPEND THE ARBITRATION PROCEEDINGS.

F. ARBITRATION SHALL BE CONDUCTED PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET SEQ. THE PROVISIONS OF TITLE 9 OF PART 3 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, INCLUDING SECTION 1283.05, AND SUCCESSOR STATUTES, PERMITTING EXPANDED DISCOVERY PROCEEDINGS SHALL BE APPLICABLE TO ALL DISPUTES WHICH ARE ARBITRATED.

G. IF THESE ARBITRATION PROVISIONS ARE HELD UNENFORCEABLE FOR ANY REASON, IT IS AGREED THAT ALL ARBITRABLE ISSUES IN ANY JUDICIAL PROCEEDING WILL BE SUBJECT TO AND REFERRED ON A MOTION BY ANY PARTY FOR HEARING AND DECISION BY A REFEREE AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 ET SEQ.

32.5 NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THE FOLLOWING MATTERS SHALL BE EXEMPT FROM ARBITRATION:

A. UNLAWFUL DETAINER AND FORCIBLE DETAINER ACTIONS; AND

B. ACTIONS FOR INJUNCTIVE RELIEF PROVIDED, HOWEVER, THAT SAID ACTIONS SHALL BE ABATED OR STAYED EXCEPT TO THE EXTENT NECESSARY TO AFFORD THE PARTIES THE RIGHT TO OBTAIN AND ENFORCE PROVISIONAL INJUNCTIVE RELIEF (TEMPORARY RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS).

32.6 NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS SUCH RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THIS CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO THE NEUTRAL ARBITRATION.

Homeowner's Initials

33. RELEASE OF CLAIMS.

33.1 As a material part of the consideration of this Agreement, Homeowner hereby waives, releases and discharges Owner and each and all of Park's present and former partners, officers, directors, agents, representative, employees and attorneys and each and all of Owner's respective heirs, successors, executors, administrators and assignees from and against any and all claims, agreements, contracts, covenants representations, obligations, losses, liabilities, demands and causes of action which Homeowner may now or hereafter have or claim to have against Owner or Park, by reason of any matter or thing, whether of a personal or business nature, whatsoever, to and including the date hereof. Homeowner hereby waives any and all rights which Homeowner may have under the provisions of Section 1542 of the Civil Code of the State of California, which section reads as follows:

"A General Release does not extend to claims which the Creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him, must have materially affected his settlement with the Debtor."

33.2 It is understood by Homeowner that, if the facts or law with respect to which the foregoing release as given turn out hereafter to be other than or different from the facts or law in that connection now known to be or believed by Homeowner to be true, then Homeowner expressly assumes the risk of the facts or law turning out to be so different, and agrees that the foregoing release shall be in all respects effective and not subject to termination or rescission for any such difference in facts or law.

Homeowner's Initials

34. ACKNOWLEDGEMENTS.

34.1 Homeowner represents and acknowledges that this Agreement is being entered into between Owner and Homeowner for the personal and actual residence of Homeowner.

Homeowner's Initials

34.2 Homeowner understands, agrees, and acknowledges that the Park is designated as "housing for older persons" and that at least one resident of each mobilehome must be fifty-five (55) years of age or older. Homeowner hereby represents that at least one of the residents signing this Agreement is fifty-five (55) years of age or older, and all other Homeowners are at least forty-five (45) years of age or older.

Homeowner's Initials

34.3 Homeowner acknowledges receipt of a copy of the documents listed below:

- A. The California Civil Code provisions known as the "Mobilehome Residency Law."
- B. The Park's Rules and Regulations.

Homeowner's Initials

34.4 Homeowner acknowledges that, if Homeowner at the time of the offering of this Agreement is an existing homeowner, then:

- A. Owner has offered Homeowner the option of: a month-to-month rental agreement, a rental agreement having a term of twelve (12) months, or a rental agreement having a term which is longer than a month-to-month tenancy but less than twelve (12) months.
- B. Homeowner may elect to accept any one of the three (3) options set forth in subparagraph A above, and that this election is solely at Homeowner's option.
- C. Even though Homeowner has the three (3) options set forth in subparagraph A above, Homeowner has voluntarily elected the term of tenancy set forth in paragraph 1.2 above.

Homeowner's Initials

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34.5 Homeowner acknowledges and agrees that, pursuant to Civil Code §798.18(b), this Agreement contains the same terms and conditions with respect to charges for rent, utilities, or incidental reasonable service charges for the first twelve (12) months of this Agreement as are contained in the rental agreement offered to Homeowner for a term of twelve (12) months or less, including a month-to-month term.

Homeowner's Initials

IN WITNESS WHEREOF, Owner and Homeowner have executed this Agreement as of the day and year written below, further acknowledging and agreeing that all blank spaces have been completely filled in prior to such execution.

DEL CIELO MOBILE ESTATES

Dated: _____

By: _____
Authorized Agent

HOMEOWNER

Dated: _____

HOMEOWNER

Dated: _____

ACKNOWLEDGEMENT AND AGREEMENT BY RESIDENT AND/OR EXTRA RESIDENT:

The persons signing below hereby acknowledge and agree to the following:

- A. That they are not a "Homeowner" as defined by the Mobilehome Residency Law and this Agreement.
- B. That they are bound by the Park's Rules and Regulations and all other obligations pursuant to this Agreement (except for the obligation for payment of rent).
- C. That they have no rights of tenancy pursuant to the Mobilehome Residency Law.

RESIDENT/EXTRA PERSON

Dated: _____

RESIDENT/EXTRA PERSON

Dated: _____

36446.001/0215291.02

PONDEROSA MOBILEHOME PARK
STATEMENT OF RIGHTS
SECTIONS 798.17 AND 798.18
CALIFORNIA CIVIL CODE

By signing this Statement of Rights, the undersigned acknowledge(s) the following have been explained:

1. I/we have been given the right to consider signing any and all of these rental agreements for up to thirty (30) days from the date(s) below.
2. I/we understand that I/we have seventy (72) hours from the date I/we sign one of the rental agreements I/we have been offered to cancel it. I/we understand that by rescinding and canceling the Rental Agreement I/we have signed, I/we will have NO RIGHTS OF TENANCY in PONDEROSA MOBILEHOME PARK under the rescinded Rental Agreement.
3. I/we understand I/we have the right to accept a rental agreement of a different term as requested by HOMEOWNER(S) or as mutually agreed on by both HOMEOWNER(S) and management per the California Civil Code 798.18.
4. I/we intend to occupy a mobilehome on the space I/we am/are renting for my/our personal and actual residence.

**I/WE HAVE CAREFULLY READ THIS DOCUMENT BEFORE SIGNING IT,
AND UNDERSTAND ALL OF ITS TERMS.**

Dated: _____

Dated: _____

Dated: _____



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**PONDEROSA MOBILEHOME PARK
MOBILEHOME 240-MONTH SPACE LEASE**

LONG TERM LEASE STATEMENT

THIS AGREEMENT WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE, MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT A LANDLORD MAY CHARGE FOR RENT (CALIFORNIA CIVIL CODE 798.17).

SPACE AND LEASE INFORMATION

A. SPACE NO. _____, PONDEROSA MOBILEHOME PARK, 21850 Belleview Road, Sonoma, California 95370.

**Fill in
the Blanks**

B. DATE this agreement is signed: _____

C. Date on which the term of this agreement BEGINS: _____

D. Date on which the initial term of this agreement will END unless renewed: _____

E. HOMEOWNER(S): _____ ; _____

F. BASE RENT: _____

G. Date rent will be adjusted and ANNIVERSARY DATE for future adjustment: _____

H. TERM of Lease: 240 months (20 years)

I. RESIDENT(S): _____ ; _____

MOBILEHOME INFORMATION

Information on the Mobilehome Described in this Lease

LEGAL OWNER'S NAME: _____

ADDRESS: _____

TELEPHONE NUMBER: (____) _____ (____) _____

REGISTERED OWNER'S NAME: _____

ADDRESS: _____

TELEPHONE NUMBER: (____) _____

MAKE OF MOBILEHOME: _____

MODEL OF MOBILEHOME: _____

YEAR OF MANUFACTURE: _____

VEHICLE IDENTIFICATION NOS. (1) _____ (2) _____

Fill in the Blank

LICENSE OR DECAL NOS. (1) _____ (2) _____

THE HOMEOWNER(S) WHOSE NAMES ARE LISTED AT (E) ABOVE, AGREE TO LEASE THE SPACE LISTED AT (A) FOR THE PERIOD AND ACCORDING TO THE TERMS SET FORTH IN THIS AGREEMENT. THIS IS A LEASE FOR PERSONAL AND ACTUAL RESIDENCE OF THE HOMEOWNER(S). HOWEVER, IT IS A LEASE FOR SPACE ONLY. HOMEOWNER(S) MUST PROVIDE THEIR OWN RESIDENCE AND ARE COMPLETELY RESPONSIBLE FOR THAT RESIDENCE.

1. TERM

The TERM of this agreement shall be the period listed at (H) above, beginning at the date listed at (C) and ending at the date listed at (D) on the front page of this lease. This agreement will be exempt from any ordinance, rule, regulation, or initiative measure adopted by any local government entity which establishes a maximum amount a landlord may change for rent.

2. RENT

2.1 BASE RENT

HOMEOWNER(S) will pay the BASE RENT set forth at (F) above per month for the first twelve (12) months this lease is in effect. Subsequent to the dates described at (G) above, the rent shall be adjusted as provided below in subparagraphs 2.2 - 2.4. If PARK does not assess the increases described below on the dates set forth at (G) above, such failure shall not constitute a waiver of the PARK'S right to assess such increases. The increases described below may be assessed by the PARK at any time.

2.2 COST OF LIVING OR INCREASE ADJUSTMENT

2.2(a) For the one (1) year period beginning with (C) above, HOMEOWNER(S) shall pay PONDEROSA MOBILEHOME PARK the sum set forth at (F) above per month as RENT. RENT shall be due on the first day of each month and will be considered past due by the 6th.

2.2(b) Commencing on the date set forth at (G) above, and each year thereafter on an annual basis (that is, once every twelfth month), PONDEROSA MOBILEHOME PARK shall increase the monthly rent HOMEOWNER(S) are then paying, for the following twelve (12) months, by the percentage listed below OR by the increase in the "Consumer Price Index" for the twelve (12) months, whichever is greater.

year 2	5%	year 12	5%
year 3	5%	year 13	5%
year 4	5%	year 14	5%
year 5	5%	year 15	5%
year 6	5%	year 16	5%
year 7	5%	year 17	5%
year 8	5%	year 18	5%
year 9	5%	year 19	10%
year 10	5%	year 20	15%
year 11	5%		

2.2(c) The "Consumer Price Index" used to determine this amount shall be the "Cost of Living Index for Urban Consumer for the San Francisco, San Jose, Oakland Areas " (all items) based on year 1982 = 100 as published by the United States Department of Labor Bureau of Statistics, as of the nearest publication date before the date set forth at (G) above. In the event the "Consumer Price Index" ceases to incorporate a significant number of items, or if a substantial change is made in the method of establishing such "consumer Price Index," then the "Consumer Price Index" shall be adjusted to the figure that would have resulted, had no change occurred in the manner of computing that "Consumer Price Index." In the event that such "Consumer Price Index" (or its successor or substitute index) is not

available, a reliable governmental or other non-partisan publication, evaluating the information theretofore used in determining the "Consumer Price Index" shall be used in lieu of such "Consumer Price Index."

2.3 ADJUSTMENT FOR INCREASES IN TAXES, ASSESSMENTS GOVERNMENTAL MANDATED PROJECTS AND INSURANCE

In addition to all other rent due under the terms of this agreement, the monthly rents shall be increased and assessed on the date set forth at (G) above and on each anniversary of that date in the manner described below. (However, rent shall not be increased due to any cost, fine, forfeiture, penalty or fee attributable to any loss or fee incurred on account of a violation by the PARK of any chapter of the Mobilehome Residency Law.) The increase in monthly rent shall be equal to the net increase of one twelfth (1/12) of the increase in the following factors incurred by the PARK over the previous twelve month period, divided by the number of occupied spaces in the PARK:

- a. The amount which property taxes or governmental assessments of any kind (except federal or state income taxes) have increased;
- b. The amount that the PARK has expended on any governmentally mandated project assessed or required to be paid by any governmental body;
- c. The increase in the PARK's cost of insurance (including fire, legal and general liability insurance);
- d. The amount of the deductible actually incurred by the PARK from casualties or losses covered by the PARK's insurance (fire, legal and general liability insurance);
- e. The increase in cost of the PARK's attorney fees;
- f. The amount of any uninsured loss the PARK, its ownership, management or employees are ordered to pay by any court or arbitrator as damages or to compensate any person or group of persons because of any law suits brought against the PARK, its owners, managers or other employees that is for any reason not paid by an insurance company.

2.4 NEW PARK FACILITIES AND REPAIRS

Commencing on the date set forth at (G) above, and on each ANNIVERSARY of the date thereafter, in addition to any other rent due under the terms of this agreement, the MONTHLY RENT for the previous year shall be increased by one twelfth (1/12) of the cost of any new PARK facility, or the repair of any PARK facility of any kind, costing more than \$5,000.00 in any calendar year, including, but not limited to, streets, utility lines or pipes, roofs, the swimming pool or pool equipment. The amount of increase in the monthly rental rate for any specified year shall be computed by use of the following formula:

$$MI = \frac{C}{12 \text{ months}} \div NRS$$

Where:

MI = Monthly Increase

C = Cost of repair or new facility

NRS = Number of rented spaces

If the monthly increase (MI) is more than \$15.00, it shall be amortized over two years and would be computed by use of the following formula:

$$MI = \frac{C}{24 \text{ months}} \div NRS$$

2.5 MARKET RATE ADJUSTMENT

2.5(a) A long term lease such as this one is an estimate of our costs to operate the PARK and this estimate may error substantially. PONDEROSA MOBILEHOME PARK has made other commitments in this agreement to HOMEOWNER(S) which the PARK is not obligated to make. The PARK has to be able to change rents which reasonably relate to the value of the property. Therefore, an additional rent increase not to exceed 15% over the current RENT may be required at PARK'S discretion at the beginning of every fifth (5th) year on the anniversary date of this lease.

3. TERMINATION OF THIS AGREEMENT BY HOMEOWNER(S)

HOMEOWNER(S) understand this Lease agreement will remain in effect and HOMEOWNER(S) will be liable to pay rent as set forth above, whether or not the HOMEOWNER(S) occupy the SPACE. HOMEOWNER(S) may abandon this lease and it will no longer bind them only if HOMEOWNER(S) remove their mobilehome from the PARK or HOMEOWNER(S) die. Should the SPACE be abandoned, its possession shall revert to PONDEROSA MOBILEHOME PARK.

4. TERMINATION OF TENANCY BY PARK

This Lease, at the sole option of PONDEROSA MOBILEHOME PARK, may be declared forfeited, and/or the tenancy may be terminated and/or HOMEOWNER(S)' right to possession terminated, in accordance with the provisions of the Mobilehome Residency Law and other applicable law. Any rights of termination granted the PARK due to any future amendments, deletions, or modifications of the Mobilehome Residency Law and other applicable law, may be enforced by the PARK as amended.

5. UTILITIES

HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK agree to the following regarding utilities. This agreement may be changed or modified on sixty (60) days' written notice to HOMEOWNER(S) by PONDEROSA MOBILEHOME PARK.

5.1 Submetered Utilities

HOMEOWNER(S)' water, which may be metered, will be supplied by PONDEROSA MOBILEHOME PARK. Each month PONDEROSA MOBILEHOME PARK will read meters for water and charge HOMEOWNER(S) for the amount that has been metered according to the utility rates allowed by the responsible governmental regulator or utility company as listed in their rate chart. The rate chart will be posted in a conspicuous place when PONDEROSA MOBILEHOME PARK is required to do so by law. Electricity and gas (currently propane) will be billed directly by the utility company providing the service.

5.2 Flat Rate Utilities

HOMEOWNER(S) will be charged their proportional share of the PARK's trash collection, and sewer/septic system charge. Each month PONDEROSA MOBILEHOME PARKS' bills for these will be divided by the number of occupied spaces in the PARK and that amount will be added to HOMEOWNER(S)' next month's bill.

5.3 Outside Utilities

HOMEOWNER(S)' telephone and cable TV services are available through outside contractors or utility companies. HOMEOWNER(S) will contract with the companies directly; PONDEROSA MOBILEHOME PARK is not responsible for the installation or maintenance or continuation of these utilities.

HOMEOWNER(S) will pay for these utilities directly to the companies providing these utilities.

6. MOBILEHOME RESIDENCE LAW

HOMEOWNER(S) hereby acknowledge receipt of a copy of the "Mobilehome Residency Law", a part of the Civil Code of the State of California. Terms and provisions of the Mobilehome Residency Law are specifically made a part of this agreement.

7. RESPONSIBILITY OF PONDEROSA MOBILEHOME PARK FOR MAINTENANCE

It is the responsibility of PONDEROSA MOBILEHOME PARK to provide and maintain the physical improvements in the common facilities (swimming pool, heated by gas or solar or both only during summer months, a shuffleboard court and a coin operated laundry in good working order and condition (California Civil Code 798.15(d)). HOMEOWNER(S) agree the shuffleboard court may be removed on sixty (60) days' written notice to HOMEOWNER(S) and replaced with other common area improvements or landscaping amenities. HOMEOWNER(S) acknowledge, however, that it is impossible for PONDEROSA MOBILEHOME PARK to maintain the PARK's common facilities and physical improvements in perfect order. To determine "good working order", the parties agree that from time to time things in the PARK'S common facility (e.g. water lines, well system, sewer lines,

septic system, electrical distribution system, gas distribution system, streets, lighting, buildings, appliances, etc.) will break down. The parties agree such breakdowns are inevitable and expected even if facilities are kept in "good working order". In order to determine whether or not PONDEROSA MOBILEHOME PARK is maintaining the PARK'S common facilities in "good working order", the parties agree all of the following must be taken into consideration:

1. The age of the PARK;
2. The rent being charged in relation to other comparable mobilehome parks in the area;
3. The condition of the mobilehomes in the PARK;
4. The condition of the homeowners' lots;
5. The condition of the area surrounding the PARK;
6. The condition of public streets and other services in the area.

HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK agree PONDEROSA MOBILEHOME PARK is not in any way responsible for the following things because they are beyond PONDEROSA MOBILEHOME PARK control:

1. Failure of electrical, water or gas service caused by the supplier of these utilities to PONDEROSA MOBILEHOME PARK;
2. Condition, taste, color or smell of water delivered to HOMEOWNER(S) if it is delivered in the same condition as which it is received from water supplier or well system;
3. Interruption in the gas system caused by or substantially contributed to by the supplier of gas to PONDEROSA MOBILEHOME PARK;
4. Sewer backups caused by deliberate sabotage, the failure of HOMEOWNER(S)' equipment in their mobilehome including HOMEOWNER(S)' failure to install equipment that could stop sewer backups, or any failure of the sewer system on the HOMEOWNER(S)' side of the sewer connection;
5. The failure of gas, electric, water or sewer system caused by a problem on the HOMEOWNER(S)' side of the meter or hookup.

HOMEOWNER(S)' specifically agree that any problem experienced with water, sewer, gas or electric on "their side" of the meter or hookup is "HOMEOWNER(S)' problem" and PONDEROSA MOBILEHOME PARK shall have no liability for any such problem. HOMEOWNER(S) further agree their failure to correct any problem on "their side" of the meter or hookup will result in damage to their neighbors and PONDEROSA MOBILEHOME PARK if they fail to correct it.

8. HOMEOWNER(S)' MEETINGS

PONDEROSA MOBILEHOME PARKS' management shall meet and consult with HOMEOWNER(S) upon written request, either individually, collectively, or with representatives of a group of the HOMEOWNER(S) who have signed a request to be so represented on the following matters within thirty (30) days;

- 6.1 Amendments to PARK rules and regulation;
- 6.2 Standards for maintenance of physical improvements in the PARK;
- 6.3 Additions, alterations, or deletions of service, equipment or physical improvements;
- 6.4 Rental agreements offered pursuant to Section 798.17 of the California Civil Code.

Any collective meeting shall be conducted only after notice thereof has been given to all requesting HOMEOWNER(S) ten (10) days before the meeting. PONDEROSA MOBILEHOME PARK shall set the date, time, and place of meeting.

9. PONDEROSA MOBILEHOME PARKS' RESPONSIBILITY FOR CHANGES IN THE VALUE OF MOBILEHOMES

HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK agree the future value of HOMEOWNER(S) mobilehome is in no way guaranteed by PONDEROSA MOBILEHOME PARK. HOMEOWNER(S) acknowledge PONDEROSA MOBILEHOME PARK has made no representation that HOMEOWNER(S)' mobilehome will necessarily increase in value over time and that in fact the mobilehome may decrease in value depending upon: market conditions, availability of financing, condition of the mobilehome, demand for housing in this area, availability and cost of other housing alternatives, the age of the PARK, changes in the PARK'S rules and rental rate, and levels of

maintenance in the PARK. HOMEOWNER(S) accept the risks of changes in the factors just listed and accept the increase or decrease in value they may bring.

10. HOMEOWNER(S)' DUTY TO REPORT DEFECTS

As substantial consideration for this lease PONDEROSA MOBILEHOME PARK and HOMEOWNER(S) agree HOMEOWNER(S) shall report any defect in the maintenance of the PARK's common facilities including but not limited to: water leaks, gas leaks, pot holes or cracks in the paving or roads, unclean or inoperable laundry facilities, insufficient trash bin capacity, dirty trash areas, dust, dirt or debris on roads, problems with the heating or cooling at the common buildings, discolored, bad smelling or inadequate water supply or pressure, problems with the PARK's common electrical system, leaks, backups, or lack of capacity of the PARK's sewerage or septic system, torn or dirty carpeting, torn floor covers or window covering in the PARK's buildings, holes or worn spots in floors, decks or stairs, dirty pool or any other defect in the PARK's equipment, buildings, facilities or maintenance including landscaping. HOMEOWNER(S) shall give this notice in writing to the PARK's on site manager, by registered U.S. mail (return receipt requested) within sixty (60) days of HOMEOWNER(S)' discovery of any of the conditions set forth so they may be corrected within a reasonable period of time by the PARK.

The parties further agree that if HOMEOWNER(S) fail to report any such defect in writing by certified mail within sixty days of its discovery, HOMEOWNER(S) are in substantial violation of this lease agreement. Should HOMEOWNER(S) fail to report any such defect within six (6) months of its discovery, during which time HOMEOWNER(S) pay the rent, utilities and other charges due under the terms of this lease, HOMEOWNER(S) does by signing this lease, and shall be deemed to have waived any damages HOMEOWNER(S) had or has by reason of such unreported defect completely and without qualification.

11. CHANGES IN STANDARDS OF MAINTENANCE SERVICE, EQUIPMENT, OR PHYSICAL IMPROVEMENTS

The standards of maintenance of physical improvements in the PARK, together with services (including utilities) may be changed from time to time as provided by the Mobilehome Residency Law on sixty (60) days' written notice to HOMEOWNER(S).

12. REQUIREMENTS OF CIVIL CODE SECTION 798.27

The nature of the zoning under which PONDEROSA MOBILEHOME PARK operates is MOBILEHOME PARK. If a change occurs concerning the zoning under which the PARK operates or a lease under which PARK is lessee, HOMEOWNER(S) shall be given written notice within thirty (30) days of that change.

13. ENTRY UPON HOMEOWNER(S) SPACE

The PARK shall have a right of entry upon the SPACE defined at (A) above for maintenance of utilities and the protection of the mobilehome park at any reasonable time but not in a manner or at a time which would interfere with the occupant(s)' quiet enjoyment. HOMEOWNER(S) hereby grant to the PARK owners or the PARK owners' agents the right to enter the mobilehome in the absence of the occupant(s) in the case of an emergency or when the occupant(s) have abandoned the mobilehome.

14. REMOVAL ON SALE

PONDEROSA MOBILEHOME PARK may, at its option, in order to upgrade the quality of the PARK, require the removal of mobilehomes from the premises upon their sale to a third party, in accordance with the provisions of the Mobilehome Residency Law.

15. ASSIGNING, RENTING, OR SUBLETTING

HOMEOWNER(S) shall not sublease or otherwise rent all or any portion of HOMEOWNER(S)' mobilehome, this lease or the premises. If PONDEROSA MOBILEHOME PARKS' management discovers HOMEOWNER(S) have done or attempted the foregoing, then this lease is subject to termination in accordance with California Civil Code 798.56(d). Nothing in this paragraph shall be

deemed to constitute a controversion of California Civil Code 798.34(b).

The terms of this lease are full binding on any successor in interest of the people listed at (E) above. During the term of this lease, beginning on the DATE at (C) above, the person(s) listed at (E) above must assign this lease to any successor in interest. In assigning this lease, assignee must agree to an increase in rent not to exceed a 12% increase in rent over what the present HOMEOWNER(S) would be paying for the month in which the transfer will take place. Such increase shall be applicable on the date of assignment.

16. APPROVAL OF PROSPECTIVE HOMEOWNER(S) AND SUBSEQUENT RESIDENTS

HOMEOWNER(S) may sell their mobilehome at any time pursuant to the rights and obligations of HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK under the state law. HOMEOWNER(S) must, however, immediately notify PONDEROSA MOBILEHOME PARK in writing of HOMEOWNER(S)' intent to sell their 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 (1) complete an Application for Tenancy, (2) be accepted by PONDEROSA MOBILEHOME PARK, (3) and the people listed at (E) above and the prospective buyer(s) must execute an assumption of lease agreement. These same requirements for completion of an application, approval by PONDEROSA MOBILEHOME PARK, and the execution of documents, shall apply before any person other than the ones listed at (E) shall be permitted to become a HOMEOWNER or resident of the PARK. PARK Rules and Regulations and the Rental Agreement signed by the new PROSPECTIVE HOMEOWNER(S) or resident(s) may be different in their terms and provisions than this agreement and other agreements and Rules and Regulations now in effect. All rights, remedies and restrictions described in 798.78 of the California Civil Code shall apply before the HOMEOWNER(S) may sell their mobilehome located at the SPACE described in (A) above. It is clarified to the effect that the rights, remedies and restrictions described in 798.78 of the California Civil Code shall apply in the case of any sale of a mobilehome by HOMEOWNER(S); this provision is not merely applicable to an heir, joint tenant or personal representative of the estate which gains ownership of a mobilehome in the PARK through the death of the owner(s) of the mobilehome. Furthermore, PONDEROSA MOBILEHOME PARK shall retain a security interest under the Uniform Commercial Code in HOMEOWNER(S)' mobilehome, located at the SPACE described in (A) above, to the extent of any liability of the HOMEOWNER(S) for unpaid rent, fees and charges.

17. USES AND ABANDONMENT PROHIBITED

The mobilehome and premises shall be used for the private residential purposes of HOMEOWNER(S) 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 at (E), and HOMEOWNER(S)' guests, may reside at the premises without the prior written consent of PONDEROSA MOBILEHOME PARK. HOMEOWNER(S) shall not vacate or abandon the premises at any time during the term of this agreement or renewal.

18. IMPROVEMENTS

All plants, shrubs, and trees planted on the premises as well as all structures, including fences permanently embedded in the ground, blacktop, or concrete, or any structure permanently attached to the ground, shall become the property of PONDEROSA MOBILEHOME PARK as soon as they are installed and may not be removed by the HOMEOWNER(S) without the prior written consent of the PARK.

HOMEOWNER(S) shall maintain all of the above at HOMEOWNER(S) sole expense and shall be completely responsible for each of them, although they are the property of the PARK, who may remove them at PONDEROSA MOBILEHOME PARKS' option.

19. HOLD-OVER TENANCY/RENEWAL

Sixty (60) days prior to the expiration of this lease, either PONDEROSA MOBILEHOME PARK or HOMEOWNER(S) may cancel the Lease and HOMEOWNER(S) may accept either a month-to-month, a one year or longer lease as HOMEOWNER(S) may prefer. To cancel the Lease,

either PARK or HOMEOWNER(S) shall send the other a letter so that is received by the thirtieth (30th) day prior to the date described at (D) above, by U.S. FIRST CLASS MAIL SERVICE saying they do not wish to renew the Lease after its expiration.

20. WAIVER

The failure of the PARK to take action in any respect because of (a) any breach of a term, covenant, or condition, contained herein or (b) the violation of a PARK rule, shall not be a waiver of that term or rule. The subsequent acceptance of rent by PONDEROSA MOBILEHOME PARK shall not be a waiver of any preceding breach, or violation of PARK rules including failure to pay rent timely.

21. TIME IS OF THE ESSENCE

Time is of the essence of this agreement.

22. INTERPRETATION

Each provision of this agreement is separate, distinct, and individually enforceable. In the event any provision is declared to be unlawful or unenforceable, the validity of all other provisions shall not be affected.

23. INSPECTION OF THE PREMISES

By signing this agreement, HOMEOWNER(S) acknowledge HOMEOWNER(S) have carefully inspected the SPACE to be rented and all the PARK's facilities and have found them to be in every respect in good order, well maintained, and as represented by PONDEROSA MOBILEHOME PARK to the HOMEOWNER(S), either orally or in writing, and to the extent that they are not exactly as represented, either orally or in writing, accept them as they are. HOMEOWNER(S) agree at the termination of this agreement to peacefully surrender the premises to PONDEROSA MOBILEHOME PARK in a clean and well-maintained condition.

24. SUBORDINATION

This Lease and any leasehold interest which may be created by it shall be subordinate to any encumbrance of record before or after the date of this agreement affecting the mobilehome park, any and all buildings or other improvements therein, and/or the land of which the SPACE leased to HOMEOWNER(S) is a part. Such subordination is effective without any further act of HOMEOWNER(S); HOMEOWNER(S) agree however, to execute and deliver any documents or instruments which may be required by any lender to effectuate any subordination promptly upon request by PONDEROSA MOBILEHOME PARK. If HOMEOWNER(S) fail to execute and deliver any such documents or instruments, HOMEOWNER(S) hereby irrevocable constitute and appoint the owner of PONDEROSA MOBILEHOME PARK as HOMEOWNER(S)' special attorney-in-fact to execute and deliver any such documents or instruments.

25. PONDEROSA MOBILEHOME PARK RIGHT OF FIRST REFUSAL

In consideration of the execution of this document HOMEOWNER(S) grant PONDEROSA MOBILEHOME PARK a Right of First Refusal to Purchase HOMEOWNER(S)' mobilehome. If HOMEOWNER(S) receive a bona fide offer to purchase the mobilehome, that offer including all terms of the offer shall be submitted by HOMEOWNER(S) to PONDEROSA MOBILEHOME PARK, and PONDEROSA MOBILEHOME PARK shall have ten (10) days to meet the terms of the offer. PONDEROSA MOBILEHOME PARK will notify HOMEOWNER(S) of its intention to meet the offer by sending a Notification of Intent to Exercise Right of First Refusal to HOMEOWNER(S) by U.S. First Class Mail at HOMEOWNER(S)' home address, listed above at "A."

If PONDEROSA MOBILEHOME PARK does not send Notification of Intent to Exercise Right of First Refusal to HOMEOWNER(S) within ten (10) days, HOMEOWNER(S) will be free to sell the mobilehome to the third party buyer tendering the original offer. If for any reason the third party buyer does not purchase the mobilehome, HOMEOWNER(S) will repeat this procedure with any subsequent offers to purchase.

26. RESOLUTION OF CERTAIN DISPUTES BY THE PARTIES, MEDIATION, REFERRAL TO RETIRED JUDGE (per California Code of Civil Procedure 638[1])

It is the objective of HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK to establish procedures to facilitate the informal and inexpensive resolution of any dispute involving any of the following by mutual cooperation:

1. Failure of PONDEROSA MOBILEHOME PARK to maintain any common facility within the PARK.
2. The civil violation of any United States, California, city or county law, ordinance, administrative decision, regulation, or rule by PONDEROSA MOBILEHOME PARK.
3. Any economic loss of any kind HOMEOWNER(S) contend HOMEOWNER(S) have suffered for personal injury, reduction in value of HOMEOWNER(S)' mobilehome, emotional distress, loss of consortium, or any other loss or suffering caused by any deliberate or negligent act of PONDEROSA MOBILEHOME PARK, its owners, managers, agents, employees, licensees, management company or successors in interest.

To accomplish this objective, PONDEROSA MOBILEHOME PARK and HOMEOWNER(S) agree to follow the procedures set forth below if and dispute arises regarding the items listed above:

The complaining party shall write a description of the alleged problem involving the matters set forth above and send it to the other by certified or registered U.S. Mail. This letter shall explain the nature of the complaint and refer to the relevant sections of the Mobilehome Residency Law, the Health and Safety Code, this lease agreement, Title 25 of the California Administrative Code or any other statute, contract or rule of law upon which the complaint is based. The complaining party shall also set forth a proposed solution to the problem, including a specific time frame within which the parties must act.

The party receiving the letter must respond in writing within ten (10) days of receipt with an explanation, including references to the relevant parts of this agreement and any relevant statutes, administrative code sections or other laws and a response to the proposed solution.

Within ten (10) days of receipt of this response, the parties must meet and discuss options for resolving this dispute. The complaining party must initiate the scheduling of the resolution meeting.

It is intended that the first three steps toward resolution are to be taken by the parties themselves without the participation of legal counsel. If, however, the parties are unable to reach agreement at the resolution meeting, they may seek to agree that lawyers may participate in any subsequent settlement conference.

A. MEDIATION

A settlement conference must be held within thirty (30) days after an unsuccessful resolution meeting. The settlement conference will be held at the office of any accredited referral agency recognized by the Superior Court that is closest to the park. The complaining party must contact that office to schedule the conference. The parties may agree on a retired judge from the panel. If they are unable to agree, the agency will provide a list of three available judges and each party may strike one. The remaining judge will serve as mediator at the settlement conference.

B. GENERAL REFERENCE (638[1] et seq. California Code of Civil Procedure)

If a dispute, regarding any or all of the items listed in this paragraph (26) at 1, 2, or 3 above, is not settled by other prescribed resolution formulas as set forth above, it shall be resolved at the request of either party by general reference conducted by a retired judge from the panel of any accredited referral service recognized by the Superior Court appointed pursuant the provisions of 638(1) et seq. of the California Code of Civil Procedure. If the parties cannot agree upon a member of the panel, one shall be appointed by the Presiding Judge of the Superior Court for the county in which PARK is located. The parties agree that general reference must be initiated within one (1) year after the claimed breach occurs and that failure to initiate general reference within the one year period constitutes an absolute bar to the institution of any new proceeding on those particular claims. Such absolute bar shall be in addition to any previous bar by other terms of this lease.

C. MATTERS NOT SUBJECT TO REFERRAL (under the provisions of 638[1] of California Code of Civil Procedure)

HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK agree the following matters shall not be submitted to a retired judge from the panel for referral, but instead shall be litigated before the courts and under the laws of the State of California:

1. An action brought by PONDEROSA MOBILEHOME PARK for eviction of HOMEOWNER(S) or anyone occupying the premises within the parameters described by California Civil Code 798.56 or any other statute or rule of law.
2. Any dispute as to whether or not the amount of rent, utilities or other charges imposed by PONDEROSA MOBILEHOME PARK is legal and consistent with this lease.

D. PAYMENT OF COSTS

The aggrieved party shall pay the entire amount of costs necessary to bring this matter to complete resolution. The retired judge shall have the power to apportion these costs between the aggrieved party and the other party or award costs entirely to one party or the other at the time of the hearing, but the aggrieved party will pay all costs as they come due in order to sustain the matter. Should the aggrieved party fail to make any payments to the accredited referral agency timely, HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK agree that the entire matter shall be dismissed with prejudice by the retired judge and the matter shall be in the same position as if it had been dismissed by a judge of the Superior Court for failure to prosecute the matter.

E. RIGHTS TO DISCOVERY

HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK agree that each of them shall have the same rights to discovery in any proceeding under this section that they would have in a civil action in a Superior Court under the laws of the State of California, including, but not limited to, the rights to propound interrogatories, take depositions, and any other right they might have under the laws of the State of California and to ask for sanctions for the violation of these rights exactly as if the matter were handled before a Superior Court of the State of California.

F. REFERRAL TO ONE JUDGE FOR ALL PURPOSES

The dispute between the parties shall be referred to one retired judge for all purposes, including "Law and Motion" and the retired judge shall have the same power to make any decision as any Superior Court judge.

G. STRUCTURING THE HEARING

The parties must file briefs with the retired judge at least three (3) days before the hearing, specifying the facts each intends to prove and analyzing the applicable law.

The parties have the right to representation by legal counsel throughout the proceeding.

Rules of evidence and procedures relating to the conduct of the hearing, examination of witnesses, and presentation of evidence apply exactly as if this matter were being tried before a Superior Court of the State of California.

Both sides at the hearing may call and examine witnesses for relevant testimony, introduce relevant exhibits or other documents, cross-examine or impeach witnesses who shall have testified orally on any matter relevant to the issues and otherwise rebut evidence exactly as if this matter were tried before a Superior Court of the State of California.

Any party desiring a stenographic record may secure a court reporter to attend the proceedings. The requesting party must notify the other parties of arrangements in advance of the hearing and must pay the costs incurred.

All oral evidence given shall be given under oath exactly as if this matter were heard before a Superior

Court of the State of California.

H. BURDEN OF PROOF

The burden of proof shall be entirely upon the complaining party.

I. AWARD AND DECISION SHALL BE IN WRITING

The award must be made in writing and signed by the retired judge. It shall contain a concise statement of the reasons in support of the decision. The award must be mailed promptly to the parties no later than thirty (30) days after the closing hearing.

J. BINDING EFFECT

The award can be judicially enforced pursuant to SEC.644 of the Code of Civil Procedure. It is final and binding.

K. TRIAL BY JURY

By agreeing to this portion of the lease, HOMEOWNER(S) and PONDEROSA MOBILEHOME PARK understand and agree they are both WAIVING THEIR RIGHT TO A TRIAL BY JURY, but only as to those items listed in this paragraph at (B) above (matters to be decided by general reference).

L. APPEALABILITY OF DECISION

Each party specifically retains their right to appeal any decision of the retired judge just as if the matter were tried before a Superior Court judge without a jury.

27. EFFECT OF THIS AGREEMENT

HOMEOWNER(S) agree this Lease contains the entire agreement between the parties regarding the rental SPACE within PONDEROSA MOBILEHOME PARK. All prior negotiations or stipulations concerning this matter which preceded or accompanied the execution of this agreement are conclusively deemed to have been superseded by this written agreement.

This agreement completely supersedes any prior agreement of the parties, whether in writing or oral.

28. ALTERATION OF THIS AGREEMENT

This agreement may be altered by the HOMEOWNER(S) only by written agreement signed by all of the parties or by operation of law. This agreement may be altered by PONDEROSA MOBILEHOME PARK by written agreement signed by all of the parties, or in any manner provided for by the Mobilehome Residency Law or other applicable law.

29. CHARGES FOR MAINTENANCE OF SPACE (CC SEC.798.36)

PONDEROSA MOBILEHOME PARK may charge a reasonable fee for services relating to the maintenance of the SPACE described above at (A) in the event the HOMEOWNER(S) fail to maintain the SPACE in accordance with the park rules. The PARK will provide HOMEOWNER(S) written notification of their failure to maintain the SPACE, stating the specific condition to be corrected and an estimate of the charge to be imposed by management if the services are performed by management or its agent. HOMEOWNER(S) will then have fourteen (14) days after notice to comply by correcting the condition.

30. RULES

The PARK RULES are a part of this agreement. HOMEOWNER(S) agree to comply with these rules as they now exist and such additional rules as may be promulgated by the PARK from time to time in accordance with the Mobilehome Residency Law or any other applicable law now in effect or as amended.

31. CONDEMNATION

If the SPACE or any portion of the facilities in the PARK are taken by the power of eminent domain, or sold by PONDEROSA MOBILEHOME PARK under the threat of said power (all of which is herein referred to as "condemnation"), this lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever occurs first. If more than twenty percent (20%) of the SPACE, or more than twenty percent (20%) of the land area of the PARK is taken by condemnation, either PONDEROSA MOBILEHOME PARK or HOMEOWNER(S) may terminate this Lease as of the date the condemning authority takes possession. This termination will be effected by giving notice in writing of such election within twenty (20) days after PONDEROSA MOBILEHOME PARK shall have notified HOMEOWNER(S) of such taking or, in the absence of such notice, then within twenty (20) days after the condemning authority shall have taken possession.

If this Lease is not terminated by either PONDEROSA MOBILEHOME PARK or HOMEOWNER(S) as provided hereinabove, then it shall remain in full force and effect as to the portion of the PARK remaining.

All awards for the taking of any part of the Premises or any payment made under the threat of the exercise of the power of eminent domain shall be the property of PONDEROSA MOBILEHOME PARK, whether made as compensation for the diminution of the value of the leasehold or for the taking of the fee or as severance damages; provided, however, that HOMEOWNER(S) shall be entitled to any award for loss of or damage to HOMEOWNER(S) mobilehome and removable personal property, including storage sheds, awnings, skirting, and patios.

Each party hereby waives the provisions of Code of Civil Procedure section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a partial taking of the Premises.

Rent shall not be abated or reduced during the period from the date of taking until the completion of restoration by PONDEROSA MOBILEHOME PARK, if any, and all other obligations of HOMEOWNER(S) under this Lease shall remain in full force and effect.

32. ACKNOWLEDGEMENT

HOMEOWNER(S) and RESIDENT(S), which terms include each of the people set forth in (E) and (I) above, acknowledge they have received copies of this agreement together with a copy of the PARK Rules, and a copy of the Mobilehome Residency Law (California Civil Code), and further, that each and all of them have read and understand each of these documents. HOMEOWNER(S) and RESIDENT(S) understand that by executing this agreement they will be bound by its terms and conditions.

HOMEOWNER(S) AGREE PONDEROSA MOBILEHOME PARK, ITS MANAGER AND OWNERSHIP HAS NOT REQUIRED THIS LEASE TO BE SIGNED, NOR REQUIRED HOMEOWNER(S) TO PURCHASE, RENT, OR LEASE ANY GOODS OR SERVICES FROM THE PARK, ITS MANAGEMENT OR ANYONE ELSE. BY SIGNING THIS LEASE THE UNDERSIGNED "CONSENT" TO THE RULES IT CONTAINS PURSUANT TO CALIFORNIA CIVIL CODE SECTION 798.25.

THE HOMEOWNER(S) HAVE BEEN GIVEN A STATEMENT OF THEIR RIGHTS UNDER THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 798.25 WHICH THEY HEREBY ACKNOWLEDGE BY CHECKING THE BOX FOLLOWING THIS PARAGRAPH BY SIGNING THEIR INITIALS AFTER THIS PARAGRAPH.

INITIALS

INITIALS

IN ADDITION TO THIS LEASE, THE HOMEOWNER(S) HAVE BEEN OFFERED A LEASE TERM OF TWELVE (12) MONTHS OR LESS IN ACCORDANCE WITH CALIFORNIA CIVIL CODE 798.18. HOMEOWNER(S) ACCEPT OR REJECT SUCH OFFER BY CHECKING THE BOX FOLLOWING THIS PARAGRAPH BY SIGNING THEIR INITIALS.

INITIALS

INITIALS

HOMEOWNER(S) HAVE BEEN ADVISED TO TAKE THIS LEASE TO A LAWYER AND OBTAIN THE LAWYER'S ADVISE BEFORE SIGNING IT.

HOMEOWNER

DATE _____

PLEASE SIGN HERE
← _____
HOMEOWNER

DATE _____

PLEASE SIGN
←

RESIDENT

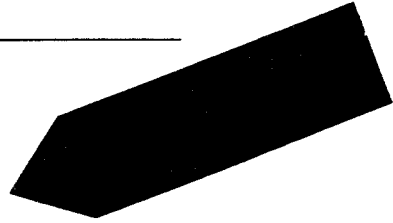
DATE _____

RESIDENT

DATE _____

PONDEROSA MOBILEHOME PARK

DATE _____



By _____ (Position)

BEACHWOOD MOBILE HOME PARK & VILLAGE
34052 DOHENY PARK ROAD
DANA POINT, CALIFORNIA 92624

MOBILEHOME LEASE AGREEMENT

1. **INTRODUCTION:** 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. In part, this is because there are so many laws today that have to be accounted for. For example, California Civil Code Section 798.17 authorizes this notice which we are now giving you: This Agreement 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. We've tried to write this Agreement 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 Agreement, the words "we," "us," "our," "the Park," etc., to describe the Park and the Park Owner. We think our Agreement is much easier to understand than the typical contract and we hope you will find it to your liking. Please read this Agreement and the other documents it refers to very carefully so that you have a clear understanding of everything in them.

2. **TERM:** YOU ARE RENTING SPACE NO. _____ IN BEACHWOOD MOBILE HOME PARK & VILLAGE WHICH IS LOCATED AT 34052 DOHENY PARK ROAD, DANA POINT, CALIFORNIA 92624. THIS AGREEMENT IS FOR ONE HUNDRED TWENTY (120) MONTHS, BEGINNING _____, 19____, UNLESS IT TERMINATES EARLIER PER THE TERMINATION PARAGRAPHS OF THIS AGREEMENT OR IS RENEWED AND EXTENDED PER PARAGRAPH 45 OF THIS AGREEMENT. EVEN IF YOU SIGN THIS AGREEMENT EITHER BEFORE OR AFTER THE ABOVE-STATED BEGINNING DATE, ITS BEGINNING DATE SHALL STILL BE AS NOTED IN THIS PARAGRAPH 2.

3. **RENT:**

3.1 **RENT CALCULATIONS:**

A. Your initial rent will be \$ _____ per month.

B. Starting _____ 1, 19____, your Rent Increase Anniversary Date is _____ 1st of each year and your rent will increase each year on that date by 6%. (Note: Per paragraph 8.3 below, the Rent Increase Anniversary Date will be changed for new residents to whom this Agreement is assigned.) Also starting on August 1, 1990, your rent may also increase or decrease each year on that date by the "pass-throughs" in paragraph C below. All of these pass-throughs are part of your rent and are only referred to as "pass-throughs" as a convenient way of identifying them in this Lease. We call this the "Pass-Through Anniversary Date." However, the 6% rent increase referred to herein shall not apply to any such "pass-through."

C. **PASS-THROUGHS:** Starting on August 1, 1990 and on each subsequent Pass-Through Anniversary Date of this Agreement, the then monthly rent shall also increase or decrease by the pass-throughs noted below. All of these pass-throughs are part of your rent and are only referred to as "pass-throughs" as a convenient way of identifying them in this Lease.

1. **GOVERNMENT SERVICES, PROPERTY TAXES, AND INSURANCE:** Increases or decreases in the cost of governmental services, property taxes and insurance will also be used to increase or decrease rent. These increased or decreased costs will be calculated by taking the costs of these operating expenses for the twelve (12) month period of June through May which ends just prior to each Rent Increase Anniversary Date and comparing them to these costs for the immediately preceding twelve (12) month period of June through May. These increases in costs will be equally spread over twelve (12) months and the total number of spaces minus one space in the Park so that each resident pays only his pro-rata share.

GOVERNMENT SERVICES are any existing, new, or changed services which Beachwood Mobile Home Park & Village is required by government to provide or does provide to its residents, including services provided by governmental and quasi-governmental agencies and by private contractors (private contractors include, for example, trash hauling companies licensed or franchised by government and private water or sewer companies). Examples are: common area utilities, fire protection, paramedic services, and other like services.

Property taxes do NOT include penalties or any amounts included in the costs of government services and improvements 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, Beachwood Mobile Home Park & Village is 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 Beachwood Mobile Home Park & Village as a direct substitution, in whole or in part, for any real property taxes.

2. **CAPITAL EXPENSES:** The cost of capital expenses will also be added to your rent each year. You will only pay your fair share of these expenses which is the amount of the expense divided by one hundred twenty (120) months, or the remaining term of the lease, if less, and the total number of spaces minus one space in Beachwood Mobile Home Park & Village.

UNLESS YOU VOTE FOR A CAPITAL EXPENSE OR WE HAVE NO CHOICE AND ARE REQUIRED TO MAKE THE CAPITAL EXPENSE (E.G., IT IS A "MANDATED EXPENSE" AS EXPLAINED BELOW), YOUR RENT WILL NEVER INCREASE MORE THAN \$25/MONTH IN ANY YEAR BECAUSE OF CAPITAL EXPENSES, RATHER, WE WILL ABSORB ALL CAPITAL EXPENSES IN EXCESS OF THIS AMOUNT OURSELVES. THIS POTENTIAL INCREASE OF \$25/MONTH IS CUMULATIVE DURING THE TERM OF THE LEASE. WE ARE NOT ALLOWED TO INCREASE YOUR RENT \$25/MONTH IN ONE YEAR, AND THEN INCREASE IT AGAIN IN SUBSEQUENT YEARS. AT THE END OF ONE HUNDRED TWENTY (120) MONTHS, THE CAPITAL EXPENSE WILL BE DROPPED FROM YOUR RENT.

Capital expenses include all expenses for items which we estimate to have a useful life of longer than 12 months. The total cost for these expenses will be substantiated by a statement from our accountant. The "costs" include the actual cost of the capital expense, plus legal and engineering fees and all "borrowing cost." If money is borrowed, the total of the borrowing costs will not exceed an amount equal to that charged by our choice of lending institutions ("the Bank"). If we use our own money instead of borrowing, "borrowing costs" will equal the rate of interest we had earned on our money on deposit. For example, if our money had been deposited in the Bank and had been earning 8% interest, and we use our funds for capital expenses, we will charge you the same rate of interest we had been earning on our funds on deposit. In other words, we will charge you the exact same rate of interest that we had been earning on said funds. To determine the amount to be used for rent increase purposes, the total costs for the 12-month period ending on the May 31 immediately before each of your August 1st Annual Rent Increase Anniversary Dates will be used.

Any capital expense over \$20,000 for any one NEW item (where nothing like it had existed before in Beachwood Mobile Home Park & Village) will be subject to a majority vote approval of residents who have signed this Agreement (only one vote per space) so long as you give us your written vote within 30 days of our notice to you. (A vote by residents is only required for "new" items.) At present, "new" items would include, but not necessarily be limited to, things such as a traffic control gate or a tennis court. "New" items do not include the repair, replacement, or improvement of any existing items, such as roads, utility systems, the air conditioning system, etc., and we may pass these costs through without a vote. No vote for any item will be required for us to pass through capital expenses 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, cable t.v., or other similar service; or fire, flood, earthquake or similar casualty loss or natural disaster. (These items where no vote is required are all referred to as "mandated expenses.") Capital expenses not used to increase rent are not subject to a vote of the residents.

D. At least sixty (60) days prior to each of your Rent Increase Anniversary Dates, we will notify you in writing of the exact amount of your annual rent increase. At that time, we will have available for you to examine in the Park Office a copy of all bills and invoices to support the increase, if any, in the "pass-throughs" noted above. To compute your annual rent increase, the "pass-throughs" noted above shall not be added to your then-current rent each year, before that amount is multiplied by the percentage rent increase adjustment in paragraph 3.1.B then applicable. Said "pass-throughs" will be reflected on your billing statement as a separate line item.

3.2 If you don't maintain your mobilehome or Space as required by the Park's rules and regulations, the Park may give you a notice requiring you to comply in 14 days. If you don't comply, the Park may charge you a reasonable fee for having this maintenance work done.

3.3 You agree to pay, before delinquency, all taxes, assessments, license fees, and other charges ("taxes") that are levied or assessed against your personal property and improvements which are installed or located in or on the Space, including your mobilehome and its accessory structures and equipment ("improvements"). Upon our request, you will furnish us with satisfactory evidence of these payments. If any taxes on your improvements are levied against us or our property, or if the assessed value of the Park, the Space and/or other improvements is increased by the inclusion of a value placed on your improvements and if we pay the taxes on any of these improvements or the taxes based on the increased assessment of these improvements, you will, at our request, immediately reimburse us for the taxes levied against us or the proportion of the taxes resulting from the increases in our assessment. We will have the right to pay these taxes regardless of the validity of the levy or assessment. You may contest any such tax that is levied or assessed against your personal property and improvements. However, you are still obligated to pay such tax, before delinquency.

3.4 Rent and all other charges except utilities are due in advance on the first day of each month. Utility charges are also due by the first day of each month. If the entire amount owed by you is not paid by 5:00 p.m. on the 5th day of each month, you must pay a late charge of 10% to the Park. You must also pay the Park a handling charge of 10% 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.

3.5 **GUEST CHARGES:** A guest charge of \$3.00 per day for each guest staying more than a total of 20 consecutive days or 30 days in a calendar year will be made. However, no such charge will be made if the guest is a member of your immediate family as defined in the Mobilehome Residency Law. If you are living alone and wish to share your mobilehome with one person, you may do so and no fee, including our normal guest charge, will be made. Although this additional person will be treated as a guest and will not have any rights of tenancy in the Park, they will be required to go through the same basic approval process which would be applicable to the buyer/transferee of your mobilehome. This is done so that we may be assured that this person will comply with all of our Rules and Regulations. We may also require this person to register with us and sign the Rules and Regulations or other documents reasonably necessary to protect our interest and the interest of other residents in the Park. The preceding requirements will also apply to any other guest who stays with you more than a total of 20 consecutive days or 30 days in a calendar year.

3.6 **OTHER CHARGES:** The current recreational vehicle and extra vehicle storage charge is \$ per month for each vehicle stored in the Recreational Vehicle Storage lot. If you store or park a recreational vehicle or extra vehicle in the storage lot, this storage or parking will be governed by the terms of a separate agreement which you will be required to sign, and not be the terms of this Agreement. We are not obligated to provide parking for all vehicles and access is on a first-come, first-served basis. This charge may be increased on 60 days' written notice. The recreational vehicle storage lot may also be eliminated on 60 days' written notice and that area used for another purpose.

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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 30 AMP ELECTRIC SERVICE NOW AVAILABLE, AND WE SHALL HAVE NO LIABILITY OR RESPONSIBILITY TO YOU IF THE AVAILABLE ELECTRICAL SUPPLY IS INCOMPATIBLE.

4.2 The Park will provide and separately charge you monthly for natural gas, water and electricity on a submetered basis. Trash and sewer will also be provided and separately charged to you at an initial rate of \$ _____ /month for trash and \$ _____ /month for sewer. Any increases in the cost of utilities separately charged to you will be immediately passed through and paid by you. Such charges will be billed to you at prevailing rates authorized by the utility companies. Cable T.V. is presently available for a limited number of spaces in the perimeter areas of the Park (check with Park Management as to which spaces). If cable T.V. service is available to your Space, you may obtain it by separately contracting with the cable T.V. company that provides this service. (The Park has no responsibility whatsoever for any aspect of the cable T.V. service or charges now being provided.)

4.3 The Park 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, the Park will have the right to discontinue the existing T.V. reception system and require you to convert to the new system. If a separate charge for T.V. is being made by us 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 the conversion to the new system, a charge is not being made for T.V., there will be no reduction in rent.

5. SERVICES:

5.1 SERVICES PROVIDED:

A. The Park is responsible for providing and maintaining the existing services and existing physical improvements located in the common facilities of the Park in good working order and condition. The same is true of services or improvements added at a later date. Air conditioning and heating of the common areas facilities 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 pools are presently heated from _____ to _____ during the daylight hours at an approximate temperature of 75 degrees. The swimming pools may, however, be periodically closed for cleaning and repair. The swimming pools' temperature will not, however, remain constant at all times. Rather, the temperature of the swimming pools will vary because of the variety of normal factors such as: it is cooler in the morning hours after the heaters are first turned on or variations in temperature because of wind, air temperature, the amount of sun, and other similar factors. We will use our best efforts to keep the swimming pools heated; however, the Park, in the future, will have to abide by and confirm to energy conservation programs established by government or utility companies.

B. With respect to the Park providing any services or facilities (including utilities) to you, any prevention, delay, or stoppage due to strikes, walkouts, or other labor disputes, acts of God, inability to maintain labor or materials or reasonable substitutes for them, governmental restrictions, regulations or controls, judicial orders, fire/flood or other natural disaster or casualty, breakage, repairs, and other causes beyond the reasonable control of the Park, will excuse the Park's performance of these obligations for a time period equal to the delay. You will remain responsible, without abatement or reduction, for the rent, utilities, and other charges to be paid by you per the terms of this Agreement. The Park will use its best efforts to reinstate or repair any services or facilities, including utilities, which have been interrupted as set forth hereinabove. If you feel that the Park is not using its best efforts to reinstate such services or facilities, you may arbitrate the matter pursuant to Section 43 of this lease, which will provide for a speedy resolution of any such dispute. The Park will 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 of facilities (including utilities) with the exception of negligent or intentional acts of the Park.

5.2 **CHANGES IN RULES AND REGULATIONS, STANDARDS OF MAINTENANCE, SERVICES, EQUIPMENT, OR PHYSICAL IMPROVEMENTS:** The Park's Rules and Regulations, this Agreement, (with the exception of the length of the term of your tenancy and the rent provisions which may not be changed), and the Park's other residency documents, may be changed at the Park's option from time to time during the term of the Agreement without reducing the rent or changing any other term or provision of this Agreement. The recreational vehicle area may also be eliminated on 60 days' written notice and that area used for another purpose.

5.3 You acknowledge that the Park is not a "security" park. We have not made any representations or warranties to you that the Park is secure from theft or other criminal acts which may be perpetrated by any resident of the Park or other person.

6. USE AND OCCUPANCY:

6.1 Your mobilehome and Space may be used only as a private residence and no business or commercial activity may be conducted there. This prohibition applies to any commercial or business activity, including but not limited to, the following: (a) any activity requiring the issuance of a business license or permit; and (b) the leasing, subleasing, sale, or exchange of mobilehomes. No persons other than those listed on the last page of this Agreement may reside at the Space without the Park's prior written consent. At all times, one of the persons listed on the last page of this Agreement must be the "legal" or "registered" owner of the mobilehome and that person must regularly occupy the mobilehome.

6.2 You agree not to do anything that will constitute waste, nuisance, or unreasonable annoyance to the other residents in the Park. You also agree not to do anything which will cause damage to the Space or the Park. You also agree not to permit any act or maintain or permit to be maintained any condition on your Space or mobilehome which may cause an increase in the rate of insurance we pay or in any way increase the risk of damage to the Space, or the Park, or any person.

6.3 You represent and warrant that the information you have provided to us regarding you, other members of your household or your mobilehome is true and correct. You also agree to promptly notify us, in writing, of any change in this information.

6.4 Please refer to the Rules and Regulations for further clarification of your use and occupancy of the mobilehome and Space.

7. **GUESTS:** You agree to acquaint all your guests with the conditions of tenancy in the Park, including, but not limited to, the Park's Rules and Regulations. You are personally responsible for all the actions and conduct of your guests.

8. SALE OF MOBILEHOME AND REQUIRED ASSIGNMENT OF THIS AGREEMENT:

8.1 You may sell/transfer your mobilehome or assign your right to occupy your Space per your and our rights and obligations under this Agreement. You must, however, immediately notify us in writing of your intent to sell/transfer your mobilehome or assign your right to occupy your Space. This written notice shall be given to us prior to your execution of any escrow, sale, exchange, transfer, assignment, or other agreement. You agree, however, that you will not sell or otherwise transfer your mobilehome to anyone who does not agree to accept an assignment of this Agreement. (The assignment must be executed by the buyer/transferee, subject to our approval, prior to establishing tenancy and the 72-hour right of rescission provided for in Civil Code §798.17. will not apply to the buyer/transferee.)

8.2 Upon the sale/transfer of your mobilehome or assignment of your right to occupy your Space, the rent we are then charging will increase by an amount not to exceed %. We may, but are not obligated to, in our sole discretion, increase the rent by this full amount or some lesser amount. We also may, in our sole discretion, charge the full amount of this rent increase in some cases and less than the full amount in other cases. The decision to charge some or all of this rent increase will not affect the terms of this Agreement or our right to charge the full amount of this

increase to your buyer/transferee/assignee. The rent increases (including pass-throughs) in paragraph 3 and elsewhere in this Agreement will also continue to apply to the rent the new resident pays.

8.3 The new resident to whom the mobilehome is sold/transferred or to whom the right to occupy the Space is assigned will have, in most instances, a "Rent Increase Anniversary Date" which is different than your "Rent Increase Anniversary Date." (The only time the "Rent Increase Anniversary Date" will be the same as yours is when the new resident moves in during the same month you move in.) This is done so that 12 months will pass between the time the new resident begins their tenancy and receives the rent increase noted in paragraph 8.2 and their first automatic percentage rent increase per paragraph 3.1.B. The new resident's Rent Increase Anniversary Date will be the first day of the month during which their tenancy in Beachwood Mobile Home Park & Village begins. (For example, if the new resident's tenancy first began on any day, either on the 1st, the 30th or any day in between the 1st and the 30th of June, their Rent Increase Anniversary Date would be June 1st of each year.) This new Rent Increase Anniversary Date will apply without Beachwood Mobile Home Park & Village having to give the new resident a new Lease Agreement which changes the Rent Increase Anniversary Date you had. (Beachwood Mobile Home & Village may, at its option, require the new resident to sign a new Lease Agreement which has the resident's new Rent Increase Anniversary Date noted in it.) The August 1st "Pass-Through Anniversary Date" will not, however be changed and it will remain applicable to the new resident who assumes this Agreement. (For example, if a new resident's tenancy began on April 30th, their rent would be increased the next day on August 1st by any applicable pass-through increases.) The change in the new resident's Rent Increase Anniversary Date will not affect any other date(s) in this Agreement.

8.4 The requirements of this Agreement and this paragraph 8 will apply even if you sell or transfer only a portion of your interest in your mobilehome or assign only a portion of your right to occupy your Space. The requirements of this Agreement and this paragraph 8 will also apply if your mobilehome is repossessed or otherwise acquired by another party because of your actual or prospective inability to make the payments on your mobilehome or for any other reason or method other than a normal sale/transfer or assignment.

9. APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:

9.1 If your prospective buyer/transferee/assignee intends for the mobilehome to remain in the Park, or the buyer/transferee/assignee intends to reside in the Park, the buyer/transferee/assignee must do the following before occupying the mobilehome or Space: complete an application for residency, accept an assignment of this Agreement and be accepted by us. We may request a financial statement, credit report, references, and other reasonable information we need from any prospective buyer/transferee/assignee. If the buyer/transferee/assignee is not approved by us, or does not accept an assignment of this Agreement, they will have no rights of tenancy in the Park.

9.2 The requirements of this Agreement will apply before any person other than the ones listed on the signature page of this Agreement will be permitted to become a permanent resident of the Park. A guest who remains in the Park after his host has died, moved, or for any other reason does not physically reside in the Park on a regular basis, will be considered to be the equivalent of a buyer/transferee/assignee and the guest will be subject to the requirements of this Agreement. This will be true regardless of whether the guest is listed as a "legal" or "registered" owner of the mobilehome. The requirements of this Agreement will also apply if you only sell/transfer a portion of your interest in your mobilehome or assign only a portion of your right to occupy your Space.

9.3 You agree to do such other things and to execute and deliver to us such additional documents as we may reasonably require to protect our interest in conjunction with the sale/transfer/assignment of this Agreement.

10. ASSIGNMENT AND SUBLEASING:

10.1 You are required to provide us with sixty (60) days written notice of your intention to assign this Agreement if you have or intend to remove your mobilehome from the Space. You may not assign this Agreement without our written consent, which written consent may not be unreasonably withheld. The same is true if your buyer/transferee removes or intends to

remove in the future the mobilehome from the Space. You also may not sublet the Space or any portion of the Space, or any mobilehome located on the Space. Any subleasing will be void. Any assignment of the Space in combination with the sale/transfer of the mobilehome will be void unless done per the terms of this Agreement. Any assignment of the Space alone or in combination with the mobilehome where the mobilehome is removed or intended to be removed from the Space in the future will be void and control of the Space will revert to the Park. This Agreement may be terminated, at the Park's option, if you assign or sublet your Space or mobilehome in violation of this agreement. The Park or its owners may sublet any Space or any mobilehome, located on any Space, which belongs to the Park.

10.2 If the law is changed so that the Park is required to permit subletting, then, unless prohibited by law, the Park may require you to notify the Park in writing in advance of your intent to sublet your mobilehome and/or Space. The Park may also require that you and the sublessee execute documents reasonably necessary to protect the Park's interest. The sublessee must also be approved for residency as provided in paragraph 9 and the same rent increases provided for in paragraph 8.2 will also be applicable. (If the law limits the amount of rent increase we may charge when subletting occurs to a lesser amount, we may charge the maximum permitted by law.) If you or the sublessee fail, in advance of sublessee taking possession of the mobilehome or Space, to execute the documents or obtain the Park's approval of the sublessee, the sublessee will have no rights of tenancy and may not reside on any basis in the mobilehome or Space. The Park 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 Agreement by you; provided the Space and mobilehome are brought up to the Park's maintenance and other standards before the sublease begins. Subletting means any renting, regardless of the time period, of the mobilehome or Space.

11. **TERMINATION OF TENANCY BY YOU:** You may terminate this Agreement provided that: you give us at least sixty (60) days advance written notice; and you move out of the Park, either having sold/transferred your mobilehome or removed it from the Park. Unless the mobilehome is removed from the Park and control of the Space reverted to us, the requirements of paragraphs 8 and 9 and other paragraphs of this Agreement regarding our approval of a new resident and assignment of this Agreement apply before you may terminate your obligations under this Agreement. Otherwise, in accord with California Civil Code Section 1951.4, your obligations under this Agreement 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 Agreement, including the right to recover rent as it becomes due.

12. **TERMINATION OF TENANCY BY PARK:** This Agreement 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. Provided, however, that we agree not to change the use of the Park, or any portion thereof, during the term of this Agreement.

13. **INDEMNIFICATION:** We will not be liable for any damage or injury to any person or property caused by any use of the Park or your Space, or by any defects in any improvements, or arising from any other cause, unless resulting from our negligent or willful acts.

14. **INSURANCE:** The Park does 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 the Park would be legally liable for such loss, damage, or injury. 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.

15. **INCORPORATED DOCUMENTS:**

15.1 You acknowledge having received and read a copy of: this Agreement; the current Mobilehome Residency Law and the Park's current Rules and Regulations.

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15.2 You also acknowledge that the use of the recreational facilities is conditioned on compliance with posted signs, which are a part of the Park's Rules and Regulations, in and around these facilities. You understand that by signing this Agreement, you are bound by all of the terms and conditions of these documents as they may be revised per this Agreement.

16. **COMPLIANCE WITH LAW AND RULES AND REGULATIONS:** You agree to comply with all applicable laws, ordinances, regulations and all terms and provisions of this Agreement, the Park's Rules and Regulations, and all terms and provisions contained in any document referred to in this Agreement, as they may be changed by the Park per the terms of this Agreement.

17. **ENTRY UPON YOUR SPACE:** The Park may enter your Space or mobilehome only as permitted by the Mobilehome Residency Law or other laws.

18. **CONDEMNATION:** If any portion of the 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 or the utility systems or other portions of the Park are or will be affected by the condemnation to the point where, in our sole opinion, it is not economically desirable to continue operations, we will have the right to terminate this Agreement 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 the Park or for any other reason 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 or the taking of any interest you may have because of this Agreement, any other lease or rental agreement you have with us or your tenancy in the Park. Provided, however, that you shall be entitled to reduction in value of your leasehold interest, not to exceed the "in-place value" of your mobilehome. Nothing contained in this paragraph, however, will preclude you from obtaining any award from the condemning authority to you for the loss of or damage to your mobilehome or other removable personal property.

19. **ZONING AND USE PERMIT INFORMATION:** The nature of the zoning which the Park operates is: Commercial Residential Center ("CRC"), which is a mixed use village designation, including a wide range of uses, such as service, commercial, residential, recreational, offices, and public facilities. The Conditional Use or other permits required to operate the Park are not subject to expiration or renewal. Approximately eight and one-half (8 1/2) acres of the land on which the Park is located is leased, and this lease expires on April 20, 2010. Unless you live on one of the following Spaces, your Space is located on that portion of the land which we lease: _____.

20. **TRANSFER OF PARK'S INTEREST:** If the Park sells or transfers its interest in the Park to anyone else, the Park will be automatically relieved of its obligations under this Agreement with occur after the date of the transfer, and the buyer or other transferee of the Park may, at their sole option and on 60 days' written notice, terminate this Agreement.

21. **NOTICES:** All notices required or allowed by this Agreement 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 11;62 of the California Code of Civil Procedure. The service of any other notice on you may be validly served if it is personally served on you or mailed to you at your address in the Park 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.

22. **WAIVER OF DEFAULT:** If you fail to meet any of your obligations under this Agreement, a delay or omission by the Park in exercising any right or remedy it has because of your default will not impair any of the Park's rights or remedies against you, nor will it be considered a waiver by the Park of any right or remedy. No waiver by the Park of its right to enforce any provision of this Agreement after any default on your part will be effective unless it is made in writing and signed by the Park, nor will it be considered a waiver of the Park's rights to enforce each and every provision of this Agreement upon any further or other default on your part. The Park's acceptance of rent will also not be a waiver of any breach by you of any term or provision of this Agreement, including any rule, regulation or other term or provision contained in any document referred to in this Agreement.

23. **ENTIRE AGREEMENT:** Please understand that our Park Manager, mobilehome dealers, the sales person who sold you your mobilehome and other persons are not authorized to make any representations or agreements with you about the Park unless those agreements and representations are contained in this Agreement and the other documents and posted signs referred to in it. Therefore, you agree that this Agreement and the other documents and posted signs referred to in it are the entire agreement between you and the Park regarding the subjects covered by this Agreement, other documents and signs. This Agreement supersedes all prior and contemporaneous agreements, representations and understandings of you, any other person, or the Park.

24. **ATTORNEY'S FEES:** Attorney's fees and costs may be awarded to you or the Park 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.

25. **HEADINGS:** The titles of the paragraphs and subparagraphs in this Agreement 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 Agreement.

26. **PARTIAL INVALIDITY:** If any part of this Agreement or any document referred to in this Agreement is, in any way, invalid or unenforceable, the remainder of this Agreement 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 Agreement, or any document referred to in this Agreement, is, in any way, invalid or unenforceable to any person or circumstance.

27. **CONDITION OF THE SPACE:** By signing this Agreement or accepting an assignment of this Agreement, you agree you have carefully inspected the Space you are renting and all of the Park's services and facilities and you have found them to be safe and as represented by the Park to you, either orally or in writing.

28. **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 the Park, and you will pay all liens, claims and demands before any action is brought to enforce them. You agree to hold 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 the Park in connection with them. If any such lien, claim or demand is made, we may require you to discharge it within 30 days by either payment, deposit or bond. If you fail to do so, then, in addition to any other rights or remedies we may have, we may, but are not obligated to, procure the discharge of the lien, claim or demand by either paying the amount claimed to be due by deposit in court or bonding. Any amount we pay or deposit plus all other costs and expenses we incur, including reasonable attorney's fees and costs in defending any such action or procuring the discharge of the lien, claim or demand, shall be payable by you to us as additional rent on the next monthly rent payment date plus 10% interest per annum from the date of payment or deposit by us.

29. **ALTERATION OF THIS AGREEMENT:** This Agreement may be changed only as provided for by this Agreement or by a written agreement signed by you and the Park or by operation of law. This Agreement shall be construed and interpreted as though both of us had written it together, not as if it had been written by us alone.

30. **SUBORDINATION AND ATTORNTMENT:** Your rights under this Agreement, including any hold over tenancy, shall be and are subordinated at all times to the present or future declarations, restrictions, mortgages, trust deeds or notes and all advances upon the security of such mortgages, trust deeds or notes, and all present or future ground leases affecting the real estate or any part of it, on which the Space or Park is situated, including any such mortgages, trust deeds, notes or leases which may affect such real estate or other real estate owned by us. You shall execute any further instrument or instruments required by us to effect such subordination and you hereby irrevocably appoint us a your attorney in fact to execute and deliver such instrument or instruments in your name.

31. **HOLD OVER TENANCY:** If you continue to live in the Park after the term of this Agreement has expired (including any extension of the initial term we agree to), and you have not signed a new rental or lease agreement with us, you shall be on a month-to-month tenancy. During any such month-to-month tenancy, you will pay all rent and other charges required by this Agreement and its terms shall continue to apply to you. We may, however, increase the rent or charges you pay or change other terms of this Agreement upon 60 days' written notice to you.

32. **NO RECORDING:** You agree not to record this Agreement or a memorandum of this Agreement.

33. **DELIVERY OF THE SPACE:** We are not making any representation that the Space will be ready for occupancy on the beginning date of this Agreement. If it is not, we shall not be liable to you for any damages, but the rent covering the period between the beginning date of this Agreement and the date the Space is available for occupancy shall be waived. If we are not able to deliver possession of the Space within 60 days of the beginning date of this Agreement, either of us may, prior to the time when we do deliver possession of the Space, cancel this Agreement by giving written notice to the other and we shall promptly refund any money we have received from you.

34. **MOBILEHOME REGISTRATION:** You shall furnish us a copy of the registration card issued by the Department of Housing and Community Development for your mobilehome within 10 days after you sign this Agreement.

35. **ENFORCEMENT OF RULES AND REGULATIONS:** We will use our best efforts to enforce all of the Rules and Regulations and conditions of tenancy applicable to residents in the Park in a reasonable and equitable manner. You agree, however, that the enforcement of the rules and Regulations and other conditions of tenancy are a private matter between us and the affected resident.

36. **ALTERATIONS AND ADDITIONS:** You agree not to make any alterations, improvements, additions or utility installations on or about your Space or Mobilehome, nor install, remove or change any existing improvements, or modify the landscaping nor make any contract for such work without our prior written consent and approval which we agree not to unreasonably withhold. In giving or withholding our consent to any such work, we may, at our option, take into account and base our agreement or refusal of consent entirely upon aesthetic considerations and the compatibility of such changes to the Park. If you fail to obtain our prior written consent and approval, all such alterations, improvements, additions or utility installations shall be promptly removed by you, at your expense, upon our request.

37. **ESTOPPEL CERTIFICATE:** You will, at our request, execute, acknowledge and deliver to us a written statement certifying that (a) this Agreement is unmodified and in full force and effect (or if there have been modifications, that this Agreement is in full force and effect as modified and identifying the modifications); (b) the dates to which the rent and other charges have been paid; (c) the term of this Agreement and any option to extend the term; (d) so far as you know, we are not in default under any provisions of this Agreement; and (e) any other matters as may be reasonably requested by us. It is intended that any such statement by you, if true, may be relied upon by any person proposing to acquire our interest in this Agreement or any prospective mortgagee of or assignee of any mortgage upon such interest. You will be in default upon this Agreement if you fail to deliver to us the statement required by this paragraph within 10 days of receipt by you of a written request for such statement.

38. **MODIFICATION FOR LENDER:** If, in conjunction with our obtaining financing for the Park, a lender shall request reasonable modifications to this Agreement as a condition to such financing, you will not unreasonably withhold, delay or defer your consent, provided that such modifications do not increase your obligations under this Agreement or materially adversely affect your interests which are created by this Agreement.

39. **COUNTERPARTS:** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute but one and the same instrument.

40. **EXHIBITS:** Each exhibit referred to in this Agreement is attached or enclosed and incorporated in this Agreement by this reference.

41. **TIME OF ESSENCE:** Time is of the essence in this Agreement and each and every provision thereof.

42. **BROKERS COMMISSION:** Each of us represents that it has not had any dealings with any real estate broker, finder, or agent with respect to this Agreement, in any manner. Each of us also agrees to indemnify and hold the other party harmless from any cost, expense, or liability for any compensation, commissions, or charges claimed by any broker, finder, or agent employed or claiming to represent or to have been employed by such party in connection with this Agreement.

43. **ARBITRATION AND DISPUTE RESOLUTION:**

42.1 It is agreed that any dispute between us with respect to the provisions of this Agreement and tenancy in the park shall be submitted to arbitration conducted under the provisions of Code of Civil Procedure section 1280, et seq.

42.2 The only non-arbitration exceptions are any contested rights of owner which relate to: (a) termination of tenancy due to failure to pay rent or other charges under Civil Code section 798.56(d); (b) forcible detainer; (c) injunctive relief pursuant to [i] Code of Civil Procedure section 527.6, or [ii] Civil Code section 798.87(b), or [iii] payment of the maintenance fee provided for in Civil Code section 798.36, or [iv] condemnation or a change of the use of the Park as provided in Civil Code section 798.56(e) and (f), or [v] to preserve the equitable rights appertaining to any arbitrable dispute before resolution by arbitration. All other disputes of any kind, excepting the foregoing exceptions set forth in this subparagraph 43.2, shall be subject to arbitration.

43.3 "Dispute" includes by way of illustration, but is not limited to, disputes, claims, demands, or controversies respecting: maintenance, condition, nature, or extent of the facilities, improvements, services and utilities provided to the space, park, or the common areas of the park; enforcement of the rules and regulations; living conditions; injuries or damages resulting to you, other residents and invitees, or to property of any kind, from owner's operation, maintenance, or the condition of the park or its equipment, facilities, improvements or services, whether resulting in any part from owner's negligence or intentional conduct or otherwise; business administration or practices of the owner; punitive damage and class action claims; and, interpretation of this lease. "Dispute" includes not only disputes you may have with us but also disputes against any of our contractors or agents.

43.4 Some disputes may be only partially arbitrable. In such cases, arbitration shall be completed as to the arbitrable matters before commencing a judicial action except: (i) as to actions for termination of tenancy defined in subparagraph 43.2 above which shall proceed to judgment though related to an arbitrable dispute (only by court order shall such actions abate pending arbitration, and only then upon a clear showing that the arbitrable dispute must be resolved as part of the action); and, (ii) applications for injunctive relief defined in subparagraph 43.2 above.

43.5 Arbitration must be commenced by service upon the other and the Judicial Arbitration and Mediation Service, Inc. ("JAMS") of a written demand or notice of intention to arbitrate. Such notice must provide: (i) a description of the dispute, and (ii) facts from which the dispute arises including witnesses, dates, times and circumstances. If the dispute is not resolved to each parties' satisfaction within ninety (90) days, together with such other notice periods as may be required by law, the dispute shall be resolved by binding arbitration and not by lawsuit or court process, except for judicial review. The arbitrator shall refuse relief to any complainant party if that party has not abided by the time periods above, despite the merits.

43.6 If the parties cannot agree on an arbitrator within ten (10) days from the last day permitted for resolution of the dispute as defined in paragraph 43.5 above, JAMS shall provide both parties with a list of at least five (5) neutral arbitrators, from which the parties shall agree on the selection of the arbitrator, absent which JAMS shall make the selection from said list. Each party shall, however, be given the right of one peremptory challenge. Arbitration shall commence within one hundred twenty (120) days from the date the arbitrator is appointed, unless continued on request to the arbitrator.

43.7 Arbitration shall be conducted pursuant to Code of Civil Procedure section 1280, et seq. insofar as not inconsistent with rules of evidence and law. Civil discovery rules to provide full and complete discovery including depositions on oral examination, interrogatories, and all other devices and examination shall be permitted. The arbitrator's decision shall comply with all legal standards and rules of evidence. A statement of decision shall be included in the final decision. Unless both parties agree, no dispute shall be consolidated or joined together with any dispute of any other person for consideration, hearing or decision. Any other dispute by any other person shall abate without necessity of court order pending resolution of any prior dispute on a first in time, first in right basis.

43.8 If these arbitration provisions are held unenforceable for any reason, it is agreed that all arbitrable issues in any judicial proceeding will be subject to and referred on motion by any party or the court for hearing and decision by a referee (a retired judge or other person appointed by the court) as provided by California law, including Code of Civil Procedure section 638, et seq.

43.9 Costs for the arbitration and reference shall be advanced equally between us due and payable on demand. Attorneys' fees and costs incurred in any action to compel arbitration or seek injunctive relief the responding party would not in advance stipulate to, to abate subsequent dispute(s), or to confirm the arbitration award shall be awarded to the prevailing party. Otherwise, attorneys' fees and costs shall not be awarded to any party but shall be borne by each party separately.

43.10 BY EXECUTING THIS AGREEMENT, BOTH OF US AGREE TO HAVE DISPUTES AS TO COVERED MATTERS, AS DEFINED HEREIN, DECIDED BY A NEUTRAL ARBITRATION AND BOTH OF US AGREE TO GIVE UP OUR RIGHT TO A JURY AND/OR COURT TRIAL EXCEPT AS A COURT TRIAL IS PROVIDED FOR IN PARAGRAPH 43.9 ABOVE.

I/WE ACKNOWLEDGE HAVING READ THE ABOVE ARBITRATION AND DISPUTE PROVISIONS.

RESIDENT(S) INITIALS: _____

44. ACKNOWLEDGMENT:

YOU ACKNOWLEDGE THAT:

A. WE HAVE OFFERED YOU THE OPTION TO SIGN A LEASE AGREEMENT WHICH DOES NOT HAVE THE AUTOMATIC RENEWAL/EXTENSION PROVISIONS NOTED IN PARAGRAPH 45 BELOW.

B. YOU HAVE HAD THE OPPORTUNITY TO READ THIS AGREEMENT AND ALL DOCUMENTS IT REFERS TO AND THE OPPORTUNITY TO DISCUSS IT WITH AN ATTORNEY AND ANY OTHER ADVISORS YOU MIGHT CHOOSE TO SELECT.

C. EVEN THOUGH YOU HAVE THE OPTION SET FORTH IN SUBPARAGRAPH A ABOVE, YOU HAVE FREELY AND VOLUNTARILY ELECTED TO SIGN THIS AGREEMENT WHICH HAS THE AUTOMATIC RENEWAL/EXTENSION PROVISIONS SET FORTH IN PARAGRAPH 45 BELOW.

D. EXCEPT FOR THE AUTOMATIC RENEWAL/EXTENSION PROVISIONS NOTED IN PARAGRAPH 45 BELOW, THE TERMS, CONDITIONS AND RENTAL CHARGES DURING THE FIRST TWELVE (12) MONTHS OF THIS AGREEMENT ARE THE SAME AS THOSE OFFERED IN THE LEASE AGREEMENT SET FORTH IN SUBPARAGRAPH A ABOVE.

E. AFTER SUBMITTING THIS AGREEMENT TO YOU, WE HAVE GIVEN YOU THIRTY (30) DAYS TO ACCEPT OR REJECT THIS AGREEMENT.

F. IF YOU ARE THE PERSON(S) WHO ORIGINALLY SIGNED THIS AGREEMENT, THEN WITHIN SEVENTY-TWO (72) HOURS AFTER EXECUTING THIS AGREEMENT, YOU MAY CANCEL THIS AGREEMENT BY DELIVERING TO US A WRITTEN STATEMENT STATING YOUR ELECTION TO CANCEL THIS AGREEMENT. THIS RIGHT TO CANCEL DOES NOT APPLY TO PERSONS TO WHOM THIS AGREEMENT IS ASSIGNED.

I/WE ACKNOWLEDGE HAVING READ THE ABOVE ACKNOWLEDGMENT PROVISIONS.

RESIDENT(S) INITIALS: *hw*

45. AUTOMATIC RENEWAL OF THIS LEASE: THIS AGREEMENT MAY BE AUTOMATICALLY RENEWED AND EXTENDED BY US FOR AN ADDITIONAL TERM OF UP TO SIXTY (60) MONTHS. IF THIS AGREEMENT IS NOT TO BE AUTOMATICALLY RENEWED AND EXTENDED, WE WILL GIVE YOU AT LEAST ONE HUNDRED TWENTY (120) DAYS ADVANCE WRITTEN NOTICE AND THIS AGREEMENT WILL THEN TERMINATE ON ITS SCHEDULED DATE. IF THIS

AGREEMENT IS RENEWED AND EXTENDED, NO WRITTEN NOTICE FROM US TO YOU OF THIS WILL BE REQUIRED. THE RENEWAL AND EXTENSION OF THIS AGREEMENT WILL BE ON THE SAME TERMS AND CONDITIONS, INCLUDING RENT INCREASES, AS PRESENTLY FOUND IN THIS AGREEMENT, EXCEPT THAT THE RENT YOU WILL BE CHARGED WILL INCREASE BY AN ADDITIONAL FIFTEEN PERCENT (15%) EFFECTIVE AS OF THE FIRST DAY OF THE RENEWAL/EXTENSION.

46. SECURITY DEPOSIT: This paragraph is only applicable to new residents to whom this Agreement is assigned. The amount of the security deposit to be deposited by the new resident shall be equal to two (2) months of the beginning rate which is to be charged to the new resident. On execution of this Agreement, you shall deposit with us _____ Dollars (\$_____) as a security deposit for the performance by you of the provisions of this Agreement. If you are in default, we can use the security deposit, or any portion of it, to cure the default or to compensate us for any damage sustained by us resulting from your default. You shall immediately on demand pay to us a sum equal to the portion of the security deposit expended or applied by us as provided in this paragraph so as to maintain the security deposit in the sum initially deposited with us. After you have promptly paid to us within five (5) days of the date the amount is due, all of the rent, utilities and reasonable service charges for any 12 consecutive month period subsequently to the collection of the security deposit by us, or upon resale of the mobilehome, whichever occurs earlier, we shall, upon the receipt of a written request from you, refund to you the amount of the security deposit within 30 days following the end of the 12 consecutive month period of the prompt payment or the date of the resale of the mobilehome. Our obligations with respect to the security deposit are those of a debtor and not a trustee. We can maintain the security deposit separate and apart from our general funds or can commingle the security deposit with our general and other funds. We shall not be required to pay you interest on the security deposit.

47. EXECUTION: The Agreement is signed by you at _____ o'clock _____ m., on _____, 19____. This Agreement is signed by us on _____, 19____.

PLEASE NOTE: PARAGRAPH 45 OF THIS AGREEMENT CONTAINS AN AUTOMATIC RENEWAL/EXTENSION PROVISION.

BEACHWOOD MOBILE HOME PARK & VILLAGE

RESIDENT:

BY _____

Person(s) in addition to the above who will reside in the above Space

Person(s) in addition to the above who will reside in the above Space

Person(s) in addition to the above who will reside in the above Space

**HOLLYDALE MOBILE ESTATES
LONG TERM RENTAL AGREEMENT**
- NEW RESIDENT -

THIS RENTAL AGREEMENT ("AGREEMENT") WILL BE EXEMPT FROM ANY ORDINANCE, RULE, REGULATION, OR INITIATIVE MEASURE ADOPTED BY ANY LOCAL GOVERNMENTAL ENTITY WHICH ESTABLISHES A MAXIMUM AMOUNT A LANDLORD MAY CHARGE TENANT FOR RENT (California Civil Code Section 798.17).

- A. SPACE NUMBER: _____
- B. DATE ON WHICH THIS AGREEMENT BEGINS: _____
- C. TENANT: _____
- D. BASE RENT: _____
- E. ANNIVERSARY DATE FOR RENT INCREASE: APRILFIRST _____
- F. INITIAL SEWER CHARGE: _____
- G. INITIAL TRASH CHARGE: _____
- H. ELECTRICAL SERVICE AVAILABLE AT THE SPACE: _____

I. TERM: The term of this LEASE shall be for the period shown below as chosen by TENANTS. TENANTS have indicated their selection of the term of the LEASE by marking the box adjacent to the term selected, and as further acknowledgment, have placed their initials to the right of the term chosen. TENANTS ACKNOWLEDGE THAT THEY HAVE VOLUNTARILY CHOSEN SAID TERM.

Check and Initial Term Selected (then cross out term TENANTS rejected and initial TENANT'S rejection in right margin).

- ~~FIVE (5) YEAR (60 months) TERM~~ _____ Initial _____ Initial
- ~~TEN (10) YEAR (120 months) TERM~~ _____ Initial _____ Initial
- FIFTEEN (15) YEAR (180 months) TERM _____ Initial _____ Initial

4/1/2010

DISCLOSURE STATEMENT: OUR MOBILEHOME PARK IS AN OLDER PARK; THEREFORE, THE UTILITY SYSTEMS (ELECTRIC, NATURAL GAS, SEWER AND WATER) DO NOT WORK AS WELL AS NEWER SYSTEMS AND DO PERIODICALLY BREAKDOWN OR PROVIDE LESS-THAN-ADEQUATE SERVICE.

INITIAL _____ INITIAL _____

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RENTAL AGREEMENT

1.1 This is "Plain Talk" about what you may expect from us, and we from you in living here. Some "legalese" can not be avoided, but we tried. The terms, "we," "us," and other similar terms used in this Agreement which refer to the owners and the operators of the Park include all owners of the Park and their partners, shareholders, directors, representatives, officers, employees and agents, and their successors and assigns. The term "Park" means the mobilehome park identified in this Agreement. The term, "you," "Tenants," "residents", or any other similar term used in this Agreement which refer to the person(s) who has signed this Agreement, or signed another document accepting an assignment of this Agreement, includes not only those persons but all members of their household who resided with them at the time this Agreement, or another document accepting an assignment of this Agreement, was signed, who had been approved by us for residency in the Park, or who were subsequently approved by us for residency in the Park.

1.2 This is a binding contract. Read it carefully. The law says you have the right to inspect it for thirty (30) days. You have the right to cancel it (unless you are an assignee) within seventy-two (72) hours after signing it by giving us written notice. This rental agreement is 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.

2. TERM: You are renting the Space as designated on page one, line "A." of this Agreement, for an initial period as selected by TENANT from options on page one, line "I." of this Agreement, beginning on the date indicated on page one, line "B." of this Agreement.

2.1 Though you have selected this term from the options you have acknowledged above, you may terminate this contract and vacate any time you want if you remove your mobilehome, and control of the Space reverts to us. Just give us a note telling us that you are removing the mobilehome and advising when you are quitting. That is all that is required. We will rely on your word (and you must abide by it) to remove the coach and vacate.

You acknowledge that you have been offered a rental agreement term of twelve (12) months or less, and have elected the term above from these and the other available options we've offered you.
Initial here if this is true: _____

3.1.A. RENT AND ANNUAL RENT ADJUSTMENTS: Through the anniversary date indicated on page one, line "E." of this Agreement, you will pay us monthly base rent as indicated on page one, line "D." of this Agreement per month for your Space. The rent and all other charges in this rental agreement must be paid without deduction or offset and in advance on the first day of each month. The date indicated on page one, line "E." of this Agreement is your anniversary date, and every year rent increases will occur on that anniversary date. The rent increase formula, along with examples, is spelled out below. You will be given a ninety (90) day notice of the exact amount of the next rent increase.

3.1.B. "Rent" includes the rent adjustment formulas in paragraphs 3.1.C and 3.1.D below and you agree that rent increases which are made per these paragraphs are part of the rent you are to pay us for the Space.

3.1.C. CONSUMER PRICE INDEX (INFLATION LOSS): Your rent will increase effective each anniversary date by the Consumer Price Index, plus the other rent adjustments in paragraph 3.1.D below. Your rent will be increased by the annual percentage increase in the Consumer Price Index, All Urban Consumers, Los Angeles/Long Beach area (100=1982-1984) ("CPI") by comparing the most recent CPI that is available when we prepare the rent increase notice with the CPI for the same month which was published 12 months earlier. This portion of the rent increase shall be no less than the percentage chosen by TENANT below, OR the annual percentage increase in the "Consumer Price Index" (CPI) for the prior twelve (12) months, whichever is greater. If the CPI is discontinued or revised or the base year changed during the term of this Agreement, 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. Check and initial either the Five (5) year, Ten (10) year, or Fifteen (15) year percentage increase from the following: (Note: Selection must match the selection made on page one "I. TERM".

[] FOR A FIVE (5) YEAR TERM: EACH YEAR THE MONTHLY BASE RENT SHALL BE INCREASED BY A MINIMUM OF SIX AND A HALF (6.5%) PERCENT, OR BY THE ANNUAL PERCENTAGE INCREASE IN THE CONSUMER PRICE INDEX (CPI), WHICHEVER IS GREATER.

INITIAL _____ INITIAL _____

[] FOR A TEN (10) YEAR TERM: EACH YEAR THE MONTHLY BASE RENT SHALL BE INCREASED BY A MINIMUM OF SIX (6%) PERCENT, OR BY THE ANNUAL PERCENTAGE INCREASE IN THE CONSUMER PRICE INDEX (CPI), WHICHEVER IS GREATER. THE MAXIMUM INCREASE SHALL BE TWELVE (12%) PERCENT.

INITIAL _____ INITIAL _____

~~[]~~ FOR A FIFTEEN (15) YEAR TERM: EACH YEAR THE MONTHLY BASE RENT SHALL BE INCREASED BY A MINIMUM OF ~~SIX (6%)~~ PERCENT, OR BY THE ANNUAL PERCENTAGE INCREASE IN THE CONSUMER PRICE INDEX (CPI), WHICHEVER IS GREATER. THE MAXIMUM INCREASE SHALL BE TWELVE (12%) PERCENT.

INITIAL _____ INITIAL _____

at four 4% yr.

(4)

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3.1.D. **MAINTENANCE AND OPERATING EXPENSES:** Increases in the following expenses: repaving streets, utility repairs over \$5,000, government mandated repairs or improvements and property tax increases over two (2%) percent per year will only be used to adjust rent. The amount of the increase will be determined by taking the total amount of all expenses for the last past twelve (12) month period, and subtracting from that figure the total amount of all expenses for the twelve (12) month period before that (back-to-back twelve (12) month periods in other words). The date of such comparisons will be about one hundred twenty (120) days before your anniversary date or February 1 each year. The difference in the two amounts will then be divided by the number of Spaces in the Park to determine your pro-rata share of the increase, and then divided by twelve (12) to determine your monthly rent increase, which will be added to your then current rent on the next anniversary date. Any increase charged will be documented by us. We agree that when we determine the amount of increase, the maximum amount of your total monthly increase under Section 3.1.D. will never exceed \$25 per month per year. Any amounts over \$25 per month per year must have the approval of 51% of the residents. All increases under this Section 3.1.D. will expire after the amount due has been paid in full.

3.2 If you do not maintain your mobilehome or Space as required by the rules and regulations, we may give you notice requiring you to comply within fourteen (14) days. If you do not comply, we may charge you a reasonable fee for having this maintenance work done.

3.3 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 five percent (5%) plus the bank's charge for each check returned by the bank.

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.

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 ELECTRIC SUPPLY IS INCOMPATIBLE OR INSUFFICIENT. THE ELECTRICAL SERVICE AVAILABLE AT THE SPACE IS INDICATED ON PAGE ONE OF THIS AGREEMENT, LINE "H. ELECTRICAL SERVICE AVAILABLE AT THIS SPACE". YOU AGREE TO NOT USE MORE ELECTRICAL CURRENT OR AMPS THAN THE EXISTING RATING FOR YOUR SPACE. THIS COVENANT IS INTENDED TO AVOID DAMAGE TO OUR PROPERTY AND TO THE PROPERTY OF OTHERS. YOU AGREE TO RELEASE US AND TO HOLD US HARMLESS FOR ANY INJURY OR DAMAGE RESULTING DIRECTLY OR INDIRECTLY FROM USE OF ELECTRICAL SUPPLY EXCEEDING THE RATING FOR THE SPACE. THIS RELEASE IS NOT INTENDED TO RELEASE US FROM OUR WILFUL CONDUCT OR ACTIVE NEGLIGENCE, BUT ONLY TO THE FULLEST EXTENT ALLOWED BY LAW.

4.2 We will provide, submeter and separately charge you monthly for natural gas and electricity. Any increases in the cost of utilities submetered will be immediately passed-through and paid by you. We will initially charge you monthly the amount indicated on page one of this Agreement, line "G. TRASH COLLECTION" for trash collection. We will initially charge you monthly the amount indicated on page one of this Agreement, line "F. INITIAL SEWER CHARGE" for sewer service. Any increase in the cost of utilities separately charged will be immediately passed through and paid by you, at such prevailing rates regulated and authorized by the utility companies. You will contract with and pay directly for all other utilities you require.

5. SERVICES AND IMPROVEMENTS:

5.1.A. **SERVICES AND IMPROVEMENTS PROVIDED:** We are responsible for providing and maintaining the services and physical improvements in the common areas of the Park in good working order and condition which are described below, but you agree these responsibilities are as defined and limited by this Agreement. If you do not believe we are fulfilling these responsibilities, you must immediately give us a detailed written notice. The costs of providing services and improvements may be used to increase your rent per the rent adjustment provisions of this Agreement.

5.1.B. The services we are to provide are: the services of the Park Manager, electricity, natural gas, water, sewer, trash, cable and park patrol. The physical improvements we are to provide include: streets, R.V. storage area, clubhouse, swimming pool and spa.

5.1.C. These services and improvements are for the non-exclusive use of ourselves and Park residents and their guests, subject to the Rules and Regulations and other conditions of tenancy imposed by us from time to time. All services and improvements are subject to interruption or closure due to maintenance, repairs, and other reasons described in this Agreement.

5.1.D. 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 be open and heated only from approximately June 1st to October 1st at an approximate temperature of 70-80 degrees. The spa will be heated all year at an approximate temperature of 90-95 degrees. The swimming pool and spa may be closed for cleaning and repair

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The swimming pool and spa temperatures will not remain constant at all times, but will vary because it is cooler in the morning after the heaters are first turned on, variations in air temperature, and other factors. We may reduce or stop heating the swimming pool and spa or other facilities, because of energy conservation considerations.

5.1.E. Only that amount of maintenance and repair we believe reasonably necessary will be done. You agree that the standard of maintenance and repair we are to be held to, with regard to the Park, is that of an average mobilehome community in California which is substantially similar to our Park in terms of such things as age, condition, number of spaces, quality, amenities, location, contains similar mobilehomes having values similar to the mobilehomes in our Park, charges similar rents, is or is not regulated by rent control or other restrictive laws or regulations, has a similar population make up and otherwise closely approximates our Park.

5.1.F. The provisions of this paragraph are in addition to the other agreements found in this paragraph 5 and elsewhere in this Agreement and the Rules and Regulations and other residency documents which are incorporated by reference in this Agreement. To the extent that those other agreements provide greater rights for us as owners of the Park, those agreements will prevail over the following: Effective January 1, 1994, Section 798.15 of the California Civil Code provides, in effect, that with respect to a sudden or unforeseeable breakdown or deterioration of the facilities, equipment, and other improvements, we shall have a reasonable period of time to repair a sudden or unforeseeable breakdown or deterioration and bring the facilities, equipment, or other improvements into good working order and condition after we know or should have known of the breakdown or deterioration. A reasonable period of time to repair a sudden or unforeseeable breakdown or deterioration shall be as soon as possible in situations affecting a health or safety condition, and shall not exceed 30 days in any other case, except where exigent circumstances justify a delay.

5.1.G. You agree that: (1) from time to time, our facilities and improvements, including our utility systems, will break down or provide less than adequate service; (2) These breakdowns are inevitable and expected and part of the normal conditions in our Park; (3) So long as we make reasonable efforts to reinstate or repair per paragraph F below, you will not complain or make any claim against us when this occurs; (4) That these breakdowns may occur for reasons other than a sudden or unforeseeable breakdown or deterioration; (5) We are not in any way responsible for things which are beyond our control, including the following: the interruption or failure of any utility system caused or substantially contributed to by the supplier of these utilities or others over whom we have no control; the condition, taste, color or smell of our water if it is delivered to you in substantially the same condition as that which we receive from the supplier of the water; utility failures caused by deliberate sabotage, the negligence of you or other persons, the failure of any equipment in your mobilehome or others' mobilehomes, or failures or other interruptions in utility services which occur on your side of the utility connection.

5.1.H. Any prevention, delay, or stoppage due to strikes, walkouts, or other labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes for them, 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 our providing any services or facilities (including utilities) to you for a time period equal to the delay. You will remain responsible, without abatement or reduction, for the rent, utilities, and other charges to be paid by you per the terms of this Agreement.

5.1.I. We will use reasonable efforts to reinstate or repair any services or facilities, including utilities, which have been interrupted. If you believe we are not using reasonable efforts to reinstate the services or facilities, you must resolve the matter per paragraph 35 below. We will not be liable under any circumstances for any loss or injury to property or persons because of a failure to furnish any services or facilities (including utilities) during the period of interruption.

5.1.J. We purchase our utilities from others and we are not responsible for any defects in the quality of these utilities or the service provided by the utility companies, including the taste, color or smell of water, power outages, interruptions in service and other similar things.

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

5.2.A. Our Rules and Regulations, this Agreement (with the exception of the length of the term of your tenancy and the rent provisions which may not be changed unless this Agreement is terminated) and our other residency documents may be changed at any time, at our option, during the term of this Agreement without reducing the rent or changing any other part of this Agreement. If we do, you will not be compensated by us and paragraph 5.2B will not apply.

5.2.B. Our services and facilities and the standards of maintenance of physical improvement, services (including utilities, equipment and physical improvements in the Park) may also be changed at our option, from time to time, during the term of this Agreement. Any such change which we are required to make because of requirements by government, utility companies or other over whom we have no control or through no reasonable fault or option of ours may be made without reducing the rent or changing any part of this Agreement. The same is true of such changes if they reasonably do not detrimentally affect the typical tenant in some meaningful way. Any other such changes, except as permitted by other provisions of this Agreement will, however, be compensated for by us by either a correspondingly reasonable reduction in the rent or the changing of part of this Agreement or the addition of something in place of the item which was changed or modified or by any other reasonable method or means as we determine. Any dispute regarding changes covered by this paragraph B will be resolved per paragraph 35 below.

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5.3 We are not a "security" Park and we have not made any representations or warranties to you that the Park is secure from theft or other criminal acts which may be perpetrated by any resident of the Park or other persons.

6. USE AND OCCUPANCY:

6.1 Your mobilehome and Space is for private residence, not a business. Conduct any business there and we may terminate tenancy. No persons other than those listed on the signature page of this rental agreement and your guests may reside at the Space without our prior written consent.

6.2 The park is an average residential neighborhood, it is not perfect. We will try to maintain the peace and quiet, but there may be times when whatever we do won't work. We will do what we can if you cannot get others to understand your complaints.

6.3 Except for short-term guests who do not stay longer than 45 consecutive days or 45 days in any calendar year, no more than two (2) persons per bedroom, plus one (1) additional person, may occupy the coach.

7. GUESTS:

7.1 You are personally responsible for all the actions and conduct of your guests.

7.2 We will charge five dollars (\$5.00) 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 the following as allowed by the Mobilehome Residency Law: a guest who is either a member of your immediate family or someone with whom you have decided to share your mobilehome so that you will not be living alone, or a health care provider.

8. SALE OF MOBILEHOME AND APPROVAL OF PURCHASER AND SUBSEQUENT RESIDENTS:

8.1 You may sell your coach, but remember: we have the right to size-up your buyer if the coach is staying—that is the law, and it protects us against unacceptable strangers. The buyer must do the following before sale and move-in.

- (1) You must give ten (10) days' notice of your intent to sell;
- (2) Buyer shall complete an application for tenancy;
- (3) We shall be entitled to obtain a credit report from TRW or other source as to buyer's credit history to which Buyer shall consent in writing if requested;
- (4) We may charge a fee as permitted by the mobilehome Residency Law for such credit investigation;
- (5) We shall be entitled to interview the buyer;
- (6) We must accept buyer for prospective tenancy;
- (7) We and the buyer and you must execute an assignment of this Agreement at least three (3) days prior to the first date scheduled and agreed upon for the close of escrow, the original of which assignment shall be maintained in our custody for such three (3) day period. After such three (3) day period, the assignment shall be released to you or buyer for delivery into escrow to prove that buyer has been accepted as a tenant on condition that the mobilehome purchase is completed;
- (8) The assignment and this Agreement shall become effective as to your buyer only after approved for tenancy on condition that (i) your transfer is consummated, and (ii) at the time of close of escrow no breach of this Agreement (including non-payment of rent, violation of the rules and regulations, or commission of substantial annoyance or any other justification for the termination of tenancy under Civil Code section 798.56) is uncured;
- (9) You, or buyer, must put the assignment and this Agreement into escrow, together with the rules and regulations, and other residency documents as may then be required;
- (10) Buyer shall not take possession of the mobilehome or Space, if we do not approve buyer for tenancy, or should the sale not be completed; in such case, buyer has no right of tenancy.

8.2 Except for guests, these requirements apply before any person will be permitted to become a permanent resident. Fifty dollars (\$50.00) per month rent increase applies for each additional person. This additional charge will not apply to a guest who is either a member of your immediate family or someone with whom you have decided to share your mobilehome so that you will not be living alone, or a health care provider. Anyone left after the tenant has died, moved or no longer lives in the mobilehome on a regular basis, will be considered a buyer; even a "legal" or "registered" owner.

8.3 If the mobilehome is sold, you must assign this rental agreement to the buyer. Upon sale, the rent can immediately increase as follows: 1995: \$19.00, 1996: \$19.00, 1997: \$29.00, 1998: \$29.00, 1999: \$39.00, 2000 to end of your rental term: 9% and will remain subject to all provisions of the rental agreement. This paragraph 8 applies even if you sell only a portion of your interest in your coach. You agree not to sell/transfer your mobilehome to anyone who does not agree to accept an assignment of this rental agreement as described in this paragraph 8. We would not have agreed to allow you to assign this rental agreement if we could not raise the Buyer's rent. Therefore, if at any time in the future we believe, in our sole opinion, that it may be unlawful to increase a Buyer's rent when the Buyer is required to assume this rental agreement, we may terminate your right to assign this rental agreement. If we do, we may require, instead, that the Buyer sign a new rental agreement. We may exercise this option on ten (10) days' written notice to you. If we do, the remainder of this rental agreement will remain in full force and effect. When, however, your Buyer signs a new rental agreement, your obligations under this rental agreement will end effective with the date the Buyer's tenancy begins.

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8.4 At all times, at least one of the persons listed on the signature page of this rental agreement must be the "legal" or "registered" owner of the mobilehome which occupies the Space, and that person must regularly occupy the mobilehome.

8.5 Both in this paragraph 8 and elsewhere in this Agreement, we have referred to the sale of your coach to a buyer. This or similar terminology refers to not only an actual sale by you of your coach to someone else who is buying it, but also to any other type of transfer or assignment of your interest in your coach or the Space to someone else.

9. ASSIGNMENT AND SUBLEASING:

9.1 You shall not have the right or power 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 Agreement. This Agreement may be terminated, at our option, if you assign or sublet your Space or mobilehome in violation of this Agreement and, in that case, we have the option to require the mobilehome to be removed from the Park by you.

9.2 If the law is changed and we are required to permit subletting, you shall notify us in writing in advance of your intent to sublet. Additionally, at our option, on 60 days' notice, we may allow subletting on terms we specify without reducing your rent or changing other terms of this Agreement. These terms may include a requirement that you and the sublessee execute our subleasing documents. These documents will require, among other things, that you remain primarily liable for the performance of this Agreement, and that if your sublessee breaches our subleasing documents or requirements, we shall hold you responsible and liable. We may, at our option, treat the sublessee as a "Homeowner" as defined in the Mobilehome Residency Law and require the sublessee to execute documents in such capacity for purposes of establishing "tenancy" in the Park. We may also require you and the sublessee to do such other things as are necessary to retain the exemption referred to in the first paragraph of this Agreement. The sublessee must also be approved by us and the rent may be increased by the amount in paragraph 8 and elsewhere in this Agreement, as well as other charges being increased.

9.3 If you, or the sublessee fail, in advance of sublessee taking possession of the mobilehome, to comply with our requirements, the sublessee may not live in the Park. If we do allow subleasing, later, at our sole option and at any time we choose, we may decide to prohibit or discontinue it without any liability and require all existing subleasing to stop. "Subletting" means any renting, regardless of the time period or how it is characterized, of the mobilehome or Space.

10. **TERMINATION OF THIS AGREEMENT BY YOU:** You may terminate your obligations under this Agreement only if you give us sixty (60) days prior written notice, and then only if one of the following also occurs: (1) you remove your mobilehome and other property from the Park and the right of possession and control of the Space reverts to us, or (2) you sell your mobilehome to someone who meets all of the requirements of this Agreement. If one of the preceding does not occur, you will remain fully responsible to us for the full performance of this Agreement for its entire term. If the buyer occupies the mobilehome or Space in violation of this Agreement, they will still be bound to perform all of the terms of this Agreement, including its rent increase provisions, during the period of time they occupy the mobilehome or Space. Additionally, although they will have no rights of tenancy during their period of occupancy, we may demand performance of this Agreement from them without waiving any of our rights against you or them under this Agreement or the law.

11. TERMINATION OF THIS AGREEMENT BY THE PARK:

11.1 If you breach any part of this Agreement, or we are otherwise allowed by law to do so, this Agreement may be declared forfeited and/or terminated and/or your tenancy may be terminated per the Mobilehome Residency Law and other applicable laws, including future changes to the law. If this occurs, we have the rights in California Civil Code Section 1951.2 as well as the other rights allowed by this Agreement or at law or equity. We also have the remedies described in California Civil Code Section 1951.4. We may continue this Agreement in effect after your breach or abandonment and recover rent as it becomes due from you, so long as you have the right to assign this Agreement per the restrictions on assignment described in this Agreement. The amount of our damages against you may, at our option, be determined by paragraph 35 below, but the mediation portions of paragraph 35 are not applicable.

11.2 In addition to our having the right to terminate your tenancy rights to live in the Park, we may also terminate this Agreement prior to the end of its term, by our giving you sixty (60) days written notice. We may exercise this option because we are changing the use of the Park, or for any of the reasons allowed by the Mobilehome Residency Law and other applicable law, including changes to these laws which may occur in the future. We may also exercise this option if a catastrophic loss occurs to the Park (e.g., such as earthquake, fire or other similar disaster or loss), so that damage to the Park itself (not counting damage to homes owned by Tenants) is \$500,000.00 or more. This second option will be available to us even though our loss may be wholly or partially insured. If we exercise one of these options, we will also offer you a new rental agreement which, at your option, will have a term of twelve (12) months or less. You will continue to have the right to live in the Park under whichever term of the new rental agreement you choose.

12. **INDEMNIFICATION:** We will not be liable for any damage, injury loss, expense, or inconvenience to any person or property caused by any use of the Park or your Space, or by any defects in any improvements, or failure of services or amenities, or condition thereof, or arising from any other cause, unless resulting from our active negligence or willful conduct. You agree that any damage, injury, or loss of any kind claimed by you, members of your household, your invitees, your guests, or others is limited and restricted as follows:

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12.1 You agree to indemnify us for all liability, damages, injury, loss, debts, suits, actions, claims, demands, causes of action, judgements, and expenses, including the provision of a defense attorney's fees and costs of an attorney we select, resulting from or alleged to have resulted from the negligent, willful, or intentional conduct of you, any member of your household, guests or others in the Park with your permission, or the condition or the maintenance, or lack thereof, of your mobilehome, Space, vehicle(s), equipment, accessory structures, property, improvements, or any of them, prior to the termination of this rental agreement.

Initial here to show you agree to 12.1 _____

12.2 You understand that there is a risk that mobilehome values may decline, no matter how well you care for the coach, and what the Park looks like. The value of your mobilehome may decline. Investigate before purchasing. Consult impartial professional advisors, do not rely on some real estate agent with a good talk. We think, in these matters, you best consult a lawyer.

13. **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.

14. **INCORPORATED DOCUMENTS:** You agree you have received, read and understood a copy of: This Agreement; the Mobilehome Residency Law which is effective as of January 1st of the year in which you signed this Agreement or signed a document accepting an assignment of this Agreement (which you agree was attached to this Agreement at the time you received it); the Rules and Regulations (including signs posted in the common areas) which you agree are effective immediately; R.V. Storage Agreement.

You understand that by signing this Agreement, you are bound by all of the terms and conditions of these documents and signs as they may be revised per this Agreement.

15. **COMPLIANCE WITH LAW AND RULES AND REGULATIONS:** You and we agree to comply with all applicable laws, ordinances, rules and regulations, and all terms and provisions of this rental agreement and our Rules and Regulations.

16. **ENTRY UPON YOUR SPACE:** We may enter your Space for any legitimate business purpose and your mobilehome only as permitted by the Mobilehome Residency Law or other laws.

17. **CONDEMNATION:** If any portion of the 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, or the utility systems or other portions of the Park 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 rental agreement as of the date the condemnation authority takes possession. The entire amount of any award for taking of all or any part of a Space by the Park, or for any other reason will be our property whether such award is made as compensation for diminution in the value of the leasehold, or for taking the fee, or the taking of any interest you may have because this Agreement or any other lease or rental agreement you have with us, or your tenancy in the Park. Nothing in paragraph 17, however, will preclude you from obtaining, or giving us interest in, any award to you for the loss of, or damage to, your removable personal property.

18. **ZONING AND USE PERMIT INFORMATION:** The nature of the zoning under which the Park operates is MF-1. The permits under which the Park operates are not subject to expiration or renewal.

19. **NOTICES:** All notices required or allowed by this rental agreement between you and us, must be in writing and may be served by any method then allowed by the law. Any notice served on you by mail will be considered received by you five (5) days after it is mailed.

20. **WAIVER OF DEFAULT:** If you fail to meet any of your obligations under this Agreement, 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 Agreement, 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 Agreement upon any further or other default on your part. Also, our acceptance of rent will not be a waiver of any breach by you of any term or provision of this Agreement, including any rule, regulation or other term or provision contained in any document referred to in this Agreement.

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21. **ENTIRE AGREEMENT:** Please understand that our Park Manager, other personnel, mobilehome dealers, the selling Tenant or sales person who sold you your mobilehome, and other persons are not authorized to make any representations or agreements with you about the Park unless those agreements and representations are contained in this Agreement and the other documents and posted signs referred to in it. Therefore, you agree that this Agreement 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 Agreement and other documents and signs. This Agreement completely supersedes and replaces any and all prior and contemporaneous agreements, representations and understandings of you, any other person, or us.
22. **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, including paragraph 35 below between the two of us, that is not covered by the Mobilehome Residency Law or other laws.
23. **PARTIAL INVALIDITY:** If any part of this Agreement or any document referred to in this Agreement is, in any way, invalid or unenforceable, the remainder of this Agreement or the other document shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law. The same is true if the application of any part of this Agreement, or any document referred to in this Agreement is, in any way, invalid or unenforceable to any person or circumstance.
24. **HOLD OVER TENANCY:** If you continue to live in the Park after the term of this Agreement has expired or it has been terminated (including any extension of the initial term we agree to) and you have not signed a new rental or lease agreement with us, you shall be on a month-to-month tenancy. During that month-to-month tenancy, you will pay all rent and other charges required by this Agreement, and all the terms and provisions of this Agreement, including paragraph 35 below will continue to apply to you. We may, however, increase the rent or charges you pay, or change any other terms of this Agreement upon 90 days' written notice to you.
25. **CONDITION OF THE SPACE:** You have carefully inspected the Space and all the services and facilities, and you have found them safe and as represented, orally and in writing.
26. **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 the Park, 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.
27. **ALTERATION OF THIS AGREEMENT:** This Agreement may be changed only as provided for by this Agreement or by a written agreement signed by you and us, or by operation of law. This Agreement will be construed and interpreted as though both of us had written it together, not as if it had been written by us alone.
28. **SUBORDINATION AND ATTORMENT:** We reserve the right to place liens on, encumber, mortgage, or convey by deed of trust, the Park or any part of the Park containing your Space. If this occurs, this rental agreement and your interest therein will, at our option, be subject thereto and to any renewal, extensions, or replacements thereof.
29. You agree that we may act as your attorney-in-fact for the execution, acknowledgement, and delivery of any and all documents required to subordinate your rights under this rental agreement to any such lien, encumbrance, mortgage, or deed of trust. You appoint us as your attorney-in-fact to execute such documents.
30. **RESPONSIBILITY FOR WORK ON SPACE:** We are not responsible to inspect and approve any work done by you or for you by others, including, but not limited to, the installation of your mobilehome, driveway, walkways, fences, or any other equipment or improvements of any type. To the extent that we may inspect or approve something, it is for our own purpose only, and you are not entitled to rely on that inspection or approval to ensure that the item has been installed or constructed correctly, or that the work has otherwise been done as required. Instead, you are responsible for all required inspections and approvals, and you agree to indemnify and hold us harmless from any work which is improperly done.
31. **REMOVAL OF IMPROVEMENTS:** If you remove your mobilehome, you agree not to remove the fencing, driveway, walkways, landscaping, or other improvements to the Space but instead agree that, upon the removal of the mobilehome, all such improvements will remain and become the property of the next tenant who occupies the Space.
32. **MAINTENANCE OF IMPROVEMENTS:** You are financially responsible to maintain, repair and replace as reasonably necessary your mobilehome and all equipment, structures and other improvements to your mobilehome and Space in good and safe condition and repair and in an aesthetically pleasing condition at all times. This includes, without limitation, the following: the mobilehome, accessory equipment and structures, fences, driveways, trees, banks, and landscaping. Regardless of whether you are the original Tenant/occupant of the Space or of your home or purchased your home from a former tenant who previously lived at your Space, this paragraph applies to you and you are responsible even for those things which were installed by a former owner or resident of the mobilehome or Space, or any prior or future owner of the Park. You are financially responsible for insuring at all times that the home, Space, and their

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improvements complies with all local, state and federal laws and regulations. (The only exception is any of the Park's utility systems on your Space which are owned by us or a utility company, so we or they are responsible for them.) The preceding includes without limitation such things as: insuring that the drainage is sufficient to prevent water from accumulating on your Space or under your home or running off so it adversely affects other spaces or our property; that all required setbacks and lot line requirements are met and there are no encroachments on other property; that all building code and other similar requirements are met; and that all building and other permits have been obtained.

33. **TIME OF ESSENCE:** Time is of the essence in this Agreement and each and every provision thereof.

34. **NO RECORDING:** You agree not to record this Agreement or a memorandum of this Agreement.

35. **RESOLUTION OF DISPUTES:**

35.1 EXCEPT AS NOTED IN PARAGRAPH 35.3, YOU AGREE THAT ANY AND ALL DISPUTES YOU HAVE WITH US WILL BE SUBMITTED FIRST TO NON-BINDING MEDIATION AND, IF THE DISPUTE CANNOT BE RESOLVED BY THAT METHOD, SUBMITTED TO WHAT IS CALLED A "GENERAL REFERENCE" WHICH WILL BE CONDUCTED PER THE PROVISIONS OF CODE OF CIVIL PROCEDURE SECTION 638. ALL ISSUES RELATING TO THE DISPUTE WILL BE SUBJECT TO THE REFERENCE AND THE REFEREE WHO IS APPOINTED SHALL HAVE ALL THE NECESSARY POWERS TO DECIDE ALL QUESTIONS OF LAW AND FACT RELATING TO THE DISPUTE. THE REFERENCE SHALL BE CONDUCTED AND DECIDED BY A RETIRED JUDGE AND NO JURY WILL BE USED. YOU ALSO AGREE THAT, AS IS TRUE OF THE OTHER PROVISIONS OF THIS AGREEMENT, THIS PARAGRAPH 35 IS APPLICABLE TO ALL MEMBERS OF YOUR HOUSEHOLD, INCLUDING ANY PERSON(S) WHO HAS NOT SIGNED THIS AGREEMENT, OR WHO MAY BECOME A MEMBER OF YOUR HOUSEHOLD AFTER THE DATE YOU SIGNED THIS AGREEMENT. ALTHOUGH THE WORD "MEDIATION" IS NOT USED OFTEN BELOW, UNLESS UNREASONABLE TO DO SO, EVERYTHING IN PARAGRAPH 35 REGARDING A REFERENCE ALSO APPLIES TO MEDIATION.

35.2 YOU OR WE MAY, AT OUR OPTION, ELECT TO HAVE ANY OF THE FOLLOWING DISPUTES SUBMITTED TO A REFERENCE OR TO BE TRIED IN THE COURTS UNDER NORMAL PROCEDURES TO A JUDGE SITTING ALONE WITHOUT A JURY: (a) TERMINATION OF TENANCY DUE TO A FAILURE TO PAY RENT OR OTHER CHARGES; (b) FORCIBLE DETAINER; (c) INJUNCTIVE RELIEF PER (i) CODE OF CIVIL PROCEDURE §527.6, (ii) CIVIL CODE §798.87(B), OR (iii) CIVIL CODE §798.88; (d) PAYMENT OF THE MAINTENANCE FEE PROVIDED FOR IN CIVIL CODE §798.36; (e) CONDEMNATION OR A CHANGE OF THE USE OF THE PARK AS PROVIDED IN CIVIL CODE §798.56(f) AND (g); AND (f) TO PRESERVE ANY EQUITABLE RIGHTS RELATING TO ANY DISPUTE. MEDIATION WILL NOT OCCUR FOR THE DISPUTES IN THIS PARAGRAPH 35.2.

35.3 "DISPUTE" INCLUDES NOT ONLY DISPUTES YOU MAY HAVE WITH US BUT ALSO DISPUTES AGAINST ANY OF OUR EMPLOYEES, CONTRACTORS, AGENTS OR ANY OTHER PERSON WHO YOU CONTEND HAS INJURED YOU WHEN YOU CONTEND THAT WE ARE RESPONSIBLE FOR THAT OTHER PERSON'S ACTS OR FAILURE TO ACT.

35.4 BEFORE THE LAWSUIT REQUIRED TO BEGIN A REFERENCE MAY BE FILED, MEDIATION MUST BE ATTEMPTED. THIS IS DONE BY YOU SERVING US AND THE JUDICIAL ARBITRATION AND MEDIATION SERVICE, INC. ("JAMS") WITH A WRITTEN DEMAND OR NOTICE OF INTENTION TO REQUIRE A REFERENCE. YOU MUST GIVE US THIS NOTICE NOT LATER THAN ONE (1) YEAR FROM THE DATE YOU OR ANY MEMBER OF YOUR HOUSEHOLD FIRST BECAME AWARE OF (OR REASONABLY SHOULD HAVE BEEN AWARE OF) THE DISPUTE. IF YOU DO NOT GIVE US NOTICE WITHIN THE ONE (1) YEAR TIME PERIOD, YOU AGREE WE WILL NOT BE LIABLE TO YOU FOR AN INJURY OR DAMAGE YOU OR OTHERS IN YOUR HOUSEHOLD MAY EXPERIENCE AND, THEREFORE, THAT DISPUTE WILL NOT BE SUBJECT TO A REFERENCE OR ANY PROCEEDING IN THE COURTS. THIS ONE (1) YEAR TIME LIMITATION APPLIES TO BEING ENTITLED TO BOTH MEDIATION AND A REFERENCE. FOR EXAMPLE, IF THE DATE WHEN YOU FIRST BECAME AWARE OF THE DISPUTE WAS JANUARY 1, 1995, NOTICE OF THE DISPUTE MUST BE GIVEN BY YOU TO US BY DECEMBER 31, 1995 IN ORDER TO HAVE THE DISPUTE MEDIATED AND HAVE A REFERENCE, AND IF NOTICE WAS GIVEN AFTER DECEMBER 31, 1995, NEITHER MEDIATION OR A REFERENCE WOULD OCCUR. THIS NOTICE MUST PROVIDE: (i) A DESCRIPTION OF THE DISPUTE, AND (ii) FACTS FROM WHICH THE DISPUTE ARISES INCLUDING WITNESSES, DATES, TIMES AND CIRCUMSTANCES. IF THE DISPUTE IS NOT RESOLVED IN NINETY (90) DAYS BY MEDIATION, THE DISPUTE MUST EITHER BE ABANDONED OR RESOLVED BY A REFERENCE. EVEN THOUGH YOU MAY HAVE A REASONABLE CLAIM, THE REFEREE SHALL REFUSE TO GRANT ANY RELIEF TO YOU IF YOU DO NOT COMPLY WITH THE ABOVE ONE (1) YEAR TIME PERIOD. IF MEDIATION FAILS AND YOU CHOOSE TO FILE THE LAWSUIT REQUIRED TO START A REFERENCE, THE LAWSUIT MUST BE FILED BY YOU WITHIN TEN (10) DAYS OF THE DATE THE MEDIATOR DECLARES AN IMPASSE OR THE MEDIATOR ISSUES HIS OR HER RECOMMENDATIONS OR DECISION.

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35.5 IF MEDIATION FAILS AND YOU AND WE CANNOT AGREE IN TEN (10) DAYS FROM THE DATE THE LAWSUIT IS FILED WHO THE REFEREE WILL BE, A COURT OF COMPETENT JURISDICTION WILL PROVIDE BOTH OF US WITH A LIST OF AT LEAST FIVE (5) NEUTRAL REFEREES, FROM WHICH YOU AND WE WILL ATTEMPT TO SELECT A REFEREE. IF WE CANNOT AGREE, THE COURT WILL MAKE THE SELECTION FROM THAT LIST FOR US. BOTH YOU AND WE WILL BE GIVEN THE RIGHT OF ONE PEREMPTORY CHALLENGE TO DISQUALIFY A PERSON FROM BEING THE REFEREE. THE REFERENCE SHALL COMMENCE WITHIN ONE HUNDRED TWENTY (120) DAYS FROM THE DATE THE REFEREE IS APPOINTED, UNLESS CONTINUED ON REQUEST TO THE REFEREE, OR BOTH OF US AGREE. THE REFEREE WILL BE A DIFFERENT PERSON THAN THE MEDIATOR.

35.6 UNLESS BOTH OF US AGREE, NO DISPUTE WILL BE CONSOLIDATED OR JOINED TOGETHER WITH A DISPUTE OF ANY OTHER PERSON.

35.7 THE FEES AND COSTS FOR THE MEDIATION AND REFERENCE WILL BE ADVANCED EQUALLY BETWEEN US AND YOU AND THEY ARE DUE AND PAYABLE ON REQUEST OF THE MEDIATOR OR REFEREE. THE MEDIATOR OR REFEREE WILL MAKE A REASONABLE ESTIMATE OF ANTICIPATED FEES AND COSTS OF THE MEDIATION OR REFERENCE AND SEND A STATEMENT TO EACH OF US, AND EACH OF US WILL DEPOSIT OUR ONE-HALF SHARE WITH THE MEDIATOR OR REFEREE WITHIN TEN (10) DAYS. IF EITHER OF US FAILS TO MAKE A DEPOSIT, INCLUDING ANY ADDITIONAL DEPOSIT LATER DETERMINED TO BE NECESSARY BY THE MEDIATOR OR REFEREE, THE PERSON WHO FAILS TO PAY WILL FORFEIT AND GIVE UP ALL RIGHTS TO PROSECUTE OR DEFEND THE CLAIM. THE FAILURE OF ONE OF US TO PAY WILL NOT, HOWEVER, ABATE, STAY, OR SUSPEND THE MEDIATION OR REFERENCE AND THE MEDIATOR OR REFEREE WILL BE REQUIRED TO MAKE A FINAL DECISION WITHOUT THE NON-PAYING PERSON'S PARTICIPATION.

35.8 YOU ACKNOWLEDGE HAVING READ PARAGRAPH 35. YOU ALSO AGREE THAT THESE PROVISIONS WILL APPLY TO YOU AT ALL TIMES IN THE FUTURE (EVEN THOUGH THAT MAY BE BEYOND THE TERM OF THIS AGREEMENT OR AFTER YOUR TENANCY OR THIS AGREEMENT HAS BEEN TERMINATED OR YOU MOVE FROM THE PARK UNLESS THESE PROVISIONS ARE ELIMINATED AFTER THE TERM OF THIS AGREEMENT ENDS BY A WRITTEN 60-DAY NOTICE FROM US TO YOU.

35.9 NOTICE: BY INITIALING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE YOUR DISPUTES WITH US DECIDED BY A NEUTRAL REFEREE AS PROVIDED BY CALIFORNIA LAW, AND YOU ARE GIVING UP ALL RIGHTS YOU HAVE TO HAVE THE DISPUTES LITIGATED IN A COURT OR BY A JURY TRIAL. IF YOU REFUSE TO SUBMIT TO A REFERENCE AFTER AGREEING TO THESE PROVISIONS, YOU MAY BE COMPELLED TO A REFERENCE UNDER CALIFORNIA LAW. YOUR AGREEMENT TO THESE PROVISIONS IS VOLUNTARY. YOU HAVE READ AND UNDERSTAND THIS PARAGRAPH 35 AND AGREE TO SUBMIT YOUR DISPUTES TO A "REFERENCE" AS PROVIDED IN THIS PARAGRAPH 35. BY INITIALING BELOW, YOU ACKNOWLEDGE THE PROVISIONS AND AGREEMENTS IN PARAGRAPH 35 ABOVE.

Initials of Tenant(s) who originally signed this Agreement: _____

Initials of Tenant(s) to whom this Agreement was assigned: _____

Printed name of Tenant(s): _____

Date of assignment of Agreement: _____

Initials of Tenant(s) to whom this Agreement was assigned: _____

Printed name of Tenant(s): _____

Date of assignment of Agreement: _____

36. TRANSFER OF PARK'S INTEREST: If we sell or transfer our interest in the Park to anyone else, we will be automatically relieved of our obligations under this Agreement which occur after the date of the sale/transfer.

37. HEADINGS: The titles of the paragraphs and subparagraphs in this Agreement 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 Agreement.

38. COUNTERPARTS: This Agreement may be signed in duplicate copies, each of which shall be considered an original but all of which taken together will be one and the same document.

J&B

RENTAL AGREEMENT

39. OWNER'S APPROVAL AND OPTIONS: All references in this Agreement and documents it refers to, that our approval is required means you must obtain our prior written approval by submitting a written request to us which describes what you want to do. References in this Agreement that we may, at our option, adjust or increase rents up to or by a certain amount or do anything else at our option, means we have the right, if we wish, to do so.

40. ESTOPPEL CERTIFICATE: You shall, on our request, sign and deliver to us a written statement certifying that (a) this Agreement is unmodified and in full force and effect (or if there have been modifications that they are in full force and effect as modified; (b) the dates to which the rent and other charges have been paid; (c) the term of this Agreement; (d) the amount of any security deposit; (e) we are not in default nor have we been in the past under any provision of this Agreement or any laws or regulations affecting our obligations; and (f) any other matters as may be reasonably requested by us. Any such statement may be relied on by us or any person we give it to. You will be in default of this Agreement if you fail to do the above within 20 days of your receipt of a written request for such statement. We may, at our option, treat your failure to sign and deliver this document to us as your agreement to the information we've requested and that we are not in default nor have we been in the past under any provision of this Agreement or any laws, or regulations affecting our obligations to you.

41. MODIFICATION FOR LENDER: If, in connection with our obtaining financing where we use the Park as security, a lender requests reasonable changes in this Agreement as a condition to such financing, you agree to promptly consent to those changes, if they do not increase your obligations under this Agreement or materially adversely affect you.

42. LIMITATION OF OUR LIABILITY: You agree that, in the event of any actual or alleged failure, breach or default by us under this Agreement or otherwise, your sole and exclusive remedy shall be against the value of the Park (including any insurance policies of us or the Park).

43. EXECUTION: This Agreement is signed by you at _____ o'clock 9 p.m., on _____, 199____. This Agreement is signed by us on _____, 199____.

44. RELEASE OF CLAIMS:

44.1 As a material part of the consideration of this Agreement, and for the benefit of each of the Released Parties, as defined below, Resident hereby irrevocably waives, releases and discharges Owner, Hub City Construction Company and Paul J. Scott and Jean Ann Crilley, Trustees under Declaration of Trust dated November 2, 1970, and each and all of Park's former owners and management and each and all of the Park's former owners and management and each and all of their respective former officers, directors, agents, employees, attorneys, heirs, successors, executors, administrators and assignee (hereinafter collectively the "Released Parties") from and against any and all claims, agreements, contracts, covenants representations, obligations, losses, liabilities, demands and causes of action which Resident may now or hereafter have or claim to have against the Released Parties, by reason of any matter or thing, whether of a personal or business nature, whatsoever, to and including the date hereof. Resident hereby waives any and all rights which Resident may have under the provisions of Section 1542 of the Civil Code of the State of California, which section reads as follows:

"A General Release does not extend to claims which the Creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him, must have materially affected his settlement with the Debtor."

44.2 It is understood by Resident that, if the facts or law with respect to which the foregoing release as given turn out hereafter to be other than or different from the facts or law in that connection now known to be or believed by Resident to be true, then Resident expressly assumes the risk of the facts or law turning out to be so different, and agrees that the foregoing release shall be in all respects effective and not subject to termination or rescission for any such difference in facts or law.

Initial here to show you agree to 44.1 and 44.2 _____

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PLEASE READ CAREFULLY BEFORE SIGNING THIS AGREEMENT AND ALL OF THE OTHER DOCUMENTS REFERRED TO IN THIS AGREEMENT.

I/WE AGREE THAT WE HAVE READ, UNDERSTOOD AND VOLUNTARILY AGREED TO ALL OF THE PROVISIONS OF THIS AGREEMENT AND THE OTHER DOCUMENTS REFERRED TO IN IT.

I/WE HAVE BEEN ADVISED BY REPRESENTATIVES OF THE PARK THAT I/WE HAVE THE RIGHT TO CONSULT A LAWYER AND GET THE LAWYER'S ADVICE BEFORE SIGNING THIS AGREEMENT.

TENANT(S) INITIALS: _____

I/WE HAVE TAKEN THIS AGREEMENT TO A LAWYER BEFORE SIGNING IT. THE LAWYER IS:

Name: _____

Address: _____

Telephone: _____

TENANT(S) INITIALS: _____

I/WE HAVE DECLINED TO SEEK LEGAL COUNSEL BEFORE SIGNING THIS AGREEMENT.

TENANT(S)

Dated: _____

Dated: _____

Dated: _____

Person(s) in addition to the above who will reside in the above Space:

Dated: _____

Dated: _____

Dated: _____

HOLLYDALE MOBILE ~~E~~STATES

Dated: _____ By: _____

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MOBILE home dispute in court

Two parks' owners accused of defying San Jose rent limits

BY SANDRA GONZALES
Mercury News Staff Writer

After a five-year delay, prosecutors went to trial in civil court this week, accusing the owners of two mobile-home parks of rent-gouging and running an intricate sham to skirt San Jose's rent control ordinance.

In the long-running and hotly disputed lawsuit, filed in 1995, prosecutors claim that the defendants, Beaumont Investments Ltd. and San Jose Investments Ltd., engaged in unfair business practices in a six-year scheme to circumvent the ordinance, which regulates how much mobile-home park owners can increase the rent on leases of one year or less.

The companies are joint owners of Lamplighter and Casa del Lago mobile home parks, which are managed by Thomas Tatum and Jeffrey Kaplan. Kaplan was

At issue is

whether

tenants

were the

victims of

price-

gouging

and unfair

business

practices.

the primary author of a failed 1996 ballot initiative that would have banned mobile-home rent control throughout the state.

Santa Clara County prosecutors claim that instead of offering shorter leases required by rent control, park operators manipulated

90 prospective tenants into signing lucrative long-term leases and disguised costs that would ultimately raise their rents significantly.

At different times, the leases on mobile home lots varied. Some leases sought rent increases of 7 percent to 9 percent a year for five years, with an additional 10 percent added every fifth year and an automatic five-year renewal for 25 years.

Prosecutors are using civil court to seek an injunction to stop the practice.

The attorney for the defendants, Frederik A. Jacobsen, dismissed prosecutor Kenneth Rosenblatt's assertions, pointing out that the alleged victims represent only a small percentage of the 900 tenants who occupied both parks.

While Jacobsen acknowledged mistakes may have been made, he emphatically denied that his clients schemed to coerce prospective tenants into signing long-term leases.

"The lease was not concocted to bedevil the good citizens of San Jose and circumvent the San Jose ordinance," Jacobsen said, adding that the lease was typical of those used in the industry throughout the state.

Jacobsen said tenants were given

Civil trial over rent limits

■ MOBILE HOMES

from Page 1B

the option of signing on a monthly basis or on a long-term lease. The latter, he said, provided stability in that the tenant knew what to expect in the way of rent increases, and allowed them to avoid the uncertainty of rent control, which was subject to the whims of city officials and the courts.

San Jose's current rent-control law permits landlords to raise rents by a minimum of 2.5 percent every year and a maximum 7 percent. The amount of the increase allowed depends on changes in local housing costs.

In the 1980s, the rent increases often fluctuated under the rent-control ordinance. In some years, Jacobsen said, the rent-control ordinance allowed increases higher than what was called for in the parks' long-term leases.

According to the prosecution, New Horizon Mobile Homes — a San Jose mobile-home dealership — and its president, Faramarz Nairni, had signed long-term leases for spaces in the two parks and then required anyone buying a mobile home from

Nairni to assume the leases with yearly rent increases above the rent-control limit.

Multi-year leases are exempt from the ordinance as long as the tenant lives in the park space, but Nairni did not live in the spaces. New Horizon was named in the 1985 lawsuit, but settled the case in 1988 for \$100,000.

During his opening statements, Rosenblatt characterized the actions of the mobile-home park owners as an "assault on rent control" and detailed a "conspiracy" in which unsophisticated prospective tenants were pressured into signing leases after being inundated with a confusing 30-page lease and multiple pages of park rules.

Rosenblatt said that in some instances, prospective tenants were hurried to sign, and that in other cases, some were not allowed to take the leases out of the office before they signed them.

"Defendants were concealing high costs of 25-year leases to get people to sign it," Rosenblatt told Superior Court Judge Leslie Nichols, who will be deciding the case. Consumer-protection cases are routinely tried without juries, in civil court.

Jacobsen denied the pressure, and said that at

any time, prospective tenants could have taken the leases out of the office for review.

So far this week, a former Casa del Lago park manager — and the first of more than 100 witnesses expected to be called in the three-month trial — testified that when going over the lease with prospective tenants, he deliberately did not refer to the leases as 25 years in length to convince them to sign it. The former manager, James Andrews, said he was instructed by his management company to encourage long-term leases and was given bonuses for those he signed.

Of the 90 alleged victims, a third either lost their mobile homes through foreclosure or had to sell them at depressed prices, Rosenblatt said. The remainder, he said, continue to struggle to pay for their mobile homes.

As a result, the District Attorney's Office is seeking an injunction to force the defendants to abide by the ordinance, reduce rents and pay civil penalties of at least \$500,000.

Contact Sandra Gonzales at sgonzales@sjmercury.com or (408) 295-3983.

1019-S

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