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Via Facsimile and US Mail

September 5, 2008

Helen Holmes Peak
960 Canterbury Place, Suite 300
Escondido, CA 92025-3870

RE: Seventh & Market Project

Dear Ms. Peak:

I am in receipt of your letter dated August 21, 2008. Please be advised that my office represents 7th & Market Development LLC, The Related Companies of California, Related California Urban Housing LLC, and The Related Companies, L.P. in this matter (collectively, "Related Companies").

My clients support CCDC's efforts to obtain relevant and accurate information regarding the 7th & Market project and the allegations surrounding CCDC's handling of that project. Accordingly, we expect that you will assist CCDC in bringing to light the true facts and put a stop to the misinformation currently circling about my clients. My clients' paramount concern is the reputation and integrity they have established over their many years in the real estate development business, a reputation which has been unquestioned until now. While my clients respect CCDC's concerns about Ms. Graham's situation, it is important that the process afford them similar respect.

It was quite disappointing to see the local news recently run a story based on the unconfirmed assumptions that The Related Group in Florida ("Related Florida") is an "affiliate" of the Related Companies and that the affiliation should have been disclosed by the developer.¹ Both assumptions are incorrect. Similarly your letter states that given "the nature of the relationship between the Related Companies, L.P., and its affiliated business entities in Florida, a prohibited economic interest appears to exist."

The specific question which apparently has drawn the interest of the media is contained within Attachment G to the Request for Proposal. Section "I" asks if any member of the Developer's Corporation/Partnership "have any known relationship in connection with purchasing and implementing the Project with any member of the governing body . . ." My clients answered the question truthfully; the question asks about a "known relationship *in connection with* purchasing

¹ I note that under the San Diego Municipal Code, an "affiliate" is defined as "business entities, organizations or individuals who either directly or indirectly (1) control one another or have the power to control one another or (2) are controlled by a third party or are subject to control by a third party." SDMC Section 113.0103. As discussed herein, none of my clients control or are controlled by Related Florida, nor are they subject to control by a common third party.



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and implementing the Project." That relationship does not exist and there appear to be no allegations of such a relationship. If you are aware of any other disclosure requirements or relevant information, please provide it to me.

My clients request that you consider the following information before any further damaging statements are made:

1. The Related Companies were unaware of the specifics of Ms. Graham's alleged dealings with Related Florida until recently when they learned of it in the newspaper. There was absolutely no deception on their part and no attempt to hide such information.
2. Ms. Graham publicly disclosed to CCDC in October 2006 that she had a prior relationship with Related Florida. It is evident that CCDC failed to investigate the relationship to determine whether it constituted an "economic interest." CCDC's silence on the issue appeared to be confirmation that there was no conflict.
3. The company with which Ms. Graham allegedly had a prior business dealing, Related Florida, is not an "affiliate" of the Related Companies.
4. The Related Companies L.P. holds only a minority, non-controlling stake in Related Florida. It has no management responsibilities and had no role or interaction with Ms. Graham.
5. 7th & Market LLC, The Related Companies of California, and Related California Urban Housing LLC have no relationship with Related Florida; neither has an interest in the other and neither has any control or involvement with the other.

Given these facts, it is difficult to imagine what CCDC believes should have been disclosed by my clients or why it is assumed (without seeking confirmation) that the companies are affiliates. I would appreciate you providing the basis for the statements that my clients are "affiliates" of Related Florida or that a "prohibited economic interest" exists.

My clients believe strongly in this project and have committed and expended considerable resources to its development. Further, the project is clearly a positive one for San Diego; it has received overwhelming support from every committee and organization to consider it, including the Centre City Advisory Committee, the East Village Association Board, and the Redevelopment Agency (which unanimously voted for the Exclusive Negotiation Agreement).



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My clients would like to see the project proceed. However, in light of the current environment and given the continued delays, my clients have serious concerns about the project's viability or CCDC's ability to commit to the project. Certainly if CCDC accepts your current recommendation to terminate the project, then my clients request a refund of the deposit and reimbursement of funds they have spent in good faith and reliance on the RFP process (and reserve their rights to do so under other circumstances).

Sincerely,

A handwritten signature in black ink that reads "Steven M. Strauss". The signature is written in a cursive, flowing style.

Steven M. Strauss

cc: Fredric Maas

601323/SD