

FREQUENTLY ASKED QUESTIONS FOR CORPORATE WEBSITE

About Chapter 11

1. What is Chapter 11?

Chapter 11 refers to the chapter in United States Bankruptcy Code that contains provisions for court-supervised reorganizations of businesses. An organization that files for protection under Chapter 11 is allowed to continue to operate and maintain business that is “in the ordinary course” – or business as usual. The Chapter 11 process is a tool which provides the company with more time – and protection from its creditors – while it develops a plan to reorganize its debt and operations.

Chapter 11 is used by fundamentally sound companies to protect enterprise value as they reorganize their debt. It is a process through which Fairfield can maximize the value of our assets, while addressing other market and industry issues.

2. What happens during Chapter 11?

The bankruptcy court issues a “stay” or order that prevents creditors from collecting money and debts owed by the filing organization for goods and services provided prior to the filing of the Chapter 11 case. It allows the organization to delay loan payments, as well as payments owed to vendors for merchandise received before the filing.

A major benefit of Chapter 11 is that it permits daily operations to continue. The filing enables Fairfield to continue to operate our business effectively with minimal disruption and loss of productivity.

- Employees will continue to receive their regular wages and benefits.
- Company facilities will stay open.
- Property management and construction will continue.
- Goods and services purchased by the company after the filing date will be paid for in the ordinary course of business.

While operations continue, the organization’s management and its creditors negotiate a plan to reorganize or reduce the debt and thereby better align the company’s future capital structure with business conditions. The plan is called a Plan of Reorganization, which is different than a business plan. The Plan of Reorganization is filed with the court, and the creditors vote to approve the plan. After the plan is accepted by the creditors and the court, it is said to be “confirmed.” Once all of the necessary conditions are met, the plan will become “effective.” At that point, the organization emerges from Chapter 11 as a reorganized entity and continues to do business with less debt.

3. What is “reorganization”?

Reorganization is the process under which a company’s balance sheet and/or operations are reorganized so that interest payments and overall expenses are reduced in comparison with the company’s revenues. Following Chapter 11, a “reorganized” company is no longer under the protection of the bankruptcy court.

4. What does “going into” and “coming out of” Chapter 11 mean?

“Going into” means documents have been filed with the court to request court protection under the United States Bankruptcy Code. Following the filing of the papers, the company is operating “in” or “under” Chapter 11 and is able to take advantage of certain provisions in the law. When the Plan of Reorganization is completed and approved by creditors, it is “confirmed” by the court and the company “comes out” or “emerges” from Chapter 11 as a reorganized entity.

About Fairfield Residential LLC’s Filing

5. Which entities filed?

In addition to Fairfield Residential LLC, fourteen additional subsidiaries were included in the bankruptcy filing. Fairfield’s individual property entities were not part of the bankruptcy proceedings, and as a result, their businesses are entirely unaffected.

More specifically, the filing includes the following 15 entities: Fairfield Residential LLC, Fairview Homes, Inc., FF Development L.P., FF Properties L.P., Fairview Residential LLC, FF Realty LLC, Fairfield Financial A LLC, FF Investments LLC, Fairview Investments LLC, Fairfield Affordable Housing LLC, FF Development, Inc., FF Properties, Inc., Fairview Residential L.P., Fairview Residential WA LLC, and Fairview Residential CA L.P.

6. How does the filing affect Fairfield Residential?

The filing allows us to continue operating as normal while we refine our business plan to strengthen our financial position. Chapter 11 is used by fundamentally sound companies to protect enterprise value as they reorganize their debt. This filing is the next logical step in an ongoing process to align our business with current market conditions.

7. Is Fairfield Residential going out of business?

This is *not* a closing or liquidation of the business. Chapter 11 of the United States Bankruptcy Code allows a company to reorganize its financial obligations so that it can continue to operate normally. It is a process through which the company can strengthen its balance sheet, create a more efficient expense structure and position its businesses to compete more effectively. We plan to emerge as a stronger, more competitive company.

8. Why does Fairfield Residential have to file for Chapter 11 protection?

Although the relatively strong demand for multifamily rental units during this recession has allowed our businesses to continue to perform well, the unprecedented collapse of the U.S. real estate and capital markets has made it difficult, if not impossible, for Fairfield to continue without restructuring its financial obligations. Given these conditions, it is necessary to file Chapter 11 at this time to address our debt structure. Chapter 11 provides the legal framework that allows us to keep the business running normally while we restructure our financial obligations.

9. How long will Fairfield Residential be in Chapter 11?

Our goal is to move through the Chapter 11 process as efficiently as possible, and we believe the significant progress we have already made in our negotiations with lenders will allow us to complete our Plan of Reorganization on an expedited basis. However, we cannot predict precisely when this will occur.

We intend to be transparent throughout this process. We will provide timely updates throughout the reorganization process.

10. What do you hope to achieve through your Plan of Reorganization?

Fairfield and its significant lender groups have agreed to the framework of a consensual Plan of Reorganization. We believe this Plan will accomplish the following:

- Enable continuity of Fairfield's property management, asset management, construction services and general partner functions for the benefit of its creditors and other stakeholders
- Maintain Fairfield's existing infrastructure in a new operating company, which will include key personnel, and which will allow the Company to facilitate debt and equity solutions, provide additional stability to its joint ventures and manage its properties
- Maximize creditor recoveries through a liquidating trust
- Emerge from Chapter 11 protection, create a stronger go-forward operating platform and continue to be an active player in the multifamily sector

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