

PROPERTY DISPOSITION AND DEVELOPMENT AGREEMENT

THIS PROPERTY DISPOSITION AND DEVELOPMENT AGREEMENT (this “**Agreement**”), is made effective for all purposes as of the ____ day of ____, 2011 (the “**Effective Date**”), between (i) **DISTRICT OF COLUMBIA**, a municipal corporation, acting by and through the Department of Housing and Community Development, (“**District**”), and (ii) **BASS CIRCLE LLC**, a Delaware limited liability company (the “**Developer**”).

RECITALS:

R-1. District has the right to acquire certain real property located in Washington, D.C. and further identified and described on **Exhibit A** attached hereto and incorporated herein (the “**Real Property**”). The Real Property, together with (a) all easements, privileges, tenements, rights, titles and interests appurtenant to, associated with or belonging to the Real Property and all right, title and interest in and to all streets, alleys, easements and rights-of-way, strips and gores in, on, across, in front of, abutting or adjoining the Real Property which are appurtenant to, associated with or belonging to the Real Property (the “**Appurtenances**”), (b) all buildings and all other structures, facilities or improvements located in or on the Real Property (the “**Structures**”) (c) all fixtures, systems, equipment and items of personal property of District attached or appurtenant to, located on and used in connection with the ownership, use, operation or maintenance of the Real Property (excluding any personal property owned by tenants) (the “**Personal Property**”), and (d) all intangible property now or on the date of the Closing (as defined herein) owned or held in connection with the foregoing, including without limitation all warranties, certificates and licenses (the “**Intangible Property**”). The Real Property, Appurtenances, Structures, Personal Property and Intangible Property, are collectively referred to herein as the “**Property**”.

R-2 Pursuant to D.C. Code § 42-3171.03 (2008 Supp.) (the “**Act**”), District offered for sale through a negotiated process the aforementioned Property to Developer for the purpose of eliminating or reducing blight by providing for the disposition and re-development of the Property, provided that Developer agrees to rehabilitate a multi-family housing project approved by the District (the “**Project**”) on the Real Property, and in accordance with the terms of this Agreement.

R-3. In accordance with the Act, following a public hearing on the proposed terms and conditions of this Agreement after at least thirty (30) days public notice, District will be authorized to convey the Property to Developer (“**Disposition Authority**”).

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 DEFINITIONS

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 C, to be recorded in the Land Record against the Real Property in connection with the Closing.

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

“Agreement” means this Property Disposition Agreement.

“AMI” means the area median income for a household in the Washington Metropolitan Statistical Area as set forth in the periodic calculation provided by the United States Department of Housing and Urban Development, adjusted for household size without regard to any adjustments made by the United States Department of Housing and Urban Development for the purposes of the programs it administers. Adjustments of Area Median Income for household size shall be made in the same manner as is prescribed in section 2(1) of the Housing Production Trust Fund Act, effective March 16, 1989 (D.C. Law 7-202; D.C. Official Code §§ 42-2801(1)).

“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 4.2.1.

“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 7.4.

“**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.

“**Certificate of Completion**” means that certificate provided by Developer to the District upon Completion of Construction, as required under Section 7.9.5 herein.

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

“**Closing Date**” is defined in Section 6.1.

“**Commencement of Construction**” means the date which 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 monitoring or testing to establish background information related to the suitability of the Property for development of the Improvements thereon or the investigations of environmental conditions.

“**Completion of Construction**” means (i) Developer has substantially completed construction of the Project, exclusive only of punch list items, in accordance with the Approved Plans and Specifications and this Agreement; (ii) Developer’s general contractor is entitled to final payment under the construction contract exclusive only of any retainage held on account of punch list items; (iii) Developer has provided District with a copy of the Certificate of Completion; and (iv) a permanent certificate of occupancy has been issued for the Project.

“**Concept Plans**” are the design plans, submitted by Developer and approved by District as of the Effective Date herein, which serve the purpose of establishing the major direction of the design of the Project.

“**Construction Financing Closing**” means the date listed in the Schedule of Performance on which the Developer shall close on its financing for the purpose of development and construction 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 D**, to be recorded in the Land Records against the Real Property in connection with Closing.

“**Deed**” means the one or more quitclaim deed(s) conveying the Property to Developer at Closing in the form of **Exhibit B** attached hereto and incorporated herein by reference, subject to the approval of any acquisition lender.

“**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 8.1.1.

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

“**Development and Completion Guaranty**” is that guaranty, attached hereto as **Exhibit E**, 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 the development plan attached hereto and incorporated herein as **Exhibit I**, as the same may be amended from time to time in accordance with the terms hereof, which includes Developer’s detailed plans for developing, constructing, financing, marketing and selling the Project, including any repairs of renovations to be performed upon acquisition, and shall include a detailed proforma, including, but not limited to the following District approved documents: 1) Project Budget, 2) Project Financing Plan and 3) the tenant relocation plan.

“**Disapproval Notice**” is defined in Section 4.2.2.

“**Disposition Documents**” means the Declaration, Affordability Covenant, Loan Documents, CBE Agreement, and First Source Agreement.

“**Disposal Plan**” is defined in Section 2.3.1(d).

“**District Default**” is defined in Section 8.1.2.

“District Parties” means 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.

“Final Completion” means following Completion of Construction (i) the completion of all punch list items; (ii) the close-out of all construction contracts for the Project; (iii) the payment of all costs of constructing the Project and receipt by Developer of fully executed and notarized valid releases of liens from all manufacturers, suppliers, subcontractors, general contractors, and all other Persons furnishing supplies or labor in connection with the Project; and (iv) the receipt by District of a certification by Developer of the completion of items in clauses (i) through (iii) of this definition.

“Final Development Plan” means the detailed development plan submitted to District for final approval prior to construction. The Final Development Plan shall include a detailed proforma, including, but not limited to, the following District approved documents: 1) sources and uses, 2) Project Budget, 3) Project Financing Plan, 4) project schedule, 5) operating revenues

and expenses, 6) rent roll, 7) affordability levels, 8) number of bedrooms for total number of units, 9) evidence of compliance with Green Communities, and 10) all architectural plans and specifications.

“First Source Agreement” is that agreement, in customary form, between the Developer and DOES, entered into in accordance with Section 7.5 herein, 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.

“Forbearance Agreement” means that certain Forbearance and Property Transfer Agreement entered into by and between Horace H. Mosby and Jean Elizabeth Mosby, husband and wife, and the District, dated April 30, 2010.

“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 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 F.

“Green Communities” means the national green building program designed by Enterprise Community Partners that provides criteria for the design, development, and operation of affordable housing.

“Guarantor” is Telesis Corporation, 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.

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

“Improvements” means landscaping, hardscape, and improvements now existing to be constructed or placed on the Real Property in accordance with the Final 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.

“Loan Documents” has the meaning given in Section 2.1.2.

“Material Change” has the meaning given in Section 4.7.

“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.

“Parcel” shall mean each or any parcel of real property that collectively compose the Real 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 2.2.3.

“Performance Deposit” has the meaning given 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 Final Development Plan, the Declaration and this Agreement.

“Person” means any individual, corporation, limited liability company, trust, partnership, association, or other entity.

“Pre-Construction Guaranty” is that guaranty, attached hereto as Exhibit K, to be executed by Guarantor, which shall bind the Guarantor to perform Phase 1 of the Development Plan, as described therein.

“Prior Owner” means Horace H. Mosby and Jean Elizabeth Mosby, husband and wife.

“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 Real Property, and the development and construction thereof in accordance with the Final Development Plan, this Agreement, and the Declaration.

“Project Budget” means the budget for the Project representing the total cost of the Improvements as provided by the Developer to the District.

“Project Drawings” is defined in Section 4.1.1.

“Project Financing Plan” is defined in Section 4.6.1.

“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.

“Qualified Tenant” means: (i) a household consisting of one (1) or more individuals who have in the aggregate an annual income which does not exceed sixty percent (60%) AMI and (ii) the adult member certifies that they intend to occupy the Affordable Unit as their principal residence.

“Residential Unit” is any unit constructed or renovated as part of the Project to be developed, leased, and used for residential purposes.

“Schedule of Performance” means that schedule of performance, attached hereto as Exhibit G 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 Declaration, as the same may be amended from time to time in accordance with the terms hereof.

“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 Eisen & Rome, PC.

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

“**Studies**” is defined in Section 2.3.1.

“**Submissions**” means the Project Drawings, Development Plan, Final Development Plan, Project Budget, Project Financing Plan, documents and other matters identified in Article 4 herein and required to be submitted by Developer to District in order to develop, construct and finance the Project pursuant to this Agreement and the Disposition Documents.

“**UST Act**” is defined in Section 2.3.3.

“**UST Regulations**” is defined in Section 2.3.3.

ARTICLE 2 CONVEYANCE; PURCHASE PRICE; CONDITION OF PROPERTY

2.1 SALE; PURCHASE PRICE

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 that amount which is equal to ninety-nine percent (99%) of the appraised fair market value of the Property, as established by an appraisal ordered by Developer and approved by District. Developer shall pay a cash consideration of EIGHT HUNDRED THOUSAND DOLLARS AND NO CENTS (\$800,000.00) at Closing by certified check, wired funds, or other immediately available funds reasonably acceptable to District. Developer shall deliver a deed of trust (“**Deed of Trust**”) for the benefit of District and a deed of trust note (“**Note**”) payable to District at Closing for the balance of the Purchase Price (the Deed of Trust and Note are collectively, the “**Loan Documents**”).

2.1.3 The Deed of Trust shall be fully subordinate to all debt financing described in the Development Plan.

2.2 DEPOSITS; PERFORMANCE LETTER OF CREDIT

2.2.1 Initial Deposit. 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 deposit with the Settlement Agent an earnest money deposit in the amount of ONE HUNDRED THOUSAND DOLLARS AND NO CENTS (\$100,000.00) (the “**Initial Deposit**”). If the Initial Deposit is in the form of a letter of credit

(the “**Deposit Letter of Credit**”), the Deposit Letter of Credit shall not constitute payment on account of and shall not be credited against the Purchase Price; rather, the Deposit Letter of Credit shall be used as security to ensure Developer’s compliance with this Agreement and may be drawn on by District in accordance with the terms hereof. If the Initial Deposit is in the form of an earnest money deposit (the “**Cash Deposit**”), the Cash Deposit along with any accrued interest shall be credited against the Purchase Price at Closing. Any Cash Deposit shall be held in escrow by the Settlement Agent.

2.2.2 Performance Deposit. On or before the Closing Date, Developer shall establish a performance deposit escrow account (“**Escrow Account**”) with an escrow agent approved by the District. At Closing, Developer shall deposit into the Escrow Account fifty percent (50%) of its developer’s fee received from the National Housing Trust Community Development Fund (“**NHTCDF**”) in an amount not less than Fifty Thousand Dollars and No Cents (\$50,000.00); furthermore, Developer shall deposit fifty percent (50%) of its monthly developer’s fee commencing from the first monthly draw after Closing through Construction Financing Closing (“**Performance Deposit**”). The total amount of the Performance Deposit deposited into the Escrow Account at Construction Financing Closing shall not be less than One Hundred Twenty-Five Thousand Dollars and No Cents (\$125,000.00). The Performance Deposit is not a payment on account of and shall not be credited against any payments due from Developer hereunder. The Performance Deposit shall serve as the District’s security for the performance by Developer of all of Developer’s obligations, covenants, conditions and agreements under this Agreement and the Declaration. The Performance Deposit, along with any accrued interest, will be returned to Developer at the time of Construction Financing Closing. In the event that Developer fails to achieve its Construction Financing Closing, the District shall have the right to retain the Performance Deposit and to declare a Developer Default (as defined in Section 8.1.1 herein).

2.2.3 Performance Bond. At Construction Financing Closing, Developer shall deliver or cause its contractor to deliver to District an amount of money equal to fifteen percent (15%) of the guaranteed maximum price of the construction contract, in the form of any of the following: a letter of credit from a reputable bank in accordance with the Form Letter of Credit, a payment and performance bond from a reputable surety company, or a cash reserve to be held in escrow by the Settlement Agent (the “**Performance Bond**”). If the Developer shall 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 construction contract, (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 herein, and in accordance with, the Disposition Documents.

2.2.4 Forfeiture of Initial Deposit. 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 CONDITION OF PROPERTY

2.3.1 Feasibility Studies; Access to Property.

(a) From time to time prior to Closing, provided this Agreement is in full force and effect and Developer is not then in default hereunder, Developer and Developer's Agents shall have the right to 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 District, such consent shall not be unreasonably withheld, conditioned or delayed. The District shall have the right to accompany Developer or Developer's Agents during the conduct of any such invasive Studies.

(b) 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.

(c) At least 24 hours prior to entry on any Parcel, Developer shall provide District (i) written notice, including a written 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 Section 2.3.1(b).

(d) In the event Developer or Developer's Agents disturbs, removes or discovers any 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, promptly and no more than forty-five (45) 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 until after Construction Financing 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.

(e) 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, but excluding losses and liabilities due to the gross negligence and willful misconduct of the District, directly caused by 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.

(f) 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.

(g) Any access to the Property by Developer pursuant to this Section shall additionally be subject to all of Developer's insurance obligations contained in Article 10 and Developer shall restore the Property after such tests are completed.

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

(a) 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

(b) 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.

2.3.3 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 acknowledges the existence of an “underground storage tank” (“**UST**, as defined in the UST Act). Developer contracted with Greenhorne & O’Mara (the “**Evaluator**”), Inc. to have a Phase I Assessment performed on the Property. Per the Phase I Site Assessment, dated August 2010, and provided to the District, the Evaluator concluded the following:

1. A UST vent pipe was identified along the south wall of the building located at 4511 B Street, SE.
2. District of Columbia Department of the Environment’s UST database lists a 10,000 gallon fuel oil UST at the Property with the status “Permanently Out of Use.”

The District’s knowledge for purposes of this Section shall mean and be limited to the information contained in the above referenced report conducted by Evaluator. 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.

2.3.4 AS-IS. DISTRICT SHALL CONVEY THE PROPERTY TO DEVELOPER IN “AS IS”, “WHERE IS” CONDITION AS OF THE EFFECTIVE DATE 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 EXPRESSLY SET FORTH IN THIS AGREEMENT, 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, EXPRESSLY SET FORTH IN THIS AGREEMENT. THE PROVISIONS HEREOF SHALL SURVIVE CLOSING OR THE EARLIER TERMINATION OF THIS AGREEMENT.

2.3.5 Property Documents. Within five (5) business days after the Effective Date, District shall deliver to Developer true and complete copies of the following to the extent the same are in the possession of the District: (a) all plans and specifications, surveys, engineering reports, hazardous waste studies, appraisals, market studies, physical needs assessments, audits, environmental studies, soil reports, pest control reports and other such reports or information in the possession of or available to District that contain any information about any of the Property, (b) all warranties and guaranties from third parties that are or will be in force and effect as of the Closing with respect to the Property, if any, whether such warranties are written or oral, implied or express, statutory or common law in nature, including without limitation any and all rights against any supplier, vendor, contractor, subcontractor, architect, engineer or designer, (c) all licenses, permits, certificates, authorizations, variances, consents, and other such items issued or granted by governmental or quasi-governmental authorities relating to the ownership or use of

the Real Property, and (d) copies of all lease agreements, each of which is listed on **Exhibit H** attached hereto and incorporated herein. While this Agreement is in force, Developer's employees and agents shall have the right to examine, during regular business hours, all books, records and other information in the possession of District concerning the Property.

2.4 TITLE

2.4.1 At Closing, District shall convey good and marketable title to the Property subject to all leases listed on **Exhibit H**, attached hereto and incorporated herein.

2.4.2 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.

2.5 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 District. In the event of a casualty and the Developer reasonably determines that the cost to restore such damage or destruction does not exceed Two Hundred Fifty Thousand Dollars and No Cents (\$250,000.00), Developer shall remain obligated to purchase the Property for the full Purchase Price, in which event the Developer shall receive at Closing all hazard insurance proceeds paid to the Prior Owner or District, if any, subsequent to the Effective Date for any part of the Property, together with an absolute assignment of the Prior Owner's or District's, if any, rights and interest in any unpaid hazard insurance premiums to be made with respect to the Property. In the event of a casualty and Developer reasonably determines that the cost to restore such damage or destruction exceeds Two Hundred Fifty Thousand Dollars and No Cents (\$250,000.00), Developer may elect to terminate this Agreement, in which event the Initial Deposit, together with accrued interest in the case of a Cash Deposit, shall be released to Developer and the Parties shall have no further rights or obligations with respect to each other or this Agreement, or Developer may elect to proceed with the purchase, in which event insurance proceeds shall be applied in accordance with the preceding sentence.

2.6 CONDEMNATION

2.6.1 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.

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

(a) if such taking constitutes twenty percent (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, and Developer shall receive at Closing all condemnation awards paid to District or Prior Owner subsequent to the Effective Date for any part of the Property, together with an absolute assignment of District's or Prior Owner's rights and interest in any unpaid condemnation awards to be made with respect to the Property, or

(b) if such taking constitutes more than twenty percent (20%) of the appraised value or lot square footage, the Developer may elect to terminate this Agreement without penalty, in which event the Initial Deposit shall be returned to the Developer, and the Parties shall have no further rights or obligations with respect to each other or 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, (x) 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, (y) the Purchase Price for the remaining Property shall be decreased by the amount apportioned to such Parcel, or any portion thereof, and (z) District shall have the right to any and all condemnation proceeds.

2.7 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 3 REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES OF DISTRICT

3.1.1 District hereby represents and warrants to Developer as of the Effective Date as follows:

- (a) The District has the right to acquire the Property pursuant to the Forbearance Agreement, the Forbearance Agreement is in effect and the District is not in default thereunder.
- (b) The 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. 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) any judgment, order, injunctions, decree, regulation, or ruling of any court or other governmental authority, Applicable Law to which the District is subject, or (ii) any agreement or contract to which the District is a party or which it is subject.
- (c) 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.

- (d) There is no litigation, arbitration, administrative proceeding, or other similar proceeding pending against District which relates to the Property.
- (e) To the knowledge of the 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.

3.1.2 Survival. The representations and warranties contained in Section 3.1.1 shall survive Closing for a period of three (3) years from the Closing Date. District shall have no liability or obligation hereunder for any representation or warranty that becomes materially untrue because of reasons beyond District's control.

3.2 REPRESENTATIONS AND WARRANTIES OF DEVELOPER

3.2.1 Developer hereby covenants, represents, and warrants to District as follows:

- (a) Developer is a Delaware limited liability company, duly formed and 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. Neighborhood Associates Corporation is the only Member of Developer and the only Person with an ownership interest in Developer. Member is not a Prohibited Person.
- (b) 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.
- (c) 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.
- (d) 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.

- (e) 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.
- (f) 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 Final Development Plan and Project Drawings and not for speculation in land holding.
- (g) Neither Developer nor its Member 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.

3.2.2 Survival. The representations and warranties contained in Section 3.2.1 shall survive Closing for a period of three (3) years 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 4
SUBMISSION AND APPROVAL OF PROJECT DRAWINGS;
APPROVAL OF MILESTONES;
APPROVAL OF GUARANTOR;
SUBMISSION OF PROJECT BUDGET

4.1 PROJECT DRAWINGS

4.1.1 Developer's Submissions for the Construction of the Project. Developer shall submit to District for District's review and approval, such approval not to be unreasonably withheld, conditioned or delayed, the following drawings, plans and specifications (collectively, the "**Project Drawings**") for the Project consistent with the dates indicated in the Schedule of Performance and within the timeframes specified below:

- (a) One hundred percent (100%) complete Schematic Plans, by June 30, 2011 per the Schedule of Performance; and
- (b) One hundred percent (100%) complete Construction Plans and Specifications by December 31, 2011, per the Schedule of Performance, with fifty percent (50%) of the Construction Plans and Specifications to be completed and submitted to District by September 30, 2011, per the Schedule of Performance. As part of this submission, Developer shall also provide District with a description of all interior and exterior finishes of each Residential Unit and the appliances and equipment to be included therein.

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. The Developer's submission requirements for the construction of the Project shall be outlined in the Declaration.

4.1.2 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 in Section 4.2.1, 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 relating to accessibility for persons with disabilities.

Developer shall submit copies of all DCRA permit submissions to District within three (3) days of submission and application to DCRA.

4.1.3 Delay Caused By District. The dates set forth in Section 4.1.1 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 in Section 4.2.1 below. For purposes of calculating any period of such delay, the thirty (30) day period set forth in Section 4.2.1 shall control, such that the day-for-day extension shall commence as of the 31st calendar day after the applicable submission by Developer.

4.2 DISTRICT REVIEW AND APPROVAL OF PROJECT DRAWINGS

4.2.1 Generally. District shall have the right to review and approve or disapprove all or any part of each of the Project Drawings, such approval not to be unreasonably withheld, conditioned or delayed. District may also grant a conditional approval subject to Developer making certain changes to the Project Drawings. District shall use good faith efforts to complete its review of each submission by Developer and provide a written response thereto, within thirty (30) days after its receipt of the same. In the event that District fails to provide a written response within such thirty (30) day period, such submission shall be deemed approved. Any Project Drawing approved or deemed approved (or any approved portions thereof) pursuant to this Section 4.2 shall be "**Approved Plans and Specifications.**"

4.2.2 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.

4.2.3 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, in its reasonable discretion, grant such extension by written notice.

4.2.4 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.

4.3 INTENTIONALLY DELETED

4.4 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 to be determined by Developer and District.

4.5 APPROVAL OF GUARANTORS

4.5.1 The Pre-Construction Guaranty and the Development and Completion Guaranty required pursuant to this Agreement shall be from Telesis Corporation. The Pre-Construction Guaranty shall be delivered to District no later than Closing. The Development and Completion Guaranty shall be delivered to District no later than Construction Financing Closing.

4.5.2 At any time upon District's request, Guarantor shall submit to District updated Guarantor Submissions.

4.6 FINAL DEVELOPMENT PLAN

Developer shall submit to District for District's review and approval the Final Development Plan within sixty (60) days of Construction Financing Closing. The Final Development Plan shall include the Project Financing Plan and Project Budget as exhibits.

District shall have the right, in its sole discretion, to approve the Final Development Plan. Developer shall not commence construction without District's prior written approval of the Final Development Plan

4.6.1 Project Financing Plan. Developer shall provide to District Developer's proforma describing the sources and uses of funds for the Project and the methods for obtaining such funds (including lending sources and affordable housing financing) (the "**Project Financing Plan**"). Developer shall use commercially reasonable best efforts to raise adequate funds for the Project. The Project Financing Plan shall be approved by District in its sole discretion. The Project Financing Plan may be amended only with the written approval of District, which approval shall not be unreasonably withheld, conditioned or delayed.

4.6.2 Project Budget. Developer's Project Budget shall set forth Developer's project costs with respect to the development of the Project and in accordance with the Final Development Plan, this Agreement, and the Disposition Documents. It shall be a condition precedent to Construction Financing Closing that District has received and approved the Project Budget. The Project Budget may be amended only with the written approval of District, which approval shall not be unreasonably withheld, conditioned or delayed. Developer shall update the Project Budget (or certify that there are no proposed changes to the Project Budget as of such date) in a statement delivered at the time of Construction Financing Closing, upon Commencement of Construction, as part of each monthly status report and at such other times as District shall require from time to time (e.g., upon a change to the Project Financing Plan or a Material Change to the Final Development Plan, Approved Plans and Specifications, or some other planning document, drawing, contract or agreement that would have a material impact on the Project Budget). Each such proposed update shall be deemed a proposed amendment to the Project Financing Plan and shall be subject to the written approval of District, which approval shall not be unreasonably withheld, conditioned or delayed. As outlined in Section 4.6.1, Developer shall use commercially reasonable best efforts to raise adequate funds for the Project and in itemizing the total cost of the Improvements for the Project. In the event that Developer is unable to raise the funds initially outlined in the Development Plan and as result is unable to complete the Project in accordance with the approved Project Budget, District shall not declare Developer in default under this Agreement, but shall require that Developer submit a revised Project Financing Plan showing the amount of the actual funds obtained. District shall have the sole right to review the revised Project Financing Plan and Project Budget and to determine how Developer shall allocate and spend the lesser amount of Project funds, provided that such allocation is reasonably acceptable to Developer and is subject to the approval of the Project lender and investor.

4.7 CHANGES IN APPROVED SUBMISSIONS

No "Material Changes" (as defined below) to any approved Submission shall be made without District's prior written approval. If Developer desires to make any Material Changes to the approved Submissions, Developer shall submit the proposed changes in writing to District for approval, which approval shall be granted or withheld in District's reasonable discretion. District agrees that it shall respond to any such request within a reasonable period of time, not to exceed thirty (30) 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, number of floors, exterior finishes, or landscaping or other exterior features; (ii) that affects the number of Residential Units; (iii) that affects the unit mix of Residential Units by ten percent (10%) or more from the approved Submissions; (iv) that increases or decreases the size of a Residential Unit by ten percent (10%) or more from the approved Submissions; (v) that increases a line item in the approved Project Budget by more than ten percent (10%); or (vi) that requires additional zoning approvals. Developer shall be permitted to change the colors and uses of exterior finishing materials, landscape planning and design and exterior lighting and other exterior site features from the approved Submissions so long as functionally equivalent materials and finishes are used in lieu of the original materials and finishes.

4.8 CHANGES TO THE SCHEDULE OF PERFORMANCE

No changes shall be made to the Schedule of Performance without District's prior written approval, which approval shall be granted or withheld in District's sole discretion.

ARTICLE 5 CONDITIONS TO CLOSING

5.1 CONDITIONS PRECEDENT TO DEVELOPER'S OBLIGATION TO CLOSE

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

- (a) The deed conveying the Property from the Prior Owner to the District shall have been delivered to the Settlement Agent to be held in escrow and all conditions precedent to the release of such Deed from escrow and its recordation shall have been satisfied.
- (b) District shall have performed all obligations hereunder required to be performed by District prior to the Closing Date.
- (c) The representations and warranties made by District in Section 3.1 of this Agreement shall be true and correct in all material respects on and as if made on the Closing Date.
- (d) 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.
- (e) District shall have delivered (or caused to be delivered) the original, executed documents required to be delivered pursuant to Section 6.2.1 herein
- (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) Settlement Agent shall have irrevocably committed itself in writing to issue a title insurance policy for the Property at regular rates, free and clear of all encumbrances, subject only to the restrictions contained in this Agreement, the Declaration, Affordability Covenants, the most current rent roll for the Property, and the security interests of Developer's acquisition and development financing lenders.
- (h) All conditions precedent to the use of Neighborhood Stabilization Funds by Developer for the Project shall have been satisfied.

5.1.2 Failure of Condition. If all of the conditions to Closing set forth above in Section 5.1.1 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 in Section 5.1.1. In the event Developer proceeds under clause (iii), Closing shall occur within thirty (30) days after the conditions precedent set forth in Section 5.1.1 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.

5.2 CONDITIONS PRECEDENT TO DISTRICT'S OBLIGATION TO CLOSE

5.2.1 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 Section 3.2 of this Agreement shall be true and correct in all material respects on and as if made on the Closing Date.
- (c) INTENTIONALLY DELETED.

- (d) Developer shall be ready, willing, and able in accordance with the terms and conditions of this Agreement to acquire the Property and proceed with the development of the Project in accordance with the Development Plan.
- (e) INTENTIONALLY DELETED.
- (f) Developer shall have furnished to District certificates of insurance or duplicate originals of insurance policies required of Developer hereunder.
- (g) Developer shall have provided satisfactory evidence of its authority to acquire the Property and perform its obligations under this Agreement.
- (h) INTENTIONALLY DELETED.
- (i) INTENTIONALLY DELETED.
- (j) Developer shall have delivered (or caused to be delivered) to the Settlement Agent the original, executed documents required to be delivered pursuant to Section 6.2.2 herein.
- (k) Developer shall have closed on its acquisition and pre-construction financing from NHTCDF.
- (l) INTENTIONALLY DELETED.
- (m) INTENTIONALLY DELETED.
- (n) Developer shall have delivered documentation demonstrating that Bass Circle Tenants Association (“**BCTA**”) is a duly formed and validly existing association.
- (o) Developer shall have delivered a copy of the fully executed development agreement between Developer and BCTA.
- (p) Developer shall have delivered a statement of benefit which outlines the benefit of the sale of the Property to Developer to BCTA and all tenants residing at the Property. Said statement shall include, but is not limited to, tenants’ participation in the management of the Property, tenants’ sharing of profits derived from rents and other payments and tenants’ continued right to occupy the Property during and after construction.
- (q) INTENTIONALLY DELETED.

5.2.2 Failure of Condition. If all of the conditions to Closing set forth above in Section 5.2.1 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, at 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 in Section 5.2.1, 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 Section 5.2.1 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.

ARTICLE 6 CLOSING

6.1 CLOSING DATE

Closing on the Property shall be held thirty (30) days after the District has received Disposition Authority (the “**Closing Date**”). Closing shall occur on or before the Closing Date at the offices of the Settlement Agent or another location acceptable to the Parties.

6.2 DELIVERIES AT CLOSING

6.2.1 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 to be recorded in the Land Records against the Real Property;
- (b) the Declaration in recordable form to be recorded in the Land Records against the Real Property;
- (c) the Affordability Covenant in recordable form to be recorded in the Land Records against the Real Property;
- (d) the current Rent Roll;
- (e) the Assignment of Leases and Rents securing the Note in recordable form to be recorded in the Land Records against the Real Property;
- (f) a complete set of Property maintenance records;
- (g) the Assignment of Property Plans and Specifications securing the Note;
- (h) the Deed of Trust, to be recorded in the Land Records against the Real Property;
- (i) the Note;
- (j) 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 as of and as if made on the Closing Date;

- (k) an assignment to Developer of all leases, rents and related security deposits, provided that District shall only be obligated to assign and transfer security deposits provided to District by Prior Owner;
- (l) original, or if originals are not available, copies of all leases; and
- (m) 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 Developer or Settlement Agent to effectuate the transactions contemplated by this Agreement.

6.2.2 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 pursuant to Section 2.6 herein, and any funds in excess of the Purchase Price, if so required by the Settlement Statement to be executed at closing;
- (b) the Performance Deposit to be held in escrow by Settlement Agent;
- (c) all documents, in final form, required to close on the equity and debt financing for acquisition of the Property and Developer's performance of pre-construction activities described in the Development Plan to be completed before Construction Financing Closing; Developer must close on all acquisition and pre-construction equity and debt financing on or before the scheduled Closing Date for the Property;
- (d) the fully executed Pre-Construction Guaranty;
- (e) the Affordability Covenant in recordable form to be recorded in the Land Records against the Real Property;
- (f) the Declaration in recordable form to be recorded in the Land Records against the Real Property;
- (g) the Assignment of Leases and Rents securing the Note in recordable form to be recorded in the Land Records against the Real Property;
- (h) the Assignment of Property Plans and Specifications securing the Note;
- (i) the Deed of Trust, to be recorded in the Land Records against the Real Property;
- (j) the Note;

- (k) 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;
- (l) INTENTIONALLY DELETED;
- (m) INTENTIONALLY DELETED;
- (n) INTENTIONALLY DELETED;
- (o) INTENTIONALLY DELETED;
- (p) Developer's statement of tenant benefit pursuant to Section 5.2.1(p);
- (q) a copy of the fully executed development agreement between Developer and BCTA;
- (r) the organizational documents for BCTA;
- (s) 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 and casualty insurance policies in the amounts, and with such insurance companies, as required in Article 10 of this Agreement;
 - (iv) Any financial statements of Developer that may be requested by District;
 - (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, to counsel's knowledge, any contract or agreement to which Developer is a party or by which it is bound;

- (t) INTENTIONALLY DELETED; and
- (u) Any and all other deliveries required from Developer 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.

6.2.3 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.

6.3 RECORDATION OF CLOSING DOCUMENTS; CLOSING COSTS

6.3.1 At Closing, Settlement Agent shall file for recordation among the Land Records the Deed, the Assignment of Leases and Rents, the Affordability Covenant, the Declaration and the Deed of Trust. All such documents, with the exception of the Affordability Covenant, shall be fully subordinate to all debt financing described in the Development Plan, in the case of Closing, and the Final Development Plan in the case of Construction Financing Closing. 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**".

6.3.2 Developer may, but shall not be obligated to, close through a settlement office which has a valid title services contract with the District. If Developer selects a District contracted settlement office, District shall be responsible for and pay District's attorneys' fees and Settlement Agent's charges customarily paid by sellers and Developer shall be responsible for and pay the following costs: Developer's attorneys' fees, Settlement Agent's charges customarily paid by purchasers, D.C. real property deed recordation tax imposed pursuant to Title 42, Chapter 11 of the D.C. Official Code (2001 ed. and as amended), fees and costs associated with Developer's financing for its purchase of the Property and construction of the Project, and fees and costs associated with recording any documents in the Land Records required to be recorded pursuant to this Agreement. In the event Developer does not elect to close at a District contracted settlement office, then Developer shall be responsible for and pay all of the settlement fees associated with the Closing and listed on the Settlement Statement.

6.3.3 All security deposits of tenants, if any, in the possession of District (and interest due thereon in accordance with the leases) shall be paid to Developer at Closing. Except as otherwise provided herein, the parties intend that Developer receive all income and pay all expenses of the Property accruing from and after Closing, with the day of Closing belonging to the Developer.

ARTICLE 7
DEVELOPMENT OF PROJECT IMPROVEMENTS; COVENANTS

7.1 OBLIGATION TO CONSTRUCT IMPROVEMENTS

As additional consideration for District conveying the Property to Developer, unless District approves otherwise in writing (which approval may be granted or withheld in District's sole discretion), Developer hereby agrees to develop and construct the Project, and use, maintain and operate the Project in accordance with the Final Development Plan, the Approved Plans and Specifications, this Agreement, the Disposition Documents, and Applicable Laws. 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 Pre-Construction Guaranty to be executed by Guarantor on or before Closing and shall cause the Development and Completion Guaranty to be executed by Guarantor on or before Construction Financing Closing.

7.2 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 requiring permits until Developer shall have obtained all Permits for the work in question. Developer shall use good faith efforts to 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 set forth in the Schedule of Performance. 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.

7.3 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 Final 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 Real Property and abutting public property necessary for the Project; provided, however, that Developer shall have no obligation to perform such work prior to Construction Financing Closing. 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.

7.4 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 Construction Financing Closing.

7.5 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 Construction Financing 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.

7.6 GREEN BUILDING REQUIREMENTS

Developer hereby acknowledges that the Project may be subject to the provisions of the Green Building Requirements described in Chapter 14A of Title VI of the D.C. Official Code, 2001 Ed., §6-1451.01 *et seq.* (2008 Supp.) (the “**Green Building Requirements**”). Under the Green Building Requirements, a residential project with 10,000 square feet of gross floor area or more, including a project with multiple buildings that are part of one development scheme, may be required to submit a Green Communities Self Certification Check List and verification of meeting Green Communities requirements for energy efficiency to the Department of Consumer and Regulatory Affairs as part of the application for a certificate of occupancy.

7.7 AFFORDABILITY COVENANT

Developer agrees that all of the Residential Units to be developed in the Project shall be dedicated as Affordable Units, as required in the Affordability Covenant. One hundred percent (100%) of the Residential Units shall be Affordable Units that shall be affordable to and rented exclusively to Qualified Tenants. Notwithstanding the foregoing, Developer may rent Residential Units to current tenants of the Property as of the Closing Date even if such tenants do not qualify as Qualified Tenants. The Developer shall market and offer for rent the Affordable Units solely to Qualified Tenants. The maximum allowable monthly rent for an Affordable Unit shall not exceed an amount that would be affordable to a household at sixty percent (60%) AMI, adjusted for household size, expending not more than thirty percent (30%) of its household income on housing cost.

7.8 TENANTS CONTINUED OCCUPATION

Developer agrees that no current tenant will be displaced during the pre-construction or construction work on the Property without being offered the required relocation benefits, except due to a default under his or her lease. All current tenants with a valid lease (and excluding occupants of units leased by Victory Housing) shall, as an alternative, be offered the right to move to a temporary unit identified by Developer with the right to return to their respective unit or a comparable unit suitable to the household size following renovations at an effective, initial monthly rental amount that is equal to one hundred ten percent (110%) of the monthly rental amount which was in place at the time of the relocation or such other amounts as the District may approve, provided they are not in default under their leases. The effective rent shall be the stated rent less any rental subsidy provided by the Developer.

7.9 CONSTRUCTION RESTRICTIONS AND OBLIGATIONS

7.9.1 Developer agrees that it shall achieve Commencement of Construction on that date which is indicated in the Schedule of Performance and diligently prosecute the development and construction of the Project in accordance with the Approved Plans and Specifications and per the Schedule of Performance.

7.9.2 Developer shall not construct any portion of the Project on, over, or within the boundary lines of any easement for public utilities, unless such construction is provided for in the Approved Plans and Specifications in connection with the issuance of a Permit.

7.9.3 INTENTIONALLY DELETED.

7.9.4 Developer shall complete all Milestones in accordance with the Schedule of Performance. In the event that Developer fails to meet any Milestone listed in the Schedule of Performance, the District reserves the right to declare Developer in default of the terms of this Agreement subject to any notice and cure period set forth herein.

7.9.5 Promptly after Developer achieves Completion of Construction, Developer shall furnish District with a Certificate of Completion, in which Developer states that the Project has been completed, subject only to punch list items, in accordance with all Approved Plans and Specifications and all Applicable Laws. In the Certificate of Completion, the Developer also shall determine, among other things, that all of the construction covenants herein, which relate to obligations of Developer to develop and construct the Project, including the times for Completion of Construction, have been fully satisfied.

7.9.6 Promptly after Developer achieves Final Completion, Developer shall notify District and certify, that all punch list items have been completed, all construction contracts for the Project have been closed-out, all costs of constructing the Project have been paid, and Developer has received fully executed and notarized valid releases of liens from all manufacturers, suppliers, subcontractors, general contractors, and all other Persons furnishing

supplies or labor in connection with the Project. Following District's inspection of the Project in accordance with Sections 7.10.1 and 7.10.5, provided District accepts Final Completion of the Project, District shall deliver to Developer a certificate ("**Certificate of Final Completion**") confirming Developer's Final Completion of the Project.

7.10 INSPECTION AND MONITORING RIGHTS. In addition to and notwithstanding any monitoring and inspecting requirements of Developer's construction lender and any applicable District of Columbia building and health code requirements, District shall have the following rights:

7.10.1 INSPECTION OF SITE. District shall have the right to enter the Property from time to time and at no cost or expense to District (but at the risk of District), for the purpose of performing routine inspections in connection with the development and construction of the Project. Developer understands that District or its representatives will enter the Property from time to time for the sole purpose of undertaking the inspection of the Project to determine conformance to the Approved Plans and Specifications, this Agreement and the Disposition Documents, as applicable, and Developer shall have the right to accompany those persons during such inspections. Developer waives any claim that it may have against District, its officers, directors, employees, agents, consultants, or representatives, arising out of District representatives' entry upon the Property unless resulting from the gross negligence or willful misconduct of said District representatives. Any inspection of the Project or access of the Property by District hereunder shall not be deemed an approval, warranty, or other certification as to the compliance of the Project or Property with any building codes, regulations, standards, or other Applicable Laws.

7.10.2 PROGRESS REPORTS. From and after the Effective Date and until issuance of the Certificate of Final Completion, and in addition to the notice provisions contained in Section 7.10.5, Developer shall make written reports to District on or before the 15th calendar day of each month as to the progress of the construction of the Project, in such form and detail as may reasonably be requested by District. The progress reports shall include an executive summary, detailed accounting of the Project Budget, the Schedule of Performance, a copy of the general contractor's monthly report, a reasonable number of construction photographs taken since the last report submitted by Developer, copies of all bank inspection reports in Developer's possession and any other documents reasonably requested by District.

7.10.3 AUDIT RIGHTS. Upon reasonable prior notice at any time prior to issuance of the Certificate of Final Completion, District shall have the right (at the cost of District unless Developer is found to be in violation of any obligation imposed hereunder, in which event such expense shall be borne by Developer) to inspect the books, records, and corporate documents of Developer for the purpose of ensuring compliance with this Agreement and the Disposition Documents and to have an independent audit of the construction documents and records. Developer shall cooperate with District in providing District reasonable access to its books and records during normal business hours at Developer's offices for these purposes. Developer shall maintain its books and records in accordance with generally accepted accounting principles, consistently applied.

7.10.4 PROJECT AUDIT. Prior to issuance of the Certificate of Final Completion, Developer shall submit to the District for approval a final project audit completed by an accounting firm to be approved by the District. The project audit shall serve as a means of ensuring compliance with this Agreement and the Disposition Documents and shall be an independent audit of the construction documents and records. Developer shall maintain its books and records in accordance with generally accepted accounting principles, consistently applied. Developer and District shall jointly agree to use a common accounting firm for the purpose of conducting any such audits; provided, however, that in such event, the accounting firm shall have a valid contract with District in compliance with the Procurement Practices Act of 1985, D.C. Official Code §§ 2-301.01, et seq., as amended, and shall execute a separate engagement letter with District for calculation of the return.

7.10.5 MILESTONE NOTICES. Upon completion of each Milestone in the Schedule of Performance, Developer shall notify District, and District shall have ten (10) Business Days to inspect the Property and certify Developer's completion of such Milestone. In the event District fails to certify completion of such Milestone within thirty (30) days after receipt of Developer's notice, the District shall waive its opportunity to certify or contest completion of the applicable Milestone.

ARTICLE 8 DEFAULTS AND REMEDIES

8.1 DEFAULT

8.1.1 Default by Developer. It shall be deemed a default by Developer if Developer fails to perform any obligation or requirement under this Agreement or the Disposition Documents or fails to comply with any term or provision of this Agreement or the Disposition Documents 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 sixty (60) 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.

8.1.2 Default by District. Except for Article 4, it shall be deemed a default by District if District fails to perform any obligation or requirement under this Agreement or the Disposition Documents or fails to comply with any term or provision of this Agreement or the Disposition Documents 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 sixty (60) days, to cure such default; provided, however, 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. The District shall not be deemed in default for any act or omission related to any obligation under Article 4.

8.2 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 Performance Deposit, in an amount to be determined by District, in its sole discretion, up to the full amount of the Performance Deposit;

(c) District may pursue specific performance of Developer’s obligations hereunder;

(d) INTENTIONALLY DELETED; 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, the 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.

8.3 DEVELOPER REMEDIES IN THE EVENT OF DISTRICT DEFAULT

In the event of a District Default, Developer may (i) terminate this Agreement whereupon District will release the Initial Deposit and Performance 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 (ii) seek specific performance of the Agreement.

8.4 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.

8.5 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. Developer shall have no right to seek any monetary damages from District.

8.6 CROSS-DEFAULT

It is expressly understood and agreed that from and after Closing, this Agreement and each of the other Disposition Documents are cross-defaulted, such that an Developer Default hereunder shall be a default under such other documents and a default under such other documents (beyond the expiration of any notice and cure period set forth therein) shall be an Developer Default hereunder, and District may exercise any and all remedies available to District for such Developer Default hereunder or in any other Disposition Document.

ARTICLE 9 ASSIGNMENT AND TRANSFER

9.1 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, or delegate its obligations under this Agreement, without District's prior written approval, which may be granted or denied in District's sole discretion.

9.2 TRANSFER

In addition to the restrictions contained in the foregoing Section 9.1, neither Developer nor any Member of Developer (including any successors in interest of Developer or its Members) shall cause or suffer to be made 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, without the prior written approval of the District. Notwithstanding the foregoing and the restriction in Section 9.1, District consents to (a) the assignment of this Agreement and the Loan Documents, and the transfer of the Property, from Developer to an entity controlled by Guarantor or an affiliate of Guarantor and/or (b) the transfer of any interest in Developer or its successors or assigns to an entity controlled by Guarantor or an affiliate of Guarantor or to an entity controlled by a low income housing tax credit investor or syndicator.

9.3 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 10 INSURANCE OBLIGATIONS; INDEMNIFICATION

10.1 INSURANCE OBLIGATIONS

10.1.1 Insurance Coverage. At all times after Closing, 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) Builder's Risk Insurance – Beginning at Commencement of Construction and continuing until Final Completion, Developer shall maintain or cause its contractor to maintain builder's risk insurance for the amount of the completed value of the Project (or lesser amount acceptable to District) under a Special Form (Causes of Loss) policy with no co-insurance penalty, including flood risks if the Property is located in a flood zone, insuring the interests of Developer, District and any contractors and subcontractors.
- (b) 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. The foregoing limits may be increased by District from time to time, in its reasonable discretion.

- (c) Workers' Compensation Insurance - Developer shall maintain and cause its general contractor and any subcontractors to maintain workers' compensation insurance in such amounts as required by Applicable Laws.
- (d) Professional Liability Insurance - Developer shall cause its architect, structural, mechanical and electrical engineers or any 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.
- (e) 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.

10.1.2. 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 cancellation or termination, and by regular first class mail 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.

10.2 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 Developer, 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.

ARTICLE 11 NOTICES

11.1 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:

District of Columbia
Department of Housing and Community Development
Property Acquisition and Disposition Division
1800 Martin Luther King Avenue, SE
Washington, D.C. 20020
Attention: Martine Combal, Manager
Telephone: 202-442-7285

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: Vonda J. Orders, General Counsel
Telephone: 202-442-6991

11.2 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:

Bass Circle LLC
c/o Telesis Corporation
1101 30th Street, NW
Fourth Floor

Washington, D.C. 20007
Attn: Bertrand Mason
Telephone: 202-295-1213

With a copy to:

Klein Hornig LLP
1275 K Street, NW, Suite 1200
Washington, D.C. 20005
Attn: Aaron O'Toole
Telephone: 202-842-0127

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 12 MISCELLANEOUS

12.1 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.

12.2 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 12.2 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 forced 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 delay the Closing Date and shall not apply to any obligation to pay money, except as otherwise provided herein.

12.3 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.

12.4 SURVIVAL; PROVISIONS NOT MERGED WITH DEED

Unless expressly stated otherwise herein, the provisions of this Agreement shall survive Closing for a period of three (3) years from the Closing Date.

12.5 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.

12.6 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.

12.7 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.

12.8 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.

12.9 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.

12.10 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.

12.11 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.

12.12 THIRD PARTY BENEFICIARY

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

12.13 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.

12.14 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. District agrees to assist Developer in requesting and receiving all documents from the Prior Owner as required by the terms of the Forbearance Agreement, and that are necessary for Developer to carry-out and perform its obligations under this Agreement and the Disposition Documents.

12.15 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 the Party or Parties against which enforcement of the change, waiver, modification, or removal is asserted. 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.

12.16 ANTI-DEFICIENCY LIMITATION; AUTHORITY

12.16.1 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.

12.16.2 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.

12.17 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. Furthermore, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

12.18 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.

12.19 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.

12.20 EACH PARTY TO BEAR ITS OWN COSTS

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

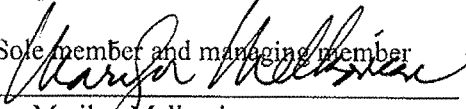
By: _____
Name: Lauren J. Buckner
Title: Assistant Attorney General

By: _____
Name: Robert L. Trent
Title: Interim Director, Department of Housing
and Community Development

DEVELOPER

BASS CIRCLE LLC, a Delaware limited liability
company

By: Neighborhood Associates Corporation,
a District of Columbia non-profit
corporation

Its: Sole member and managing member
By: 
Name: Marilyn Melkonian
Title: President

Exhibits:
Exhibit A Property Description
Exhibit B Deed
Exhibit C Affordability Covenant
Exhibit D Declaration of Covenants
Exhibit E Development and Completion Guaranty
Exhibit F Letter of Credit
Exhibit G Schedule of Performance
Exhibit H Lease Agreements
Exhibit I Development Plan
Exhibit J Rent Roll
Exhibit K Pre-Construction Guaranty

JOINDER OF GUARANTOR

For the purpose of evidencing its consent and agreement to be bound to the provisions in this Agreement applicable to the Guarantor, **TELESIS CORPORATION** hereby executes this Joinder of Guarantor on and as of the date of the Agreement.

TELESIS CORPORATION, a Delaware corporation

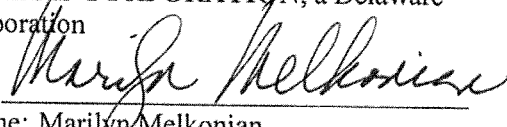
By: 
Name: Marilyn Melkonian
Title: President

EXHIBIT A

Property Description

Property Address: 1-13 Bass Circle, S.E.; 4600-4606 Benning Road; S.E., 4608-4614 Benning Road, S.E.; 4505 B Street, S.E; and 4611 Bass Place, S.E

Lots 37 to 41, inclusive in Square 5345 in a subdivision made by Karl W. Corby Corporation, as per plat recorded in Liber 123 at folio 139 in the Office of the Surveyor for the District of Columbia.

EXHIBIT B

QUITCLAIM DEED

Conveyance made by the District of Columbia
No Transfer Taxes Required Pursuant to
D.C. Official Code 47-902(2)

Washington, D.C.

- A. THIS DEED IS DELIVERED AND ACCEPTED SUBJECT TO ALL MATTERS OF RECORD RECORDED AMONG THE LAND RECORDS OF THE DISTRICT OF COLUMBIA TO THE EXTENT LAWFULLY AFFECTING THE REAL PROPERTY WHICH IS THE SUBJECT OF THIS DEED, INCLUDING ALL OF THE PROVISIONS AND CONDITIONS SET FORTH IN THOSE CERTAIN DECLARATION OF COVENANTS AND AFFORDABILITY COVENANTS, DATED AS OF _____, 2011 RECORDED AMONG THE LAND RECORDS OF THE DISTRICT OF COLUMBIA CONTEMPORANEOUSLY HEREWITH.

THIS QUITCLAIM WARRANTY DEED (“Deed”), made as of the ___ day of _____, 2011, is from **THE DISTRICT OF COLUMBIA**, a municipal corporation, acting by and through the Department of Housing and Community Development (“**Grantor**”) to **BASS CIRCLE LLC**, a Delaware limited liability company (“**Grantee**”).

WITNESSETH, that in consideration of TEN DOLLARS (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby remise, release and forever quitclaim without any warranty of title unto Grantee, all of the Grantor's right, title and interest in and to all those pieces or parcels of land, together with the improvements, rights, privileges, easements and appurtenances thereunto belonging, situated in the District of Columbia, and being more particularly described on **Exhibit A** attached hereto and made a part hereof.

TO HAVE AND TO HOLD the Property, together with all rights, privileges, and advantages thereunto belonging or appertaining to the Grantee, its successors and assigns, forever.

IN WITNESS WHEREOF, the Grantor, has, on the date first above written, caused this Quitclaim Deed to be executed, acknowledged and delivered by Grantor, for the purposes herein contained.

GRANTOR

Approved for Legal Sufficiency:

DISTRICT OF COLUMBIA,
acting by and through the Department of Housing
and Community Development

By: _____
Name: Lauren J. Buckner
Title: Assistant Attorney General

By: _____
Name: Robert L. Trent
Title: Interim Director

DISTRICT OF COLUMBIA)ss:

The foregoing instrument was acknowledged before me on this ____ day of _____, 2011 by Robert L. Trent, Interim Director of the Department of Housing and Community Development, whose name is subscribed to the within instrument, being authorized to do so on behalf of the District of Columbia, acting by and through the District of Columbia’s Department of Housing and Community Development, has executed the foregoing and annexed document as his free act and deed.

Notary Public

[Notarial Seal]

My commission expires: _____

GRANTOR: District of Columbia
Department of Housing and Community Development
1800 Martin Luther King, Jr., S.E.
Washington, D.C. 20020
Attn: General Counsel

GRANTEE: Bass Circle LLC
c/o Telesis Corporation
1101 30th Street, NW
Fourth Floor
Washington, D.C. 20007
Attn: Bertrand Mason

Exhibit A to Quitclaim Deed

Legal Description

Property Address: 1-13 Bass Circle, S.E.; 4600-4606 Benning Road; S.E., 4608-4614 Benning Road, S.E.; 4505 B Street, S.E; and 4611 Bass Place, S.E

Lots 37 to 41, inclusive in Square 5345 in a subdivision made by Karl W. Corby Corporation, as per plat recorded in Liber 123 at folio 139 in the Office of the Surveyor for the District of Columbia.

EXHIBIT C

[Affordability Covenant]

AFFORDABLE HOUSING COVENANT

THIS AFFORDABLE HOUSING COVENANT (the "Covenant") is made as of the _____ day of _____, 2011 ("Effective Date"), by and for the benefit of the **DISTRICT OF COLUMBIA**, a municipal corporation, acting by and through the District of Columbia Department of Housing and Community Development (hereinafter referred to as "Declarant").

RECITALS

WHEREAS, Declarant is the current owner of certain real property located in Washington, D.C. and set forth and described on Exhibit A attached hereto and incorporated herein (the "Site"), which Site is the subject of this Covenant;

WHEREAS, Declarant plans to convey the Site to **BASS CIRCLE LLC**, a Delaware limited liability company together with any successor of the Property, (the "Developer"), pursuant to the terms and conditions of that certain Property Disposition Agreement between the Declarant and the Developer relating to the Site;

WHEREAS, in the interest of furthering its public policy of increasing the affordable housing stock in the District of Columbia (the "District"), the Declarant is recording this Covenant to require the Developer and any successor owner to: (i) assume and perform certain obligations for the marketing and rental of the Affordable Units (as defined herein) on the Site (the Affordable Units and the Site are collectively, the "Property"), (ii) rent Affordable Units only to Qualified Tenants (as defined herein), and (iii) provide for the continued rental and occupancy of the Affordable Units by a Qualified Tenant for a period of thirty (30) years following the Effective Date; and

WHEREAS, as a condition precedent to the transfer of title of the Site from the Declarant to the Developer, the Developer has agreed that the Site shall be conveyed subject to this Covenant.

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, sold and conveyed, subject to the following covenants, conditions, and restrictions:

ARTICLE I

Defined Terms

For the purposes of this Covenant, the capitalized terms used herein shall have the meanings ascribed to them below and, unless the context clearly indicates otherwise, shall include the plural as well as the singular:

“Affordable Unit”: means each of the units comprising the Property.

“AMI”: means the area median income for a household in the “Washington Metropolitan Statistical Area” as set forth in the most current periodic calculation provided by HUD, adjusted for family size without regard to any adjustments made by HUD for the purposes of the programs it administers. Adjustments of AMI for household size shall be made in the same manner as is prescribed in section 2(1) of the Housing Production Trust Fund Act, effective March 16, 1989 (D.C. Law 7-202; D.C. Official Code §§ 42-2801(1)).

“Annual Income”: means the annual income of a household as defined in 24 CFR §5.609 as of the Effective Date.

“Applicable Law”: 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.

“Business Day”: means Monday through Friday, inclusive, other than holidays recognized by the District government.

“Certificate of Eligibility”: means a certification issued by the District Agency which states the following: (i) the Qualified Tenant has disclosed the entire household’s Annual Income; (ii) the Qualified Tenant meets the AMI income requirements; and (iii) the Qualified Tenant intends to occupy the Affordable Unit as their principal residence. The Certificate of Eligibility shall be attached to the lease for the Affordable Unit.

“Deed”: means the Special Warranty Deed from the Declarant to the Developer.

“DHCD”: means the District of Columbia Department of Housing and Community Development.

“District Agency”: means DHCD’s Housing Regulation Administration or the agency of the government of the District of Columbia that is responsible for implementing the Inclusionary Zoning Implementation Amendment Act of 2006, as codified in D.C. Official Code §§ 6-1041.01 *et seq.*

“HUD”: means the United States Department of Housing and Urban Development, or its successor.

“Land Records”: means the real property records for the District of Columbia located in the Office of the Recorder of Deeds.

“Lease Rider”: means the lease rider, attached hereto as **Exhibit D**, in the form approved by the District Agency that shall be attached to a lease agreement for an Affordable Unit and shall be executed by Developer and each member of the Affordable Unit who is over the age of eighteen (18) years old.

“Mortgage”: means a mortgage, deed of trust, mortgage deed, or such other instruments commonly given to secure debt under the laws of the District of Columbia.

“Mortgagee”: means the holder of a Mortgage.

“**OAG**”: Office of the Attorney General for the District of Columbia.

“**PADD**”: means the Property Acquisition and Disposition Division of the Department of Housing and Community Development.

“**Person**”: means any individual, or any corporation, limited liability company, trust, partnership, association or other entity.

“**Qualified Tenant**”: means: (i) a household consisting of one (1) or more individuals who have in the aggregate an Annual Income which does not exceed sixty percent (60%) AMI, adjusted for household size, and (ii) the adult member certifies that they intend to occupy the Affordable Unit as their principal residence.

“**Site**”: has the meaning given in the Recitals.

ARTICLE II

Use

A. Following the sale and conveyance of the Property from the Declarant to the Developer, Developer hereby covenants that the Property shall be operated as affordable housing to be rented to Qualified Tenants, unless otherwise permitted in writing by the Declarant or District Agency.

ARTICLE III

Affordability Period/Rental of Affordable Units

A. The Property shall be operated as affordable rental housing for a period of thirty (30) consecutive years from the Effective Date of this Covenant (the “**Affordability Period**”).

B. One hundred percent (100%) of the units on the Property shall be Affordable Units that shall be affordable to and rented exclusively to Qualified Tenants. The Developer shall market and offer for rent the Affordable Units solely to Qualified Tenants. The maximum allowable monthly rent for an Affordable Unit shall not exceed an amount that would be affordable to a household at sixty percent (60%) AMI, adjusted for household size, expending not more than thirty percent (30%) of their household income on housing cost (“**Maximum Allowable Rent**”). Housing cost equals rent plus the utility allowance established by the District of Columbia Housing Authority for tenant-paid charges for gas, electric, water and sewer service. See, for example, the Maximum Rent Schedule for 2010 attached hereto as Exhibit B. Notwithstanding anything to the contrary contained herein, units may be rented to individuals who were tenants of the Property on the Effective Date even if such individuals are not Qualified Tenants. In addition, notwithstanding anything to the contrary contained herein, the Developer shall be permitted to charge rents to Qualified Tenants that do not exceed the maximum rents permitted pursuant to the low income housing tax credit program pursuant to Section 42 of the Internal Revenue Code (“**Section 42**”) for so long as the property is subject to the requirements of Section 42.

C. Developer may rent an Affordable Unit provided that: (i) the lease term does not exceed twelve (12) months and is not renewable; (ii) the rent charged to a Qualified Tenant is not in excess of the Maximum Allowable Rent; (iii) a Qualified Tenant may not sublease or assign its lease to any Affordable Unit; (iv) and the Affordable Unit is in compliance and registered (including, if applicable, registered as exempt) according to the Rental Housing Act of 1985, as amended, and all applicable statutory and regulatory housing requirements; and (v) the Developer registers the Affordable Unit on the Housing Locator website established under the Affordable Housing Clearinghouse Directory Act of 2008, (enacted on May 2, 2008), 55 D.C. Reg. 5313.

D. By execution of a rental agreement for an Affordable Unit, the Developer shall be deemed to represent and warrant to the District Agency, which may rely on the following, that: (i) the household is a Qualified Tenant or were tenants of the Property on the Effective Date and (ii) the Developer is not charging the Qualified Tenant more than the Maximum Allowable Rent. Developer hereby covenants that it shall attach the Lease Rider, which shall include a reference to this Covenant, to each lease agreement.

E. The Developer shall provide an annual report to the District Agency regarding the Affordable Units, which shall be prepared and submitted in accordance with the District's guidelines and instructions ("Annual Report"). Developer shall at all times maintain accurate books of account and records reflecting the operation of the Property, an updated rent roll, and household income certifications. Such books and records and the Property itself shall be open to inspection by the District during normal business hours and upon reasonable notice. Financial statements shall be kept in a manner consistent with generally accepted accounting principles and shall be audited by a certified public accountant on an annual basis. Developer shall keep all books and records for a period of five (5) years from the date that such records are generated. Developer shall submit to the District, within one hundred twenty (120) days after the end of Developer's fiscal year, annual audited financial statements for the operation of the Property.

F. Except as may be required by Applicable Law, including, without limitation to, the *District of Columbia Freedom of Information Act of 1976*, D.C. Code § 2-531 *et seq.* (2001), the Developer and the District Agency shall not disclose to third parties the personal information of the Qualified Tenants, including the identity of the Qualified Tenants, submitted as a part of the Annual Report.

G. The District Agency or its designee shall have the right to inspect the Affordable Units, upon reasonable advance notice to the Developer. The District Agency or its designee shall have the right to inspect a random sampling of the Affordable Units to confirm that the units are in compliance with applicable statutory and regulatory housing requirements. The District Agency or its designee shall have the right to conduct audits of a random sampling of the Affordable Units and associated files and documentation to confirm compliance with the requirements of this Covenant.

ARTICLE IV

Evidence of Compliance

A. Upon application for an Affordable Unit, each prospective tenant must submit any and all documentation which may be required to satisfy the District Agency's eligibility requirements. The District Agency may review all required documentation to determine all applicants' income eligibility and residency status. Developer shall not enter into a lease agreement with any person until he/she has been determined by the Developer to be a Qualified Tenant. The foregoing requirements shall not apply so long as the Property is subject to the requirements of Section 42.

B. The Developer and any other party bound, directly or indirectly, by the obligations hereunder, shall provide to the District Agency, written verification or such other written documentation as may be required by the District Agency, to evidence and substantiate the qualification of any and all persons claiming to be a Qualified Tenant. All such evidence shall be satisfactory to the District Agency in its sole and absolute discretion.

ARTICLE V

Default; Remedies

In the event of any sale, assignment, lease or use of an interest in an Affordable Unit in violation of this Covenant, Declarant and its designees shall have the right to institute such actions or proceedings as it may deem necessary, desirable or appropriate for effectuating the purposes of this Covenant and enforcing the obligations set forth herein, including without limitation: (i) the right to seek specific performance, (ii) disgorgement of proceeds from the Developer from the sale or lease of the Property in violation of this Covenant, (iii) the right to have a receiver appointed by a court of competent jurisdiction to take possession and control of the Property and any improvements, (iv) injunctive relief and other equitable remedies. If Declarant shall prevail in any such legal action to enforce this Covenant, then the Person, against whom Declarant shall prevail, shall pay Declarant all of its costs and expenses, including reasonable attorney fees, incurred in connection with Declarant's efforts to enforce this Covenant. In the event the District is represented by OAG, reasonable attorney's fees shall be calculated based on the then applicable hourly rates established in the most current adjusted Laffey matrix prepared by the Civil Division of the United States Attorney's Office for the District of Columbia and the number of hours employees of OAG prepared for or participated in any such action.

ARTICLE VI

Covenants Binding on Successors and Assigns

A. These Covenants are and shall be binding upon the Property and shall run with the land for the period of time stated herein and until all obligations required to be performed under these Covenants are fulfilled. The rights and obligations of the Declarant and the Developer and their respective successors and assigns shall be binding upon and inure to the benefit of the foregoing parties and their respective successors and assigns; provided, however, that all rights of the

Declarant pertaining to the monitoring and/or enforcement of the obligations of the Developer hereunder shall not convey with the transfer of title or any lesser interest in the Property, but shall be retained by the District of Columbia, or such other transferee as the Declarant may so determine.

ARTICLE VII

Amendment of Covenants

None of the terms or provisions of this Covenant may be changed, waived, modified, or removed except by an instrument in writing executed by the party or parties against which enforcement of the change, waiver, modification, or removal is asserted. Any such amendment, modification or release shall relate back to the date of recordation of these Covenants. Any amendment by the Declarant to these Covenants that amends, modifies, or releases the terms of these Covenants shall be recorded among the Land Records before it shall be deemed effective.

ARTICLE VIII

Termination and Release of Covenants

This Covenant shall terminate at the expiration of the Affordability Period. Notwithstanding the foregoing, this Covenant may be amended, terminated and/or released in whole or in part by Declarant in writing at any time, with notice to the Developer.

ARTICLE IX

Notices

Any notices given under this Covenant 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 Declarant at the following addresses:

DECLARANT:

D.C. Department of Housing and Community Development
Property Acquisition and Disposition Division
1800 Martin Luther King Avenue, S.E.
Washington, D.C. 20020
Attn: Director of D.C. Department of Housing and Community Development

With a copy to:

District of Columbia Department of Housing and Community Development
Office of the General Counsel
1800 Martin Luther King, Jr. Avenue, S.E.
Washington, D.C. 20020
Attn: General Counsel

And:

D.C. Department of Housing and Community Development
Housing Regulation Administration
1800 Martin Luther King, Jr. Avenue, S.E.
Washington, D.C. 20020

Any notices given under this Covenant 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, or to such other persons or locations as the Developer may designate in writing to the Declarant from time to time:

DEVELOPER:

Bass Circle LLC
c/o Telesis Corporation
1101 30th Street, NW
Fourth Floor
Washington, D.C. 20007
Attn: Bertrand Mason

With a copy to:

Klein Hornig LLP
1275 K Street, NW, Suite 1200
Washington, D.C. 20005
Attn: Aaron O'Toole

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 Covenant 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 Covenant.

ARTICLE X

Insolvency or Bankruptcy of Developer

The Developer shall be in default of these Covenants if the Developer shall commit any affirmative act of insolvency, or shall file any petition or action under any bankruptcy or insolvency law, or any other law or laws for relief of, or relating to debtors; or if there shall be filed any insolvency petition under any bankruptcy or insolvency statute against the Developer or there shall be appointed any receiver or trustee to take possession of any property of the Developer and such petition or appointment is not set aside or withdrawn or does not cease within sixty (60) days from the date of such filing of appointment.

ARTICLE XI

Mortgages, Mortgagees, and Foreclosure

A. All Mortgages placed against the Property, or any portion thereof, shall be subject and subordinate to this Covenant, unless otherwise agreed by District in writing. Any Mortgage secured by the Property shall be subject to the District Agency's prior approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

B. All financing documents for a Mortgage shall provide that a Mortgagee shall provide to the District Agency written notice of any uncured delinquency or other uncured default under the Mortgage at least sixty (60) calendar days prior to the initiation of any proceeding relating to the Property, and shall include in its notice the amount of the Developer's outstanding obligations to such Mortgagee (the "**Foreclosure Notice**"). Recordation of a Notice of Foreclosure does not constitute a Foreclosure Notice under these Covenants. District Agency shall have the right to designate an agency or a third Person to cure such delinquency or other event of default within a period of forty-five (45) days immediately after receipt by the District Agency of such notice.

C: All Mortgagees securing and/or recording their interest in the Property after these Covenants acknowledges the terms and conditions of these Covenants and that any mortgage or deed of trust placed against the Property is subordinate to these Covenants. In the event of foreclosure, this Covenant shall not be released, and the Mortgagee or any Person who takes title to the Property through a foreclosure sale shall become subject to the obligations contained herein. Notwithstanding the foregoing, if the Mortgagee holds a HUD insured mortgage, this Covenant shall terminate upon foreclosure, deed-in-lieu of foreclosure or assignment of the insured mortgage to HUD.

ARTICLE XII

Miscellaneous

A. LAW APPLICABLE; FORUM FOR DISPUTES

This Covenant shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the District of Columbia, without reference to the conflicts of laws provisions thereof. Developer and the District irrevocably submit to the jurisdiction of (i) the courts of the District of Columbia and (ii) the United States District Court for the District of Columbia for the purposes of any suit, action or other proceeding arising out of this Covenant or any transaction contemplated hereby. Developer and the District irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Covenant 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.

B. COUNTERPARTS

This Covenant may be executed in any number of counterparts, each of which shall be an original but all of which shall together constitute one and the same instrument.

C. TIME OF PERFORMANCE

All dates for performance (including cure) shall expire at 5:00 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.

D. 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 COVENANT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

E. 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 Covenant; provided that such additional documents and instruments do not materially increase the obligations or burdens upon the Developer.

F. SEVERABILITY

If any provision of this Covenant is held to be unenforceable or illegal for any reason, said provision shall be severed from all other provisions. Said other provisions shall remain in effect without reference to the unenforceable or illegal provision.

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

[Signature Page to Affordable Housing Covenant]

IN WITNESS WHEREOF, the Declarant has caused these presents to be executed, acknowledged and delivered for the purposes herein contained.

DECLARANT

Approved for Legal Sufficiency:

DISTRICT OF COLUMBIA,
acting by and through Department of Housing and
Community Development

By: _____
Name: Lauren J. Buckner
Title: Assistant Attorney General

By: _____
Name: Robert L. Trent
Title: Interim Director, Department of Housing
and Community Development

DISTRICT OF COLUMBIA)ss:

The foregoing instrument was acknowledged before me on this ____ day of _____, 2011 by Robert L. Trent, Interim Director of Department of Housing and Community Development, whose name is subscribed to the within instrument, being authorized to do so on behalf of the District of Columbia, acting by and through the District of Columbia’s Department of Housing and Community Development, has executed the foregoing and annexed document as his free act and deed.

Notary Public

[Notarial Seal]

DEVELOPER:

BASS CIRCLE LLC, a Delaware limited liability company

By: Neighborhood Associates Corporation,
a _____
Its: Sole member and managing member
Name: _____
Title: _____

DISTRICT OF COLUMBIA) ss:

The foregoing instrument was acknowledged before me on this ____ day of _____, 2011 by _____, _____ of _____, a _____, and the Developer herein, whose name is subscribed to the within instrument, being authorized to do so on behalf of said Developer, has executed the foregoing and annexed document as his free act and deed, for the purposes therein contained.

Notary Public

[Notarial Seal]

My commission expires: _____

EXHIBIT A

Legal Description

Property Address: 1-13 Bass Circle, S.E.; 4600-4606 Benning Road, S.E., 4608-4614 Benning Road, S.E.; 4505 B Street, S.E; and 4611 Bass Place, S.E

Lots 37 to 41, inclusive in Square 5345 in a subdivision made by Karl W. Corby Corporation, as per plat recorded in Liber 123 at folio 139 in the Office of the Surveyor for the District of Columbia

EXHIBIT B

Maximum Rent Schedule 2010

60% of AMI Units (based on HUD 2010 AMI of \$103,500)**					
Number of Bedrooms	Occupancy Pricing Standard	Occupancy Limits	Estimated Utility Allowance*	Maximum Allowable Rent	
Studio	1	1	\$128	1,087	
1	2	1 - 2	\$173	1,242	
2	3	2 - 4	\$223	1,397	
3	5	4 - 6	\$272	1,708	

*** The estimated utility allowance assumes that the charges for the following utilities are paid by the tenant: gas, electric, water and sewer**

**** Developer shall update the Maximum Rent Schedule annually based on HUD's updated AMI figures and estimated utility allowances set by District of Columbia Housing Authority.**

EXHIBIT C

Schedule of Performance

Description	Completion Date	Party Responsible
Acquisition Closing	February 28, 2011	Developer and DHCD
Commence repairs and/or relocation	March 31, 2011	Developer
Complete repairs and/or relocation	April 30, 2011	Developer
Schematic Plan Submission to DHCD	June 30, 2011	Developer
DHCD Approval of Schematic Plans	July 31, 2011	DHCD
50% Construction Plan Submission to DHCD	September 30, 2011	Developer
DHCD Approval of 50% Construction Plans	October 31, 2011	DHCD
Permit Application Submission to DCRA	November 30, 2011	Developer
100% Construction Plan Submission to DHCD	December 31, 2011	Developer
DHCD Approval of 100% Construction Plans	January 31, 2012	DHCD
Approximately 35% of NSP2 Funding Expended	February 29, 2012	Developer
Submission of Final Development Plan, Executed CBE Agreement, and First Source Agreement	March 31, 2012	Developer
Building Permit Issuance	May 31, 2012	Developer
Construction Financing Closing	May 31, 2012	Developer
Commence Construction	June 30, 2012	Developer
Rough-In Inspection for 1 st Stage Units	January 31, 2013	
100% of NSP2 Funding Expended	February 28, 2013	Developer
Rough-In Inspection for Remaining Units	December 31, 2013	Developer
Substantial Completion	January 31, 2014	Developer
Substantial Occupancy for Remaining Units	April 30, 2014	Developer

Exhibit D
[Lease Rider]

EXHIBIT D

[Declaration of Covenants]

DECLARATION OF COVENANTS

THIS DECLARATION OF COVENANTS (the “**Covenant**”) is made as of the _____ day of _____, 2011 (“**Effective Date**”), by **BASS CIRCLE LLC**, a Delaware limited liability company (together with any successor owner of the Property, the “**Declarant**”) for the express benefit of the **DISTRICT OF COLUMBIA**, a municipal corporation, acting by and through the District of Columbia Department of Housing and Community Development (hereinafter referred to as “**District**”)

RECITALS

R-1. Pursuant to the terms of a Property Disposition and Development Agreement (the “**Agreement**”) between District and Declarant, the District has sold and conveyed to Declarant immediately prior to the Effective Date of this Covenant certain real property located in Washington, D.C. and more particularly described in **Exhibit A** attached hereto and incorporated herein (the “**Property**”).

R-2. Under the terms of the Agreement the Declarant agreed to develop, construct, own and operate a multifamily residential housing project as approved by the District as more particularly described in the Agreement (the “**Project**”).

R-3. In order to ensure to the District that the Declarant will construct the Project on the Property in accordance with the Agreement, the Declarant has agreed to subject the Property to certain covenants regarding the construction and use of the Project and the disposition of the Property all as more particularly described herein.

NOW, THEREFORE, the Parties hereto agree that the Property must be held, sold and conveyed, subject to the following covenants, conditions, and restrictions:

ARTICLE I DEFINITIONS AND MISCELLANEOUS PROVISIONS

1.1 For the purposes of this Covenant, 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:

“**Affordability Covenant**” is the covenant agreement that contains certain affordability requirements for the Project, and is recorded in the Land Records against the Property.

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

“**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” means construction plans, drawings, and specifications submitted to and approved by District and based upon which all Permits shall be issued.

“Business Day” means Monday through Friday, inclusive, other than holidays recognized by the District government.

“CBE” shall mean a certified business enterprise, certified as a “CBE” by the DSLBD under applicable District of Columbia law, as amended.

“CBE Agreement” is that agreement, in customary form, between Declarant and the DSLBD, entered into in accordance with Section 7.4 of the Agreement, governing certain obligations of Declarant under D.C. Law 16-33 for the Project.

“Certificate of Completion” means that certificate provided by Declarant to the District upon Completion of Construction, as required under Section 2.4 herein.

“Certificate of Final Completion” is defined in Section 2.4.5.

“Certificate of Occupancy” means a certificate of occupancy or similar document or permit (whether conditional, unconditional, temporary or permanent) that must be obtained from the appropriate governmental authority as a condition to the lawful occupancy of the Project.

“Closing” is the consummation of the purchase and sale of the Property as contemplated in the Agreement.

“Commencement of Construction” means the date indicated in the Schedule of Performance. For purposes of this Covenant, the term **“Commencement of Construction”** does not mean site exploration, borings to determine foundation conditions, or other pre-construction monitoring or testing to establish background information related to the suitability of the Property for development of the Improvements thereon or the investigations of environmental conditions.

“Completion of Construction” means (i) Declarant has substantially completed construction of the Project, exclusive only of Punch List Items, in accordance with the Approved Plans and Specifications and this Covenant; (ii) Declarant’s general contractor is entitled to final payment under the construction contract exclusive only of any retainage held on account of Punch List Items; (iii) Declarant has provided District with a copy of the Certificate of Completion; and (iv) a permanent Certificate of Occupancy has been issued for the Project.

“Concept Plans” are the design plans, submitted by Declarant and approved by District, which serve the purpose of establishing the major direction of the design of the Project.

“Construction Covenants” shall mean those covenants contained in Articles II and III.

“Construction Drawings” shall mean the drawings, plans, and specifications for the Improvements submitted by Declarant to District.

“Construction Financing Closing” means the date listed in the Schedule of Performance on which the Declarant shall close on its financing for the purpose of development and construction of the Project.

“Declarant’s Agents” mean the Declarant’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 Covenant, the Agreement and the Disposition Documents.

“Development Plan” means the development plan attached hereto and incorporated herein as **Exhibit E**, as the same may be amended from time to time in accordance with the terms hereof, which includes Declarant’s detailed plans for developing, constructing, financing and marketing the Project, including any repairs of renovations to be performed upon acquisition, and shall include a detailed proforma, including, but not limited to the following District approved documents: 1) Project Budget, 2) project financing plan and 3) the tenant relocation plan.

“Disposition Documents” means this Covenant, the Agreement, Affordability Covenant, Loan Documents, CBE Agreement, and First Source Agreement.

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

“DOL” is the United States Department of Labor.

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

“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.

“Event of Default” is defined in Section 6.1.

“Final Completion” means following Completion of Construction (i) the completion of all Punch List Items; (ii) the close-out of all construction contracts for the Project; (iii) the payment of all costs of constructing the Project and receipt by Declarant of fully executed and notarized valid releases of liens from all manufacturers, suppliers, subcontractors, general contractors, and all other Persons furnishing supplies or labor in connection with the Project; and (iv) the receipt by District of a certification by Declarant of the completion of items in clauses (i) through (iii) of this definition.

“Final Development Plan” means the detailed development plan submitted to District for final approval prior to construction. The Final Development Plan shall include a detailed proforma, including, but not limited to, the following District approved documents: 1) sources and uses, 2) Project Budget, 3) project financing plan, 4) project schedule, 5) operating revenues and expenses, 6) rent roll, 7) affordability levels, 8) number of bedrooms for total number of units, 9) evidence of compliance with Green Communities, and 10) all architectural plans and specifications.

“First Source Agreement” is that agreement, in customary form, between the Declarant and the DOES, entered into in accordance with Section 7.5 of the Agreement, governing certain obligations of Declarant 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 construction 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 Declarant, Declarant’s Agents or its Members; (ii) is not due to the fault or negligence of Declarant, Declarant’s Agents or its Members; (iii) is not reasonably foreseeable and avoidable by Declarant, Declarant’s Agents or its Members, and (iv) directly results in a delay in performance by Declarant; 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 Covenant and the Approved Plans and Specifications is no longer practicable under the

circumstances, or (C) the acts or omissions of a general contractor, its subcontractors, any Member, or Declarant's Agents.

"Green Communities" means the national green building program designed by Enterprise Community Partners that provides criteria for the design, development, and operation of affordable housing.

"Guarantor" shall mean Telesis Corporation and any substitute guarantor pursuant to Section 2.7.2.

"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).

"HUD" is the United States Department of Housing and Urban Development.

"Improvements" means the structures, landscaping, hardscape, and improvements to be constructed or placed on the Property in accordance with the Final 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 Covenant.

"Land Records" means the property records maintained by the District of Columbia Recorder of Deeds.

"Loan Documents" means that certain Deed of Trust and Deed of Trust Note, delivered by Declarant for the benefit of District, dated as of _____, 2011 and recorded in the Land Records contemporaneously herewith.

"Material Change" 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, number of floors, exterior finishes, or landscaping or other exterior features; (ii) that affects the number of Residential Units; (iii) that affects the unit mix of Residential Units by ten percent (10%) or more from the approved Submissions; (iv) that increases or decreases the size of a Residential Unit by ten percent (10%) or more from the approved Submissions; (v) that increases a line item in the approved Project Budget by more than ten percent (10%) or (vi) that requires additional zoning approvals. Declarant shall be permitted to change the colors and uses of exterior finishing materials, landscape planning and design and exterior lighting and other exterior site features from the approved Submissions so long as functionally equivalent materials and finishes are used in lieu of the original materials and finishes.

"Member" means any Person with an ownership interest in Declarant.

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

“**OAG**” is the Office of the Attorney General for the District of Columbia.

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

“**Performance Bond**” is defined in Section 2.3.2.

“**Performance Deposit**” is defined in Section 2.3.1.

“**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 and occupancy of the Project in accordance with the Approved Plans and Specifications and this Covenant.

“**Person**” means any individual, corporation, limited liability company, trust, partnership, association, or other entity.

“**Pre-Construction Guaranty**” is that guaranty, attached hereto as Exhibit C, to be executed by Guarantor, which shall bind the Guarantor to perform Phase 1 of the Development Plan, as described therein.

“**Project**” means those Improvements on the Property, and the development and construction thereof in accordance with the Approved Plans and Specifications and this Covenant.

“**Project Budget**” means the budget for the Project representing the total cost of the Improvements as provided by the Declarant to the District.

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

“**Punch List Items**” mean the minor items of work to be completed or corrected prior to final payment to Declarant’s general contractor pursuant to its construction contract in order to fully complete the Project in accordance with the Approved Plans and Specifications.

“**Release**” means an instrument, in recordable form, executed by the Parties that releases one or more covenants contained herein.

“**Residential Unit**” is any unit constructed or renovated as part of the Project to be developed, leased, and used for residential purposes.

“Schedule of Performance” means that schedule of performance, attached hereto as **Exhibit B** 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 Covenant, as the same may be amended from time to time in accordance with the terms hereof.

“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 Eisen & Rome, PC.

“Submissions” means those certain plans, specifications, drawings and documents other matters identified in Section 2.2.3 herein and required of Declarant by District in order to develop, construct and finance the Project pursuant to this Covenant and the Disposition Documents.

“Use Covenants” means those covenants contained in Article IV.

1.2 **GOVERNING LAW.** This Covenant shall be governed by and construed in accordance with the laws of the District of Columbia (without reference to conflicts of law principles).

1.3 **CAPTIONS, NUMBERINGS, AND HEADINGS.** Captions, numberings, and headings of Articles, Sections, Schedules, and Exhibits in this Covenant are for convenience of reference only and shall not be considered in the interpretation of this Covenant.

1.4 **NUMBER; GENDER.** Whenever required by the context, the singular shall include the plural, the neuter gender shall include the male gender and female gender, and vice versa.

1.5 **BUSINESS DAY.** In the event that the date for performance of any obligation under this Covenant falls on a day other than a Business Day, then such obligation shall be performed on the next succeeding Business Day.

1.6 **COUNTERPARTS.** This Covenant may be executed in multiple counterparts, each of which shall constitute an original and all of which shall constitute one and the same agreement.

1.7 **SEVERABILITY.** In the event that one or more of the provisions of this Covenant shall be held to be illegal, invalid, or unenforceable, each such provision shall be deemed severable and the remaining provisions of this Covenant shall continue in full force and effect, unless this construction would operate as an undue hardship on District or Declarant or would constitute a substantial deviation from the general intent of the parties as reflected in this Covenant.

1.8 **SCHEDULES AND EXHIBITS.** All Schedules and Exhibits referenced in this Covenant are incorporated by this reference as if fully set forth in this Covenant.

1.9 **INCLUDING.** The word “including,” and variations thereof, shall mean “including without limitation.”

1.10 **NO CONSTRUCTION AGAINST DRAFTER.** This Covenant has been negotiated and prepared by District and Declarant and their respective attorneys and, should any provision of this Covenant require judicial interpretation, the court interpreting or construing such provision shall not apply the rule of construction that a document is to be construed more strictly against one party.

ARTICLE II CONSTRUCTION COVENANTS

2.1 OBLIGATION TO CONSTRUCT PROJECT

As additional consideration for District conveying the Property to Declarant, unless District approves otherwise in writing (which approval may be granted or withheld in District’s sole discretion), Declarant hereby agrees to develop and construct the Project, and use, maintain and operate the Project in accordance with the Final Development Plan, the Approved Plans and Specifications, this Covenant, the Disposition Documents, and Applicable Laws. 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 Declarant. As further assurance of the above and of the covenants contained in the Declaration, Declarant shall cause the Pre-Construction Guaranty to be executed by Guarantor on or before Closing and shall cause the Development and Completion Guaranty to be executed by Guarantor on or before Construction Financing Closing.

Declarant agrees that it will not transfer, sell, assign, or otherwise convey fee title in the Property at any time prior to Final Completion without the prior approval of the District, which approval may be granted or withheld in the sole discretion of District. Notwithstanding the foregoing, District consents to (a) the assignment of this Covenant and the Loan Documents, and the transfer of the Property, from Declarant to an entity controlled by Guarantor or an affiliate of Guarantor and/or (b) the transfer of any interest in Declarant or its successors or assigns to an entity controlled by Guarantor or an affiliate of Guarantor or to an entity controlled by a low income housing tax credit investor or syndicator.

2.2 PRE-CONSTRUCTION ITEMS

2.2.1 SUBMISSION OF FINAL DEVELOPMENT PLAN. Declarant shall have the sole responsibility for submitting to the District a detailed Final Development Plan within sixty (60) days of Construction Financing Closing. The Final Development Plan shall include the project financing plan and Project Budget as exhibits. District shall have the right, in its sole discretion, to approve the Final Development Plan. Declarant shall not commence construction without District's prior written approval of the Final Development Plan.

2.2.2 ISSUANCE OF PERMITS. Declarant shall have the sole responsibility for obtaining all Permits from the applicable agency within the District of Columbia government or other authority. In no event shall Declarant commence site work or construction of all or any portion of the Project until Declarant has obtained all Permits necessary to commence and maintain the same, without lapse, to complete the portion of the contemplated work. Declarant shall submit to District copies of documents evidencing each and every Permit obtained by Declarant.

2.2.3 SITE PREPARATION. Declarant, at its sole cost and expense, shall be responsible for all preparation of the Property for development and construction in accordance with the Final 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; provided, however, that Declarant shall have no obligation to perform such work prior to Construction Financing Closing. 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.

2.2.4 SUBMISSIONS FOR CONSTRUCTION OF THE PROJECT.

Declarant shall submit to District for District's review and approval, such approval not to be unreasonably withheld, conditioned or delayed, the following drawings, plans and specifications (collectively, the "**Project Drawings**") for the Project consistent with the dates indicated in the Schedule of Performance and within the timeframes specified below:

- (a) One hundred percent (100%) complete Schematic Plans, by June 30, 2011 per the Schedule of Performance; and
- (b) One hundred percent (100%) complete Construction Plans and Specifications by December 31, 2011, per the Schedule of Performance, with fifty percent (50%) of the Construction Plans and Specifications to be completed and submitted to District by September 30, 2011, per the Schedule of Performance. As part of this submission, Declarant shall also provide District with a description of all interior

and exterior finishes of each Residential Unit and the appliances and equipment to be included therein.

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

2.3 **PERFORMANCE DEPOSIT; PERFORMANCE BOND**

2.3.1 On or before the Closing Date, Declarant shall establish a performance deposit escrow account (“**Escrow Account**”) with an escrow agent approved by the District. At Closing, Declarant shall deposit into the Escrow Account fifty percent (50%) of its developer’s fee received from the National Housing Trust Community Development Fund (“**NHTCDF**”) in an amount not less than Fifty Thousand Dollars and No Cents (\$50,000.00); furthermore, Declarant shall deposit fifty percent (50%) of its monthly developer’s fee commencing from the first monthly draw after Closing through Construction Financing Closing (“**Performance Deposit**”). The total amount of the Performance Deposit deposited into the Escrow Account at Construction Financing Closing shall not be less than One Hundred Twenty-Five Thousand Dollars and No Cents (\$125,000.00). The Performance Deposit is not a payment on account of and shall not be credited against any payments due from Declarant hereunder. The Performance Deposit shall serve as the District’s security for the performance by Declarant of all of Declarant’s obligations, covenants, conditions and agreements under this Covenant. The Performance Deposit, along with any accrued interest, will be returned to Declarant at the time of Construction Financing Closing. In the event that Declarant fails to achieve its Construction Financing Closing, the District shall have the right to retain the Performance Deposit and to declare a Declarant Default (as defined in Section 6.1 herein).

2.3.2 At Construction Financing Closing, Declarant shall deliver or cause its contractor to deliver to District an amount of money equal to fifteen percent (15%) of the guaranteed maximum price of the construction contract, in the form of any of the following: a letter of credit from a reputable bank, a payment and performance bond from a reputable surety company, or a cash reserve to be held in escrow by the Settlement Agent (the “**Performance Bond**”). If the Declarant shall 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 construction contract, (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 Declarant’s performance of the obligations contained herein, and in accordance with, the Disposition Documents.

2.4 **CONSTRUCTION RESTRICTIONS AND OBLIGATIONS**

2.4.1 Declarant agrees that it shall achieve Commencement of Construction on that date which is indicated in the Schedule of Performance and diligently prosecute the development and construction of the Project in accordance with the Approved Plans and Specifications per the Schedule of Performance.

2.4.2 Declarant shall not construct any portion of the Project on, over, or within the boundary lines of any easement for public utilities, unless such construction is provided for in the Approved Plans and Specifications in connection with the issuance of a Permit.

2.4.3 **Intentionally Deleted.**

2.4.4 Declarant shall complete all Milestones in accordance with the Schedule of Performance. In the event that Declarant fails to meet any date listed in the Schedule of Performance, the District reserves the right to declare Declarant in default of the terms of this Covenant.

2.4.5 Promptly after Declarant achieves Completion of Construction, Declarant shall furnish District with a Certificate of Completion, in which Declarant states that the Project has been completed, subject only to Punch List Items, in accordance with all Approved Plans and Specifications and all Applicable Laws. In the Certificate of Completion, the Declarant also shall determine, among other things, that all of the Construction Covenants herein, which relate to obligations of Declarant to develop and construct the Project, including the times for Commencement of Construction and Completion of Construction, have been fully satisfied.

2.4.6 Promptly after Declarant achieves Final Completion, Declarant shall notify District and certify, that all Punch List Items have been completed, all construction contracts for the Project have been closed-out, all costs of constructing the Project have been paid, and Declarant has received fully executed and notarized valid releases of liens from all manufacturers, suppliers, subcontractors, general contractors, and all other Persons furnishing supplies or labor in connection with the Project. Following District's inspection of the Project in accordance with Sections 3.1 and 3.2, provided District accepts Final Completion of the Project District shall deliver to Declarant a certificate ("**Certificate of Final Completion**") confirming Declarant's Final Completion of the Project, which shall be in recordable form. In the event that District does not accept Final Completion of the Project, District shall provide Declarant written notice which shall detail the reason(s) why District does not accept Final Completion of the Project, as well as provide Declarant a written list of all matters required to be remedied prior to District's issuance of the Certificate of Final Completion.

2.5 **LABOR/EMPLOYMENT COVENANTS.**

2.5.1 If Declarant receives federal or District of Columbia financial assistance, and if the construction of the Project is a union project with respect to the Property, Declarant shall:

- (a) send to each labor union or representative of workers with which it has a collective bargaining agreement, or other contract or understanding, a notice, to be provided by the DOL, advising the said labor union or worker's representative of Declarant's commitments under Section 202 of the Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment;
- (b) comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules and regulations and relevant orders of the DOL, including the goals and timetables for minority and female participation and the Standard Federal Equal Employment Opportunity Construction Contract Specifications to the extent applicable;
- (c) furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations, and orders of the DOL and HUD, and will permit access to its books, records, and accounts pertaining to its employment practices by DOL and HUD for purposes of investigation to ascertain compliance with such rules, regulations and orders; and
- (d) require the inclusion of the provisions of paragraphs (a) through (c) of this subsection in every contract, subcontract, or purchase order, unless exempted by rules, regulations, or orders of DOL issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each contractor, subcontractor and vendor.

2.5.2 Declarant will take such action with respect to any contract, subcontract, or purchase order as District, DOES, or DOL may direct as a means of enforcing such provisions, including sanctions for noncompliance. In the event of Declarant's non-compliance with this Section or with any applicable rule, regulation, or order, the District, DOES, or DOL may take such enforcement against Declarant, including, but not limited to, an action for injunctive relief and/or monetary damages, as may be provided by Law.

2.6 **COMMUNITY BENEFIT PLANS.** Per the Schedule of Performance, and during the terms of this Covenant, Declarant agrees to: (i) comply with all applicable labor and employment standards, Laws, and orders in the construction of the Project; (i) enter into the CBE Agreement; and (ii) enter into the First Source Agreement. If Declarant shall fail to comply with the terms of agreements outlined in this Section 2.6, District shall have the right, in its sole discretion, to declare an Event of Default (as defined in Section 6.1).

2.7 **DISTRICT SECURITY FOR PERFORMANCE.**

2.7.1 On or before Closing, Declarant has delivered the Pre-Construction Guaranty to District and on or before Construction Financing Closing, Declarant shall deliver the Development and Completion Guaranty to District, both to secure Declarant's performance of the provisions of this Covenant and the Disposition Documents through District's issuance of the Final Certificate of Completion. In the event Declarant fails to perform any of its obligations

contained in these Covenants and the Disposition Documents, the District may, in its sole discretion, declare the Declarant in default and/or may require the Guarantors, in accordance with the terms of the Pre-Construction Guaranty and the Development and Completion Guaranty, to perform Declarant's obligations.

2.7.2 Intentionally Deleted.

2.7.3 In the event the Declarant encounters a Material Change to the Final Development Plan, Declarant shall immediately submit in writing to District, a detailed analysis of the Material Change and Declarant's proposed plan to address and/or correct said Material Change.

2.7.4 Declarant shall collaterally assign all of its right, title and interest to District to any and all contracts, including all drawings, specifications, studies. In the Event of a Default by the Declarant, all documents, 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.

**ARTICLE III
MONITORING AND INSPECTING THE CONSTRUCTION OF THE PROJECT**

3.1 **INSPECTION AND MONITORING RIGHTS.** In addition to and notwithstanding any monitoring and inspecting requirements of Declarant's construction lender and any applicable District of Columbia building and health code requirements, District shall have the following rights:

3.1.1 **INSPECTION OF SITE.** District shall have the right to enter the Property from time to time (but at the risk of District), for the purpose of performing routine inspections in connection with the development and construction of the Project. Declarant understands that District or its representatives will enter the Property from time to time for the sole purpose of undertaking the inspection of the Project to determine conformance to the Approved Plans and Specifications and this Covenant, as applicable, and Declarant shall have the right to accompany those persons during such inspections. Declarant waives any claim that it may have against District, its officers, directors, employees, agents, consultants, or representatives, arising out of District representatives' entry upon the Property unless resulting from the gross negligence or willful misconduct of said District representatives. Any inspection of the Project or access of the Property by District hereunder shall not be deemed an approval, warranty, or other certification as to the compliance of the Project or Property with any building codes, regulations, standards, or other Applicable Laws.

3.1.2 **PROGRESS REPORTS.** From and after the Effective Date and until issuance of the Certificate of Final Completion, and in addition to the notice provisions contained in Section 3.2, Declarant shall make written reports to District on or before the 15th calendar day of each month as to the progress of the construction of the Project, in such form and detail as may reasonably be requested by District. The progress reports shall include an executive summary, detailed accounting of the Project Budget, the Schedule of Performance, a copy of the general

contractor's monthly report, a reasonable number of construction photographs taken since the last report submitted by Declarant, copies of all bank inspection reports in Declarant's possession and any other documents reasonably requested by District.

3.1.3 AUDIT RIGHTS. Upon reasonable prior notice at any time prior to issuance of the Certificate of Final Completion, District shall have the right (at the cost of District unless Declarant is found to be in violation of any obligation imposed hereunder, in which event such expense shall be borne by Declarant) to inspect the books, records, and corporate documents of Declarant for the purpose of ensuring compliance with this Covenant and the Disposition Documents and to have an independent audit of the construction documents and records. Declarant shall cooperate with District in providing District reasonable access to its books and records during normal business hours at Declarant's offices for these purposes. Declarant shall maintain its books and records in accordance with generally accepted accounting principles, consistently applied.

3.1.4 PROJECT AUDIT. Prior to issuance of the Certificate of Final Completion, Declarant shall submit to the District for approval a final project audit completed by an accounting firm to be approved by the District. The project audit shall serve as a means of ensuring compliance with this Covenant and the Disposition Documents and shall be an independent audit of the construction documents and records. Declarant shall maintain its books and records in accordance with generally accepted accounting principles, consistently applied. Declarant and District shall jointly agree to use a common accounting firm for the purpose of conducting any such audits; provided, however, that in such event, the accounting firm shall have a valid contract with District in compliance with the Procurement Practices Act of 1985, D.C. Official Code §§ 2-301.01, et seq., as amended, and shall execute a separate engagement letter with District for calculation of the return.

3.2 MILESTONE NOTICES. Upon completion of each Milestone in the Schedule of Performance, Declarant shall notify District, and District shall have ten (10) Business Days to inspect the Property and certify Declarant's completion of such Milestone. In the event District fails to certify completion of such Milestone within fifteen (15) days after receipt of Declarant's notice, the District shall waive its opportunity to certify or contest completion of the applicable Milestone.

ARTICLE IV USE COVENANTS

4.1 RESIDENTIAL USE ONLY. The Property shall be used for residential purposes only.

4.2 WARRANTY. Following issuance of the Certificate of Final Completion, Declarant warrants that:

- a. All new appliances shall be under warranty for a minimum of one (1) year from the date of Completion of Construction; and
- b. All new roofing material, windows and heating and air conditioning compressors shall be under warranty for a minimum of ten (10) years from the date of Completion of Construction.

4.3 **PUBLICITY: WRITTEN AND ALL OTHER MEDIUMS.** All written or printed materials distributed or posted by Declarant which publicizes the Project shall include information that the Property has been subsidized and provided through the Department of Housing and Community Development (“DHCD”). Furthermore, announcements of all events that publicize the Project shall acknowledge participation and funding by DHCD. This may include, but is not limited to, newspaper announcements or advertisements, flyers, postings, and radio and television announcements. Declarant shall place suitable signage on the Property which indicates that the Project was acquired from DHCD and use the DHCD logo, which shall be the same size as the largest logo. All materials and signage required in this Section 4.3 shall be approved by DHCD prior to distribution, printing and circulation. DHCD shall have ten (10) days from the date of submission to review and approve said materials. In the event that DHCD shall fail to provide a written response within such ten (10) day period, such submission shall be deemed approved.

ARTICLE V TERM; RELEASE

5.1 **TERM OF CONSTRUCTION COVENANTS.** The Construction Covenants, and any obligations hereunder that relate solely to the development and construction of the Project, shall run with the land and otherwise remain in effect until District delivers to Declarant the Certificate of Final Completion.

5.2 **TERM OF USE RESTRICTIONS AND OTHER COVENANTS.** All other obligations, liabilities, terms, and conditions set forth herein shall run with the land, binding Declarant and its successors and assigns, until all obligations required to be performed under these Covenants are fulfilled.

5.3 **RELEASE.**

5.3.1 At the request of either Party to this Covenant and provided that there is no dispute as to the expiration of the term of this Covenant, the Parties shall execute a Release of this Covenant, as applicable. In such event, the requesting Party shall, at its sole cost and expense, prepare such Release and present it to the non-requesting Party. The non-requesting Party shall then have thirty (30) Business Days from receipt of the proposed Release to review the same and notify the requesting Party of any material deficiencies or errors in the Release. Upon the correction of any material deficiency or error in the Release, the non-requesting Party shall promptly deliver an original executed Release to the requesting Party who shall be responsible for causing the Release to be recorded in the Land Records. Any Release not so recorded shall not be deemed valid pursuant to this Article.

5.3.2 Upon Construction Financing Closing, District shall release Declarant’s Performance Deposit; and upon District’s delivery to Declarant of the Certificate of Final

Completion, District shall release the Performance Bond, to the extent the full amount of the same has not been drawn in accordance with Section 6.2.1(a) herein.

ARTICLE VI DEFAULT AND REMEDIES

6.1. **EVENTS OF DEFAULT.** Each of the following shall constitute an “**Event of Default**” on the part of Declarant:

- (a) Declarant defaults in the performance of any obligation, term, or provision under this Covenant or the Disposition Documents, and such default shall continue uncured for thirty (30) days after written notice of such default from District, provided that such thirty (30) day period may be extended for an additional period of time, at the sole discretion of District, to the extent required to complete such cure. Notwithstanding the foregoing, if a default does not involve the payment of money and cannot reasonably be cured within thirty (30) days, Declarant shall have such additional time as is reasonably necessary, not to exceed an additional sixty (60) days, to cure such default; provided, however, Declarant must commence the cure within the initial thirty (30) day period and diligently pursue completion of such cure thereafter;
- (b) **INTENTIONALLY DELETED;** or
- (c) Declarant commits any affirmative act of insolvency or shall file any petition or action under any bankruptcy or insolvency law, or any other law or laws for relief of, or relating to debtors; or if there shall be filed any insolvency petition under any bankruptcy or insolvency statute against Declarant or there shall be appointed any receiver or trustee to take possession of any property of Declarant and such petition or appointment is not set aside or withdrawn or does not cease within sixty (60) days from the date of such filing of appointment.

6.2 **REMEDIES.**

6.2.1 If any Event of Default occurs hereunder, District may elect to pursue any of the following remedies, all of which are cumulative:

- (a) District may draw on the Performance Deposit and/or the Performance Bond, in an amount to be determined by District, in its sole discretion, up to the full amount of the Performance Deposit and/or Performance Bond, upon an Event of Default that arises under Section 6.1;
- (b) District may cure Declarant’s Event of Default, at Declarant’s sole cost and expense. Declarant shall pay to District an amount equal to its actual out-of-

pocket costs for such cure within ten (10) Business Days after demand therefor. Any such sums not paid by Declarant within ten (10) Business Days after demand shall bear interest at the rate of ten percent (10%) per annum or the highest rate permitted by Law, if less, until paid;

- (c) District may pursue specific performance of Declarant's obligations hereunder;
- (d) District may re-enter the Property in accordance with the covenants contained in Declarant's deed(s) to the Property; and
- (e) District may pursue any and all other remedies available at law and in equity, including without limitation, injunctive relief.

6.2.2 If District pursues any of its remedies under this Section that require the filing of a court action and District prevails in a court of competent jurisdiction, District shall be entitled to reimbursement of all costs including its attorneys' fees. If OAG is counsel for the District, the reasonable attorney fees shall be calculated based on the then applicable hourly rates established in the most current adjusted Laffey matrix prepared by the Civil Division of the United States Attorney's Office for the District of Columbia and the number of hours employees of OAG prepared for or participated in any such action.

ARTICLE VII INSURANCE OBLIGATIONS

7.1 During the periods identified below, Declarant shall carry and maintain in full force and effect the following insurance policies:

- (a) Property Insurance - After achieving Completion of Construction, Declarant shall maintain property insurance insuring the Project under a Special Form (Causes of Loss) policy for 100% insurable replacement value with no co-insurance.
- (b) Builder's Risk Insurance – At all times from Commencement of Construction until delivery of the Certification of Final Completion, Declarant shall maintain builder's risk insurance for the amount of the completed value of the Project (or lesser amount acceptable to District) under a Special Form (Causes of Loss) policy with no co-insurance penalty, including flood risks if the Property is located in a flood zone, insuring the interests of Declarant, District and any contractors and subcontractors.
- (c) Automobile Liability and Commercial General Liability Insurance - At all times after the Effective Date of this Covenant until delivery of the Certificate of Final Completion, Declarant shall maintain and cause its general 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 Declarant is required to carry shall not be construed as any limitation on Declarant's liability under this Covenant. The foregoing limits may be increased by District from time to time, in its sole discretion.

- (d) Workers' Compensation Insurance - At all times after the Effective Date of this Covenant until such time as all obligations of Declarant hereunder have been satisfied or have expired, Declarant shall maintain and cause its general contractor and any subcontractors to maintain workers' compensation insurance in such amounts as are required by applicable Laws.
- (e) Professional Liability Insurance – At all times after the Effective Date, the Declarant shall cause the 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.

7.2 All property and builder's risk insurance shall name District as an additional insured. 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 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. 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.

ARTICLE VIII CASUALTY

8.1 **PRIOR TO ISSUANCE OF THE CERTIFICATE OF FINAL COMPLETION.** In the event of damage or destruction to the Project following the Effective Date, but prior to the issuance of the Certificate of Final Completion, to the extent permitted under any Deed of Trust encumbering the Property, Declarant shall be obligated to repair or restore the Project in conformity with the Approved Plans and Specifications, subject to changes necessary to comply with then-current building code requirements, as approved by District in its sole discretion. Notwithstanding anything in this Covenant to the contrary, District will not accept, nor shall Declarant present to District, any Certificate of Final Completion nor shall District release Declarant from its development obligations hereunder until Declarant has completed its restoration obligations.

8.2 **AFTER ISSUANCE OF THE CERTIFICATE OF COMPLETION.** In the event of damage or destruction to the Project following the issuance of the Certificate of Final Completion, to the extent permitted under any Deed of Trust encumbering the Property, Declarant shall promptly cause the Property to be restored to its condition existing prior to the casualty, subject to changes necessary to comply with then-current building code or insurance requirements, as approved by District (such approval not to be unreasonably withheld, conditioned, or delayed).

**ARTICLE IX
INDEMNIFICATION**

Declarant shall indemnify, defend, and hold District, its officers, employees and agents harmless from and against any and all losses, costs, claims, damages, liabilities, and causes of action (including 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 during such time as Declarant is the owner of the Property and directly or indirectly caused by any acts done thereon or any acts or omissions of Declarant or Declarant's Agents; provided, however, that the foregoing indemnity shall not apply to any losses, costs, claims, damages, liabilities, and causes of action due to the gross negligence or willful misconduct of District or its officers, employees and agents.

**ARTICLE X
COVENANTS BINDING ON SUCCESSORS AND ASSIGNS**

This Covenant is and shall be binding upon the Property and shall run with the land for the period of time stated herein. The rights and obligations of District, Declarant, and their respective successors and assigns shall be binding upon and inure to the benefit of the foregoing parties and their respective successors and assigns; provided, however, that all rights of District pertaining to the monitoring or enforcement of the obligations of Declarant hereunder shall not convey with the transfer of title or any lesser interest in the Property, but shall be retained by District, or such other designee of District as District may so determine.

**ARTICLE XI
AMENDMENT OF COVENANT**

This Covenant shall not be amended, modified, or released other than by an instrument in writing executed by a duly authorized official of District on behalf of District and approved by OAG for legal sufficiency. Any amendment to this Covenant that materially alters the terms of this Covenant shall be recorded among the Land Records before it shall be deemed effective.

**ARTICLE XII
NOTICES**

12.1 Any notices given under this Covenant 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 the parties at the following addresses:

DISTRICT:

D.C. Department of Housing and Community Development
Property Acquisition and Disposition Division
1800 Martin Luther King Avenue, SE
Washington, D.C. 20020
Attn: Director of D.C. Department of Housing and Community Development

With a copy to:

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

Any notices given under this Covenant 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 Declarant at the following addresses:

DECLARANT:

Bass Circle LLC
c/o Telesis Corporation
1101 30th Street, NW
Fourth Floor
Washington, D.C. 20007
Attn: Bertrand Mason
Tel 202 295 1213

With a copy to:

Klein Hornig LLP
1275 K Street, NW, Suite 1200
Washington, D.C. 20005
Attn: Aaron O'Toole
Tel 202-842-0127

12.2 Notices served upon Declarant 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 Covenant 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 Covenant.

ARTICLE XIII FORCE MAJEURE

Declarant shall not be considered in default to perform its obligations under this Covenant, 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 Declarant shall be extended for the period of the Force Majeure; provided, however that: (a) Declarant shall have first notified, within ten (10) days after it becomes aware of the beginning of any such Force Majeure event, District thereof in writing of the cause or causes thereof, with supporting documentation, and requested an extension for the period of the forced delay; (b) in the case of a delay in obtaining Permits, Declarant must have filed complete applications for such Permits and hired an expeditor reasonably acceptable to District to monitor and expedite the Permit process; and (c) Declarant must take commercially reasonable actions to minimize the delay. If Declarant requests any extension on the date of completion of any obligation hereunder due to Force Majeure, it shall be the responsibility of Declarant to reasonably demonstrate that the delay was caused specifically by a delay of a critical path item of such obligation.

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

IN WITNESS WHEREOF, the Declarant has caused this Covenant to be executed, acknowledged and delivered, for the purposes therein contained.

DECLARANT:

BASS CIRCLE LLC, a Delaware limited liability company

By: Neighborhood Associates Corporation,
a District of Columbia non-profit corporation

Its: Sole member and managing member

Name: _____

Title: _____

DISTRICT OF COLUMBIA) ss:

The foregoing instrument was acknowledged before me on this ____ day of _____, 2011, by _____, the _____ of _____, Declarant herein, whose name is subscribed to the within instrument, being authorized to do so on behalf of said Declarant, has executed the foregoing and annexed document as his/her free act and deed, for the purposes therein contained.

Notary Public

[Notarial Seal]

My commission expires: _____

APPROVED BY THE DISTRICT
THIS ___ DAY OF _____, 2011:

DISTRICT OF COLUMBIA,
acting by and through the District of Columbia Department of
Housing and Community Development

By: _____
Name: Robert L. Trent
Title: Interim Director

Approved for legal sufficiency

By: _____
Name: Lauren J. Buckner
Title: Assistant Attorney General for the Office
of the Attorney General for the District of Columbia

EXHIBIT A

Legal Description

Property Address: 1-13 Bass Circle, S.E.; 4600-4606 Benning Road; S.E., 4608-4614 Benning Road, S.E.; 4505 B Street, S.E; and 4611 Bass Place, S.E

Lots 37 to 41, inclusive in Square 5345 in a subdivision made by Karl W. Corby Corporation, as per plat recorded in Liber 123 at folio 139 in the Office of the Surveyor for the District of Columbia.

EXHIBIT B

Schedule of Performance

Description	Completion Date	Party Responsible
Acquisition Closing	February 28, 2011	Developer and DHCD
Commence repairs and/or relocation	March 31, 2011	Developer
Complete repairs and/or relocation	April 30, 2011	Developer
Schematic Plan Submission to DHCD	June 30, 2011	Developer
DHCD Approval of Schematic Plans	July 31, 2011	DHCD
50% Construction Plan Submission to DHCD	September 30, 2011	Developer
DHCD Approval of 50% Construction Plans	October 31, 2011	DHCD
Permit Application Submission to DCRA	November 30, 2011	Developer
100% Construction Plan Submission to DHCD	December 31, 2011	Developer
DHCD Approval of 100% Construction Plans	January 31, 2012	DHCD
Approximately 35% of NSP2 Funding Expended	February 29, 2012	Developer
Submission of Final Development Plan, Executed CBE Agreement, and First Source Agreement	March 31, 2012	Developer
Building Permit Issuance	May 31, 2012	Developer
Construction Financing Closing	May 31, 2012	Developer
Commence Construction	June 30, 2012	Developer
Rough-In Inspection for 1 st Stage Units	January 31, 2013	
100% of NSP2 Funding Expended	February 28, 2013	Developer
Rough-In Inspection for Remaining Units	December 31, 2013	Developer
Substantial Completion	January 31, 2014	Developer
Substantial Occupancy for Remaining Units	April 30, 2014	Developer

EXHIBIT C

Pre-Construction Guaranty

EXHIBIT D

Development and Completion Guaranty

EXHIBIT E
Development Plan

EXHIBIT E

[Development and Completion Guaranty]

DEVELOPMENT AND COMPLETION GUARANTY

This DEVELOPMENT AND COMPLETION GUARANTY (this “**Guaranty**”) is made as of _____, 2011 (“**Effective Date**”), by TELESIS CORPORATION, a Delaware corporation (collectively, jointly and severally, the “**Guarantor**”) in favor of the DISTRICT OF COLUMBIA, a municipal corporation (the “**District**”).

RECITALS

A. Bass Circle LLC, a Delaware limited liability company (“**Developer**”) and District have entered into a Property Disposition and Development Agreement dated _____, 2011 (the “**PDA**”), concerning the sale by District to Developer, and the development by Developer, of certain real property in Washington, D.C., and more particularly described in the PDA (the “**Property**”).

B. The PDA provides for the development of the Property by Developer as a residential housing project (the “**Project**”) in accordance with the conditions and requirements as set forth in: (i) the PDA, (ii) the construction covenants contained in that certain Declaration of Covenants from the Developer for the benefit of the District (the “**Declaration of Covenants**”), (iii) that certain Affordability Housing Covenant executed by the District against the Property (the “**Affordability Covenant**”), (iv) the Schedule of Performance (as defined in the PDA), and (v) the Final Development Plan (as defined in the PDA). The PDA further provides that on or before the Construction Financing Closing, Developer shall deliver this Guaranty, fully executed by the Guarantors, to District.

C. The Guarantor will benefit from the Developer acquiring the Property and completing the Project.

D. To induce District to enter into the PDA, Guarantor has agreed to guaranty all obligations of Developer under the PDA, Declaration of Covenants and Affordability Covenant, and such other obligations as more particularly set forth in this Guaranty.

NOW, THEREFORE, in consideration of District entering into the PDA, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor, intending to be legally bound, hereby agrees as follows:

1. Incorporation of Recitals and Defined Terms. The foregoing Recitals are incorporated in this Guaranty and made a part hereof by this reference to the same extent as if set forth herein in full. All capitalized terms not defined herein shall have the same meaning as those defined in the PDA.

2. Representations and Warranties.

2.1 Solely with respect to itself, Guarantor warrants and represents to District as follows:

(a) the making and performance of this Guaranty by Guarantor will not result in any breach of any term, condition or provision of, or constitute a default under, any contract,

a breach of any regulation, order, writ, injunction or decree of any court or any commission, board or other administrative agency entered in any proceeding to which Guarantor is a party or by which it is bound;

(b) Guarantor has reviewed, with the advice and benefit of its legal counsel, the terms and provisions of the PDA, this Guaranty, the Declaration of Covenants, the Schedule of Performance, the Approved Project Plans and Spec, and the documents referenced in each of the foregoing;

(c) Guarantor (if such Guarantor is not a natural Person) is duly organized, validly existing and in good standing under the laws of the State of its organization and is duly qualified to do business, and is in good standing, in the District of Columbia;

(d) Guarantor has been duly authorized to carry on its business, and to hold title to and own the property it owns, to execute, deliver and perform this Guaranty, and to consummate the transactions contemplated hereby and thereby;

(e) this Guaranty has been duly authorized, executed and delivered by such Guarantor, and each term and provision hereof, is the legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms;

(f) no actions, suits, or proceedings are pending, or to Guarantor's knowledge, threatened against or affecting Guarantor before any governmental authority;

(g) no consent, approval or authorization of, or registration, declaration, or filing with, any governmental authority or any other Person is required that has not been obtained in writing by Guarantor, in connection with the execution, delivery and performance by Guarantor of this Guaranty and the transactions contemplated by this Guaranty;

(h) Guarantor is not insolvent (as such term is defined or determined for purposes of Bankruptcy Reform Act of 1978 (11 U.S.C. § 101-1330) as now or hereafter amended or recodified or any other bankruptcy law (collectively, the "Bankruptcy Code"), and the execution and delivery of this Guaranty will not make such Guarantor insolvent;

(i) neither this Guaranty nor any financial information, certificate or statement furnished to District by or on behalf of Guarantor contains any untrue statement of a material fact or intentionally or knowingly omits to state a material fact necessary to make the statements herein and therein, in the light of the circumstances under which they are made, not misleading;

(j) no conditions exist which would prevent Guarantor from complying with the provisions of this Guaranty within the time limits set forth herein;

(k) Guarantor has filed all tax returns and reports required by law to have been filed by it, and has paid all taxes, assessments and governmental charges levied upon it or any of its assets which are due and payable, except any such taxes or charges which are being contested in good faith by appropriate proceedings and for which adequate reserves have been set aside;

(l) there are no conditions precedent to the effectiveness of this Guaranty;

(m) such Guarantor is not a Prohibited Person;

(n) all financial statements delivered to District at any time by or on behalf of Guarantor (i) are true and correct in all material respects, (ii) fairly present in a manner consistent with prior statements submitted to District the respective financial conditions of the subjects thereof and for the periods referenced therein, and (iii) have been prepared in accordance with generally accepted accounting principals consistently applied, and there has been no material adverse change in the financial position of Guarantor since the respective dates of (or periods covered by) such statements. Without limiting the foregoing, all assets shown on such financial statements, unless clearly designated to the contrary on such financial statements, (A) are free and clear of any exemption or any claim of exemption of Guarantor or any other Person, (B) accurately reflect all debt and prior pledges or encumbrances (direct or indirect) of or on any of Guarantor's assets at the date of the financial statements and at all times thereafter and (C) are owned individually (and solely managed) by Guarantor and not jointly with any spouse or other Person.

2.2 All of the representations and warranties in this Guaranty are true as of the date of the Construction Financing Closing and will continue to be true throughout the term of this Guaranty as if remade at all times afterwards and shall survive the execution and delivery of this Guaranty. A Guarantor shall inform District in writing within five (5) days upon its discovering any breach of such representations or warranties.

2.3 Each Guarantor acknowledges that District is consummating the Construction Financing Closing in reliance upon the representations, warranties and agreements contained in this Guaranty. District shall be entitled to such reliance notwithstanding any investigation which has been made, has not been made or may be conducted by District or on District's behalf.

3. Guaranteed Obligations. Guarantor hereby absolutely, irrevocably, unconditionally, jointly and severally, guarantees to District (a) the full and complete performance of any and all of Developer's agreements, obligations, and covenants as set forth in the PDA, Declaration of Covenants, and Affordability Covenant, including, without limitation, the payment of all amounts required of Developer and performance of all obligations of Developer set forth therein, including the satisfaction of all indemnification obligations of Developer under the same for the benefit of District; (b) that Commencement of Construction of the Project shall occur on or before that date which is indicated in the Schedule of Performance; (c) Developer's obligations to cause the Project to be completed in accordance with the Approved Plans and Specifications, as required in the PDA, Declaration of Covenants, and Affordability Covenant; (d) that all costs for labor, materials, and services in connection with the design, development, and construction of the Project shall be paid when due (including, without limitation, costs and fees of all architects and engineers, every general contractor and subcontractors and suppliers and in connection with construction of the Project); (e) that the Property shall be free and clear of all liens in favor of any persons furnishing labor, materials, or services in connection with the design, development, or construction of the Project; and (f) the truth, accuracy, and completeness of all of Developer's representations and warranties as set forth in the PDA. Further, Guarantor absolutely, irrevocably, unconditionally, jointly and

severally, agrees to the fullest extent permitted by law, to indemnify, defend, and hold harmless District from any and all loss, cost, liability, and expense arising out of or in connection with (i) the failure of Developer to perform fully and timely its agreements, covenants, and obligations under the PDA, Declaration of Covenants, and the Affordability Covenant and (ii) the enforcement of this Guaranty by District (including, without limitation, reasonable attorneys' fees), except to the extent such loss, cost, liability, and expense arise from the gross negligence or willful misconduct of the District. Upon the occurrence of any failure of Developer to fully and timely perform its agreements, covenants, and obligations under the PDA, the Declaration of Covenants, and Affordability Covenant, upon request by District, Guarantors shall, at Guarantor's sole cost and expense, cure such default by or failure of Developer. The obligations of Guarantor set forth in this Section 3 shall hereinafter be collectively referred to herein as the "**Guaranteed Obligations**".

4. Liens. If any mechanic's or materialmen's liens should be filed, or should attach, with respect to the Property or the Improvements by reason of the construction of the Project, within thirty (30) days after any Guarantor is advised of the filing of such liens, Guarantor shall cause the removal or waiver of such liens, or the posting of security against the consequences of their possible judicial enforcement. So long as Guarantor has complied with the immediately preceding sentence, and if requested by District, posts security as reasonably determined by District, Guarantor shall have the right to contest in good faith any claim, lien, or encumbrance, provided that Guarantor does so diligently and without prejudice to District or any delay in Final Completion.

5. No Right of Subrogation. Guarantor hereby acknowledges that it will not be entitled to reimbursement or distribution from Developer or another guarantor on account of any sums paid by them pursuant to this Guaranty until the Guaranteed Obligations are satisfied in full. Guarantor hereby acknowledges and agrees that Guarantor shall not have any right of subrogation by reason of payments or performance in compliance with the terms of this Guaranty, any such right being hereby expressly waived and relinquished. For so long as the Guaranteed Obligations remain outstanding, Guarantor waives and releases any claim (within the meaning of 11 U.S.C. § 101) which Guarantor may have against Developer or another Guarantor arising from a payment made by such Guarantor under this Guaranty and agrees not to assert or take advantage of any subrogation rights of Guarantor or any right of Guarantor to proceed against Developer or another guarantor for reimbursement. It is expressly understood that the waivers and agreements of Guarantor set forth above constitute additional and cumulative benefits given to District for its security and as an inducement for it to enter into the PDA with Developer.

6. Financial Statements. At any time upon District's request, Guarantor shall submit updated Guarantor Submissions.

7. No Discharge of Obligations.

7.1 Except in the event of a written amendment to this Guaranty signed by the Guarantor and District and then only to the extent expressly provided therein, to the fullest extent permitted by law, none of Guarantor's obligations and no right against Guarantor shall be in any way discharged, impaired or otherwise affected by:

(a) The modification, amendment, or waiver, by change order, directive, or otherwise, or any extension of time for performance of, or other modification in or of the PDA, Declaration of Covenants, or Affordability Covenant.

(b) The release or waiver of or delay in the enforcement of any right or remedy by District against Developer or any Guarantor under the PDA, Declaration of Covenants, Affordability Covenant, or this Guaranty, or the compromise or settlement by any of the above parties of any amount or matter in dispute relating to any of the forgoing agreements.

(c) The exercise by District, any mortgage lender, or any other party of any of their respective rights and remedies under the PDA, Declaration of Covenants, Affordability Covenant, or any mortgage loan documents, or any other agreement relating to the construction of the Improvements.

(d) The approval, disapproval, inspection, review, or failure to inspect or review by District of the progress, status, or quality of construction or any costs, expenses, financing, contracts, or other matters relating thereto, in connection with the construction of the Improvements.

(e) The release or discharge of Developer, any Guarantor, or any other Person from any obligation in any receivership, bankruptcy, winding-up or other creditor proceeding.

(f) Any act or omission, unless due to gross negligence or willful misconduct, of District or its agents, employees, consultants, or any other Person acting for the benefit of District.

7.2 It is expressly agreed by Guarantor that, to the fullest extent permitted by law, none of the forgoing events shall release or discharge the obligations of Guarantor hereunder, whether or not such event may otherwise be deemed a legal or equitable discharge of a guarantor or surety. Each Guarantor agrees that neither District nor any other party shall have any duty to disclose to such Guarantor any information they receive regarding the financial status of any party involved in the development or construction of the Improvements, or any information relating to the Property, whether such information indicates that the risk or obligations of Guarantor have or may increase. Each Guarantor assumes full responsibility for keeping informed of such matters.

7.3 No change in the composition of District, Developer or any other Person shall in any way affect, impair, or diminish the liability of Guarantor hereunder, and District shall have no obligation to inquire into the powers of any of them to perform the Guaranteed Obligations.

7.4 This Guaranty is being delivered free of any conditions and no representations have been made to Guarantor affecting or limiting the liability of Guarantor hereunder. The obligations of Guarantor hereunder are independent of any obligations which Guarantor may have to District, directly or indirectly.

8. Nature of Guaranty. This Guaranty is absolute, irrevocable, and continuing in nature and relates to Guaranteed Obligations now existing or hereafter arising. This Guaranty is a guaranty of prompt and punctual payment and performance and is not a guaranty of collection.

The liability of Guarantor hereunder is independent of the obligations of Developer or any other Person, and a separate action or separate actions may be brought or prosecuted against any Guarantor whether or not any action is brought or prosecuted against Developer, any other Guarantor, or any other Person, or whether Developer, a Guarantor, or any other Person is joined in any such action or actions. The liability of Guarantor hereunder is independent of, and not in consideration of or contingent upon the liability of any other Person under any similar instrument and the release of, or cancellation by, any signer of a similar instrument shall not act to release or otherwise affect the liability of either Guarantor unless Guarantor is independently and specifically released in writing by District. To the fullest extent permitted by law, this Guaranty shall be construed as a continuing, absolute, and unconditional guaranty of payment and performance (and not of collection) without regard to:

(a) the legality, validity, or enforceability of any of the PDA, Declaration of Covenants, Affordability Covenant or any of the obligations of Developer evidenced thereby;

(b) any defense, setoff, or counterclaim that may be available at any time to Developer or any other Person against and any right of setoff at any time held by District (including, without limitation, any defense, setoff, or counterclaim by any Guarantor under this Guaranty); or

(c) any other circumstances whatsoever (with or without notice to or knowledge of either Guarantor or any other Guarantor), whether or not similar to any of the foregoing, that constitutes or might be construed to constitute an equitable or legal discharge of Developer or any other Person in bankruptcy or in any other instance.

9. Relationship to Other Agreements. Nothing herein shall in any way modify or limit the effect of terms or conditions set forth in any other document, instrument, or agreement executed by Guarantor in connection with the Guaranteed Obligations, but each and every term and condition hereof shall be in addition thereto. In no event will Guarantor's liability hereunder be reduced as a result of any evidence that the cost to perform the Guaranteed Obligations exceeds the enhancement in value to the Property resulting from performance of the Guaranteed Obligations.

10. Subordination of Indebtedness and Obligations. Each Guarantor agrees that any rights of such Guarantor, whether now existing or later arising, to receive payment on account of any indebtedness (including interest) or other obligations or liabilities owed to such Guarantor by another Guarantor or Developer shall at all times be subordinate to the time of payment and in all other respects to the full and prior indefeasible performance of all obligations owed to District under the PDA, Declaration of Covenants, and Affordability Covenant. Guarantor shall not be entitled to enforce or receive payment of any sums hereby subordinated until all such obligations owed to District have been paid and performed in full.

11. Statute of Limitations and Other Laws. To the fullest extent permitted by law, until the Guaranteed Obligations have been irrevocably paid and performed in full, all of the rights, privileges, powers, and remedies granted to District hereunder shall continue to exist and may be exercised by District at any time and from time to time, irrespective of the fact that any of the Guaranteed Obligations may have become barred by any statute of limitations. Each Guarantor expressly waives, to the fullest extent permitted by law, the benefit of any and all

statutes of limitation, and any and all laws providing for exemption of property from execution or for valuation and appraisal upon foreclosure, and any and all rights and benefits, if any, arising under the laws of the District of Columbia. Furthermore, Guarantors acknowledge that any claims brought by District that arise under or as a result of this Guaranty are not subject to the statute of limitations contained in D.C. Official Code § 12-301 (2007 Supp.).

12. Rights Upon Default.

12.1 Upon the occurrence of (a) any failure in the performance of the Guaranteed Obligations, (b) the dissolution or insolvency of any Guarantor which remains uncured more than thirty (30) days following notice from District, (c) the inability of any Guarantor to pay its debts as they mature, (d) an assignment by any Guarantor for the benefit of creditors, (e) the institution of any proceeding by or against any Guarantor in bankruptcy or for a reorganization or an arrangement with creditors, or for the appointment of a receiver, trustee, or custodian for such Guarantor or its properties which proceeding is not dismissed within ninety (90) days, (f) the determination by District in good faith that a material adverse change has occurred in the financial condition of any Guarantor, including without limitation, the entry of a significant judgment against any Guarantor, the issuance of a writ or order of attachment, levy, or garnishment in any significant amount against any Guarantor, (g) the falsity in any material respect of or any material omission in any representation made to District by any Guarantor, or (h) any other default by Guarantor of any other obligations owed to District under the terms hereof which remains uncured more than thirty (30) days following notice from District (each an “**Event of Default**”), District shall have such rights and remedies available to it as permitted by law and in equity and may enforce this Guaranty independently of any other remedy or security District at any time may have or hold in connection with the Guaranteed Obligations, and it shall not be necessary for District to marshal assets in favor of Developer, any Guarantor, or any other Person or to proceed upon or against and/or exhaust any security or remedy before proceeding to enforce this Guaranty.

12.2 Guarantor agrees that if an Event of Default has occurred hereunder District may (in addition to all of its other rights and remedies) upon written notice to Guarantor (a) complete or engage one or more third parties to complete construction of the Project, (b) terminate any and all contracts and agreements entered into by Guarantor in connection with construction of the Project, (c) engage builders, contractors, engineers, architects, and others for the purpose of furnishing labor, materials, and equipment in connection with the construction of the Project, (d) pay, compromise, or settle all bills or claims incurred in connection with Final Completion, (e) take such actions including procuring another developer or developers of the Project, or (f) take or refrain from taking such other action to enforce the provisions of this Guaranty as it may from time to time determine in its sole discretion. Guarantor shall, immediately upon demand therefor, reimburse District for any and all expenditures incurred by District under this Section plus interest thereon at a rate of five percent (5%) per annum until all sums are paid to District. Upon the occurrence of a default, in addition to any other remedy described herein, District may file a separate action or actions against one or more Guarantors, whether action is brought or prosecuted with respect to any security or against any other Person, or whether any other Person is joined in any such action or actions.

12.3 Guarantor agrees that District and Developer or any other Person may deal with each other in connection with the Guaranteed Obligations or otherwise, or alter any contracts or agreements now or hereafter existing between them, in any manner whatsoever, all without notice to the Guarantor and without in any way altering or affecting the security of this Guaranty. District's rights hereunder shall be reinstated and revived and the enforceability of this Guaranty shall continue with respect to any amount at any time paid on account of the Guaranteed Obligations, which thereafter shall be required to be restored or returned by District upon the bankruptcy, insolvency, or reorganization of Developer or any other Person, or for any other reason, all as though such amount had not been paid. The rights of District created or granted herein and the enforceability of this Guaranty at all times shall remain effective even though the Guaranteed Obligations, including any part thereof or any other security or guaranty therefor, may be or hereafter may become invalid or otherwise unenforceable as against Developer or the other Person or any Person, shall have any personal liability with respect thereto.

12.4 Guarantor expressly waives, to the fullest extent permitted by law, any and all defenses now or hereafter arising or asserted by reason of (a) any disability or other defense of Developer or any other Person with respect to the Guaranteed Obligations; (b) the unenforceability or invalidity of any security or guaranty for the Guaranteed Obligations or the lack of perfection or continuing perfection or failure of priority of any security for the Guaranteed Obligations; (c) the cessation for any cause whatsoever of the liability, in whole or in part, of Developer or any other Person; (d) any failure of District to marshal assets in favor of Developer or any other Person; (e) any failure of District to give notice of sale or other disposition of any collateral (now or hereafter securing the obligations of any Person) to Developer or any other Person, as applicable, or any defect in any notice that may be given in connection with any sale or disposition of collateral; (f) any failure of District to comply with applicable Laws or other requirements in connection with the sale or other disposition of any collateral or other security for any obligation owed to District, including any failure of District to conduct a commercially reasonable sale or other disposition of any collateral or other security for any obligation owed to District; (g) any act or omission of District, or others, that directly or indirectly results in or aids the discharge or release of Developer or any other Person, or the Guaranteed Obligations or any security or guaranty therefor by operation of law or otherwise; (h) any applicable Law or other requirement which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation, including, without limitation, all rights and benefits under the laws of the District of Columbia purporting to reduce a Guarantor's obligation in proportion to the obligation of the principal; (i) any failure of District to file or enforce a claim in any bankruptcy or other proceeding with respect to any person; (j) the election by District in any bankruptcy proceeding of any person, of the application or non-application of Section 1111(b)(2) of the United States Bankruptcy Code; (k) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any person; (l) the avoidance of any lien in favor of District for any reason; (m) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation, or dissolution proceeding commenced by or against any Person, including any discharge of, or bar, or stay against collecting, all or any of the Guaranteed Obligations (or any interest thereon) in or as a result of any such proceedings; (n) all rights or defenses Guarantor may have by reason of protection afforded to the principal with respect to the Guaranteed Obligations or to any other guarantor's obligations under its guaranty, in either case,

pursuant to the anti-deficiency laws or other laws of the District of Columbia or other states limiting or discharging the principal's obligations; and (o) the right to require District to proceed under any other remedy District may have before proceeding against Guarantor. Guarantor expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor, and all other notices or demands of any kind or nature whatsoever with respect to the Guaranteed Obligations and all notices of acceptance of this Guaranty or of the existence, creation, or incurring of new or additional obligations by Developer for which Guarantor shall be automatically responsible and liable hereunder and waives all surety and guarantor defenses, all to the fullest extent permitted by law, and thus, such Guarantor acknowledges that it may essentially have no control over its ultimate responsibility for Developer's obligations guaranteed hereunder.

13. Cumulative Rights. The exercise by District of any right or remedy hereunder or under the PDA, Declaration of Covenants, Affordability Covenant, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy. District shall have all rights, remedies, and recourses afforded to District by reason of this Guaranty, the PDA, Declaration of Covenants, Affordability Covenant, or by law or equity or otherwise, and the same (a) shall be cumulative and concurrent; (b) may be pursued separately, successively, or concurrently against Guarantors or others obligated for the Guaranteed Obligations, or any part thereof, or against any one or more of them, at the sole and absolute discretion of District; (c) may be exercised as often as occasion therefor shall arise, it being agreed by each Guarantor that the exercise of, discontinuance of the exercise of, or failure to exercise any of such rights, remedies, or recourses shall in no event be construed as a waiver or release thereof or of any other right, remedy, or recourse; and (d) are intended to be and shall be nonexclusive. No waiver of any default on the part of any Guarantor or of any breach of any of the provisions of this Guaranty or of any other document shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers granted herein or in any other document shall be construed as a waiver of such rights and powers, and no exercise or enforcement of any rights or powers hereunder or under any other document shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time. The granting of any consent, approval, or waiver by District shall be limited to the specific instance and purpose therefor and shall not constitute consent or approval in any other instance or for any other purpose. No notice to or demand on any Guarantor in any case shall of itself entitle such Guarantor to any other or further notice or demand in similar or other circumstances.

14. Waivers and Consents.

14.1 Guarantor consents and agrees that District may, at any time and from time to time, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof: (a) supplement, modify, amend, extend, renew, accelerate, or otherwise change the time for performance or the terms of the PDA, Declaration of Covenants, or Affordability Covenant; (b) supplement, modify, amend, or waive, or enter into or give any agreement, approval, or consent with respect to, the PDA, Declaration of Covenants, or Affordability Covenant, or any part thereof, or any additional security or guaranties, or any condition, covenant, default, remedy, right, representation, or term thereof or thereunder; (c)

accept new or additional instruments, documents, or agreements in exchange for or relative to the PDA, Declaration of Covenants, or Affordability Covenant, or any part thereof or performance pursuant thereto; (d) accept partial payments on, or performance of, the obligations owed to District and apply any and all payments or recoveries from Developer or any other Person to such of the obligations owed to District as District may elect in its sole discretion; (e) receive and hold additional security or guaranties for the obligations owed to District or any part thereof; (f) release, re-convey, terminate, waive, abandon, fail to perfect, subordinate, exchange, substitute, transfer, or enforce any security or guaranties, and apply any security and direct the order or manner of sale thereof as District may elect in its sole and absolute discretion may determine; (g) release any Person from any personal liability with respect to the obligations owed to District or any party thereof; (h) settle, release on terms satisfactory to District, as the case may be, or by operation of applicable law or otherwise liquidate or enforce any obligations owed to District and any security or guaranty in any manner, consent to the transfer of any security and bid and purchase at any sale (other than by reason of the timely and full payment and performance of all obligations owed to District); (i) consent to the merger, change of any other restructuring or termination of the corporate existence of Developer or any other Person and correspondingly restructure the obligations owed to District, and any such merger, change, restructuring, or termination shall not affect the liability of such Guarantor or the continuing effectiveness hereof, or the enforceability thereof with respect to all or any part of the obligations owed to District; (j) otherwise deal with Developer or any other Person as District may elect in its sole discretion.

14.2 Guarantor expressly agrees that until the earlier of (a) the date on which Guaranteed Obligations are paid and performed in full and each and every term, covenant, and condition of this Guaranty is fully performed or (b) Final Completion, Guarantor shall not, to the fullest extent permitted by law, be released by or because of:

(a) Any act or event which might otherwise discharge, reduce, limit or modify such Guarantor's obligations under this Guaranty;

(b) Any waiver, extension, modification, forbearance, delay, or other act or omission of District, or District's failure to proceed promptly or otherwise as against Developer or any other Person, or any security;

(c) Any action, omission, or circumstance which might increase the likelihood that such Guarantor may be called upon to perform under this Guaranty or which might affect the rights or remedies of such Guarantor as against Developer or any other Person; or

(d) Any dealings occurring at any time between Developer or any other Person, on the one hand, and District, on the other hand, whether relating to the PDA, Declaration of Covenants, or Affordability Covenant, or otherwise.

(e) Guarantor waives all rights and defenses arising out of an election of remedies by District, even though that election of remedies may have destroyed such Guarantor's rights of subrogation and reimbursement against Developer or any other Person, and even though that election of remedies by District has destroyed such Guarantor's rights of contribution against another guarantor of any of the Guaranteed Obligations.

14.3 No provision of this Guaranty shall be construed as limiting the generality of any of the covenants and waivers set forth in Sections 12 and 14.

14.4 Guarantor hereby expressly, to the fullest extent permitted by law, waives and surrenders any defense to its liability under this Guaranty based upon any of the foregoing acts, omissions, agreements, waivers, or matters. It is the purpose and intent of this Guaranty that the obligations of each Guarantor under it shall be absolute and unconditional under any and all circumstances.

15. No Amendment. Neither this Guaranty nor any provision hereof may be modified, amended, waived, terminated, or changed orally, but only by an agreement in writing signed by District and the Guarantors to be bound by such agreement.

16. Successors. This Guaranty shall be binding upon and inure to the benefit of the heirs, administrators, legal representatives, successors and assigns of the parties hereto.

17. Irrevocable Survival. This Guaranty shall be irrevocable by the Guarantors until all Guaranteed Obligations have been completely and indefeasibly paid and all obligations and undertakings of Developer and of the undersigned hereunder have been completely performed.

18. Unenforceability. If any term or provision of this Guaranty shall be determined to be illegal, invalid, or unenforceable, this Guaranty and all other terms and provisions hereof shall nevertheless remain effective and shall be enforced to the fullest extent permitted by law.

19. Definitions. Any capitalized term not defined herein shall have the meaning set forth in the PDA.

20. Entire Agreement. This Guaranty constitutes the entire agreement with respect to the subject matter hereof, and supersedes all prior discussions, negotiations, commitments, representations, agreements, and understandings between the parties.

21. WAIVER OF JURY TRIAL; JURISDICTION. GUARANTOR HEREBY WAIVES ANY RIGHT TO JURY TRIAL IN CONNECTION WITH ANY SUIT, ACTION, PROCEEDING, OR CLAIM RELATING TO THIS GUARANTY, THE PDA, DECLARATION OF COVENANTS, OR AFFORDABILITY COVENANT, OR TO THE TRANSACTIONS CONTEMPLATED BY THE AFOREMENTIONED. ANY SUIT, ACTION, PROCEEDING, OR CLAIM RELATING TO THIS GUARANTY SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA OR THE SUPERIOR COURT FOR THE DISTRICT OF COLUMBIA, AND GUARANTOR AGREES THAT SUCH COURTS ARE THE MOST CONVENIENT FORUM FOR RESOLUTION OF ANY SUCH ACTION AND FURTHER AGREES TO SUBMIT TO THE JURISDICTION OF SUCH COURTS AND WAIVE ANY RIGHT TO OBJECT TO VENUE IN SUCH COURTS.

INITIAL HERE

INITIAL HERE

22. Notice.

TO DISTRICT:

Any notices given under this Guaranty 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:

District of Columbia
Department of Housing and Community Development
Property Acquisition and Disposition Division
1800 Martin Luther King Avenue, SE
Washington, D.C. 20020
Attention: Martine Combal, Manager
Telephone: 202-442-7285

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: Vonda J. Orders, General Counsel
Telephone: 202-442-6991

TO GUARANTOR:

Any notices given under this Guaranty 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 Guarantor at the following addresses:

Telesis Corporation
1101 30th Street, NW
Fourth Floor
Washington, D.C. 20007
Attn: Bertrand Mason
Telephone: 202-295-1213

With a copy to:

Klein Hornig LLP
1275 K Street, NW, Suite 1200
Washington, D.C. 20005
Attn: Aaron O'Toole

Telephone: 202-842-0127

Notices served upon Guarantor 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 Guaranty 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.

23. Counterparts. This Guaranty may be executed in counterparts, each of which shall be deemed to be an original. In proving this Guaranty it shall not be necessary to produce or account for more than one counterpart.

24. Termination. This Guaranty shall terminate upon Final Completion.

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

IN WITNESS WHEREOF the parties have executed this Guaranty as of the day and year first above written.

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: Lauren J. Buckner
Title: Assistant Attorney General

By: _____
Name: Robert L. Trent
Title: Interim Director, Department of Housing
and Community Development

DEVELOPER

TELESIS CORPORTION, a Delaware
corporation

By: _____
Name: _____
Title: _____

EXHIBIT F

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, D.C. 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 G

Schedule of Performance

Description	Completion Date	Party Responsible
Acquisition Closing	February 28, 2011	Developer and DHCD
Commence repairs and/or relocation	March 31, 2011	Developer
Complete repairs and/or relocation	April 30, 2011	Developer
Schematic Plan Submission to DHCD	June 30, 2011	Developer
DHCD Approval of Schematic Plans	July 31, 2011	DHCD
50% Construction Plan Submission to DHCD	September 30, 2011	Developer
DHCD Approval of 50% Construction Plans	October 31, 2011	DHCD
Permit Application Submission to DCRA	November 30, 2011	Developer
100% Construction Plan Submission to DHCD	December 31, 2011	Developer
DHCD Approval of 100% Construction Plans	January 31, 2012	DHCD
Approximately 35% of NSP2 Funding Expended	February 29, 2012	Developer
Submission of Final Development Plan, Executed CBE Agreement, and First Source Agreement	March 31, 2012	Developer
Building Permit Issuance	May 31, 2012	Developer
Construction Financing Closing	May 31, 2012	Developer
Commence Construction	June 30, 2012	Developer
Rough-In Inspection for 1 st Stage Units	January 31, 2013	
100% of NSP2 Funding Expended	February 28, 2013	Developer
Rough-In Inspection for Remaining Units	December 31, 2013	Developer
Substantial Completion	January 31, 2014	Developer
Substantial Occupancy for Remaining Units	April 30, 2014	Developer

EXHIBIT H

[Lease Agreements]

EXHIBIT I

[Development Plan]

Summary of the Development Plan
Acquisition and Rehabilitation
Bass Circle Apartments
January 2011

Bass Circle LLC (“Developer”) is committed to working with the Bass Circle Tenants Association (“BCTA”) and District of Columbia Department of Housing and Community Development (“DHCD”) to improve and preserve Bass Circle Apartments (“Bass Circle”) in the District of Columbia as good quality, affordable housing for its current residents and other low income tenants.

GOALS

The principal goals for the redevelopment and preservation of Bass Circle are as follows:

- Improvement of housing quality
- Long-term housing affordability
- Preference and support for existing residents
- Energy-efficient improvements
- Commitment to resident participation and involvement
- Efficient use of public resources

The residents of Bass Circle deserve good quality, affordable housing as well as an opportunity to participate in its design and operation. The Developer is committed to working with BCTA and DHCD to achieve these goals.

DEVELOPMENT SCOPE

BCTA is a resident-controlled, non-profit corporation that exercised its right under TOPA to purchase Bass Circle from the current owners. The Seller was unable to close on the purchase agreement with BCTA due to a title defect arising from a defaulted mortgage loan. DHCD, the defaulted mortgage lender, plans to acquire the property from the Seller through a deed in lieu of foreclosure and concurrently transfer it to Bass Circle LLC for redevelopment in accordance with this plan. Bass Circle LLC is working with Telesis Corporation, the affordable housing development firm selected by BCTA to develop and manage Bass Circle.

DHCD will sell Bass Circle to the Developer in exchange for \$800,000 in cash and a subordinate deed of trust note for the difference between this amount and the purchase price. The purchase price would be 1% less than the fair market value of the property to satisfy the requirement of the federal Neighborhood Stabilization Program round 2 (NSP2) program, which is providing part of the funding for the proposed development. The DHCD note would be paid from surplus cash from the operation of the property and would be secured by a subordinate deed of trust. The DHCD deed of trust would be subordinated to the other present and future mortgage financing for the project.

DEVELOPMENT PHASES

Under the current preliminary plan the renovation would include the repair or replacement of major systems, windows, roofs, kitchens and bathrooms, as well as asbestos removal and lead paint abatement. The site improvements would include repair or replacement of underground utility lines, improvement of the ground water drainage system, and landscaping. The on-site parking area, which is limited in size, needs to be repaired or replaced; and a play area should be added. The requirements of the Enterprise Green Communities Program would be incorporated, too.

The proposed redevelopment of the 122-unit, 5-building complex is expected to proceed as long-term affordable rental housing financed with 4% LIHTC-based equity, NSP2 funding, and mortgage loans including the DHCD subordinate mortgage loan. A 30-year affordable housing covenant will be recorded against the property. Although all rents would remain affordable to households earning 60% of the Metropolitan Area Median Income (“AMI”), some rents would be further reduced to accommodate existing residents and prevent their displacement. The development of Bass Circle, as currently proposed, would proceed in four phases, as follows:

Phase 1 would consist of the following activities during the preconstruction period: (i) a survey of the tenants to determine their needs, preferences and household characteristics, including income; (ii) completion of the preliminary physical needs assessment; and (iii) relocation of the existing tenants in accordance with the applicable federal and local requirements and Relocation Plan, which is part of this Development Plan. Phase 1 may include the repair of units at Bass Circle for onsite relocation or relocation of tenants to suitable offsite units, or a mix of both.

Phase 2 would consist of the other preconstruction activities that are required for the proposed project in accordance with the Property Disposition and Development Agreement (“PDDA”). This would include, without limitation, the preparation of the Project Drawings, Project Budget and Project Financing Plan, application(s) for the Permits, and arrangements for debt and equity financing.

Phase 3 would consist of the physical rehabilitation of the property in accordance with the PDDA from the Construction Financing Closing through Final Completion.

Phase 4 would consist of the ongoing operation of the Project following the Completion of Construction, in accordance with the PDDA, Affordable Housing Covenant, Declaration of Covenants and DHCD loan documents.

Once the property is transferred priority attention should be given to providing immediate relief to the existing tenants. They should not continue to live in unhealthy and unsafe conditions. This will require obtaining additional information on the tenant households, determining the immediate physical needs of the property, and deciding on a financially feasible approach to providing relocation services and benefits. The Developer expects to accomplish this by installing experienced property management and either repairing units for onsite relocation or relocating residents to suitable off-site units. Residents who choose to leave the property

altogether should be accommodated as well. The Developer would offer them cash payments and other assistance to lessen the hardship of moving. To minimize the extent of off-site relocation the proposed rehabilitation may be undertaken in two or more phases. In the event that the existing tenants are relocated onsite the preconstruction costs may include the funding of immediate unit repairs and operating deficits from the operation of the partially occupied property. NSP2 funds, in the form of a loan to Bass Circle LLC, would be used to pay the preconstruction costs and other development costs.

EXHIBIT J

[Rent Roll]

EXHIBIT K

[Pre-Construction Guaranty]

PRE-CONSTRUCTION GUARANTY

This PRE-CONSTRUCTION GUARANTY (this "**Guaranty**") is made as of _____, 2011 ("**Effective Date**"), by TELESIS CORPORATION, a Delaware corporation (collectively, jointly and severally, the "**Guarantor**") in favor of the DISTRICT OF COLUMBIA, a municipal corporation (the "**District**").

RECITALS

A. Bass Circle LLC, a Delaware limited liability company ("**Developer**") and District have entered into a Property Disposition and Development Agreement dated _____, 2011 (the "**PDA**"), concerning the sale by District to Developer, and the development by Developer, of certain real property in Washington, D.C., and more particularly described in the PDA (the "**Property**").

B. The PDA provides for the development of the Property by Developer as a residential housing project (the "**Project**") in accordance with the conditions and requirements as set forth in: (i) the PDA, (ii) that certain Declaration of Covenants from the Developer for the benefit of the District (the "**Construction and Use Covenant**"), (iii) that certain Affordability Housing Covenant executed by the District against the Property (the "**Affordability Covenant**"), (iv) the Schedule of Performance (as defined in the PDA), and the Development Plan (as defined in the PDA). Phase 1 of the Development Plan describes certain pre-development and interim work to be undertaken by Developer following the closing on the acquisition of the Property, but prior to Construction Financing Closing ("**Phase 1**"). The PDA further provides that on or before the Closing Date, and as a condition precedent to the Closing, Developer shall deliver this Guaranty, fully executed by the Guarantor, to District.

C. The Guarantor will benefit from the Developer acquiring the Property and completing the Project.

D. To induce District to enter into the PDA, Guarantor has agreed to guaranty all obligations of Developer under the PDA, Construction and Use Covenant and Affordability Covenant with respect to Phase 1, and such other obligations as more particularly set forth in this Guaranty.

NOW, THEREFORE, in consideration of District entering into the PDA, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor, intending to be legally bound, hereby agrees as follows:

1. Incorporation of Recitals and Defined Terms. The foregoing Recitals are incorporated in this Guaranty and made a part hereof by this reference to the same extent as if set forth herein in full. All capitalized terms not defined herein shall have the same meaning as those defined in the PDA.

2. Representations and Warranties.

2.1 Solely with respect to itself, Guarantor warrants and represents to District as follows:

(a) the making and performance of this Guaranty by Guarantor will not result in any breach of any term, condition or provision of, or constitute a default under, any contract, agreement or other instrument to which Guarantor is a party or by which it is bound, or result in a breach of any regulation, order, writ, injunction or decree of any court or any commission, board or other administrative agency entered in any proceeding to which Guarantor is a party or by which it is bound;

(b) Guarantor has reviewed, with the advice and benefit of its legal counsel, the terms and provisions of the PDA, this Guaranty, the Construction and Use Covenant, the Schedule of Performance, and the documents referenced in each of the foregoing;

(c) Guarantor (if such Guarantor is not a natural Person) is duly organized, validly existing and in good standing under the laws of the State of its organization and is duly qualified to do business, and is in good standing, in the District of Columbia;

(d) Guarantor has been duly authorized to carry on its business, and to hold title to and own the property it owns, to execute, deliver and perform this Guaranty, and to consummate the transactions contemplated hereby and thereby;

(e) this Guaranty has been duly authorized, executed and delivered by such Guarantor, and each term and provision hereof, is the legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms;

(f) no actions, suits, or proceedings are pending, or to Guarantor's knowledge, threatened against or affecting Guarantor before any governmental authority;

(g) no consent, approval or authorization of, or registration, declaration, or filing with, any governmental authority or any other Person is required that has not been obtained in writing by Guarantor, in connection with the execution, delivery and performance by Guarantor of this Guaranty and the transactions contemplated by this Guaranty;

(h) Guarantor is not insolvent (as such term is defined or determined for purposes of Bankruptcy Reform Act of 1978 (11 U.S.C. § 101-1330) as now or hereafter amended or recodified or any other bankruptcy law (collectively, the "Bankruptcy Code"), and the execution and delivery of this Guaranty will not make such Guarantor insolvent;

(i) neither this Guaranty nor any financial information, certificate or statement furnished to District by or on behalf of Guarantor contains any untrue statement of a material fact or intentionally or knowingly omits to state a material fact necessary to make the statements herein and therein, in the light of the circumstances under which they are made, not misleading;

(j) no conditions exist which would prevent Guarantor from complying with the provisions of this Guaranty within the time limits set forth herein;

(k) Guarantor has filed all tax returns and reports required by law to have been filed by it, and has paid all taxes, assessments and governmental charges levied upon it or any of its

assets which are due and payable, except any such taxes or charges which are being contested in good faith by appropriate proceedings and for which adequate reserves have been set aside;

(l) there are no conditions precedent to the effectiveness of this Guaranty;

(m) such Guarantor is not a Prohibited Person;

(n) all financial statements delivered to District at any time by or on behalf of Guarantor (i) are true and correct in all material respects, (ii) fairly present in a manner consistent with prior statements submitted to District the respective financial conditions of the subjects thereof and for the periods referenced therein, and (iii) have been prepared in accordance with generally accepted accounting principals consistently applied, and there has been no material adverse change in the financial position of Guarantor since the respective dates of (or periods covered by) such statements. Without limiting the foregoing, all assets shown on such financial statements, unless clearly designated to the contrary on such financial statements, (A) are free and clear of any exemption or any claim of exemption of Guarantor or any other Person, (B) accurately reflect all debt and prior pledges or encumbrances (direct or indirect) of or on any of Guarantor's assets at the date of the financial statements and at all times thereafter and (C) are owned individually (and solely managed) by Guarantor and not jointly with any spouse or other Person.

2.2 All of the representations and warranties in this Guaranty are true as of the Closing Date and will continue to be true throughout the term of this Guaranty as if remade at all times afterwards and shall survive the execution and delivery of this Guaranty. A Guarantor shall inform District in writing within five (5) days upon its discovering any breach of such representations or warranties.

2.3 Each Guarantor acknowledges that District is consummating the Closing in reliance upon the representations, warranties and agreements contained in this Guaranty. District shall be entitled to such reliance notwithstanding any investigation which has been made, has not been made or may be conducted by District or on District's behalf.

3. Guaranteed Obligations. Prior to Construction Financing Closing and solely with respect to Phase 1, Guarantor hereby absolutely, irrevocably, unconditionally, jointly and severally, guarantees to District (a) the full and complete performance of any and all of Developer's agreements, obligations, and covenants with respect to Phase 1 as set forth in the PDA, Construction and Use Covenant, and Affordability Covenant, including, without limitation, the payment of all amounts required of Developer and performance of all obligations of Developer set forth therein, including the satisfaction of all indemnification obligations of Developer under the same for the benefit of District; (b) that all costs for labor, materials, services and all payments to tenants in connection with Phase 1 shall be paid when due (including, without limitation, costs and fees of all architects and engineers, every general contractor and subcontractors and suppliers and in connection with Phase 1); and (c) that the Property shall be free and clear of all liens in favor of any persons furnishing labor, materials, or services in connection with Phase 1; and (d) the truth, accuracy, and completeness of all of Developer's representations and warranties as set forth in the PDA. Further, Guarantor absolutely, irrevocably, unconditionally, jointly and severally, agrees to the fullest extent

permitted by law, to indemnify, defend, and hold harmless District from any and all loss, cost, liability, and expense arising out of or in connection with (i) the failure of Developer to perform fully and timely its agreements, covenants, and obligations with respect to Phase 1 under the PDA, Construction and Use Covenant, and the Affordability Covenant and (ii) the enforcement of this Guaranty by District (including, without limitation, reasonable attorneys' fees), except to the extent such loss, cost, liability, and expense arise from the gross negligence or willful misconduct of the District. Upon the occurrence of any failure of Developer to fully and timely perform its agreements, covenants, and obligations with respect to Phase 1 under the PDA, Construction and Use Covenant, and Affordability Covenant, upon request by District, Guarantors shall, at Guarantor's sole cost and expense, cure such default by or failure of Developer. The obligations of Guarantor set forth in this Section 3 shall hereinafter be collectively referred to herein as the "**Guaranteed Obligations**".

4. Liens. If any mechanic's or materialmen's liens should be filed, or should attach, with respect to the Property or the Improvements by reason of any work performed in Phase 1, within thirty (30) days after any Guarantor is advised of the filing of such liens, Guarantor shall cause the removal or waiver of such liens, or the posting of security against the consequences of their possible judicial enforcement. So long as Guarantor has complied with the immediately preceding sentence, and if requested by District, posts security as reasonably determined by District, Guarantor shall have the right to contest in good faith any claim, lien, or encumbrance, provided that Guarantor does so diligently and without prejudice to District or any delay in Final Completion.

5. No Right of Subrogation. Guarantor hereby acknowledges that it will not be entitled to reimbursement or distribution from Developer or another guarantor on account of any sums paid by them pursuant to this Guaranty until the Guaranteed Obligations are satisfied in full. Guarantor hereby acknowledges and agrees that Guarantor shall not have any right of subrogation by reason of payments or performance in compliance with the terms of this Guaranty, any such right being hereby expressly waived and relinquished. For so long as the Guaranteed Obligations remain outstanding, Guarantor waives and releases any claim (within the meaning of 11 U.S.C. § 101) which Guarantor may have against Developer or another Guarantor arising from a payment made by such Guarantor under this Guaranty and agrees not to assert or take advantage of any subrogation rights of Guarantor or any right of Guarantor to proceed against Developer or another guarantor for reimbursement. It is expressly understood that the waivers and agreements of Guarantor set forth above constitute additional and cumulative benefits given to District for its security and as an inducement for it to enter into the PDA with Developer.

6. Financial Statements. At any time upon District's request, Guarantor shall submit updated Guarantor Submissions.

7. No Discharge of Obligations.

7.1 Except in the event of a written amendment to this Guaranty signed by the Guarantor and District and then only to the extent expressly provided therein, to the fullest extent permitted by law, none of Guarantor's obligations and no right against Guarantor shall be in any way discharged, impaired or otherwise affected by:

(a) The modification, amendment, or waiver, by change order, directive, or otherwise, or any extension of time for performance of, or other modification in or of the PDA, Construction and Use Covenant, or Affordability Covenant.

(b) The release or waiver of or delay in the enforcement of any right or remedy by District against Developer or any Guarantor under the PDA, Construction and Use Covenant, Affordability Covenant, or this Guaranty, or the compromise or settlement by any of the above parties of any amount or matter in dispute relating to any of the forgoing agreements.

(c) The exercise by District, any mortgage lender, or any other party of any of their respective rights and remedies under the PDA, Construction and Use Covenant, Affordability Covenant, or any mortgage loan documents, or any other agreement relating to the construction of the Improvements.

(d) The approval, disapproval, inspection, review, or failure to inspect or review by District of the progress, status, or quality of construction or any costs, expenses, financing, contracts, or other matters relating thereto, in connection with the construction of the Improvements.

(e) The release or discharge of Developer, any Guarantor, or any other Person from any obligation in any receivership, bankruptcy, winding-up or other creditor proceeding.

(f) Any act or omission, unless due to gross negligence or willful misconduct, of District or its agents, employees, consultants, or any other Person acting for the benefit of District.

7.2 It is expressly agreed by Guarantor that, to the fullest extent permitted by law, none of the forgoing events shall release or discharge the obligations of Guarantor hereunder, whether or not such event may otherwise be deemed a legal or equitable discharge of a guarantor or surety. Each Guarantor agrees that neither District nor any other party shall have any duty to disclose to such Guarantor any information they receive regarding the financial status of any party involved in the development or construction of the Improvements, or any information relating to the Property, whether such information indicates that the risk or obligations of Guarantor have or may increase. Each Guarantor assumes full responsibility for keeping informed of such matters.

7.3 No change in the composition of District, Developer or any other Person shall in any way affect, impair, or diminish the liability of Guarantor hereunder, and District shall have no obligation to inquire into the powers of any of them to perform the Guaranteed Obligations.

7.4 This Guaranty is being delivered free of any conditions and no representations have been made to Guarantor affecting or limiting the liability of Guarantor hereunder. The obligations of Guarantor hereunder are independent of any obligations which Guarantor may have to District, directly or indirectly.

8. Nature of Guaranty. This Guaranty is absolute, irrevocable, and continuing in nature and relates to Guaranteed Obligations now existing or hereafter arising. This Guaranty is a guaranty of prompt and punctual payment and performance and is not a guaranty of collection.

The liability of Guarantor hereunder is independent of the obligations of Developer or any other Person, and a separate action or separate actions may be brought or prosecuted against any Guarantor whether or not any action is brought or prosecuted against Developer, any other Guarantor, or any other Person, or whether Developer, a Guarantor, or any other Person is joined in any such action or actions. The liability of Guarantor hereunder is independent of, and not in consideration of or contingent upon the liability of any other Person under any similar instrument and the release of, or cancellation by, any signer of a similar instrument shall not act to release or otherwise affect the liability of either Guarantor unless Guarantor is independently and specifically released in writing by District. To the fullest extent permitted by law, this Guaranty shall be construed as a continuing, absolute, and unconditional guaranty of payment and performance (and not of collection) without regard to:

(a) the legality, validity, or enforceability of any of the PDA, Construction and Use Covenant, Affordability Covenant or any of the obligations of Developer evidenced thereby;

(b) any defense, setoff, or counterclaim that may be available at any time to Developer or any other Person against and any right of setoff at any time held by District (including, without limitation, any defense, setoff, or counterclaim by any Guarantor under this Guaranty); or

(c) any other circumstances whatsoever (with or without notice to or knowledge of either Guarantor or any other Guarantor), whether or not similar to any of the foregoing, that constitutes or might be construed to constitute an equitable or legal discharge of Developer or any other Person in bankruptcy or in any other instance.

9. Relationship to Other Agreements. Nothing herein shall in any way modify or limit the effect of terms or conditions set forth in any other document, instrument, or agreement executed by Guarantor in connection with the Guaranteed Obligations, but each and every term and condition hereof shall be in addition thereto. In no event will Guarantor's liability hereunder be reduced as a result of any evidence that the cost to perform the Guaranteed Obligations exceeds the enhancement in value to the Property resulting from performance of the Guaranteed Obligations.

10. Subordination of Indebtedness and Obligations. Each Guarantor agrees that any rights of such Guarantor, whether now existing or later arising, to receive payment on account of any indebtedness (including interest) or other obligations or liabilities owed to such Guarantor by another Guarantor or Developer shall at all times be subordinate to the time of payment and in all other respects to the full and prior indefeasible performance of all obligations owed to District under the PDA, Construction and Use Covenant, and Affordability Covenant. Guarantor shall not be entitled to enforce or receive payment of any sums hereby subordinated until all such obligations owed to District have been paid and performed in full.

11. Statute of Limitations and Other Laws. To the fullest extent permitted by law, until the Guaranteed Obligations have been irrevocably paid and performed in full, all of the rights, privileges, powers, and remedies granted to District hereunder shall continue to exist and may be exercised by District at any time and from time to time, irrespective of the fact that any of the Guaranteed Obligations may have become barred by any statute of limitations. Each Guarantor expressly waives, to the fullest extent permitted by law, the benefit of any and all

statutes of limitation, and any and all laws providing for exemption of property from execution or for valuation and appraisal upon foreclosure, and any and all rights and benefits, if any, arising under the laws of the District of Columbia. Furthermore, Guarantors acknowledge that any claims brought by District that arise under or as a result of this Guaranty are not subject to the statute of limitations contained in D.C. Official Code § 12-301 (2007 Supp.).

12. Rights Upon Default.

12.1 Upon the occurrence of (a) any failure in the performance of the Guaranteed Obligations, (b) the dissolution or insolvency of any Guarantor which remains uncured more than thirty (30) days following notice from District, (c) the inability of any Guarantor to pay its debts as they mature, (d) an assignment by any Guarantor for the benefit of creditors, (e) the institution of any proceeding by or against any Guarantor in bankruptcy or for a reorganization or an arrangement with creditors, or for the appointment of a receiver, trustee, or custodian for such Guarantor or its properties which proceeding is not dismissed within ninety (90) days, (f) the determination by District in good faith that a material adverse change has occurred in the financial condition of any Guarantor, including without limitation, the entry of a significant judgment against any Guarantor, the issuance of a writ or order of attachment, levy, or garnishment in any significant amount against any Guarantor, (g) the falsity in any material respect of or any material omission in any representation made to District by any Guarantor, or (h) any other default by Guarantor of any other obligations owed to District under the terms hereof which remains uncured more than thirty (30) days following notice from District (each an “**Event of Default**”, District shall have such rights and remedies available to it as permitted by law and in equity and may enforce this Guaranty independently of any other remedy or security District at any time may have or hold in connection with the Guaranteed Obligations, and it shall not be necessary for District to marshal assets in favor of Developer, any Guarantor, or any other Person or to proceed upon or against and/or exhaust any security or remedy before proceeding to enforce this Guaranty.

12.2 Guarantor agrees that if an Event of Default has occurred hereunder District may (in addition to all of its other rights and remedies) upon written notice to Guarantor (a) complete or engage one or more third parties to complete construction of Phase 1, (b) terminate any and all contracts and agreements entered into by Guarantor in connection with Phase 1, (c) engage builders, contractors, engineers, architects, and others for the purpose of furnishing labor, materials, and equipment in connection with Phase 1, (d) pay, compromise, or settle all bills or claims incurred in connection with Phase 1, or (e) take or refrain from taking such other action to enforce the provisions of this Guaranty as it may from time to time determine in its sole discretion. Guarantor shall, immediately upon demand therefor, reimburse District for any and all expenditures incurred by District under this Section plus interest thereon at a rate of five percent (5%) per annum until all sums are paid to District. Upon the occurrence of a default, in addition to any other remedy described herein, District may file a separate action or actions against one or more Guarantors, whether action is brought or prosecuted with respect to any security or against any other Person, or whether any other Person is joined in any such action or actions.

12.3 Guarantor agrees that District and Developer or any other Person may deal with each other in connection with the Guaranteed Obligations or otherwise, or alter any contracts or

agreements now or hereafter existing between them, in any manner whatsoever, all without notice to the Guarantor and without in any way altering or affecting the security of this Guaranty. District's rights hereunder shall be reinstated and revived and the enforceability of this Guaranty shall continue with respect to any amount at any time paid on account of the Guaranteed Obligations, which thereafter shall be required to be restored or returned by District upon the bankruptcy, insolvency, or reorganization of Developer or any other Person, or for any other reason, all as though such amount had not been paid. The rights of District created or granted herein and the enforceability of this Guaranty at all times shall remain effective even though the Guaranteed Obligations, including any part thereof or any other security or guaranty therefor, may be or hereafter may become invalid or otherwise unenforceable as against Developer or the other Person or any Person, shall have any personal liability with respect thereto.

12.4 Guarantor expressly waives, to the fullest extent permitted by law, any and all defenses now or hereafter arising or asserted by reason of (a) any disability or other defense of Developer or any other Person with respect to the Guaranteed Obligations; (b) the unenforceability or invalidity of any security or guaranty for the Guaranteed Obligations or the lack of perfection or continuing perfection or failure of priority of any security for the Guaranteed Obligations; (c) the cessation for any cause whatsoever of the liability, in whole or in part, of Developer or any other Person; (d) any failure of District to marshal assets in favor of Developer or any other Person; (e) any failure of District to give notice of sale or other disposition of any collateral (now or hereafter securing the obligations of any Person) to Developer or any other Person, as applicable, or any defect in any notice that may be given in connection with any sale or disposition of collateral; (f) any failure of District to comply with applicable Laws or other requirements in connection with the sale or other disposition of any collateral or other security for any obligation owed to District, including any failure of District to conduct a commercially reasonable sale or other disposition of any collateral or other security for any obligation owed to District; (g) any act or omission of District, or others, that directly or indirectly results in or aids the discharge or release of Developer or any other Person, or the Guaranteed Obligations or any security or guaranty therefor by operation of law or otherwise; (h) any applicable Law or other requirement which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation, including, without limitation, all rights and benefits under the laws of the District of Columbia purporting to reduce a Guarantor's obligation in proportion to the obligation of the principal; (i) any failure of District to file or enforce a claim in any bankruptcy or other proceeding with respect to any person; (j) the election by District in any bankruptcy proceeding of any person, of the application or non-application of Section 1111(b)(2) of the United States Bankruptcy Code; (k) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any person; (l) the avoidance of any lien in favor of District for any reason; (m) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation, or dissolution proceeding commenced by or against any Person, including any discharge of, or bar, or stay against collecting, all or any of the Guaranteed Obligations (or any interest thereon) in or as a result of any such proceedings; (n) all rights or defenses Guarantor may have by reason of protection afforded to the principal with respect to the Guaranteed Obligations or to any other guarantor's obligations under its guaranty, in either case, pursuant to the anti-deficiency laws or other laws of the District of Columbia or other states limiting or discharging the principal's obligations; and (o) the right to require District to proceed

under any other remedy District may have before proceeding against Guarantor. Guarantor expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor, and all other notices or demands of any kind or nature whatsoever with respect to the Guaranteed Obligations and all notices of acceptance of this Guaranty or of the existence, creation, or incurring of new or additional obligations by Developer for which Guarantor shall be automatically responsible and liable hereunder and waives all surety and guarantor defenses, all to the fullest extent permitted by law, and thus, such Guarantor acknowledges that it may essentially have no control over its ultimate responsibility for Developer's obligations guaranteed hereunder.

13. Cumulative Rights. The exercise by District of any right or remedy hereunder or under the PDA, Construction and Use Covenant, Affordability Covenant, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy. District shall have all rights, remedies, and recourses afforded to District by reason of this Guaranty, the PDA, Construction and Use Covenant, Affordability Covenant, or by law or equity or otherwise, and the same (a) shall be cumulative and concurrent; (b) may be pursued separately, successively, or concurrently against Guarantors or others obligated for the Guaranteed Obligations, or any part thereof, or against any one or more of them, at the sole and absolute discretion of District; (c) may be exercised as often as occasion therefor shall arise, it being agreed by each Guarantor that the exercise of, discontinuance of the exercise of, or failure to exercise any of such rights, remedies, or recourses shall in no event be construed as a waiver or release thereof or of any other right, remedy, or recourse; and (d) are intended to be and shall be nonexclusive. No waiver of any default on the part of any Guarantor or of any breach of any of the provisions of this Guaranty or of any other document shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers granted herein or in any other document shall be construed as a waiver of such rights and powers, and no exercise or enforcement of any rights or powers hereunder or under any other document shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time. The granting of any consent, approval, or waiver by District shall be limited to the specific instance and purpose therefor and shall not constitute consent or approval in any other instance or for any other purpose. No notice to or demand on any Guarantor in any case shall of itself entitle such Guarantor to any other or further notice or demand in similar or other circumstances.

14. Waivers and Consents.

14.1 Guarantor consents and agrees that District may, at any time and from time to time, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof: (a) supplement, modify, amend, extend, renew, accelerate, or otherwise change the time for performance or the terms of the PDA, Construction and Use Covenant, or Affordability Covenant; (b) supplement, modify, amend, or waive, or enter into or give any agreement, approval, or consent with respect to, the PDA, Construction and Use Covenant, or Affordability Covenant, or any part thereof, or any additional security or guaranties, or any condition, covenant, default, remedy, right, representation, or term thereof or thereunder; (c) accept new or additional instruments, documents, or agreements in exchange for or relative to the PDA, Construction and Use Covenant, or Affordability Covenant, or any part thereof or

performance pursuant thereto; (d) accept partial payments on, or performance of, the obligations owed to District and apply any and all payments or recoveries from Developer or any other Person to such of the obligations owed to District as District may elect in its sole discretion; (e) receive and hold additional security or guaranties for the obligations owed to District or any part thereof; (f) release, re-convey, terminate, waive, abandon, fail to perfect, subordinate, exchange, substitute, transfer, or enforce any security or guaranties, and apply any security and direct the order or manner of sale thereof as District may elect in its sole and absolute discretion may determine; (g) release any Person from any personal liability with respect to the obligations owed to District or any party thereof; (h) settle, release on terms satisfactory to District, as the case may be, or by operation of applicable law or otherwise liquidate or enforce any obligations owed to District and any security or guaranty in any manner, consent to the transfer of any security and bid and purchase at any sale (other than by reason of the timely and full payment and performance of all obligations owed to District); (i) consent to the merger, change of any other restructuring or termination of the corporate existence of Developer or any other Person and correspondingly restructure the obligations owed to District, and any such merger, change, restructuring, or termination shall not affect the liability of such Guarantor or the continuing effectiveness hereof, or the enforceability thereof with respect to all or any part of the obligations owed to District; (j) otherwise deal with Developer or any other Person as District may elect in its sole discretion.

14.2 Guarantor expressly agrees that until the earlier of (a) the date on which the Guaranteed Obligations are paid and performed in full and each and every term, covenant, and condition of this Guaranty is fully performed or (b) Construction Financing Closing, Guarantor shall not, to the fullest extent permitted by law, be released by or because of:

(a) Any act or event which might otherwise discharge, reduce, limit or modify such Guarantor's obligations under this Guaranty;

(b) Any waiver, extension, modification, forbearance, delay, or other act or omission of District, or District's failure to proceed promptly or otherwise as against Developer or any other Person, or any security;

(c) Any action, omission, or circumstance which might increase the likelihood that such Guarantor may be called upon to perform under this Guaranty or which might affect the rights or remedies of such Guarantor as against Developer or any other Person; or

(d) Any dealings occurring at any time between Developer or any other Person, on the one hand, and District, on the other hand, whether relating to the PDA, Construction and Use Covenant, or Affordability Covenant, or otherwise.

(e) Guarantor waives all rights and defenses arising out of an election of remedies by District, even though that election of remedies may have destroyed such Guarantor's rights of subrogation and reimbursement against Developer or any other Person, and even though that election of remedies by District has destroyed such Guarantor's rights of contribution against another guarantor of any of the Guaranteed Obligations.

14.3 No provision of this Guaranty shall be construed as limiting the generality of any of the covenants and waivers set forth in Sections 12 and 14.

14.4 Guarantor hereby expressly, to the fullest extent permitted by law, waives and surrenders any defense to its liability under this Guaranty based upon any of the foregoing acts, omissions, agreements, waivers, or matters. It is the purpose and intent of this Guaranty that the obligations of each Guarantor under it shall be absolute and unconditional under any and all circumstances.

15. No Amendment. Neither this Guaranty nor any provision hereof may be modified, amended, waived, terminated, or changed orally, but only by an agreement in writing signed by District and the Guarantors to be bound by such agreement.

16. Successors. This Guaranty shall be binding upon and inure to the benefit of the heirs, administrators, legal representatives, successors and assigns of the parties hereto.

17. Irrevocable Survival. This Guaranty shall be irrevocable by the Guarantors until all Guaranteed Obligations have been completely and indefeasibly paid and all obligations and undertakings of Developer and of the undersigned hereunder have been completely performed.

18. Unenforceability. If any term or provision of this Guaranty shall be determined to be illegal, invalid, or unenforceable, this Guaranty and all other terms and provisions hereof shall nevertheless remain effective and shall be enforced to the fullest extent permitted by law.

19. Definitions. Any capitalized term not defined herein shall have the meaning set forth in the PDA.

20. Entire Agreement. This Guaranty constitutes the entire agreement with respect to the subject matter hereof, and supersedes all prior discussions, negotiations, commitments, representations, agreements, and understandings between the parties.

21. WAIVER OF JURY TRIAL; JURISDICTION. GUARANTOR HEREBY WAIVES ANY RIGHT TO JURY TRIAL IN CONNECTION WITH ANY SUIT, ACTION, PROCEEDING, OR CLAIM RELATING TO THIS GUARANTY, THE PDA, CONSTRUCTION AND USE COVENANT, OR AFFORDABILITY COVENANT, OR TO THE TRANSACTIONS CONTEMPLATED BY THE AFOREMENTIONED. ANY SUIT, ACTION, PROCEEDING, OR CLAIM RELATING TO THIS GUARANTY SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA OR THE SUPERIOR COURT FOR THE DISTRICT OF COLUMBIA, AND GUARANTOR AGREES THAT SUCH COURTS ARE THE MOST CONVENIENT FORUM FOR RESOLUTION OF ANY SUCH ACTION AND FURTHER AGREES TO SUBMIT TO THE JURISDICTION OF SUCH COURTS AND WAIVE ANY RIGHT TO OBJECT TO VENUE IN SUCH COURTS.

INITIAL HERE

INITIAL HERE

22. Notice.

TO DISTRICT:

Any notices given under this Guaranty 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:

District of Columbia
Department of Housing and Community Development
Property Acquisition and Disposition Division
1800 Martin Luther King Avenue, SE
Washington, D.C. 20020
Attention: Martine Combal, Manager
Telephone: 202-442-7285

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: Vonda J. Orders, General Counsel
Telephone: 202-442-6991

TO GUARANTOR:

Any notices given under this Guaranty 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 Guarantor at the following addresses:

Telesis Corporation
1101 30th Street, NW
Fourth Floor
Washington, D.C. 20007
Attn: Bertrand Mason
Telephone: 202-295-1213

With a copy to:

Klein Hornig LLP
1275 K Street, NW, Suite 1200
Washington, D.C. 20005
Attn: Aaron O'Toole

Telephone: 202-842-0127

Notices served upon Guarantor 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 Guaranty 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.

23. Counterparts. This Guaranty may be executed in counterparts, each of which shall be deemed to be an original. In proving this Guaranty it shall not be necessary to produce or account for more than one counterpart.

24. Termination. This Guaranty shall terminate upon the earlier to occur of (a) the date on which the Guaranteed Obligations are paid and performed in full and each and every term, covenant, and condition of this Guaranty is fully performed or (b) Construction Financing Closing.

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

IN WITNESS WHEREOF the parties have executed this Guaranty as of the day and year first above written.

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: Lauren J. Buckner
Title: Assistant Attorney General

By: _____
Name: Robert L. Trent
Title: Interim Director, Department of Housing
and Community Development

DEVELOPER

TELESIS CORPORTION, a Delaware
corporation

By: _____
Name: _____
Title: _____