

Dear Victor Gardens Residents:

As all are aware of and are concerned about, the real estate industry as a whole is in dire conditions and has been for some time. Single Family homesite sales at Victor Gardens has been minimal for the past three years and it does not appear there is any immediate future change in the market to shift the present sales status.

The most critical resident concerns regarding the present market condition falls in two areas, Architectural Review control of future sales and Homeowner Association budget funding shortfall.

### **Architectural Review Control**

CPDC has controlled the Architectural Review Committee from the beginning and that has not changed with the exception of inviting a resident liaison to participate in the committee review. Anyone driving down the streets today have to recognize and appreciate the past efforts and direction. The Architectural Guidelines are recorded with the PUD Developer Agreement with the City of Hugo and will remain with the land regardless of any potential future ownership. It is premature to make a judgment on ARC control. There are certain bridges we need to cross at appropriate times and right now CPDC's commitment is to stay the course as we have in the past, which is if we have any sales to apply that commitment to. If there are changes in ownership, you will be informed and a process will be in place to address ARC control. Let's just not burn bridges prematurely that we may need to cross in the future.

### **Developer HOA Budget Shortfall**

First and foremost, please keep in mind that the participation of developer funding of HOA budget shortfall has always been purely volunteer. It is not a legal requirement. CPDC has been funding the shortfall for two simple reasons; it improves our marketing approach to increase sales and it supports the investment/completion of public realm improvements earlier than later for daily livability of those who have already purchased. That shortfall funding does not come from the air and as a developer we are not planting trees that are miraculous growing dollars to fund it. It takes sales. We have not had sales to support this funding for the last three years and have been funding the shortfall at as we could from other resources. This had to stop. CPDC no longer has other funds available to support it. Those being said, please recognize the following circumstances we face that leads us to the next stages of decisions.

- CPDC is in default on our loan in Victor Gardens East (29 unsold lots, 26 completed). M & I has been trying to get our original loan transferred from Alliance Bank (our original lender) to them so they can be in control of their own asset. M & I was a participating lender in the original loan and has the majority

of loan dollars outstanding that remain unpaid. Supposedly this loan will be transferred tomorrow but we have been waiting for over 3 weeks to have this completed and as of today, still not done.

- This is important, that M & I gets control of their real estate loan. When they do, we have recommended to our HOA board that we set up a meeting with the decision makers at M & I to present our case for funding the developer shortfalls and ongoing HOA budgets to preserve and protect the value of their own asset as well as the value of everyone's home. Until they have control of their own loan, we have not been able to get a meeting scheduled to address the HOA issues. I have no idea as to how they will react to this meeting, but from conversations I have had with them they appear to understand the importance of protecting values but I can not speak for what they will or will not do. I remain convinced that we need the full cooperative support of the HOA board and residents in Victor Gardens to make sure this lender understands the impact their decision would have on the budget shortfall if they fail to participate. After the meeting the Board can communicate directly to all residents on the meeting and then individuals can decide how they might want to respond. I know for a fact, having been an ex-banker myself, that they do not like getting calls from angry or upset residents therefore I'm hopeful we will get their support.
- I've made this sound as though I expect a problem from them, which is not true. They may choose to cooperate fully and my relationship with them has been very good up to this point but until they have control of the loan, they can't fund or make any decisions. It's unfortunate that two lenders are upset with each other that effects the ability to make decisions but that appears to be the case and M & I must have control before any direction to us or others can be achieved.
- My gut reaction is that M & I will want to sell their loans once they have control. In this regard, we have 3 prospective buyers who we have met with that understands the costs to complete VG East, understands the potential of liens filed or to be filed, and understands the discount offer that they will present to M & I to purchase these loans in the event M & I wants to sell the debt. I expect to know a lot more once the loan transfer is complete and how they want to proceed, until then I'm left a little in the dark and can only speculate. Two of these debt buyers will in all likelihood retain CPDC's services to control the ARC process, HOA issues and sell the lots. The other firm may not but they are a high quality company that respects and wants to stay the course in what we have achieved so far in Victor Gardens.

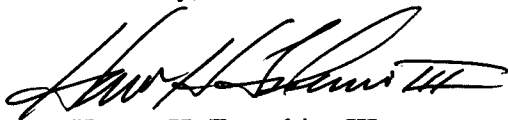
I am very much aware of a letter that was sent from an angry resident (pretending to be a homebuyer) in Towne Lakes that was circulated to the City of Hugo without anyone consulting with us first. From my perspective, this letter did nothing but hurt the value of all homes in Towne Lakes and makes the prospect of selling more home sites more difficult. The last thing you want to do is tell the buying public, don't buy here. That does more to hurt values than feeling good about placing the blame on the developer. In

this particular case, I was selling quite a few homes in an “open builder” subdivision after having the initial 5 builders unable to move inventory. At the specific request of the neighborhood, I went back to a “closed pool” of builders. These builders failed to buy lots or perform thereby creating the developer shortfall that would have been avoided had the open builder process continued. So the residents got what they wanted, but now the project has a shortfall and no way to fund it and of course, now they blame me for the builder’s failures. Sometimes in my business, it’s very difficult to win. Without lot sales there is no income to help with the developer’s voluntary obligation to fund HOA shortfalls. But even in spite of my personal feeling toward this “Taliban” individual, I am also going to have the Towne Lakes Board and representative meet with M & I bank the same as I’m recommending for Victor Gardens. I have too much pride to see the value of either of these neighborhoods suffer because we can’t sell lots to generate revenue. These developments are as good as they get in the Twin Cities and I can’t stand to see the value of either neighborhood potentially decline if we don’t keep them up.

I doubt that this letter is going to answer all your questions. I expect that VG East will be owned by someone else and everyone, including ourselves, need to do all we can to make sure that the City will properly enforce the PUD requirements and ARC control that has created Victor Gardens the way it is.

The Board of Directors will be in resident contact once we have been in a position for a direction meeting. In the meantime, we need some patience and support to carry through these difficult times.

Sincerely,

A handwritten signature in black ink, appearing to read "Homer H. Tompkins III". The signature is fluid and cursive, with a prominent initial "H" and "T".

Homer H. Tompkins III  
President, CPDC