

Subject: York Properties -- The Rationale Behind My Decision to Fire York Properties

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Smedes --

As promised, I have compiled a summary of events that led to my decision to fire York Properties from managing my commercial real estate interests in North Carolina. While there is a parochially cathartic benefit in doing so, the primary purpose of this epistle is for your benefit, as CEO of York Properties -- for the most tragic element of a mistake can be the failure to learn from it -- ergo, I have compiled a bulleted summary of property management and leasing shortfalls noted, which pertain to York's management and leasing of: (1) The Pit Stop of Durham ("TPSoD"), formerly, Triangle Village Auto Mall; and (2) The Courtyard of Chapel Hill ("TCoCH").

>From what started out as a most encouraging business relationship, and one which I was told offered the prospect of symbiotic joint venture opportunities, I was astounded to see it suddenly transmogrify into a situation entirely untenable, thus leading me to my decision. The change was so profound, and so dichotomous to my expectations, it appeared as though someone was paying people in your organization to deliberately frustrate me and derive creative means by which to dramatically reduce the value of my properties.

My disappointment in York Properties became so profound, it reminded me of a research paper I had done for a Business Psychology class, when I was an undergraduate at Cornell, where I derived a mathematical expression for measuring disappointment in a capitalistic society. Under this formulaic hypothesis, the level of disappointment is a function of deterministic variables, including: (i) expectations; (ii) failures to achieve expectations; (iii) financial impact (of those failures); and (iv) time taken to rectify those failures. I have attached the formula.

The specifically noted instances of "variables" which led to my decision are delineated below:

1. Failure to Install Monument Road Signs at TPSoD -- this project was commenced by York over a year ago, and is still a long way off. When I finally intervened after nine months of no progress, I learned that the underlying assumptions that factor into the size of sign and number of colors allowable were completely erroneous. When I asked for other recommended sign firms, York refuse to solicit bids from any others.
2. Failure to Install Branding Banners at TPSoD -- although I selected the firm from the ICSC and designed the banners, York failed to take the steps necessary to get these installed at the property.
3. Failure to Achieve Budgeted Objectives at TPSoD -- The 2005 Operating Budget at TPSoD was dramatically missed in that Revenues came in below budget and Operating Expenses exceeded budget -- therefore Net Operating Income was 18% below budget.
4. Trying to Change the TPSoD Budget -- Adding insult to this shortfall was the attempt to change the budget to mask the level of shortfalls.
5. Failure to Capture Any Leasing Upside on Below Market Rents at TPSoD -- this related to York's failure capture any value enhancement opportunities via leasing, in contradiction to our mutually agreed upon value enhancement plan
6. Failure to Manage Backflow Device Installation at TCoCH -- This was so colossally mismanaged, I don't even know where to begin -- while I have publicly supported York (I typically demonstrate loyalty to those I am strategically aligned with), there is no question York is culpable, and this project was so screwed up and in violation of virtually every Chapel Hill building code, it still has not been fully rectified after 7 months of heartache
7. Failure to Make Progress on NC Hwy 55 Median Cut for TPSoD -- Although profusely promised your political clout as former two-term mayor of Raleigh would bring about some progress -- nothing every materialized, and I frankly grew tired of inquiring after many months of no news.
8. Chronic complaints from current and prospective tenants at TPSoD and TCoCH -- I received a surfeit of complaints from tenants indicating phone calls would often go unreturned -- this was a significant change from what was noted when York first undertook management of TPSoD. I was hearing from a great many people whom I knew personally, who told me rental inquiries were being ignored.
9. Leasing Conflict of Interest at TPSoD and TCoCH -- I had heard from certain commercial real estate brokers who were familiar with the end cap space vacancy at TPSoD that they were told that it was already leased, which was not true. I was also hearing that prospects for this space were being diverted to properties owned by York. I refused to believe this until I actually caught York red handed, with accomplished restaurateurs, whom I referred to York for leasing space at TCoCH. I asked them to keep me posted, and advise me if they encountered any problems. They told me they were referred to a different area of York, who told them the space they were interested in at TCoCH had been leased, and they were then being pressed to purchase a restaurant at property in Raleigh, which was owned by York. It was this

reprehensible realization that caused me to fire York on the spot.

10. Attributed Remarks -- Disparaging remarks about me to others in the Triangle real estate market were attributed to Lamont Farmer.

There is actually a great deal more, but I think you get the picture.

Sincerely,

Spencer

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The Mathematical Expression for Disappointment

$$D = f(E^2 \times \sum_{n \rightarrow \infty} F_n \times I_f \times H_r)$$

Where:

- > D = Disappointment
- > f = Function of
- > E = Expectations
- > F_n = Failure in a specific instance
- > x = Multiplier
- > Σ = Summation of
- > I_f = Resultant Fiscal Impact
- > n = Number of Instances
- > →∞ = An Escalating and Entirely Unacceptable Number
- > H_r = Hours Spent on Rectifying a Failure