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December 7, 2010

Ramsey City Council  
7550 Sunwood Dr NW  
Ramsey, MN 55303

Re: The Exchange at Brier Creek

Dear Council Members:

No one in business is ever pleased when he is forced to file bankruptcy on a project that he completely immersed himself in and believed with all his heart that it would be a success story for his company. This is exactly what my partners and I endured with The Exchange at Brier Creek apartment community in Raleigh, N.C.

What is even more gut-wrenching is when the project in question is by all means a success, but falls victim to the economy and the unstable environment of a lending institution, which is why I am sending you this letter today to provide a time-line on The Exchange and what led to the reorganization of the business under Chapter 11 of the U.S. Bankruptcy Code.

At the time of the bankruptcy filing, the apartments were 94% leased – a very high level of occupancy in today's standards – and we were paying the lenders twice as much as they would have received under the original loan. The property was worth more than the debt and our plan was to sell the property and pay everyone off or refinance and take out the first position lenders. In all projects we develop, our first preference is to hold on to the property long term. Our normal – and desired – approach is to develop a high quality product, hold on to it long term, and provide high-quality professional management for our residents. In Ramsey, we plan to take our desired approach and be long-term owners of the project.

Unfortunately with The Exchange at Brier Creek, we were forced to take a different path than normal. We were dealing with bankers who were not the original lenders. We were caught in the middle of banks buying competing banks, which put our company in the precarious position of dealing with lenders who were not interested in real estate loans. Two of the lenders involved would not even communicate with each other leading to the threat of legal action brought by both sides.

While the banks were fighting with each other, we began negotiating with another entity to purchase the apartment community, but in its pursuit of the property, that buyer decided to approach our lender to buy the debt at a discount with the intentions of wiping out our ownership of The Exchange. This move backed ownership into the proverbial corner and we felt we had no choice but to file bankruptcy to protect our investors and those we owed money. The Chapter 11 reorganization filing forced the two participating lenders to communicate and provided a forum to help preserve the investment, as well as make sure that creditors were considered in the process.

Within three months we were able to work out a deal where all creditors were paid in full including the lender holding the original construction loan. We also worked with the new buyer who paid \$3.5 million over the original debt providing a profitable development where everyone gets paid. Unfortunately, we had to resort to Chapter 11, but with the dysfunctional lender situation we had no other options available.

We could have rolled over and lost this property, but we chose to exhaust all legal means to preserve the asset. I would think that the City of Ramsey would prefer to work with a developer who is committed to the project it starts and is willing to fight for its investors and creditors even if times get difficult.

The way we dealt with The Exchange at Brier Creek is how we do business at Flaherty & Collins. We have built our business model on a solid commitment to build apartment and mixed-use projects of which investors, municipalities, and renters can be proud.

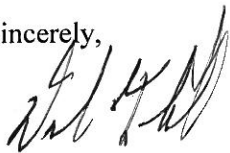
I firmly believe the last several years have been an anomaly in the real estate world and we will not be forced to endure these bankruptcy-type issues ever again. With The Exchange at Brier Creek we were able to get work through all the issues and create a win-win situation for all involved.

Even in these difficult times Flaherty & Collins Properties has well over a \$100 million in active development deals including the \$20,000,000 development, the blvd at Anson apartments, which many Council Members were able to tour on their Indianapolis visit. We recently closed on financing for that project and construction is well under way.

I do not think there as an active developer in the country who has not had lender issues in the recent downturn and we are no different. Nothing in our past is stopping us from getting deals done today. We have a long record of developing, building, and managing award-winning properties across the country and can't imagine that this one deal that fell victim to a perfect storm of a nationwide economic downturn could possibly define where we have been or the direction or company is headed today. We are closing loans and building apartments today.

I would be happy meet anyone in person to further discuss the specifics of The Exchange at Brier Creek.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Flaherty', written over a light blue horizontal line.

David Flaherty

CEO

Flaherty & Collins Properties