



September 29, 2008

Ken Pennoyer, Finance Officer
Town of Chapel Hill
405 Martin Luther King Jr. Boulevard
Chapel Hill, North Carolina 287514

Timberlyne Apartments

Dear Mr. Pennoyer:

As you know, Related Apartment Preservation, LLC ("Related") has requested that the Town of Chapel Hill, North Carolina assist it in financing the acquisition and renovation of Timberlyne Apartments, a multi-family residential rental development, consisting of 144 units located at 200 Westminster Drive, Chapel Hill, North Carolina (the "Project") by issuing tax-exempt bonds, the proceeds of which will be loaned to Related and used to acquire and renovate the Project. Principal and interest on the bonds will be payable solely from funds provided by Related and revenues from the operation of the Project, and the Town will have no liability whatsoever for the payment of principal and interest on the bonds or for the rehabilitation, maintenance or management of the Project.

Related has requested that the Town pass a preliminary resolution indicating its intention to issue tax-exempt bonds as long as certain conditions are met or satisfied. In connection therewith, Related agrees that it will pay, or cause to be paid from bond proceeds, all costs and expenses in connection with the financing and the Project, including (a) the Town's reasonable fees and expenses and (b) the reasonable fees and expenses of the Town's counsel, bond counsel and the underwriter or agent for the sale of the Bonds. If for any reason the bonds are not issued, the Company will pay all such expenses from its own funds, and the Town will have no responsibility therefor.

We appreciate your willingness to work with Related in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Andrew G. ...'.