



November 7, 2018

Re: Capital Expenditure Pass Through

VIA Electronic Delivery

Dear Members of PDRra: Lois Shouse, Margaret Apodaca, Glenn Henshaw, Sharon Thoms, Eugena Marino, Mike McCarthy, Beth Ebben,

This letter will supplement the letter dated October 23, 2018. We look forward to meeting with you on November 12, 2018, to discuss the Projects therein as well as the Project described below.

Section 3(b) and Exhibit D of the long-term rental agreements (“Agreement”) between homeowners at Plaza del Rey and the owner of Plaza del Rey set forth the process by which projects mutually agreed to by the Board and Owner may be passed through to Homeowners under the Agreement. A copy of Exhibit D to the Agreement is attached to this letter as **Attachment 1** for your reference.

The purpose of this letter is to seek the Board’s agreement to pass through the replacement of the concrete pad at the west entrance of the community (the “West Community Entrance Project”). The West Community Entrance Project will replace existing concrete which has run its useful life and requires replacement.

Owner has received a proposal for this project from Gonzalez Seal which is attached to this letter as **Attachment 2**. Based on Owner’s calculations, the pass-through for the West Community Entrance Project would be in the amount of \$0.12 per month for the remaining term of the Agreement. The calculation of this amount is shown on **Attachment 3**.

Owner believes the West Community Entrance Project to be both commercially reasonable and prudent and that the Board’s consent to the pass through may not be unreasonably withheld.

As provided for in the Agreement, any pass-through shall be in addition to annual rent increases and shall be in addition to rent. Homeowners will receive 90 days’ advance written notice of the pass-throughs.



If the Board desires to speak with management to discuss the West Community Entrance Project, as set forth in Exhibit D, a discussion may take place at our scheduled meeting on November 12, 2018. If you have any questions in advance of the meeting, please do not hesitate to reach out to me.

PLAZA DEL REY MANUFACTURED HOME COMMUNITY

A handwritten signature in blue ink, appearing to read "Karim Manji", is written over a horizontal line.

Karim Manji, Manager

Cc: Jason Hagen; David Kingery

1225 Vienna Drive
Sunnyvale California 94089



(408) 734-2746 (Phone)
(408) 734-9707 (Fax)

Attachment 1
Exhibit D to Long Term Rental Agreement

Exhibit D

CAPITAL IMPROVEMENT PASS-THROUGH PROCESS

As stated in Section 3(b), in addition to Rent, Homeowner agrees to pay the cost of certain capital improvement projects implemented at the Property, including a return on capital of seven percent (7%). The capital improvement projects that may be passed through to Homeowner include the following: (i) any projects mutually agreed to by the Board and Owner, whether initiated at the request of the Boards or Owner; and (ii) the cost of any project mandated by any governmental agency (whether federal, state or local). These projects are referred to collectively as the "Projects." When used in this Agreement, Board shall mean the duly elected Board of Directors of the Plaza Del Rey Homeowner's Association. In this Agreement, when approval or mutual agreement of the Board is specified, such approval or mutual agreement of the Board shall mean the affirmative vote of a majority of the Board's members voting on the matter, notwithstanding any other provision of the Board's governing documents to the contrary.

Projects requiring mutual agreement. With respect to Projects that must be mutually agreed upon by the Board and Owner, such Projects may be requested by either the Board or Owner; any requested Projects must be both commercially reasonable and prudent; if a requested Project meets such standard, the non-requesting party may not unreasonably withhold approval. If Board and Owner are unable to agree on whether a Project is both commercially reasonable and prudent or if the non-requesting party is refusing to agree to a Project that is commercially reasonable and prudent, the Board and Owner agree to submit their differences to mediation before a neutral third party to attempt to reach agreement on the Project and pass-through. Owner and Board agree to use Project Sentinel in Sunnyvale if available or another neutral third party if Project Sentinel is not available. Any costs of this process shall be added to the pass-through if implemented or otherwise born equally between the Board and Owner. While it is recognized that the Board may consult the Homeowners, the determinations of these Projects and agreement to the pass-through is to be made by the Board and without the necessity of a Homeowner vote.

A party requesting a capital project for approval by the other party must provide sufficient documentation and justification to support the request and provide at least ten (10) business days for the non-requesting party to review the materials at which time the parties shall meet to discuss the project and reach a conclusion on whether a project meets the standards for a pass-through. If agreement is not reached, then the issue will be submitted to mediation as described above.

Owner and Board recognize and acknowledge that there may be Projects which Owner needs to address prior to consultation with the Board on a pass-through of such Project and in such circumstances, Owner may proceed with such Projects and thereafter seek the Board's approval to pass the costs through. The Board agrees to act in good faith with respect to such Projects and resulting pass-throughs and the Owner's decision to proceed with a Project before gaining consent to the pass-through does not adversely impact the ability to ultimately pass-through the cost. Similarly, if a number of smaller Projects are completed, these may be aggregated and submitted to the Board for approval of a pass-through of the entire amount.

Homeowner Initials

Government mandated projects. Projects mandated by any governmental agency (including the State of California or any of its departments or agencies, the Federal government or any of its departments or agencies, the County of Santa Clara or any of its departments or agencies, or the City of Sunnyvale including any of its departments or agencies). Excluding Projects that would be solely the Owner's responsibility under the MRL, these Projects may include any type of compliance related matter imposed on the Property from time to time even if the law or regulation under which the Project is imposed is in effect at the commencement of the Term or any Project related to newly imposed laws, rules or regulations.

General. Costs such as engineering, plans and specifications, and the cost of permits shall be included in the costs of any Projects for purposes of calculating the pass-through.

Any pass through shall be in addition to annual rent increases and shall be in addition to Rent. The amount of any pass-through must be paid in accordance with Section 6 of the Agreement.

The pass-through shall be calculated as follows: Cost per site will equal the total capital cost divided by total sites. The cost per site will be amortized over the useful life of the Project at a seven percent (7%) interest rate and if the Term ends before the pass-through is fully paid, the amount of the pass-through will be subsumed into the market rent under the next rental agreement.

If more than one Project is completed, then more than one capital improvement pass-through may be implemented.

Timing. Homeowners will receive 90 days advance written notice of any amount to passed-through to them under Section 3(b). The Board and Owner agree that Projects need not be completed in order to be passed-through and that calculation of any pass-through may be made on the basis of a signed contract. Should total costs of the Project change after a calculation of a pass-through has been made, then Owner and the Board shall meet to discuss the impact on the pass-through. In addition, the Board and Owner agree that pass-throughs may be implemented upon 90 days' prior written notice at any time during the Term (not just on an anniversary date).

Homeowner Initials

1225 Vienna Drive
Sunnyvale California 94089



(408) 734-2746 (Phone)
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Attachment 2
West Community Entrance Bid

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Sunnyvale California 94089



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Attachment 3
Pass Through Calculation

The West Community Entrance Project

$\$15,648.00 \times 7\% \text{ interest} = \$16743.36 \text{ total cost}$

$\$16743.36 / 800 \text{ homes} = \20.93 per home

$\$20.93 / 15 \text{ years useful life} = \0.12 per month