

**THE BIG K SITE
2228, 2234, 2238, & 2252
Martin Luther King Jr. Avenue, S.E.,
Washington, D.C. 20020**

PROPERTY DISPOSITION AGREEMENT

Between

**The District of Columbia, a municipal corporation
by and through
The Department of Housing and Community Development**

and

2228 MLK LLC

PROPERTY DISPOSITION AGREEMENT

THIS PROPERTY DISPOSITION AGREEMENT (this "**Agreement**"), is made effective for all purposes as of the ____ day of _____, 2013 (the "**Effective Date**"), between (i) **DISTRICT OF COLUMBIA**, a municipal corporation, acting by and through the Department of Housing and Community Development, (the "**District**"), and 2228 MLK LLC, a District of Columbia limited liability company (the "**Developer**").

RECITALS:

R-1. WHEREAS, the District owns certain real property located in Washington, D.C., with the following addresses, 2228, 2234, 2238, and 2252 Martin Luther King Jr. Avenue, S.E., Washington, D.C. 20020, which are further identified and described on **Exhibit A** attached hereto and incorporated herein (collectively, the "**Property**").

R-2. WHEREAS, Pursuant to that certain Solicitation for Offers of the Big K Site, released June 4, 2012, (the "**Solicitation**"), the District in accordance with authority under D.C. Official Code §42-3171.03 (2008 Supp.) (the "**Disposition Authority**"), solicited offers from interested developers to develop the Property. Developer submitted a proposal that was selected by the District on the condition that among other things, Developer enter into this Agreement evidencing Developer's agreement to plan, finance, construct, own, and operate a commercial real estate project as approved by the District and in accordance with the Solicitation, the District's Disposition Authority, and the terms of this Agreement.

R-3. WHEREAS, Developer has proposed that the Property shall be developed as a commercial and medical office facility, with ancillary retail space anchored by a full service restaurant (the "**Initial Proposed Use**"). The Initial Proposed Use is subject to final approval by the District in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties hereto, District and Developer do hereby agree as follows, to wit:

ARTICLE I - INTERPRETATION

1.1 **DEFINED TERMS.** For the purposes of this Agreement, the following capitalized terms shall have the meanings ascribed to them below, and unless the context clearly indicates otherwise, shall include the plural as well as the singular:

"**Affiliate**" means with respect to any Person ("**First Person**") (i) any other Person directly or indirectly controlling, controlled by, or under common control with such First Person, (ii) any officer, director, partner, shareholder, manager, member or trustee of such First Person, or (iii) any officer, director, general partner, manager, member or trustee of any Person described in clauses (i) or (ii) of this sentence. As used in this definition, the terms "controlling", "controlled by", or "under common control with" shall mean the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of a Person, whether through individual right, ownership of voting securities, membership interests or

partnership interests, by contract or otherwise, or the power to elect at least fifty percent (50%) of the directors, managers, partners or Persons exercising similar authority with respect to the subject Person.

“**Affordability Covenant**” is that certain Affordable Housing Covenant in the form attached hereto as Exhibit H, to be recorded in the Land Records against the Property in connection with Closing.

“**Affordable Unit**” means each Residential Unit to be developed, sold, and used for residential purposes in accordance with the requirements of the Affordability Covenant.

“**Agreement**” means this Property Disposition Agreement.

“**Applicable Laws**” means all applicable District of Columbia and federal laws, codes, regulations, and orders, including, without limitation, Environmental Laws, laws relating to historic preservation, and laws relating to accessibility for persons with disabilities.

“**Approved Plans and Specifications**” as defined in Section 5.2.1.

“**Business Days**” means Monday through Friday, inclusive, other than holidays recognized by the District of Columbia government.

“**Cash Deposit**” has the meaning given in Section 2.2.1.

“**CBEs**” is defined in Section 8.5.

“**CBE Agreement**” is that agreement, in customary form, between Developer and DSLBD governing certain obligations of Developer under D.C. Law 16-33, as amended, for the Project.

“**Closing**” is the consummation of the purchase and sale of the Property as contemplated by this Agreement.

“**Closing Date**” is defined in Section 7.1.

“**Commencement of Construction**” means the Developer has obtained all of the following: (i) a building permit or an unconditional approval letter from the District of Columbia Department of Consumer Regulatory Affairs; (ii) an executed construction contract approved by the District with its general contractor, if applicable; (iii) given notice to the general contractor to proceed under said construction contract; and (iv) caused the general contractor to mobilize on the Property equipment required to commence construction in accordance with the Approved Plans and Specifications, and shall occur no later than the date identified on the Schedule of Performance. For purposes of this Agreement, the term “**Commencement of Construction**” does not mean site exploration, borings to determine foundation conditions, or other pre-construction activities, monitoring or testing to establish sufficient information related to the suitability of the Property for development of the Improvements thereon or the investigations of environmental conditions.

“Concept Plans” are the design plans, submitted by Developer and approved by District and the Historic Preservation Review Board, which serve the purpose of establishing the major direction of the design of the Project.

“Construction Plans and Specifications” mean the detailed architectural drawings and specifications that are prepared for all aspects of the Project in accordance with the approved Design Development Plans and that are used to obtain Permits, detailed cost estimates, to solicit and receive construction bids, and to direct the actual construction of the Improvements.

“DDOE” means the District of Columbia Department of the Environment, and any successor agency.

“Declaration” is that certain Declaration of Covenants in the form attached hereto as **Exhibit I**, to be recorded in the Land Records against the Property in connection with Closing.

“Deed” means the one or more special warranty deed(s) conveying the Property to Developer at Closing in the form of **Exhibit C** attached hereto and incorporated herein by reference.

“Deposit Letter of Credit” is defined in Section 2.2.1.

“Design Development Plans” are the design plans produced after review and approval of Schematic Plans that reflect refinement of the approved Schematic Plans, showing all aspects of the Project at the correct size and shape. The Design Development Plans shall include: (i) the refined Schematic Plans supplemented with material and design details, including size and scale of façade elements, which are presented in detailed illustrations and 3-dimensional images and (ii) responses to and revisions based on comments, concerns, and suggestions of District relating to the Schematic Plans.

“Developer Default” is defined in Section 9.1.1.

“Developer’s Agents” mean Developer’s agents, employees, consultants, contractors, and representatives.

“Development and Completion Guaranty” is that guaranty, attached hereto as **Exhibit D**, to be executed by Guarantor, which shall bind the Guarantor to develop and otherwise construct the Project in the manner and within the time frames pursuant to the terms of this Agreement and the Declaration.

“Development Plan” means Developer’s detailed plans for developing, constructing, financing, marketing and selling the Project.

“Disapproval Notice” is defined in Section 4.2.2.

“Disposal Plan” is defined in Section 3.1.9

“District Default” is defined in Section 9.1.2.

“District Parties” mean District’s employees, officers, consultants and duly authorized representatives and agents.

“DOES” is the District of Columbia Department of Employment Services, and any successor agency.

“DSLBD” is the District of Columbia Department of Small and Local Business Development, and any successor agency.

“Effective Date” is the date first written above.

“Environmental Laws” means any present and future federal, or District of Columbia law and any amendments (whether common law, statute, rule, order, regulation or otherwise), permits and other requirements or guidelines of governmental authorities and relating to (a) the protection of health, safety, and the indoor or outdoor environment; (b) the conservation, management, or use of natural resources and wildlife; (c) the protection or use of surface water and groundwater; (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation, or handling of or exposure to Hazardous Materials; or (e) pollution (including any release to air, land, surface water, and groundwater), and includes, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, and subsequently amended, 42 U.S.C. § 6901 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 et seq.; the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. § 1251 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 32701 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act, as amended, 7 U.S.C. § 136-136y, the Clean Air Act, as amended, 42 U.S.C. § 7401 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. § 2601 et seq.; the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. § 300f et seq.; the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. § 11001 et seq.; the Occupational Safety and Health Act of 1970, 29 U.S.C. § 651 et seq.; the National Environmental Policy Act of 1969, 42 U.S.C. § 4321 et seq.; and any similar, implementing or successor law, and any amendment, rule, regulatory order or directive issued thereunder.

“First Source Agreement” is that agreement, in customary form, between the Developer and DOES governing certain obligations of Developer under D.C. Law 14-24, D.C. Law 5-93, and Mayor’s Order 83-265 regarding job creation and employment generated as a result of the Project.

“Force Majeure” is an act or event, including, as applicable, an act of God, act of terrorism, fire, earthquake, flood, explosion, war, invasion, insurrection, riot, mob violence, sabotage, inability to procure or a general shortage of labor, equipment, facilities, materials, or supplies in the open market, failure or unavailability of transportation, strike, lockout, actions of labor unions, a taking by eminent domain, requisition, and laws or orders or acts or failures to act of government or of civil, military, or naval authorities enacted or adopted after the Effective Date, so long as such act or event (i) is not within the reasonable control of Developer,

Developer's Agents, or its Members; (ii) is not due to the fault or gross negligence of Developer, Developer's Agents, or its Members; (iii) is not reasonably foreseeable and avoidable by Developer, Developer's Agents, or its Members, and (iv) directly results in a delay in performance by Developer; but specifically excluding (A) shortage or unavailability of funds or financial condition, (B) changes in market conditions such that construction of the Project as contemplated by this Agreement and the Final Project Plans and Specifications is no longer practicable under the circumstances, or (C) the acts or omissions of a general contractor, its subcontractors, or any of Developer's Agents or Members.

"Form Letter of Credit" is attached as **Exhibit E**.

"Green Building Requirements" means meeting the requirements of the Green Building Act, including obtaining necessary certifications under the Leadership in Energy and Environment Design ("**LEED**") Green Building Rating System of the U.S. Green Building Council.

"Guarantor" is Capital City Asset Management LLC, a District of Columbia limited liability company, pursuant to the Development and Completion Guaranty.

"Guarantor Submissions" shall mean the current audited or unaudited financial statements and balance sheets, profit and loss statements, cash flow statements and other financial reports and other financial information of a proposed guarantor as District may reasonably request, together with a summary of such proposed guarantor's other guaranty obligations and the other contingent obligations of such proposed guarantor (in each case, certified by such proposed guarantor or an officer of such proposed guarantor as being true, correct and complete).

"Hazardous Materials" means (a) asbestos and any asbestos containing material; (b) any substance that is then defined or listed in, or otherwise classified pursuant to, any Environmental Law or any other Applicable Law as a "hazardous substance," "hazardous material," "hazardous waste," "infectious waste," "toxic substance," "toxic pollutant" or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity or Toxicity Characteristic Leaching Procedure (TCLP) toxicity; (c) any petroleum and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; and (d) any petroleum product, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive material (including any source, special nuclear or by-product material), medical waste, chlorofluorocarbon, lead or lead-based product and any other substance the presence of which could be detrimental to the Property or hazardous to health or the environment.

"Highest and Best Use" shall mean the most effective use of the Property possible, that is legally permissible, physically possible, financially feasible (as determined by an objective analysis of the market) and which results in a high quality, urban development that serves District residents and the public at large through the economic benefits that the project will provide. Economic benefits shall include, but not be limited to: tax revenue, job creation, and housing. The Highest and Best Use shall be in harmony with the growth goals and planning

policies of the District, and shall be determined by taking into account the results of the Market Feasibility Study, as well as, comments from the community.

“**HUD**” is the United States Department of Housing and Urban Development.

“**Improvements**” mean the structures, landscaping, hardscape, and improvements to be renovated, constructed, or placed on the Property in accordance with the Development Plan and Approved Plans and Specifications; provided, however, that in no event shall trade fixtures, furniture, operating equipment (in contrast to building equipment), stock in trade, inventory, or other personal property used in connection with the conduct of any business within the Improvements be deemed included in the term “Improvements” as used in this Agreement.

“**Initial Deposit**” has the meaning given in Section 2.2.1.

“**Initial Deposit Due Date**” has the meaning given in Section 2.2.1.

“**Land Records**” means the property records maintained by the Recorder of Deeds for the District of Columbia.

“**Member**” means any Person with an ownership interest in Developer.

“**Milestones**” means the date as specified in the Schedule of Performance by which certain actions are required to be undertaken by Developer.

“**Outside Closing Date**” means the date which is one hundred eighty (180) days after the Closing Date.

“**Parcel**” shall mean each or any parcel of real property that collectively compose the Property.

“**Party**” when used in the singular, shall mean either District or Developer; when used in the plural, shall mean both District and Developer.

“**Performance Bond**” is defined in Section 2.2.2.

“**Permits**” means all demolition, site, building, construction, and other permits, approvals, licenses, and rights required to be obtained from the District of Columbia government or other authority having jurisdiction over the Property (including, without limitation, the federal government, WMATA, and any utility company, as the case may be) necessary to commence and complete construction, operation, and maintenance of the Project in accordance with the Development Plan, the Declaration and this Agreement.

“**Permitted Exceptions**” shall mean those exceptions to title identified in the Title Commitment.

“**Person**” shall mean a natural person, or any legal, commercial or governmental entity, including a , corporation, general partnership, joint venture, limited partnership, limited liability company, trust, partnership, business association, or group acting in concert..

“Prohibited Person” shall mean any of the following Persons:

(A) any Person (or any Person whose operations are directed or controlled by a Person) who has been convicted of or has pleaded guilty in a criminal proceeding for a felony or who is an on-going target of a grand jury investigation convened pursuant to Applicable Laws concerning organized crime;

(B) any Person organized in or controlled from a country, the effects of the activities with respect to which are regulated or controlled pursuant to the following United States laws and the regulations or executive orders promulgated thereunder: (x) the Trading with the Enemy Act of 1917, 50 U.S.C. App. §1, et seq., as amended (which countries are, as of the Effective Date hereof, North Korea and Cuba); (y) the International Emergency Economic Powers Act of 1976, 50 U.S.C. §1701, et seq., as amended; and (z) the Anti-Terrorism and Arms Export Amendments Act of 1989, codified at Section 6(j) of the Export Administration Act of 1979, 50 U.S.C. App. § 2405(j), as amended (which countries are, as of the Effective Date hereof, Iran, Sudan and Syria);

(C) any Person who has engaged in any dealings or transactions (i) in contravention of the applicable money laundering laws or regulations or conventions or (ii) in contravention of Executive Order No. 13224 dated September 24, 2001 issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), as may be amended or supplemented from time-to-time or any published terrorist or watch list that may exist from time to time;

(D) any Person who appears on or conducts any business or engages in any transaction with any person appearing on the list maintained by the U.S. Treasury Department’s Office of Foreign Assets Control list located at 31 C.F.R., Chapter V, Appendix A or is a person described in Section 1 of the Anti-Terrorism Order;

(E) any Person suspended or debarred by HUD or by the District of Columbia government; or

(F) any Affiliate of any of the Persons described in paragraphs (A) through (E) above.

“Project” means those Improvements on the Property, and the development and construction thereof in accordance with the Development Plan, this Agreement, and the Declaration.

“Project Budget” means Developer’s budget for construction of the Project that includes a cost itemization prepared by Developer specifying all costs (direct and indirect) by item, including (i) the costs of all labor, materials, and services necessary for the construction of the Project and (ii) all other expenses anticipated by Developer incident to the Project (including without limitation, anticipated interest on all financing, taxes and insurance costs) and the construction thereof, as may be modified from time to time in accordance with this Agreement.

“Project Drawings” is defined in Section 5.1

“**Property**” is defined in the Recitals.

“**Purchase Price**” means the price Developer shall pay for the acquisition of the Property pursuant to Section 2.1.2 hereof.

“**Schedule of Performance**” means that schedule of performance, attached hereto as **Exhibit F** and incorporated herein, setting forth the timelines for Milestones in the design, development, construction, and completion of the Project (including a construction timeline in customary form) together with the dates for submission of documentation required under this Agreement, which schedule shall be attached to the Development Plan and to the Declaration.

“**Schematic Plans**” are the design plans that present a developed design based on the approved Concept Plans, and illustrate the development of building facades, scale elements, and materials. The Schematic Plans shall include: (i) a site plan (1/32' = 1') that illustrates revisions and further development of ideas presented in Concept Plans; (ii) street-level floor plans, a roof plan, and other relevant floor plans (1/16" = 1'); (iii) illustrative elevations and renderings sufficient to review the Project (minimum 1/8" = 1'); (iv) 3-dimensional massing diagrams or models and perspective sketches sufficient to review the Project; (v) one set of 24" x 36" presentation boards with the foregoing items shown thereon; (vi) illustrations and wall sections of façade design elements and other important character elements (1/2" – 1" = 1'); (vii) exterior material samples; (viii) a summary chart showing floor area, building coverage of the site, building height, floor area ratios, and number of parking spaces and loading docks, and the amount of space dedicated to recreational use; and (ix) such other drawings or documents as District may reasonably request related to the foregoing.

“**Settlement Agent**” is Regional Title Incorporated, as agent for First American Title Insurance Corporation, located at 1620 L Street NW, Washington, D.C. 20036.

“**Settlement Statement**” is the HUD-1 statement prepared by the Settlement Agent in connection with Closing.

“**Studies**” is defined in Section 3.1.6.

“**UST Act**” is defined in Section 3.3.

“**UST Regulations**” is defined in Section 3.3.

ARTICLE 2 - PURCHASE AND SALE

2.1 AGREEMENT OF PURCHASE AND SALE.

2.1.1 Subject to and in accordance with the terms of this Agreement, District shall sell to Developer and Developer shall purchase from District for the Purchase Price, all of District's right, title, and interest in and to the Property.

2.1.2 The Purchase Price shall be One Dollar (\$1.00). Purchaser shall pay the Purchase Price at Closing by certified check, wired funds, or other immediately available funds reasonably acceptable to District.

2.2 DEPOSIT.

2.2.1 On or before the first Business Day following the Effective Date (the “**Initial Deposit Due Date**”), Developer shall deliver to the District a letter of credit in accordance with the Form Letter of Credit, or a cash deposit with the Settlement Agent (the “**Cash Deposit**”) in the amount of Twenty-Five Thousand Dollars (\$25,000.00) (the “**Initial Deposit**”). The Initial Deposit shall be used as security to ensure Developer’s compliance with this Agreement and may be drawn on by the District in accordance with the terms hereof. In accordance with the terms of this Agreement, the Initial Deposit and all accrued interest shall be returned to Developer upon Closing.

2.2.2 If the Developer shall fail to pay any portion of the Initial Deposit by the Initial Deposit Due Date, this Agreement shall automatically terminate and any portion of the Initial Deposit including any accrued interest which had been paid shall be immediately released to the District. If the portion of the Initial Deposit is evidenced as a letter of credit, the District shall have the immediate right to draw all funds under such letter of credit. Upon termination of the Agreement in accordance with this provision, the Parties shall have no further rights or obligations with respect to each other or this Agreement.

2.3 PERFORMANCE DEPOSIT; PERFORMANCE BOND.

2.3.1 At Closing, Developer shall deliver to District an amount of money equal to the lesser of: (i) two hundred fifty thousand dollars (\$250,000.00), or (ii) five percent (5%) of the Project Budget, in the form of any of the following: a letter of credit from a reputable bank in accordance with the Form Letter of Credit, or a cash reserve to be held in escrow by the Settlement Agent (the “**Performance Deposit**”).

2.3.2 In lieu of a Performance Deposit, the Developer may also provide a payment and performance bond, such bond shall be (i) in an amount that is one hundred percent (100%) of the cost of the Improvements as shown on the Project Budget, (ii) be issued by an entity satisfactory to the District, (iii) be in form and substance satisfactory to the District, and (iv) name the District as an obligee. District shall hold the Performance Bond to secure Developer’s performance of the obligations contained in, and in accordance with, the Declaration (the “**Performance Bond**”).

ARTICLE 3 – INSPECTION AND CONDITION OF PROPERTY

3.1 FEASIBILITY STUDIES; ACCESS TO PROPERTY; APPROVAL OF INITIAL PROPOSED USE.

3.1.1 Market Feasibility Study. On the Effective Date, District shall provide copies of any and all documentation in its possession concerning the Property, including, but not limited to, any title policy, survey, environmental reports, geotechnical studies, marketing studies, appraisals and any other studies, reports, documentation or information related to the physical or economic condition of the property. Developer shall have a period of sixty (60) business days (the “Market Feasibility Study Period”), commencing with the Effective Date of this Agreement, within which Developer shall conduct, at Developer’s expense, a market study addressing the viability of the following: commercial office space; medical office space; retail space, including a sit-down restaurant; market-rate rental housing; affordable rental housing; senior rental housing; market-rate for sale housing; affordable for-sale housing; and artist work-live housing located at the Property (the “Market Feasibility Study”), in order to determine the **Highest and Best Use** of the Property.

3.1.2 Prior to commencement of the Market Feasibility Study, Developer shall provide the District with a list of at least three independent market research companies. Within five (5) business days, District shall notify Developer of its approval or disapproval of the list, such approval not to be unreasonably withheld, conditioned, or delayed. If the District disapproves the list, Developer shall resubmit. Upon the District’s approval of the list, Developer may select any of the listed companies to conduct the Market Feasibility Study.

3.1.3 Prior to the expiration of the Feasibility Study Period, Developer shall submit the results of the Market Feasibility Study to District. Within ten (10) business days of District’s receipt of the Market Feasibility Study, District and Developer shall meet to discuss the results of the Market Feasibility Study. Within ten (10) business days of meeting with District, Developer shall revise the proposal, if necessary, and resubmit the proposal in such form as the District requests. District shall have the right to review and approve or disapprove the Market Feasibility Study. Notwithstanding the foregoing, District shall give the Market Feasibility Study great weight. Within ten (10) business days of District’s receipt of the revised proposal, District shall provide Developer with written notice of its approval or disapproval of the revised proposal. Should District approve Developer’s revised proposal, the effective date of such written notice shall be deemed the “**Approval Date.**”

3.1.4 Right to Terminate. If District and Developer are unable to reach a final agreement as to the use of the Property, either party may terminate this agreement by providing written notice to the other. Within thirty (30) business days of the termination of this Agreement, District shall return the Initial Deposit, along with any accrued interest, to Developer. Upon termination of this Agreement, all rights and obligations of the parties hereunder shall cease, except those that expressly survive termination of this Agreement

3.1.5 Community Hearing. Within forty-five (45) business days of the Approval Date, Developer shall present the proposal to the community at an open hearing and shall take comments from community members into consideration as Developer further develops the design concept for the Project.

3.1.6 Preliminary Concept Approval. Within one hundred twenty (120) calendar days following the Approval Date, Developer must obtain preliminary concept approval from the Historic Preservation Review Board (the "**HPRB**"). Provided that Developer diligently pursues Preliminary Concept Approval, Developer may request, in writing and subject to the District's approval (which shall not be unreasonably withheld or delayed) additional time to obtain Preliminary Concept Approval as circumstances may dictate.

3.1.7 From time to time prior to Closing, provided this Agreement is in full force and effect and Developer is not in default hereunder beyond any applicable notice and cure period, Developer and Developer's Agents shall have the right to (ii) enter the Property for purposes of conducting surveys, soil tests, environmental studies, engineering tests, and such other tests, studies, and investigations (hereinafter "**Studies**") as Developer deems necessary or desirable to evaluate the Property, at Developer's sole cost and expense; provided, Developer and Developer's Agents shall not conduct any invasive Studies without the prior written consent of the District. The District shall have the right to accompany Developer or Developer's Agents during the conduct of any such invasive Studies.

3.1.8 Developer and Developer's Agents are solely responsible for obtaining any necessary licenses and permits for the Studies and any work associated therewith, including transportation and disposal of materials. In addition, Developer and Developer's Agents shall be obligated to comply with all Applicable Laws and the provisions of this Agreement during their entry on the Property and while conducting any Studies.

3.1.9 At least twenty-four 24 hours prior to entry on any Parcel, Developer shall provide District (i) written notice, which may be in the form of an e-mail, including a description of the intended Studies, (ii) evidence of insurance, as required under the terms of this Agreement, and (iii) copies of any required licenses and notices in accordance with this agreement.

3.1.10 In the event Developer or Developer's Agents disturbs, removes or discovers any previously disclosed and/or documented materials or waste on any Parcel while conducting the Studies, or otherwise during its entry on the Property, which are determined to be Hazardous Materials as defined herein, Developer shall notify District and DDOE within one (1) Business Day after its discovery of such Hazardous Materials. Thereafter, within thirty (30) Business Days after its discovery of such Hazardous Materials, Developer shall submit a written notice of a proposed plan for disposal (the "**Disposal Plan**") to District and DDOE. The Disposal Plan shall contain all identifying information as to the type and condition of the Hazardous Materials or waste discovered and a detailed account of the proposed removal and disposal of the Hazardous Materials, including the name and location of the hazardous waste disposal site. DDOE may conduct an independent investigation of the Property, including but not limited to, soil sampling and other environmental testing as may be deemed necessary. Upon completion of DDOE's investigation, District and/or the DDOE shall notify Developer of its findings and shall

notify Developer by written notice of its approval or disapproval of the proposed Disposal Plan. In the event DDOE disapproves the proposed Disposal Plan, Developer shall resubmit a revised Disposal Plan to District and DDOE. Developer shall seek the advice and counsel of DDOE prior to any resubmission of a proposed Disposal Plan. Upon review of the revised Disposal Plan, District or DDOE shall notify Developer of its decision. Upon approval of the Disposal Plan, Developer shall remove and dispose of all Hazardous Materials in accordance with the approved Disposal Plan and all Applicable Laws; provided, however, Developer shall not be required to begin its removal and disposal of Hazardous Materials not already disturbed or removed until after Closing. Within thirty (30) Business Days after the disposal of any Hazardous Materials or waste, Developer shall provide District such written evidence and receipts confirming the proper disposal of all Hazardous Materials or waste removed from such Parcel.

(a) Within three (3) business days of Developer's discovery of any previously undisclosed and/or undocumented Hazardous Materials or conditions, Developer may terminate this Agreement, with no liability to District, by providing written notice to District.

3.1.11 Developer hereby indemnifies and holds District and the District Parties harmless and shall defend District (with counsel reasonably satisfactory to District) and the District Parties from and against any and all losses, costs, liabilities, damages, expenses, mechanic's liens, claims and judgments, including, without limitation, reasonable attorneys' fees and court costs, incurred or suffered by District or the District Parties directly, but excluding losses and liabilities due to the gross negligence and willful misconduct of the District, as a result of any entry on the Property or Studies or other activities at the Property conducted by Developer or Developer's Agents. This provision shall survive Closing or the earlier termination of this Agreement for a period of three (3) years.

3.1.12 Developer covenants and agrees that Developer shall keep confidential all information obtained by Developer as to the condition of the Property; provided, however, that (i) Developer may disclose such information to its Members, officers, directors, attorneys, consultants, Settlement Agent, and potential lenders so long as Developer directs such parties to maintain such information as confidential and (ii) Developer may disclose such information as it may be legally compelled so to do. The foregoing obligation of confidentiality shall not be applicable to any information which is a matter of public record or, by its nature, necessarily available to the general public. This provision shall survive Closing or the earlier termination of this Agreement.

3.1.13 Any access to the Property by Developer pursuant to this Section shall additionally be subject to all of Developer's insurance obligations contained in herein and Developer shall restore the Property after such tests are completed.

3.2 SOIL CHARACTERISTICS. Pursuant to requirements contained in D.C. Official Code § 42-608(b) the District hereby gives notice to the Developer that:

3.2.1 The characteristic of the soil on the Property is described by the Soil Conservation Service of the United States Department of Agriculture in the Soil Survey of the

District of Columbia published in 1976 Soil Maps of the District of Columbia at the back of that publication; and

3.2.2 For further soil information, Developer may contact the District of Columbia Department of Environmental Services or the Soil Conservation Service of the Department of Agriculture.

The foregoing does not constitute a representation or warranty by District.

3.3 UNDERGROUND STORAGE TANKS. In accordance with the requirements of Section 3(g) of the D.C. Underground Storage Tank Management Act of 1990, as amended by the District of Columbia Underground Storage Tank Management Act of 1990 Amendment Act of 1992 (D.C. Code § 8-113.01, *et seq.*) (collectively, the “UST Act”) and the applicable D.C. Underground Storage Tank Regulations, 20 DCMR Chapter 56 (the “UST Regulations”), District hereby informs the Developer that it has no knowledge of the existence or removal during its ownership of the Property of any “underground storage tanks” (as defined in the UST Act). Information pertaining to underground storage tanks and underground storage tank removals of which the D.C. Government has received notification is on file with the District Department of the Environment, Underground Storage Tank Branch, 51 N Street, N.E., Third Floor, Washington, D.C., 20002, telephone (202) 535-2525. District’s knowledge for purposes of this Section shall mean and be limited to the actual knowledge of Adarsh Hathi, Property Acquisition and Disposition Division of the Department of Housing and Community Development, telephone no. (202) 478-1351. The foregoing is set forth pursuant to requirements contained in the UST Act and UST Regulations and does not constitute a representation or warranty by District.

3.4 AS-IS. DISTRICT SHALL CONVEY THE PROPERTY TO DEVELOPER IN “AS IS”, “WHERE IS” CONDITION WITH ALL FAULTS AND DISTRICT MAKES NO REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PROPERTY OR ANY IMPROVEMENTS THEREON, AS TO THE SUITABILITY OR FITNESS OF THE PROPERTY OR ANY IMPROVEMENTS THEREON, AS TO ANY LAW, OR ANY OTHER MATTER AFFECTING THE USE, VALUE, OCCUPANCY, OR ENJOYMENT OF THE PROPERTY, OR, EXCEPT AS SET OUT IN SECTION 3.1, AS TO ANY OTHER MATTER WHATSOEVER. DISTRICT SHALL HAVE NO RESPONSIBILITY TO PREPARE THE PROPERTY IN ANY WAY FOR DEVELOPMENT AT ANY TIME. DEVELOPER ACKNOWLEDGES THAT NEITHER DISTRICT NOR ANY EMPLOYEE, REPRESENTATIVE, OR AGENT OF DISTRICT HAS MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY OR ANY IMPROVEMENTS THEREON. THE PROVISIONS HEREOF SHALL SURVIVE CLOSING OR THE EARLIER TERMINATION OF THIS AGREEMENT.

3.5 TITLE EXAMINATION.

3.5.1 At Closing, District shall convey good and marketable title to the Property subject to the Permitted Exceptions described in **Exhibit B**, attached hereto and incorporated herein.

3.5.2 From and after the Effective Date through Closing, District agrees not to take any action that would cause a material adverse change to the status of title to the Property.

3.6 RISK OF LOSS.

All risk of loss prior to Closing with respect to any and all existing improvements on the Property shall be borne by Developer. In the event of a casualty, the Developer shall be obligated to purchase for the full Purchase Price without adjustment, and District shall not be required to rebuild any improvements, but shall either raze same or render same so as not to cause a risk to person or property. Notwithstanding the foregoing, this provision shall not be construed to impose any liability on Developer for personal injury or property damage incurred by District or any third party prior to Closing except as otherwise set forth herein to the contrary as contained in Developer's indemnification obligations contained herein.

3.7 CONDEMNATION.

3.7.1 Notice. If, prior to Closing, any condemnation or eminent domain proceedings shall be commenced by any competent public authority against any Parcel, District shall promptly give Developer written notice thereof.

3.7.2 Condemnation. In the event of a taking of any Parcel prior to Closing, the Parties agree as follows:

(a) if such taking constitutes 20% or less of the appraised value or lot square footage, the Developer shall be obligated to purchase the Property or any affected Parcel thereof for the full Purchase Price without adjustment, and in accordance with this Agreement, or

(b) if such taking constitutes more than 20% of the appraised value or lot square footage, the Developer may elect to terminate this Agreement or elect to proceed to Closing on the Property, except for the Parcels, or any portion thereof, so taken. If Developer elects to proceed to Closing on the Property, except for the taken Parcel, or any portion thereof, (i) this Agreement relating to such parcel shall terminate and the Parties shall be released from any and all obligations hereunder relating to such parcel except those that expressly survive termination, (ii) the Purchase Price for the remaining Property shall be decreased by the amount apportioned to such Parcel, or any portion thereof, and (iii) District shall have the right to any and all condemnation proceeds.

3.8 SERVICE CONTRACTS AND LEASES. District has not procured or entered into any (i) service, management, maintenance, or development contracts, or (ii) leases, licenses, easements, or other occupancy agreements affecting the Property that will survive Closing. District will not hereafter enter into any such contracts or agreements that will bind the Property or Developer as successor-in-interest with respect to the Property, without the prior written consent of Developer.

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

4.1 REPRESENTATIONS AND WARRANTIES OF THE DISTRICT. The District hereby represents and warrants to Developer as of the Effective Date as follows:

4.1.1 The District is the owner of fee simple title to the Property.

4.1.2 Execution, delivery and performance of this Agreement by District and the transactions contemplated hereby between District and Developer shall have been approved by all necessary parties prior to Closing and District has the authority to dispose of the Property.

4.1.3 No agent, broker, or other Person acting pursuant to express or implied authority of District is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement or will be entitled to make any claim against Developer for a commission or finder's fee. District has not dealt with any agent or broker in connection with the sale of the Property.

4.1.4 There is no litigation, arbitration, administrative proceeding, or other similar proceeding pending against District which relates to the Property.

4.1.5 To the knowledge of District, the execution, delivery, and performance of this Agreement by District and the transactions contemplated hereby between District and Developer do not violate any of the terms, conditions or provisions of any judgment, order, injunction, decree, regulation, or ruling of any court or other governmental authority to which District is subject, or any agreement, contract or Applicable Law to which District is a party or to which it is subject.

4.1.6 Survival. The representations and warranties contained in Section 4.1 shall survive Closing for a period of three (3) years. District shall have no liability or obligation hereunder for any representation or warranty that becomes materially untrue because of reasons beyond District's control.

4.2 REPRESENTATIONS AND WARRANTIES OF DEVELOPER. Developer hereby covenants, represents, and warrants to District as follows:

4.2.1 2228 MLK LLC is a District of Columbia limited liability company, duly formed, validly existing and in good standing, and has full power and authority under the laws of the District of Columbia to conduct the business in which it is now engaged. No Person owning, either directly or indirectly, any interest in 2228 MLK LLC is a Prohibited Person.

4.2.2 The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by Developer. Upon the due execution and delivery of the Agreement by Developer, this Agreement constitutes the valid and binding obligation of Developer, enforceable in accordance with its terms.

4.2.3 The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby do not violate any of the terms, conditions, or provisions of (i) Developer's organizational documents, (ii) any judgment, order, injunction, decree, regulation, or ruling of any court or other governmental authority, or Applicable Law to which Developer is subject, or (iii) any agreement or contract to which Developer is a party or to which it is subject.

4.2.4 No agent, broker, or other Person acting pursuant to express or implied authority of Developer is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement or will be entitled to make any claim against District for a commission or finder's fee. Developer has not dealt with any agent or broker in connection with its purchase of the Property.

4.2.5 There is no litigation, arbitration, administrative proceeding, or other similar proceeding pending against Developer that, if decided adversely to Developer, (i) would impair Developer's ability to enter into and perform its obligations under this Agreement or (ii) would materially adversely affect the financial condition or operations of the Developer.

4.2.6 Developer's purchase of the Property and its other undertakings pursuant to this Agreement are for the purpose of constructing the Project in accordance with the Development Plan and Project Drawings, as such items may be amended from time to time, and not for speculation in land holding.

4.2.7 Neither Developer nor any of its Members are the subject debtor under any federal, state, or local bankruptcy or insolvency proceeding, or any other proceeding for dissolution, liquidation or winding up of its assets.

4.2.8 Survival. The representations and warranties contained herein shall survive Closing for a period of three years (3) from the Closing Date. Developer shall have no liability or obligation hereunder for any representation or warranty that becomes untrue because of reasons beyond Developer's control.

ARTICLE 5 - SUBMISSION AND APPROVAL OF PROJECT DRAWINGS; APPROVAL OF MILESTONES; OTHER SUBMISSIONS

5.1 PROJECT DRAWINGS.

5.1.1 Developer's Submissions for the Project. Developer shall submit to District for District's review and approval, the following drawings, plans and specifications (collectively, the "**Project Drawings**") for the Project within the timeframes specified below:

- (a) and one hundred percent (100%) complete Schematic Plans together with the proposed Development Plan, based on the Concept Plans within ninety (90) days of the Effective Date;
- (b) Eighty percent (80%) complete Design Development Plans consistent with the approved Schematic Plans and Development Plan within one hundred twenty (120) days of the Effective Date;
- (c) Not less than eighty percent (80%) complete Construction Plans and Specifications within two hundred forty (240) days of the Effective Date; and
- (d) One hundred percent (100%) complete Construction Plans and Specifications on or before the date of Closing.

All Project Drawings shall be prepared and completed in accordance with this Agreement. As used in this Agreement, the term “**Project Drawings**” shall include any changes to such Project Drawings.

5.1.2 Approval by District. Notwithstanding anything to the contrary herein, prior to application for any Permit, Developer shall cause the Project Drawings applicable to such Permit to become Approved Plans and Specifications, as defined herein, prior to their application. All of the Project Drawings shall conform to and be consistent with applicable zoning requirements and shall comply with the following:

- (a) The Project Drawings shall be prepared or supervised by and signed by Developer’s architect.
- (b) A structural, geotechnical, and civil engineer, as applicable, who is licensed by the District of Columbia, shall review and certify all final foundation and grading designs.
- (c) Upon Developer’s submission of all Project Drawings to District, Developer’s architect shall certify (on a form reasonably acceptable to District) that the Improvements have been designed in accordance with all Applicable Laws .

5.1.3 Delay Caused By District. The dates set forth herein shall be extended on a day-for-day basis for each day of delay caused by District due to its failure to timely respond to any prior submission, as more particularly described below. For purposes of calculating any period of such delay, the thirty (30) day period set forth in Section 5.2.1 below, shall control, such that the day-for-day extension shall commence as of the 31st calendar day after the applicable submission by Developer.

5.2 DISTRICT REVIEW AND APPROVAL OF PROJECT DRAWINGS.

5.2.1 Generally. District shall have the right to review and approve or disapprove all or any part of each of the Project Drawings, which approval shall not be unreasonably withheld, conditioned or delayed provided such Project Drawings are consistent with the information

exchanged in Progress Meetings and are in accordance with the requirements of the terms herein and Applicable Law. District may also grant a conditional approval subject to Developer making certain changes to the Project Drawings. Any Project Drawings approved (or any approved portions thereof) pursuant to this Section 5.2 shall be "**Approved Plans and Specifications.**"

5.2.2 Time Period for District Review and Approval. District shall use good faith efforts to complete its review of each submission by Developer and provide a written response thereto, within thirty (30) calendar days after its receipt of the same. If District fails to respond with its written response to a submission of any Project Drawings within such thirty (30) calendar day period, Developer shall notify district, in writing, of District's failure to respond by delivering to District a Second Notice. If District fails to approve, conditionally approve, or disapprove such Project Drawings within ten (10) calendar days after District's receipt of such Second Notice, then District's approval shall be deemed to have been given, provided such Project Drawings comply with the requirements contained in Section 5.1.2.

5.2.3 Disapproval Notices. Any notice of disapproval ("**Disapproval Notice**") shall state in reasonable detail the basis for such disapproval. If District issues a Disapproval Notice, Developer shall revise the Project Drawings to address the objections of District and shall resubmit the revised Project Drawings for approval. Any Approved Plans and Specifications may not be later disapproved by District unless any disapproval and revision is mutually agreed upon by the Parties. District's review of any submission that is responsive to a Disapproval Notice shall be limited to the matters disapproved by District as set forth in the Disapproval Notice, but shall not be so limited with regard to any new matters shown on such submission that were not included or indicated on any prior submission. The District shall provide a written response to any submission made in response to a Disapproval Notice within thirty (30) days.

5.2.4 Submission Deadline Extensions. If Developer is proceeding diligently and in good faith and desires to extend a specified deadline for submission of a particular Project Drawing, Developer may request such extension in writing, and, for good cause shown, District may, grant such extension by written notice, said consent to not be unreasonably withheld.

5.2.5 No Representation; No Liability. District's review and approval of the Project Drawings is not and shall not be construed as a representation or other assurance that they comply with any building codes, regulations, or standards, including, without limitation, building engineering and structural design or any other Applicable Laws. District shall incur no liability in connection with its review of any Project Drawings and is reviewing such Project Drawings solely for the purpose of protecting its own interests.

5.3 CHANGES IN APPROVED PLANS AND SPECIFICATIONS. No "Material Changes" (as defined below) to the Approved Plans and Specifications shall be made without District's prior written approval. If Developer desires to make any Material Changes to the Approved Plans and Specifications, Developer shall submit the proposed changes in writing to District for approval, which approval shall be granted or withheld in District's sole discretion. District agrees that it shall respond to any such request within a reasonable period of time, not to exceed thirty (30) calendar days. "**Material Changes**" means any change: (i) that substantially alters the general appearance or structural integrity of exterior walls and elevations, building bulk, coverage or floor area ratio or number of floors; (ii) to the colors and uses of exterior

finishing materials from those shown and specified in the Approved Plans and Specifications; (iii) in landscape planning and design or to exterior lighting and other exterior site features from the Approved Plans and Specifications; (iv) that affects the number of Residential Units; (v) that affects the unit mix of Residential Units by ten percent (10%) or more from the Approved Plans and Specifications; (vi) that increases or decreases the size of a Residential Unit by ten percent (10%) or more from the Approved Plans and Specifications; (vii) that increases the Project Budget, (viii) that requires additional zoning approvals, or (ix) that will cause an increase in the Initial Sales Prices shown on Exhibit G.

5.4 PROGRESS MEETINGS/CONSULTATION.

During the preparation of the Project Drawings, District's staff and Developer, at the request of District's staff, shall hold periodic progress meetings as appropriate considering the progress of Developer's plans and specifications. During such meetings, Developer and District staff shall coordinate the preparation and submission of the Project Drawings as well as their review by District. The time and location of such meetings shall be determined by Developer and District.

5.5 OTHER SUBMISSIONS

Prior to Closing, Developer shall submit the following to District for review and approval in District's sole but reasonable discretion ("Other Submissions"):

5.5.1 Community Participation Plan. Developer shall provide District a description of Developer's program for public involvement, education, and outreach with respect to the Project (including input from the community that is impacted by the project as it is designed, developed, constructed, and operated) (the "Community Participation Program"), including a plan for implementing the Community Participation Program and shall include, without limitation, the Advisory Neighborhood Commission and other organizations with whom Developer proposes to discuss the Project, a schedule for public meetings and the type of information that Developer proposes to submit to the public. The Community Participation Program shall include a mechanism to document all public meetings, including a narrative description of the events of each meeting, the concerns raised by members of the public, and Developer's responses to such concerns. Developer shall submit such documentation to District of each meeting and shall otherwise include a summary of Developer's activities with respect to, and in furtherance of, the Community Participation Plan at each Progress meeting.

5.5.2 Retail Plan. Developer shall provide District with a retail strategy and marketing plan (the "Retail Plan") which shall address, among other items, compliance with the Local Retail Requirement and otherwise be in accordance with this Agreement.

5.5.3 District's Approval of Professionals; Contracts.

- (a) Any Person that Developer proposes for any of the following shall be subject to District's approval, which approval shall not be unreasonably withheld, delayed or conditioned; (i) any Person engaged as a master planner for the

Project; (ii) all design architects and Architects of Record for Vertical Developments; (iii) the general construction contractor and (iv) any replacement of any of the foregoing.] The District's review of any proposed Person under this Section 5.6.3(a) shall be limited to whether the Person (a) reasonably has the experience and technical qualifications to provide the services required, and (ii) is not a Prohibited Person.

(b) No Person that is a Prohibited Person or is debarred by HUD shall be engaged as a contractor or a subcontractor or otherwise provide materials or services with respect to the Project.

(c) Upon District's written request, Developer shall provide to District the contracts with any Person required to be approved by the District pursuant to the foregoing provisions of this Section 5.6.3.

5.5.4 Time Period for District Review and Approval of Other Submissions. The time period for District review and approval of the other Submission shall be the same as those contained in Section 5.2.2.

5.5.5 Changes to Other Submissions. No material changes to any Other Submission shall be made without District's prior written approval. If Developer desires to make any material changes to any Other Submission, Developer shall submit the proposed changes to District for approval, which approval shall be granted or withheld in District's sole but reasonable discretion. District agrees that it shall respond to any such request within a reasonable period of time, not to exceed thirty (30) calendar days.

5.6 DEVELOPMENT CONSULTANT.

One hundred and twenty calendar days (120) after the Approval Date, Developer shall appoint a development consultant ("**Development Consultant**"), approved by the District (such approval not to be unreasonably withheld, delayed or conditioned and to be deemed given if no response is given by District within ten (10) Business Days after a request for approval, on such terms as the District may approve (provided such terms shall be reasonable in the context and scope of the Project). The Development Consultant must have demonstrable experience in the development of commercial office space or medical office space, should that be the final approved use. Development Consultant shall guide the Developer in the design, development, and leasing of the Project until the Project is ninety percent (90%) complete. The Development Consultant's time, expenses, reports, and any other related expenses shall be at Developer's sole cost and expense, provided that in no event shall such costs and expenses exceed the amount contained in the Project Budget or Final Project Budget.

ARTICLE 6
CONDITIONS TO CLOSING

6.1 CONDITIONS PRECEDENT TO DEVELOPER'S OBLIGATION TO CLOSE.

6.1.1 The obligations of Developer to consummate the Closing on the Closing Date shall be subject to the following conditions precedent:

(a) District shall have performed all obligations hereunder required to be performed by District prior to the Closing Date.

(b) The representations and warranties made by District in this Agreement shall be true and correct in all material respects on and as if made on the Closing Date.

(c) District shall have performed all of its material obligations and observed and complied with all material covenants and conditions required at or prior to Closing under this Agreement.

(d) District shall have delivered (or caused to be delivered) the original, executed documents required to be delivered pursuant to this Agreement.

(e) This Agreement shall not have been previously terminated pursuant to any other provision hereof.

(f) As of the Closing Date, there shall be no rezoning or other statute, law, judicial, or administrative decision, ordinance, or regulation (including amendments and modifications of any of the foregoing) by any governmental authorities or any public or private utility having jurisdiction over the Property that would materially adversely affect the acquisition, development, sale, or use of the Property such that the Project is no longer physically or economically feasible. This provision shall not apply to any normal and customary reassessment of the Property for ad valorem real estate tax purposes.

(g) Title to the Property shall be subject only to the Permitted Exceptions.

6.1.2 Failure of Condition. If all of the conditions to Closing set forth above have not been satisfied by the Closing Date, provided the same is not the result of Developer's failure to perform any obligation of Developer hereunder, Developer shall have the option to: (i) waive such condition and proceed to Closing hereunder; (ii) terminate this Agreement by written notice to District, whereby District will release the Initial Deposit to Developer and the Parties shall be released from any further liability or obligation hereunder except those that expressly survive termination of this Agreement; or (iii) delay Closing for up to three (3) months to permit District to satisfy the conditions to Closing set forth herein. In the event Developer proceeds under clause (iii), Closing shall occur within thirty (30) days after the conditions precedent set forth herein have been satisfied, but if such conditions precedent have not been satisfied by the end of the three (3) month period, provided the same is not the result of Developer's failure to perform any obligation of the Developer hereunder, the Developer may again proceed under clause (i) or (ii) above. The foregoing notwithstanding, Closing shall not occur after the Outside Closing

Date. If Closing has not occurred by such date, this Agreement shall immediately terminate and be of no further force and effect, except those provisions that expressly survive termination.

6.2 CONDITIONS PRECEDENT TO DISTRICT'S OBLIGATION TO CLOSE.

6.2.1 The obligation of District to convey the Property and perform the other obligations it is required to perform on the Closing Date shall be subject to the following listed conditions precedent.

(a) Developer shall have performed all obligations hereunder required to be performed by Developer prior to the Closing Date.

(b) The representations and warranties made by Developer in this Agreement shall be true and correct in all material respects on and as if made on the Closing Date.

(c) The Development Plan and all Project Drawings for the Project shall have been approved as Approved Plans and Specifications in their entirety pursuant to this Article 5.

(d) All Other Submissions shall have been approved in their entirety pursuant to Article 5.

(e) Developer shall have certified to District in writing that it is ready, willing, and able in accordance with the terms and conditions of this Agreement to proceed with the development of the Project in accordance with the Approved Plans and Specifications and the Declaration.

(g) Developer shall have executed a First Source Agreement and a CBE Agreement.

(h) Developer shall not be in default under the terms of the CBE Agreement.

(i) Developer shall have furnished to District certificates of insurance or duplicate originals of insurance policies required of Developer hereunder.

(i) Developer shall have provided satisfactory evidence of its authority to acquire the Property, lease the Property, and perform its obligations herein.

(j) Developer shall have provided reasonably satisfactory evidence in the form of letters of interest and/or lease and operations commitments for the commercial office, retail, and restaurant portions of the Project; such evidence to be commensurate with the industry standard for the stage of the Project.

(k) Developer shall have applied for and obtained all necessary Approvals including approval of the Project from the Historic Preservation Review Board.

(l) Developer shall have obtained all Permits required under Section 105A of Title 12A of the D.C. Municipal Regulations.

(m) Developer shall have delivered (or caused to be delivered) the original, executed documents required to be delivered pursuant to this Agreement.

(n) Developer shall have secured all equity and debt financing necessary to construct the Project pursuant to this Agreement and the Declaration.

(o) Developer shall have executed a construction contract with its general contractor for the Project.

(p) There shall have been no material adverse change in the financial condition of any Guarantor, determined in accordance with the provisions herein or, if a material adverse change has occurred, District has approved a substitute guarantor pursuant to this Agreement.

(q) This Agreement shall not have been previously terminated pursuant to any other provision hereof.

6.2.2 Failure of Condition. If all of the conditions to Closing set forth herein have not been satisfied by the Closing Date, provided the same is not the result of District's failure to perform any obligation of District hereunder, District shall have the option, in its sole discretion, to (i) terminate this Agreement by written notice to Developer and the District shall be entitled to keep the Initial Deposit (including all accrued interest thereon, if the Initial Deposit is a Cash Deposit), whereupon the Parties shall be released from any further liability or obligation hereunder except those that expressly survive termination of this Agreement, (ii) delay Closing for up to three (3) months, to permit Developer to satisfy the conditions to Closing set forth herein or (iii) waive the condition and proceed to Closing. In the event District proceeds under clause (ii), Closing shall occur within thirty (30) days after the conditions precedent set forth in this Agreement have been satisfied, but if such conditions precedent have not been satisfied by the end of the three (3) month period, District may again proceed under clause (i) above, in its sole discretion. The foregoing notwithstanding, Closing shall not occur after the Outside Closing Date. If Closing has not occurred by such date, this Agreement shall immediately terminate and be of no further force and effect.

ARTICLE 7 CLOSING

7.1 CLOSING DATE.

Closing on the Property shall be held thirty (30) days after the District has received Disposition Authority and has approved the Project Drawings, which date shall be December 31, 2013 (the "Closing Date"). Notwithstanding any provision in this Agreement to the contrary, in no event shall the Closing be held after June 30, 2014, (the "Outside Closing Date"), unless otherwise extended by mutual agreement of the parties. Closing shall be held at the offices of the District or another location in the District of Columbia acceptable to the Parties.

7.2 DELIVERIES AT CLOSING.

7.2.1 District's Deliveries. On or before the Closing Date, subject to the terms and conditions of this Agreement, District shall execute, notarize, and deliver, as applicable, to Settlement Agent:

- (a) the Deed, in recordable form;
- (b) the Declaration in recordable form to be recorded in the Land Records against the Property;
- (c) a certification of District's representations and warranties executed by District stating that all of District's representations and warranties set forth herein are true and correct in all material respects as of and as if made on the Closing Date; and
- (d) any and all other deliveries required from District on the Closing Date under this Agreement and such other documents and instruments as are customary and reasonably requested by Developer or Settlement Agent to effectuate the transactions contemplated by this Agreement, and agreed to by District in its sole discretion.

7.2.2 Developer's Deliveries. On or before the Closing Date, subject to the terms and conditions of this Agreement, Developer shall execute, notarize, and deliver, as applicable, to Settlement Agent:

- (a) the Purchase Price in full, except to the extent the Purchase Price has been adjusted, and any funds in excess of the Purchase Price, if so required by the Settlement Statement to be executed at closing;
- (b) the Performance Bond to be held by District;
- (c) any documents, in final form, required to close on the equity and debt financing for Developer's construction of the Project; Developer must close on all equity and debt financing from Developer's lender on the scheduled Closing Date for the Property;
- (d) the fully executed Development and Completion Guaranty;
- (e) a certification of Developer's representations and warranties executed by Developer stating that all of Developer's representations and warranties set forth herein are true and correct as of and as if made on the Closing Date;
- (f) copies of all submissions and applications for Permits to the District of Columbia Department of Consumer and Regulatory Affairs ("DCRA"), submitted pursuant to the Development Plan;

- (g) copies of all (i) Permits, (ii) Approvals, including approval of the Project by the Historic Preservation Review Board;
- (h) a copy of the fully executed CBE Agreement;
- (i) a copy of the fully executed First Source Agreement;
- (j) the following documents evidencing the due organization and authority of Developer to enter into, join and consummate this Agreement and the transactions contemplated herein:
 - (i) The organizational documents and a current certificate of good standing issued by the District of Columbia;
 - (ii) Authorizing resolutions, in form and content reasonably satisfactory to District, demonstrating the authority of the entity and of the Person executing each document on behalf of Developer in connection with this Agreement and development of the Project;
 - (iii) Evidence of satisfactory liability, casualty and builder's risk insurance policies in the amounts, and with such insurance companies, as required in Article 11 of this Agreement;
 - (iv) Any financial statements of Developer that may be requested by District; and
 - (v) If requested by District, an opinion of counsel that Developer is validly organized, existing and in good standing in the District of Columbia, that Developer has the full authority and legal right to carry out the terms of this Agreement and the documents to be recorded in the Land Records, that Developer has taken all actions to authorize the execution, delivery, and performance of said documents and any other document relating thereto in accordance with their respective terms, that none of the aforesaid actions, undertakings, or agreements violate any restriction, term, condition, or provision of the organizational documents of Developer or any contract or agreement to which Developer is a party or by which it is bound; and
- (k) Any and all other deliveries required from District on the Closing Date under this Agreement and such other documents and instruments as are customary and as may be reasonably requested by District or Settlement Agent to effectuate the transactions contemplated by this Agreement.

7.2.3 On the Closing Date, Settlement Agent shall record and distribute documents and funds in accordance with closing instructions provided by the Parties so long as they are consistent with this Agreement.

7.3 RECORDATION OF CLOSING DOCUMENTS; CLOSING COSTS.

7.3.1 At Closing, Settlement Agent shall file for recordation among the Land Records the Deed and the Declaration. Settlement Agent or Developer shall then pay all settlement proceeds going to the District as shown on the Settlement Statement to the District in the form of a certified or cashier's check made payable to "D.C. Treasurer".

7.3.2 At Closing, Developer shall be responsible for and pay all costs pertaining to the transfer and financing of the Property, including, without limitation, (1) title search costs, (2) title insurance premiums and endorsement charges, (3) survey costs, (4) D.C. Real Estate Deed Recordation Tax, and (5) all Settlement Agent's fees and costs.

**ARTICLE 8
DEVELOPMENT OF PROJECT IMPROVEMENTS; COVENANTS**

8.1 OBLIGATION TO CONSTRUCT IMPROVEMENTS.

Developer hereby agrees to develop and construct the Project in accordance with the requirements contained in the Declaration. The Improvements shall be constructed in compliance with all Permits and Applicable Laws and in a first-class and diligent manner in accordance with industry standards. The cost of developing the Project shall be borne solely by Developer. As further assurance of the above and of the covenants contained in the Declaration, Developer shall cause the Development and Completion Guaranty to be executed by Guarantor on or before Closing. Within fifteen (15) Business Days after the Effective Date hereof, Guarantor shall each submit to District updated, unaudited financial statements (certified by such Guarantor as being true, correct, and complete) and unaudited balance sheets, profit and loss statements, cash flow statements, other financial reports, and other financial information of such Guarantor as District may reasonably request.

8.2 HISTORIC PRESERVATION.

8.2.1 The goal of DHCD is to redevelop the Properties in a manner that preserves the history of the Anacostia neighborhood and provides amenities and/or services to the community. Three of the four properties included in this Solicitation are located within the Anacostia Historic District and are subject to the corresponding regulations, enforced by the DC Historic Preservation Office and the Historic Preservation Review Board.

8.2.2 Future development on this parcel will require: (1) integration of the salvaged materials into the new building, (2) use of the salvaged materials to help replicate specific features, or (3) development of a historically-compatible design.

8.2.3 In addition, developers shall preserve the structures at 2234 and 2238 Martin Luther King Jr. Ave SE, both of which are located within the Anacostia Historic District. The developer shall also make an effort to preserve the structure at 2252 Martin Luther King Jr. Ave., S.E., despite it being outside of the historic district.

8.2.5 Any new structures or additions to the existing buildings, constructed on the site must be compatible with the existing historic buildings, with similar character, form, setbacks, height, and articulation.

8.3 ISSUANCE OF PERMITS.

Developer shall have the sole responsibility for obtaining all Permits and shall make application therefor directly to the applicable agency within the District of Columbia government or other authority. District shall, upon request by Developer, execute applications for such Permits as are required by the District of Columbia government or other authority, at no cost, expense, obligation, or liability to District. In no event shall Developer commence site work or construction of all or any portion of the Project until Developer shall have obtained all Permits for the work in question. Developer shall submit its application for Permits for the Project within a period of time that Developer believes in good faith is sufficient to allow issuance of such Permits prior to the date of Closing. From and after the date of Developer's submission of an application for a Permit, Developer shall diligently prosecute such application until receipt. In addition, from and after submission of any such application until issuance of the Permit, Developer shall report Permit status in writing every thirty (30) days to District, or such other reporting period as agreed to by District.

8.4 SITE PREPARATION.

Developer, at its sole cost and expense, shall be responsible for all preparation of the Property for development and construction in accordance with the Development Plan and Approved Plans and Specifications, including costs associated with excavation, construction of the Project, utility relocation and abandonment, relocation and rearrangement of water and sewer lines and hook-ups, and construction or repair of alley ways on the Property and abutting public property necessary for the Project. All such work, including but not limited to, excavation, backfill, and upgrading of the lighting and drainage, shall be performed under all required Permits and in accordance with all appropriate District of Columbia agency approvals and government standards, and Applicable Laws.

8.5 OPPORTUNITY FOR CBEs.

In cooperation with District, Developer agrees that it will promote opportunities for businesses certified by DSLBD, or any successor governmental entity, as Certified Business Enterprises ("**CBEs**") in the equity, development, construction, and operation of the Project consistent with the CBE Agreement to be entered into between DSLBD and Developer prior to Closing.

8.6 LOCAL RETAIL REQUIREMENT.

Developer shall reserve a minimum of ten percent (10%) of the Project retail square footage for retailers that are local and/or CBEs at rents that are equal to or less than 75% of market rents.

8.7 EMPLOYMENT OF DISTRICT RESIDENTS; FIRST SOURCE AGREEMENT.

Pursuant to Mayor's Order 83-265, DC Law 5-93, as amended, and DC Law 14-24, Developer recognizes that one of the primary goals of the District of Columbia government is the creation of job opportunities for District of Columbia residents. Accordingly, Developer agrees to enter into a First Source Agreement, prior to Closing, with DOES that shall, among other things, require the Developer to: (i) use diligent efforts to hire and use diligent efforts to require its architects, engineers, consultants, contractors, and subcontractors to hire at least fifty one percent (51%) District of Columbia residents for all new jobs created by the Project, all in accordance with such First Source Employment Agreement and (ii) use diligent efforts to ensure that at least fifty one percent (51%) of apprentices and trainees employed are residents of the District of Columbia and are registered in apprenticeship programs approved by the D.C. Apprenticeship Council.

8.7 GREEN BUILDING REQUIREMENTS. Developer shall design, develop and construct the Project, and all portions thereof, in a manner in compliance with the Green Building Act and, as required by the Green Building Act, shall obtain necessary certifications under the Leadership in Energy and Environment Design ("LEED") Green Building Rating System of the U.S. Green Building Council. Developer shall provide confirmation of compliance with the Green Building Requirements. All non-residential projects will be required to meet the Leadership in Energy and Environmental Design (LEED) Silver standard, available online at www.usgbc.org. The following additional standards also apply:

8.7.1 New construction – Energy Star Target Finder Tool minimum score (75) & annual benchmarking with Energy Star Portfolio Manager .

8.7.2 Rehabilitation– exempt from Energy Star Target Finder minimum score requirement. However, benchmarking with the Energy Star Portfolio Manager, and the Energy Star Target Finder scoring, are still mandated.

8.8. DAVIS BACON REQUIREMENTS.

Developer hereby acknowledges that the District is subsidizing the Project by conveying the Property at a price that is less than the Property's market value. Developer further acknowledges and agrees that as a result of this subsidy, the Project is subject to Davis Bacon wage and labor and requirements and Developer agrees to comply with the statutory and regulatory requirements of the Davis Bacon Act (40 USC §§ 276a -276a-7).

ARTICLE 9 DEFAULTS AND REMEDIES

9.1 DEFAULT.

9.1.1 Default by Developer. It shall be deemed a default by Developer if Developer fails to perform any obligation or requirement under this Agreement or fails to comply with any term or provision of this Agreement and such default remains uncured for thirty (30) days after

receipt of written notice of such failure from District (except no notice shall be necessary nor shall any cure period apply to Developer's obligation to close on its acquisition of the Property, time being of the essence) (any such uncured default, a "**Developer Default**"). Notwithstanding the foregoing, if a default does not involve the payment of money and cannot reasonably be cured within thirty (30) days, Developer shall have such additional time as is reasonably necessary, not to exceed an additional forty-five (45) days, to cure such default; provided, however, Developer must commence the cure within the initial thirty (30) day period and diligently pursue completion of such cure thereafter. Notwithstanding the foregoing, in the event of a pre-Closing default, the cure periods provided herein shall not delay the Closing Date and shall terminate on the Closing Date.

9.1.2 Default by District. It shall be deemed a default by District if District fails to perform any obligation or requirement under this Agreement or fails to comply with any term or provision of this Agreement and such default remains uncured for thirty (30) days after receipt of written notice of such failure from Developer (any such uncured default, a "**District Default**"). Notwithstanding the foregoing, if a default cannot reasonably be cured within thirty (30) days, District shall have such additional time as is reasonably necessary, not to exceed an additional forty-five (45) days, to cure such default; District must commence the cure within the initial thirty (30) day period and diligently pursue completion of such cure thereafter. Notwithstanding the foregoing, in the event of a pre-Closing default, the cure periods provided herein shall not delay the Closing Date and shall terminate on the Closing Date.

9.2 DISTRICT REMEDIES IN THE EVENT OF DEVELOPER DEFAULT.

In the event of a Developer Default, District may elect to pursue any of the following remedies, all of which are cumulative:

- (a) District may terminate this Agreement and retain the Initial Deposit as liquidated damages (District shall be entitled to keep any Cash Deposit and any accrued interest thereon or draw on the Deposit Letter of Credit in its full amount);
- (b) District may draw on the Performance Bond, in an amount to be determined by District, in its sole discretion, up to the full amount of the Performance Bond;
- (c) District may pursue specific performance of Developer's obligations hereunder;
- (d) District may re-enter the Property in accordance with the covenants contained in Developer's Deed to the Property; and
- (e) District may pursue any and all other remedies available at law and in equity, including without limitation, injunctive relief.

In the event that District elects to terminate this Agreement, Parties shall be released from any further liability or obligation hereunder, except those that expressly survive termination of this Agreement. Upon such termination, all plans and specifications with regard to the development and construction of the Project, including, without limitation, the Project Drawings produced to

date and any Permits obtained, shall be automatically assigned to District free and clear of all liens and claims for payment.

9.3 DEVELOPER REMEDIES IN THE EVENT OF DISTRICT DEFAULT.

In the event of a District Default, Developer may(terminate this Agreement whereupon District will release the Initial Deposit, including any accrued interest, to Developer and the Parties shall be released from any further liability or obligation hereunder except those that expressly survive termination of this Agreement.

9.4 NO WAIVER BY DELAY; WAIVER. Notwithstanding anything to the contrary contained herein, any delay by any Party in instituting or prosecuting any actions or proceedings with respect to a default by the other hereunder or otherwise asserting its rights or pursuing its remedies under this Article, shall not operate as a waiver of such rights or to deprive such Party of or limit such rights in any way (it being the intent of this provision that neither Party shall be constrained by waiver, laches, or otherwise in the exercise of such remedies). Any waiver by either Party hereto must be made in writing. Any waiver in fact made with respect to any specific default under this Section shall not be considered or treated as a waiver with respect to any other defaults or with respect to the particular default except to the extent specifically waived in writing.

9.5 RIGHTS AND REMEDIES. The rights and remedies of the Parties set forth in this Article are the sole and exclusive remedies of the Parties for a default hereunder prior to the Closing. Developer shall have no right to seek any monetary damages from District.

**ARTICLE 10
FINANCIAL PROVISIONS**

10.1 APPROVAL OF GUARANTORS.

10.1.1 The Development and Completion Guaranty required pursuant to this Agreement shall be from one or more Persons approved by District in District's sole discretion, which approval shall include District's determination as to whether such Person has sufficient net worth and liquidity to satisfy its obligations under the Development and Completion Guaranty, taking into account all relevant factors, including, without limitation, such Person's obligations under other guaranties and the other contingent obligations of such Person. The Guarantor shall not be the Developer or a single purpose entity. The Development and Completion Guaranty shall be delivered to District no later than Closing.

10.1.2 At any time upon District's request, but in any event no later than sixty (60) days prior to Closing, each Guarantor shall submit to District updated Guarantor Submissions. In the event District determines, in its sole discretion, that a material adverse change in the financial condition of the Guarantor(s) has occurred that impacts, or could threaten to impact, the Guarantor's ability to perform under the Development and Completion Guaranty, Developer shall, within seven (7) Business Days after notice from District, identify a proposed substitute

guarantor and request District's approval of the same, which request shall include delivery of the Guarantor Submissions for such proposed guarantor.

10.2 PROJECT BUDGET.

10.2.1 As of the Effective Date, Developer has provided to District its initial Project Budget, which is attached hereto as **Exhibit G** and incorporated herein.

10.2.2 Prior to the Closing Date, Developer shall review its initial Project Budget and, if necessary, submit to District a revised Project Budget for District's review and approval. Upon approval by District, such revised Project Budget shall be the "**Final Project Budget**". Such Final Project Budget shall be attached as an exhibit to the Construction and Use Covenant.

10.2.3 Developer shall not modify the Final Project Budget without the prior approval of District.

ARTICLE 11 ASSIGNMENT AND TRANSFER

11.1 ASSIGNMENT. Developer represents, warrants, covenants, and agrees, for itself and its successors and assigns, that Developer (or any successor in interest thereof) shall not assign its rights under this Agreement to any party who is not an affiliate of Developer or its members, or delegate its obligations under this Agreement, without District's prior written approval, which approval may be granted or denied, in District's sole discretion.

11.2 TRANSFER. In addition to the restrictions contained in the foregoing Section 11.1, Developer (including any successors in interest of Developer) shall be permitted to make any assignment, sale, conveyance or other transfer, or make any contract or agreement to do any of the same, whether directly or indirectly, of any interest in the Developer, provided that Developer obtains prior written approval from District, which approval shall not be unreasonably withheld, and so long as the original members of Developer or their affiliates maintain control or a majority in interest.

11.3 NO UNREASONABLE RESTRAINT. Developer hereby acknowledges and agrees that the restrictions on transfers set forth in this Article do not constitute an unreasonable restraint on Developer's right to transfer or otherwise alienate the Property or its rights under this Agreement. Developer hereby waives any and all claims, challenges, and objections that may exist with respect to the enforceability of such restrictions, including any claim that such restrictions constitute an unreasonable restraint on alienation.

ARTICLE 12
INSURANCE OBLIGATIONS; INDEMNIFICATION

12.1 INSURANCE OBLIGATIONS.

12.1.1 Insurance Coverage. At all times after the Effective Date of this Agreement, until such time as all obligations of Developer hereunder have been satisfied or have expired, Developer shall carry and maintain in full force and effect the following insurance policies:

- (a) Automobile Liability and Commercial General Liability Insurance - Developer shall maintain and/or cause its contractor to maintain automobile liability insurance and commercial general liability insurance policies written so that each have a combined single limit of liability for bodily injury and property damage of not less than three million dollars (\$3,000,000.00) per occurrence, of which at least one million dollars (\$1,000,000.00) must be maintained as primary coverage, and of which the balance may be maintained as umbrella coverage; provided, however, that the foregoing statement as to the amount of insurance Developer is required to carry shall not be construed as any limitation on Developer's liability under this Agreement.
- (b) Workers' Compensation Insurance – If applicable, Developer shall maintain and cause its general contractor and any subcontractors to maintain workers' compensation insurance in such amounts as required by Applicable Laws.
- (c) Professional Liability Insurance - Developer shall cause its architect and every engineer or other professional who will perform services in connection with the Project to maintain professional liability insurance with limits of not less than one million dollars (\$1,000,000.00) for each occurrence, including coverage for injury or damage arising out of acts or omissions with respect to all design and engineering professional services provided by the architect of record, structural, electrical and mechanical engineers with a deductible acceptable to District.
- (d) Contractor's Pollution Legal Liability Insurance - Developer shall not remove, store, transport, or dispose of demolition debris, hazardous waste or contaminated soil, without first obtaining (or causing its contractor to obtain) a Contractor's Pollution Legal Liability Insurance Policy covering Developer's liability during such activities. The policy shall include such coverage for bodily injury, personal injury, loss of, damage to, or loss of use of property, directly or indirectly arising out of the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquid or gas, waste materials, or other irritants, contaminants, or pollutants into or upon the land, the atmosphere, or any water course or body of water, whether it be gradual or sudden and accidental.

12.1.2. General Policy Requirements. Developer shall name District as an additional insured under all policies of liability insurance identified above. Any deductibles with respect to the foregoing insurance policies shall be commercially reasonable. All such policies shall include a waiver of subrogation endorsement. All insurance policies required pursuant to this

Section 10.1 shall be written as primary policies, not contributing with or in excess of any coverage that District may carry. Such insurance shall be obtained through a recognized insurance company licensed to do business in the District of Columbia and rated by A.M. BEST as an A-X or above. Prior to any entry onto the Property at any time pursuant to this Agreement, Developer shall furnish to District certificates of insurance (or copies of the policies if requested by District) together with satisfactory evidence of payment of premiums for such policies. The policies shall contain an agreement by the insurer notifying District in writing, by certified U.S. Mail, return receipt requested, not less than thirty (30) days before any material change, reduction in coverage, cancellation, including cancellation for nonpayment of premium, or other termination thereof or change therein.

12.2 INDEMNIFICATION. Developer shall indemnify, defend, and hold harmless District and the District Parties from and against any and all losses, costs, claims, damages, liabilities, and causes of action (including reasonable attorneys' fees and court costs) arising out of death of or injury to any person or damage to any property occurring on or adjacent to the Property and directly or indirectly caused by any acts done thereon or any acts or omissions of, its Members, agents, employees, or contractors; provided, however, that the foregoing indemnity shall not apply to any losses, costs, claims, damages, liabilities, and causes of action (including reasonable attorneys' fees and court costs) due to the gross negligence or willful misconduct of District. The obligations of Developer under this Section shall survive Closing or the earlier termination of this Agreement for a period of three (3) years.

ARTICLE 13 NOTICES

13.1 TO DISTRICT.

Any notices given under this Agreement shall be in writing and delivered by certified mail (return receipt requested, postage pre-paid), by hand, or by reputable private overnight commercial courier service, to District at the following addresses:

Department of Housing and Community Development
Property Acquisition and Disposition Division
1800 Martin Luther King Avenue, SE, Suite 315
Washington, D.C. 20020
202-442-7169 (office)
202-654-6161 (fax)
Attention: Denise L. Johnson

With a copy to:

District of Columbia
Department of Housing and Community Development
Office of the General Counsel
1800 Martin Luther King Avenue, SE
Washington, D.C. 20020

Attention: General Counsel

13.2 TO DEVELOPER.

Any notices given under this Agreement shall be in writing and delivered by certified mail (return receipt requested, postage pre-paid), by hand, or by reputable private overnight commercial courier service, to Developer at the following addresses:

2228 MLK LLC
c/o Chapman Development LLC

With a copy to:

Greenstein Delorme & Luchs, P.C.
1620 L Street, N.W. Suite 900
Washington, D.C. 20036
Attention: Richard W. Luchs Esq.

Notices served upon Developer or District in the manner aforesaid shall be deemed to have been received for all purposes hereunder at the time such notice shall have been: (i) if hand delivered to a Party, upon confirmation that the notice has been received and signed for; (ii) if given by overnight courier service, on the next Business Day after the notice is deposited with the overnight courier service; or (iii) if given by certified mail, return receipt requested, postage pre-paid, on the date of actual delivery or refusal thereof. If notice is tendered under the terms of this Agreement and is refused by the intended recipient of the notice, the notice shall nonetheless be considered to have been received and shall be effective as of the date provided in this Agreement.

ARTICLE 14
MISCELLANEOUS

14.1 PARTY IN POSITION OF SURETY WITH RESPECT TO OBLIGATIONS.

Developer, for itself and its successors and assigns and for all other Persons who are or who shall become, whether by express or implied assumption or otherwise, liable upon or subject to any obligation or burden under the Agreement, hereby waives, to the fullest extent permitted by law and equity, any and all claims or defenses otherwise available on the grounds of its being or having become a Person in the position of surety, whether real, personal, or otherwise or whether by agreement or operation of law, including, without limitation any and all claims and defenses based upon extension of time, indulgence or modification of this Agreement.

14.2 FORCE MAJEURE.

Neither District nor Developer, as the case may be, nor any successor-in-interest, shall be considered in default under this Agreement with respect to their respective obligations to prepare the Property for development, or convey the Property, in the event of forced delay in the performance of such obligations due to Force Majeure. It is the purpose and intent of this provision that in the event of the occurrence of any such Force Majeure event, the time or times for performance of the obligations of District or of Developer shall be extended for the period of the Force Majeure; provided, however that: (a) the Party seeking the benefit of this Section 14.2 shall have first notified, within ten (10) days after it becomes aware of the beginning of any such Force Majeure event, the other Party thereof in writing of the cause or causes thereof, with supporting documentation and requested an extension for the period of the first delay; (b) in the case of a delay in obtaining Permits, Developer must have filed complete applications for such Permits by the dates set forth in Article IV and hired an expediter reasonably acceptable to District to monitor and expedite the Permit Process; and (c) the Party seeking the delay must take commercially reasonable actions to minimize the delay. If either Party requests any extension on the date of completion of any obligation hereunder due to Force Majeure, it shall be the responsibility of such Party to reasonably demonstrate that the delay was caused specifically by a delay of a critical path item of such obligation. Force Majeure delays shall not apply to any obligation to pay money, except as otherwise provided herein.

14.3 CONFLICT OF INTERESTS; REPRESENTATIVES NOT INDIVIDUALLY LIABLE.

No official or employee of District shall participate in any decision relating to this Agreement which affects his or her personal interests or engage in any conduct or activity which may interfere with the official's or employee's full and proper discharge of his or her duties in the review, evaluation, award, implementation, monitoring and performance of contracts hereunder. No District employee, or any member of his or her immediate household, may acquire an interest in or operate any business or commercial enterprise which is in any way related, directly or indirectly, to the employee's official duties, or which might otherwise be involved in an official action taken or recommended by the employee, or which is in any way related to matters over which the employee could wield any influence, official or otherwise.

No official or employee of District shall be personally liable to Developer or any successor-in-interest in the event of any default or breach by District or for any amount which may become due to Developer or such successor-in-interest or on any obligations hereunder.

14.4 SURVIVAL; PROVISIONS NOT MERGED WITH DEED .

Unless expressly stated otherwise herein, the provisions of this Agreement are intended to and shall merge with the Deed transferring title to the Property from District to Developer.

14.5 TITLES OF ARTICLES AND SECTIONS.

Titles and captions of the several parts, articles, and sections of this Agreement are inserted for convenient reference only and shall be disregarded in construing or interpreting the provisions herein.

14.6 SINGULAR AND PLURAL USAGE; GENDER.

Whenever the sense of this Agreement so requires, the use herein of the singular number shall be deemed to include the plural; the masculine gender shall be deemed to include the feminine or neuter gender; and the neuter gender shall be deemed to include the masculine or feminine gender.

14.7 LAW APPLICABLE; FORUM FOR DISPUTES.

This Agreement shall be governed by, interpreted under, construed, and enforced in accordance with the laws of the District of Columbia, without reference to the conflicts of laws provisions thereof. District and Developer irrevocably submit to the jurisdiction of (a) the courts of the District of Columbia and (b) the United States District Court for the District of Columbia for the purposes of any suit, action, or other proceeding arising out of this Agreement or any transaction contemplated hereby. District and Developer irrevocably and unconditionally waive any objection to the laying of venue of any action, suit, or proceeding arising out of this Agreement or the transactions contemplated hereby in (a) the courts of the District of Columbia and (b) the United States District Court for the District of Columbia, and hereby further waive and agree not to plead or claim in any such court that any such action, suit, or proceeding brought in any such court has been brought in an inconvenient forum.

14.8 ENTIRE AGREEMENT; RECITALS; EXHIBITS.

This Agreement constitutes the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings related to the subject matter hereof. The Recitals of this Agreement are incorporated herein by this reference and are made a substantive part of the agreements between the Parties. All Exhibits are incorporated herein by reference, whether or not so stated. In the event of any conflict between the Exhibits and this Agreement, this Agreement shall control.

14.9 COUNTERPARTS.

This Agreement may be executed in any number of counterparts with the same effect as if the signatures on each counterpart were upon a single instrument. All counterparts, taken together, shall constitute the Agreement. Signatures delivered by facsimile, Portable Document Format ("PDF"), Tagged Image File Format ("TIF") or other similar image file format shall be sufficient to bind the applicable party.

14.10 TIME OF PERFORMANCE.

All dates for performance (including cure) shall expire at 6:00 p.m. (Eastern Time) on the performance or cure date. A performance date which falls on a Saturday, Sunday, or District holiday is automatically extended to the next Business Day.

14.11 SUCCESSORS AND ASSIGNS.

This Agreement shall be binding upon and shall inure to the benefit of, the successors and assigns of District and Developer, and where the term “Developer” or “District” is used in this Agreement; it shall mean and include their respective successors and assigns.

14.12 THIRD PARTY BENEFICIARY.

No Person shall be a third party beneficiary of this Agreement.

14.13 WAIVER OF JURY TRIAL.

TO THE EXTENT PERMITTED BY LAW, ALL PARTIES HERETO WAIVE THE RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY LITIGATION ARISING IN RESPECT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

14.14 FURTHER ASSURANCES.

Each Party agrees to execute and deliver to the other Party such additional documents and instruments as the other Party reasonably may request in order to fully carry out the purposes and intent of this Agreement.

14.15 MODIFICATIONS AND AMENDMENTS.

None of the terms or provisions of this Agreement may be changed, waived, modified, or removed except by an instrument in writing executed by both Parties. None of the terms or provisions of this Agreement shall be deemed to have been abrogated or waived by reason of any failure or refusal to enforce the same.

14.16 ANTI-DEFICIENCY LIMITATION; AUTHORITY.

14.16.1 Though no financial obligations on the part of District are anticipated, Developer acknowledges that District is not authorized to make any obligation in advance or in the absence of lawfully available appropriations and that District’s authority to make such obligations is and shall remain subject to the provisions of (i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349, 1350, 1351; (ii) D.C. Official Code Section 47-105; (iii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01 – 355.08, as the foregoing statutes may be amended from time to time; and (iv) Section 446 of the District of Columbia Home Rule Act.

14.16.2 Developer acknowledges and agrees that any unauthorized act by District is void. It is Developer’s obligation to accurately ascertain the extent of District’s authority.

14.17 SEVERABILITY.

If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future Applicable Laws, such provisions shall be fully severable, this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never

comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement.

14.18 TIME OF THE ESSENCE; STANDARD OF PERFORMANCE.

Time is of the essence with respect to all matters set forth in this Agreement. For all deadlines set forth in this Agreement, the standard of performance of the Party required to meet such deadlines shall be strict adherence and not reasonable adherence.

14.19 NO PARTNERSHIP.

Nothing contained herein shall be deemed or construed by the Parties hereto or any third party as creating the relationship of principal and agent or of partnership or of joint venture between Developer and District.

14.20 EACH PARTY TO BEAR ITS OWN COSTS.

Except as may be otherwise specifically provided herein, each Party shall bear its own costs and expenses incurred in connection with the negotiation of this Agreement and the performance of such Party's duties and obligations hereunder.

[Remainder of Page Intentionally Blank. Signatures Appear on Following Page.]

IN WITNESS WHEREOF, District and Developer have each caused these presents to be signed, acknowledged and delivered in its name by its duly authorized representative.

DISTRICT:

Approved for legal sufficiency
District of Columbia Office of
Attorney General

DISTRICT OF COLUMBIA, by and through the
Department of the Housing and Community
Development pursuant to Mayor's Order 2007-209

By: _____
Name: Vonda J. Orders
Title: General Counsel

By: _____ (SEAL)
Name: Michael P. Kelly
Title: Director, Department of Housing
and Community Development

DEVELOPER:

✓ 2228 MLK LLC,
a Virginia limited liability company

By: _____ (SEAL)
Name: Timothy M. Chapman
Title: Authorized Signatory

Exhibits:

Exhibit A Property Description
Exhibit B Permitted Exceptions
Exhibit C Special Warranty Deed
Exhibit D Development and Completion Guaranty
Exhibit E Form Letter of Credit
Exhibit F Schedule of Performance
Exhibit G Project Budget
Exhibit H Affordability Covenant
Exhibit I Declaration of Covenants

JOINDER OF GUARANTOR

For the purpose of evidencing their consent and agreement to be bound to the provisions in this Agreement applicable to the Guarantor, Capital City Asset management LLC, a District of Columbia limited liability company, hereby executes this Joinder of Guarantor on and as of the date of the Agreement.

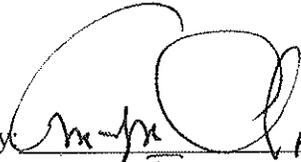
By: 
Name: TIMOTHY M Chapman
Title: Authorized Signature

EXHIBIT A

[Property Description]

EXHIBIT B

[Permitted Exceptions]

EXHIBIT C

[Special Warranty Deed]

EXHIBIT D

[Development and Completion Guaranty]

EXHIBIT E

[Form Letter of Credit]

Office of Attorney General for the District of Columbia Form Letter of Credit

ISSUER: _____ Date of Issue: _____, 2011
[Name of Bank]
[Bank Address]

IRREVOCABLE STANDBY LETTER OF CREDIT NO. [Insert Number]

Beneficiary

Applicant

District of Columbia, by and through the _____ [Name of Developer]
Department of Housing and Community Development
1800 Martin Luther King Avenue, SE
Washington, DC 20020
Attention: Director

AMOUNT: \$ _____

EXPIRY DATE: [Insert Date] subject to renewal provisions herein

Ladies and Gentlemen:

We hereby establish our Irrevocable Standby Letter of Credit [Insert Number] ("Letter of Credit") in favor of Beneficiary for the account of Applicant up to an aggregate amount of _____ U.S DOLLARS (U.S. \$ _____)
Available for payment when accompanied by the following three items:

1. A draft at sight drawn on [Name of Bank] duly endorsed on its reverse thereof by a duly authorized representative of the Beneficiary, specifically referencing this Letter of Credit Number [Insert Number];
2. The original of this Letter of Credit; and
3. A dated statement issued on the letterhead of Beneficiary, stating: "The amount of this drawing is \$ _____, drawn under Irrevocable Standby Letter of Credit No. [Insert Number] and represents funds due and owing to the District of Columbia." Such statement shall be conclusive as to such matters and Issuer will accept such statement as binding and correct. Issuer shall have no right, duty, obligation or responsibility to evaluate the performance or nonperformance of any underlying agreement between Applicant and Beneficiary before performing under the terms of this Letter of Credit.

This Letter of Credit shall automatically renew for one year term upon the Anniversary of the expiry date set forth above (The "Anniversary Date") until [insert date] unless (i) earlier released by Beneficiary in writing or (ii) Issuers delivers written notice to both Applicant and Beneficiary that this Letter of Credit will not be renewed on the Anniversary Date upon which this Letter of Credit will no longer be renewed. Notwithstanding any terms and/or conditions to the contrary, this Letter of Credit will expire no later than [Insert Date].

If a drawing made by Beneficiary under this Letter of Credit reaches the address provided on this Standby Letter of Credit via Courier (FEDEX or DHL) on or prior to 1:00 PM (Eastern Time) on a Business Day (Defined below) and, provided that such drawing and the statement presented in connection therewith conform to the terms and conditions hereof, payments shall be made to Beneficiary in the amount specified, in immediately available funds, on the same Business Day. If a drawing is made by Beneficiary under this Letter of Credit after 1:00 pm (Eastern Time) on a Business Day and, provided that such drawing and the statement presented in connection therewith conform to the terms and conditions hereof, payments shall be made to Beneficiary in the amount specified, in immediately available funds on the next Business Day. If requested by Beneficiary, payment under this Letter of Credit may be deposit of immediately available funds into an account designated by Beneficiary. As used herein, the term "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institution in the District of Columbia are authorized or required by law to close.

Drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored if presented by the Mayor, City Administrator, Director of the Department of Housing and Community Development, or one of their duly authorized representatives, on or before the Expiry Date to Issuer's office at the address of Issuer set forth above.

This undertaking is issued subject to the International Standby Practices 1998 ("ISP98"). As to matters not expressly governed by ISP98, this Letter of Credit is governed by and shall be construed in accordance with the laws of the District of Columbia.

This Letter of Credit set forth in full terms of our undertaking. This undertaking shall not in any way be modified, amended, amplified or incorporated by reference to any document, contract or other agreement, without the express written authorization of Issuer, Beneficiary and Applicant.

Should you have occasion to communicate with us regarding the Letter of Credit, kindly direct your communication to the attention of Letters of Credit Dept. to the address aforementioned stating as reference our Standby Letter of Credit Number [Insert Letter of Credit Number].

Truly Yours,

Authorized Signature

Authorized Signature

EXHIBIT F

[Schedule of Performance]

EXHIBIT G

Project Budget

EXHIBIT H

[Affordability Covenant]

EXHIBIT F

[Declaration of Covenants]