

Oakridge's Long-Term Lease Agreement

We've been apprised of the fact that our homeowners and prospective homeowners are being advised to not sign the long-term agreement. That of course is everyone's prerogative, but it appears that the "don't sign" advice is based largely, if not entirely, on the false perception that Oakridge intends to pass on the cost of rebuilding the new recreation center to the homeowners. It apparently has been opined that the language in the "**Uninsured Losses**" clause on page 6 allows Oakridge to do that.

The purpose of this communication is to make clear Oakridge's position on the matter. There was no intent to attempt to pass through any costs for rebuilding the clubhouse, or the costs of anything else in the common areas which were damaged or destroyed in the fire as an uninsured loss; no such thing was even contemplated. I can state categorically that currently there are no plans for passing on such costs to our homeowners. Our track record in ownership and management of Oakridge since 1979 speaks for itself. Had we taken full advantage of all legal avenues of opportunity, rents would now be much higher and many dollars would have been passed through for various improvements and other things over the years. A good example is the Northridge earthquake of 1994. How many dollars did Oakridge pass through then, when it could have legally done so?

We were perhaps naïve about the notion that the **Uninsured Losses** clause could be a controversial one, but we can understand the concern, now that it's been brought to our attention. In the event of a natural disaster, the funds needed to bring the park back to life and to keep it afloat financially are needed immediately, not in small monthly payments from the homeowners, as provided for in that clause. Assuming that the damage were great enough that the park's cash reserves and insurance coverage were inadequate, the park obviously would need to obtain help from public agencies and/or funds in the form of loans. That clause provides the means to pass through only the amounts of any such loan and/or cash outlay needed for repairs/rebuilding that were not recoverable through insurance. If, for example, the total uninsured amount to repair and rebuild the common facilities was \$1,000,000, the base rent could increase by not more than \$27.77 per month ($1,000,000 \div 600 \text{ spaces} \div 60 \text{ months} = 27.77$), no matter how many spaces were subject to the long-term lease.

Oakridge would pass through such costs only if the park could not otherwise survive financially. I can't imagine a disaster worse than the one we're all experiencing, and the park is surviving without needing to tap the resources of its homeowners through the uninsured losses provision of the lease. Oakridge's traditionally-conservative insurance coverage is improved now, due to the lessons we've recently learned, and the individual homeowner policies are much improved. There's no way to guarantee no further disasters, but we believe that Oakridge is even better prepared now, and will become the model for such preparedness. The new homes coming in are good examples of the latest in residential fire safety.

Regardless of all that, people should be able to choose which rental agreement they wish to sign based on merit, personal preference and need, but that choice should not be clouded by the specter of something bad lurking in the **Uninsured Losses** clause. We don't care which Agreement is chosen, but that choice shouldn't be unduly influenced by a mistaken perception that a major rent increase is possible in the event of a disaster. If it's a comfort to anyone who wishes to enter into the Long-Term Lease Agreement, or has done so already, we'd be happy to consider capping the monthly amount which may be passed through for any Uninsured Losses in any five-year period. We don't expect Oakridge to ever be in the position of needing to pass any such losses through in any amount, and to reiterate, there are no plans to have any of the current common-area fire damage paid for by the homeowners through the uninsured losses clause of the lease.

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