

June 28, 2010

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RE: Minor Family Hotels, LLC v. Hotel Charlottesville, LLC

Dear Counsel:

This is a dispute between Minor Family Hotels, LLC (Owner) and Hotel Charlottesville, LLC (Agent) in the construction of a luxury hotel in downtown Charlottesville, Virginia. The parties executed a comprehensive Development Agreement which was effective as of November 15, 2007. Article 9 of the Agreement provides for Arbitration in the event of an unresolved disagreement or dispute.

On March 4, 2010 and March 8, 2010 Minor Family Hotels, LLC and Hotel Charlottesville, LLC executed an Arbitration Agreement. The Agreement provided that the claims to be arbitrated included:

“All disputes (except disagreements and disputes as to whether Owner (Minor Family Hotels, LLC) or Agent (Hotel Charlottesville, LLC) have the right to terminate this (Development) Agreement pursuant to Article 7 above, which disagreements and disputes are specifically excluded from the definition of “Dispute” and from provisions of this Article 9 arising under this (Development) Agreement. The Development Agreement, Plaintiffs’ Amended Complaint and Defendants Counterclaim are attached hereto as Exhibits A, B, and C, respectively.”

An arbitration hearing was held on April 19 through April 23, 2010 at the Omni Hotel in Charlottesville, Virginia. Following opening statements by counsel for the plaintiff and the defendant, eight witnesses were duly sworn and testified. Several thousand documents were presented along with numerous depositions. Counsel submitted their closing arguments in writing to the arbitrator.

The Owner claims that the Agent breached its obligations under the Development Agreement by making material misrepresentations and omissions regarding the budget, concealing the true nature of the Budget, failing to obtain Owner's prior written consent for changes to the Budget, failing to correct the Budget after becoming aware of at least a 5% increase in the line-items and failing to disclose such increases to Owner, informing the lender of a change order without authority, acting as lender's spokesman to the press, and attempting to take over the project. Owner seeks damages of \$12,372,432 and indemnification for future losses.

The Agent counterclaims based upon its at-will termination and seeks damages of \$5,600,000 plus attorneys fees.

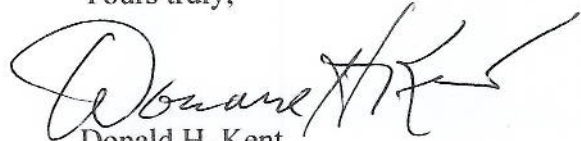
Having considered the testimony of the witnesses, exhibits and arguments of counsel, your arbitrator makes the following findings:

1. I find no authority to hold Mr. Danielson personally liable by "piercing the corporate veil". Mr. Danielson was not a party to the Development Agreement which contains the arbitration provision and not a party in this arbitration.
2. Agent had a passion for building a luxury hotel in downtown Charlottesville and was determined to complete this project at any cost. He began work on the hotel four years prior to signing the Development Agreement. In order to convince the Owner to invest, the Agent misrepresented the projected construction costs of the project. When the project began failing, Agent attempted to find a new investor to complete the work.
3. I find no wrongdoing on the part of Agent in attempting to find a new buyer. He was instructed by Owner to secure a buyer and had no way of knowing if the statement was in "jest".
4. The Agent breached the Development Agreement by making material misrepresentations and omissions regarding the budget, misrepresenting the true costs regarding Change Order #1, failing to inform the Owner that the restaurant costs were not included in the construction estimates, and not acting in the Owner's best interests in dealing with the media and the lender.
5. The cumulative effect of this deliberate and reckless conduct on the part of the Agent amounts to gross negligence.
6. In August 2008 Owner and Agent met to discuss their differences. Owner did not agree to waive any default by Agent and at no time executed a written document as required by the Development Agreement.
7. The Owner's initial investment in the project was \$6.8 million. He paid \$4.5 million for the land and is indebted to the lender for the advances made on the construction loan totaling \$10 million. The construction currently in place is worth approximately \$8.1 million plus the value of the land. I find that an award of \$4.2 million plus attorney's fees and costs will fully and fairly compensate the Owner for his damage.
8. A review of counsel's bills through February 11, 2010 indicates a total of \$2.8 million. I find that an award of \$2.24 is reasonable for that period.
9. Owner is entitled to an additional award of reasonable attorney's fees from February 11, 2010 to the conclusion of this matter.

10. This award includes a judicial declaration that Owner is entitled to indemnification for potential losses which might be incurred in the future as the result of Agent's conduct.

I appreciate your calling upon me for my services. Counsel conducted themselves in a professional manner and were helpful in presenting this difficult case.

Yours truly,

A handwritten signature in black ink, appearing to read "Donald H. Kent". The signature is fluid and cursive, with a large initial "D" and a long, sweeping horizontal stroke at the end.

Donald H. Kent  
Arbitrator