

EXHIBIT C

Affordability Covenant

AFFORDABILITY COVENANT
(For Sale)

THIS AFFORDABILITY COVENANT (the "**Covenant**") is made as of the ___ day of _____, 2009 ("**Effective Date**"), between (i) the DISTRICT OF COLUMBIA, a municipal corporation, acting by and through the District of Columbia Office of the Deputy Mayor for Planning and Economic Development (the "**District**") and (ii) ARGOS CH, LLC, a District of Columbia limited liability company (the "**Owner**").

RECITALS

- R-1. District is the fee simple owner of the Land (as hereinafter defined).
- R-2. District has determined to further its public policy of increasing the affordable housing stock in the District of Columbia.
- R-3. District and Owner entered into that certain Development and Disposition Agreement dated _____ ("**Disposition Agreement**") whereby District and Owner agreed upon the terms for Owner to develop and construct the Project.
- R-4. The Disposition Agreement contemplated the construction of improvements and required inter alia, the development, construction, marketing and sale of eight (8) or nine (9) for-sale residential dwelling units of which four (4) are to be reserved for sale to persons who satisfy the Affordability Requirements.
- R-5. Contemporaneously with the execution of this Covenant, District has conveyed or will convey the Land to Owner, who agrees to accept fee simple title to the Land from District subject to this Covenant, as set forth in the Disposition Agreement.
- R-6. District and Owner desire to set forth herein the terms, restrictions, and conditions upon which Owner will maintain and sell the Affordable Units at the Property.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the District hereby declares, covenants and agrees as follows:

ARTICLE I
DEFINITIONS

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:

Affordability Requirement: The requirement (i) that a minimum of four (4) of the residential units to be contained in the Project Improvements be Affordable Units, (ii) that two (2) of the four (4) Affordable Units will be contained in the Project Improvements constructed on the Firehouse Parcel (as defined herein) and two (2) of the four (4) Affordable Units will be contained in the Project Improvements constructed on the Police Station Parcel (as defined herein), (iii) that the number of Affordable Units that will be studios, 1-bedrooms, 2-bedrooms and/or 3-bedrooms shall be as set forth in Developer's Proposal (as such term is defined in the Disposition Agreement) and (iv) that each Affordable Unit shall be sold to and occupied exclusively by a Qualified Purchaser whose income is less than or equal to sixty percent (60%) of the Washington, D.C. uncapped limits of AMI as published from time to time by HUD.

Affordable Owner: as defined in Section 2.5.

Affordable Unit: each unit to be developed, used and/or sold for residential purposes that will be used to satisfy the Affordability Requirement pursuant to Article II.

Affordable Unit Index: as defined in Section 2.4.

Agency: as defined in Section 4.2(a).

AMI: means the then most current area median household income as established periodically for the disbursement of funds under the Community Development Block Grant Programs (or in the event such programs no longer exist, such successor programs) by HUD for the Washington DC-Maryland-Virginia metropolitan statistical area.

Appurtenances: collectively all right, title and interest of Owner and Affordable Owner, as applicable, in and to (i) all rights, ways, easements, privileges and appurtenances to the Land, (ii) all strips and gores appurtenant to the Land, and (iii) any land lying in the bed of any streets, roads and alleys appurtenant to the Land.

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

Certificate of Eligibility of a Qualified Purchaser: as defined in Section 4.3(b).

Certifying Authority: as defined in Section 4.3(a).

Construction and Use Covenant: that certain covenant recorded among the Land Records immediately after the conveyance of the Land to Owner from District.

CPI: means Consumer Price Index for All Urban Consumers (Washington-Baltimore).

Designated Affordability Level: as defined in Section 2.4.

Disposition Agreement: as defined in R-3.

Effective Date: means the date of full execution and delivery of this Covenant, which date shall be inserted on the first page hereof.

Estoppel Certificate: means an estoppel certificate issued pursuant to Section 11.8 hereof by the Mayor of the District of Columbia or such agency of the District of Columbia designated in writing by the Mayor.

Foreclosure Notice: as defined in Section 7.1.

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

IZIA Act: as defined in Section 4.2.

Land: the parcels of land located in the District of Columbia described as Assessment and Taxation Lot 0830 in Square 1028, presently having an address of 1341 Maryland Avenue, NE, Washington, DC (the “**Firehouse Parcel**”) and Assessment and Taxation Lot 0808 in Square 0936, presently having an address of 525 9th Street, NE, Washington, DC (the “**Police Station Parcel**”), as more particularly described on Exhibit A attached hereto and incorporated herein by reference.

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

Market-Rate Unit: each unit to be developed, used and/or sold for residential purposes in the Project Improvements that is not an Affordable Unit.

Maximum Sales Price: as defined in Section 2.7.

Mortgagee: as defined in Section 7.1.

OAG: Office of the Attorney General for the District of Columbia.

Par Value: as defined in D.C. Official Code § 42-1901.02 (24) (2001 Ed.).

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

Project: means the Property and Project Improvements, and the development and construction thereof in accordance with the Disposition Agreement, Construction and Use Covenant, and this Covenant.

Project Improvements: means the structures, landscaping, hardscape and/or site improvements to be constructed or placed on the Property by Owner in accordance with the Disposition Agreement and Construction and Use Covenant.

Property: means the Land, Appurtenances, and any improvements on the Land conveyed to the Owner as of the Effective Date.

Purchase Price Adjustment: as defined in Section 2.7.

Qualified Purchaser: means a household (of one or more natural Persons) that meets the income requirement for the particular Affordable Unit that it seeks to purchase and which (i) will occupy the Affordable Unit as its principal residence during its ownership of such Affordable Unit, (ii) shall not permit exclusive occupancy of the Affordable Unit by any other party, (iii) shall use, occupy, hold and sell the Affordable Unit as an Affordable Unit subject to the Affordability Requirement (and subject to the particular income requirement associated with such Affordable Unit) and this Covenant, (iv) shall not permit the occupancy of the Affordable Unit by more than one (1) person for a studio unit, two (2) people for a 1-bedroom unit, four (4) people for a 2-bedroom unit, and six (6) people for a 3-bedroom unit and (v) at the time of contracting for an Affordable Unit or if there is no contract, at the time of conveyance of such Affordable Unit to such household, receives a maximum aggregate household income not in excess of the Designated Affordability Level for the Affordable Unit it seeks to purchase. Household income shall be determined by using the standards set forth by the District of Columbia Department of Housing and Community Development or as determined by using the standards developed by the Agency, as applicable, from time to time.

Regulations: as defined in Section 4.2.

Residential Unit: any unit constructed as part of the Project Improvements to be developed, used and/or sold for residential purposes, including all Affordable Units and Market-Rate Units.

Sale: as defined in Section 2.7.

Transferee: as defined in Section 4.4.

ARTICLE II AFFORDABILITY REQUIREMENT

2.1 The Owner shall construct, reserve, and sell as Affordable Units that number of units that is required by the Affordability Requirement. For any Qualified Purchaser, the date of determination of AMI shall be the date of the sales contract for such Affordable Unit (or, in the event there is no sales contract, then the date of the deed conveying ownership). Neither Owner nor any Affordable Owner shall sell any Affordable Unit to any Person other than a Qualified Purchaser.

2.2 Except as otherwise expressly provided in this Covenant for each Affordable Unit, (i) the unit type and size, (ii) all interior and exterior finishes, and (iii) the appliances and equipment therein shall be substantially similar to the base finishes of the Market-Rate Units, provided however, the Market-Rate Units may include a premium or superior package for interior and exterior finishes, appliances and equipment, as more particularly set forth on Exhibit B. Parking spaces shall be sold separately to purchasers of Market-Rate Units. Subject to Article III below, the Affordable Units shall be varied in terms of unit type and size of each such unit type. as Also shown on Exhibit B is the schedule of base finishes, appliances and equipment to be

included in the Affordable Units, and Owner shall construct the Affordable Units in accordance with such schedule. Condominium fees allocated to Affordable Units and Market-Rate Units in the Project shall be determined in accordance with Par Value.

2.3 As set forth in the Affordable Unit Index, the Affordable Units shall be distributed across the unit mix of studio apartments, 1-bedroom apartments, and 2-bedroom apartments, with the understanding that Affordable Units may be grouped in the smallest type of studio, 1-bedroom, or 2-bedroom apartments, respectively.

2.4 Attached hereto as Exhibit D is a listing (the “**Affordable Unit Index**”) of the Affordable Units that enumerates: (i) each Affordable Unit in the Project by unit number (or similar identifier), floor and location, (ii) the maximum percentage AMI for any prospective purchaser of each such Affordable Unit (the “**Designated Affordability Level**”), (iii) the Par Value allocated to each of the Residential Units, including Market-Rate Units and Affordable Units, and (iv) the approximate square footage of each such Affordable Unit and a schematic drawing showing the layout of each Affordable Unit (by unit type). The Affordable Unit Index shall not be modified without the prior written approval by the District, which approval shall not be unreasonably withheld, conditioned or delayed, provided that any such modification is consistent with the terms of this Covenant and the Construction and Use Covenant. Notwithstanding the foregoing, the Affordable Unit Index shall not be modified so as to amend the Affordability Requirements without the prior written approval of the District, which approval shall only be given in the District’s sole and absolute discretion. If any proposed modifications to the Affordable Unit Index are not reasonably satisfactory to the District, however, the Owner may revise such proposed modifications to the Affordable Unit Index until such time as it is reasonably satisfactory to the District. Upon request, prior to the conveyance of an ownership interest in such Affordable Unit by the Owner, the District shall have the right to inspect the Affordable Units to ensure that all fixtures and finishes are of the type and quality required hereunder; provided that the District shall not exercise such right to inspect an Affordable Unit less than three (3) days prior to the scheduled settlement date for such Affordable Unit, provided further, that Owner has delivered at least ten (10) Business Days’ written notice of a scheduled settlement date to the District. All Residential Units set forth and described in the Affordable Unit Index shall collectively be referred to as the “**Affordable Units**” (and each, individually, an “**Affordable Unit**”) for purposes of this Covenant. The Owner shall incorporate the approved Affordable Unit Index (which shall also conspicuously reference this Covenant and its applicability) into its condominium declaration and other instruments necessary to establish a condominium regime on the Property. Failure to incorporate the approved Affordable Unit Index into the condominium declaration shall render the condominium declaration null and void. Owner shall deliver a copy of the condominium declaration incorporating the approved Affordable Unit Index and other instruments necessary to establish the condominium regime on the Property to the District no less than ten (10) Business Days prior to recordation of any such documents among the Land Records.

2.5 Owner shall be responsible for compliance with the terms of this Covenant only during the period of Owner’s ownership of the Project. After the initial sale of an

Affordable Unit, the fee title owner(s) of such Affordable Unit (the “**Affordable Owner**”) shall be responsible for compliance with the terms of this Covenant only during the period of such Affordable Owner’s ownership of the applicable Affordable Unit.

2.6 Each Affordable Owner must use the Affordable Unit solely as his, her or their primary residence and shall not permit exclusive occupancy of the Affordable Unit by any other Person or lease any or all of the Affordable Unit to any Person (any such lease shall be null and void).

2.7 Neither the Owner nor an Affordable Owner may convey all or any part of his, her or their fee interest (“**Sale**”), whether or not for consideration, in an Affordable Unit to any Person other than a Qualified Purchaser. Except as provided in Section 4.5, the Owner and each Affordable Owner of such Affordable Unit shall sell to a buyer within the Designated Affordability Level applicable to such Affordable Unit and otherwise who is a Qualified Purchaser as determined in accordance with Article IV below. The sale price of each Affordable Unit upon Sale shall not exceed (the “**Maximum Sales Price**”) the greater of (i) an amount determined using the following assumptions: (a) a 5% down payment with an additional 5% equity payment at closing, and (b) a monthly housing payment of principal, interest, taxes, insurance and condominium fees not exceeding 40% of the maximum allowable monthly gross income (i.e., at the allowable Designated Affordability Level) of a prospective Affordable Owner, assuming ninety percent (90%) loan-to-value, thirty (30) years fully amortizing mortgage, with a minimum ten (10) year term, at a then market rate of interest (which must be consistent with the applicable Designated Affordability Level) or (ii) the purchase price paid for the Affordable Unit by the Affordable Owner, plus the “Purchase Price Adjustment,” if any. Such calculation shall be performed by the Affordable Owner and the Applicable Certifying Authority.

For the second and all subsequent sales of an Affordable Unit, the “**Purchase Price Adjustment**” shall equal the costs of all permanent improvements made by such Affordable Owner to the Affordable Unit and replacement of interior components permitted by this Covenant, multiplied by a fraction, the numerator of which is the Consumer Price Index on the date the Purchase Price Adjustment is calculated, and the denominator of which is the Consumer Price Index on the date on which that Affordable Owner purchased the Affordable Unit (For example, \$10,000 x 105% increase in CPI = \$10,500 Price Adjustment).

2.8 Each deed used to convey an Affordable Unit shall expressly state in 12 point type and in all caps on the front page thereof:

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 THAT CERTAIN

AFFORDABILITY COVENANT, DATED AS OF _____,
20__ RECORDED AMONG THE LAND RECORDS OF THE
DISTRICT OF COLUMBIA AS INSTRUMENT NUMBER ___, ON
_____, 20__.

2.9 Except as provided in Section 7.3 and Article IX hereof, all proceeds of a Sale in excess of the Maximum Sales Price shall be paid to the District of Columbia for deposit into the Housing Preservation Trust Fund or such other fund established by applicable law.

2.10 Any sale of an Affordable Unit in violation of this Covenant shall be null and void.

ARTICLE III USE

3.1 The Affordable Owners shall have the same and equal use and enjoyment of all of the general common elements of the condominium and services provided by or through the condominium association as the owners of the Market-Rate Units and no restrictions, requirements or rules shall be imposed on the owners of the Affordable Units that are not imposed equally on the owners of the Market Rate Units.

3.2 The Affordable Owner shall not demolish or otherwise structurally alter the Affordable Unit or remove fixtures or appliances installed in the Affordable Unit as of the initial sale of Affordable Unit by the Owner without the prior written approval of the District, which approval shall be given or denied in its sole discretion, except for maintenance, upkeep, repairs of interior components and replacement of interior components (including fixtures and appliances) of the Affordable Unit of equal or better quality than those interior components being replaced.

3.3 By acceptance of a deed for the Affordable Unit, each Qualified Purchaser shall be deemed to represent and warrant to, and agree with, District, Owner and the Certifying Authority, as applicable, each of whom may rely on the following: that (i) he or she is a Qualified Purchaser, (ii) the sales price satisfies the terms of this Covenant, (iii) he or she is purchasing the Affordable Unit as his or her full time residence and has no ownership interest in any other housing, (iv) he or she will not rent any or all of the Affordable Unit to any person or party, (v) he or she will not allow any other party to reside at the Affordable Unit with the Qualified Purchaser except in strict compliance with all applicable laws and this Covenant, (vi) no more than the number of persons, including the Qualified Purchaser, shall reside at the Affordable Unit greater than that which is permitted under applicable law and this Covenant, (vii) he or she will comply with the provisions of Article IV hereof and sell the Affordable Unit only to a Qualified Purchaser, and (viii) such Qualified Purchaser is the beneficiary of District's public policy of increasing the affordable housing stock in the District of Columbia, and desires through his or her ownership, use, and sale of the Affordable Unit to further such public policy.

ARTICLE IV QUALIFICATION PROCESS

4.1 Any conveyance of the Affordable Units shall be subject to the procedures contained in this Article IV

4.2 If District shall promulgate municipal rules and regulations effectuating the Inclusionary Zoning Implementation Amendment Act of 2006 (the “**IZIA Act**”) in order to establish, *inter alia*, an administrative body to administer the Inclusionary Zoning Program, as defined in the IZIA Act (the “**Regulations**”), and (a) such Regulations identify an office, agency or agencies of the District to administer the IZIA Act (“**Agency**”), and (b) such Agency (i) adopts rules for the certification and/or re-certification of Qualified Purchasers, (ii) issues certificates or other evidence of purchaser eligibility of Persons upon which Owner (as to the initial sale of an Affordable Unit), Affordable Owners, and owners of residential for-sale housing that are subject to the IZIA Act may lawfully rely, (iii) adopts a waiting list of Qualified Purchasers and (iv) adopts a procedure pursuant to which Owner (as to the initial sale of an Affordable Unit) and Affordable Owners, as applicable, may identify Qualified Purchasers for Affordable Units, then Owner and Affordable Owners, as applicable, shall abide by and be bound by such portions of the Regulations that relate solely to the qualification, certification and selection of prospective Qualified Purchasers to acquire Affordable Units [it being understood, and in the interest of clarity, stated, that neither Owner (as to the initial sale of an Affordable Unit) nor any Affordable Owner, as applicable, otherwise shall be bound to or be obligated to comply with the IZIA Act or Regulations by virtue solely of this Covenant]. Upon request from the Owner or Affordable Owner, as applicable, the Agency shall provide multiple names of Qualified Purchasers for consideration by Owner or such Affordable Owner. Such names may be retained on a list of Qualified Purchasers maintained by Owner or any Affordable Owner, subject to re-qualification if such Qualified Purchaser does not close on the purchase of an Affordable Unit within six (6) months of the Agency’s delivery of its list identifying such Qualified Purchaser.

4.3 The following procedures shall apply to (i) Owner with respect to the initial sale of an Affordable Unit, and (ii) an Affordable Owner of an Affordable Unit desiring to sell his or her Affordable Unit if, in either case, (1) all of the conditions set forth in the first sentence of Section 4.2 above are not satisfied or (2) within thirty (30) days after written request from Owner or an Affordable Owner, the Agency fails to identify at least one Qualified Purchaser acceptable to such Owner or Affordable Owner for each Affordable Unit being sold by such Owner or Affordable Owner.

(a) Owner, with respect to the initial sale of an Affordable Unit, and an Affordable Owner of an Affordable Unit desiring to sell his or her Affordable Unit shall notify in writing the entity or entities (the “**Certifying Authority**”) selected by the Owner and approved by the District as the party authorized to review and certify the eligibility of a person as a Qualified Purchaser. The Certifying Authority shall be one or more of the following: District or the District’s designated agent or representative, a community development organization or other non-profit organization authorized by the District to make such determinations, or a financial institution or mortgage company with

an established affordable housing finance program or department experienced in making eligibility determinations.

(b) At any time there is no Certifying Authority approved by District or if the Certifying Authority approved by the District fails to identify a Qualified Purchaser reasonably acceptable (as further described in Section 4.6) to an Affordable Owner desiring to sell his or her Affordable Unit within thirty (30) days after written request therefor, such Affordable Owner may, upon fifteen (15) days written notice to District, select a Certifying Authority to qualify a prospective purchaser as a Qualified Purchaser, who, if applicable, shall execute a “**Certificate of Eligibility of a Qualified Purchaser**” in accordance with the terms hereof with respect to such sale and the determination of such Certifying Authority shall be effective for all purposes hereof.

(c) The Certifying Authority shall determine eligibility using the standards for “Qualified Purchaser” set forth above.

(d) A conveyance of an Affordable Unit shall only be effective if (i) a Certificate of Eligibility of a Qualified Purchaser duly executed by the Certifying Authority and dated within six (6) months of the closing of such sale is recorded prior to or contemporaneous with the deed conveying the Affordable Unit and (ii) an Estoppel Certificate is recorded prior to or contemporaneous with the deed. The Affordable Owner, Owner (for the initial sale of an Affordable Unit), Mortgagee, District and any title insurer shall each be a third party beneficiary of each such Certificate of Eligibility and Estoppel Certificate. Failure to record such Certificate of Eligibility of Qualified Purchaser and Estoppel Certificate shall render the conveyance of title null and void ab initio. The Certificate of Eligibility of Qualified Purchaser shall certify that such Certifying Authority has informed the appropriate Person(s) of the rights and obligations of such Person(s) under Article II and Article III of this Covenant.

(e) The determination of whether a proposed purchaser meets the requirements of a Qualified Purchaser shall be made exclusively by the Certifying Authority based on the criteria set forth in this Covenant.

(f) Each Affordable Owner of an Affordable Unit shall submit to the Certifying Authority the form of deed, which must include the language set forth in Section 2.7 above, to be used to convey the Affordable Unit to a Qualified Purchaser for the Certifying Authority’s prior written approval, together with a copy of this Covenant.

4.4 In the event an Affordable Owner, voluntarily or involuntarily transfers the Affordable Unit pursuant to operation of law, court order, divorce, death or other similar transfer of legal or beneficial title to all or any part of the Affordable Unit to a Transferee, heir, devisee or other personal representative of such Affordable Owner (each “**Transferee**”), such Transferee, shall be automatically bound by all of the terms, obligations and provisions of this Covenant; provided that, and in furtherance of the District’s public policy, such Transferee, either (i) shall obtain a Certificate of Eligibility of a Qualified Purchaser for himself or herself within the later of (1) sixty (60) days of the transfer by the applicable Qualified Purchaser, or (2) sixty (60) days after receiving

the interest in the Affordable Unit following probate, and record same in the Land Records, together with a warranty deed in the form prescribed by this Covenant or (ii) shall promptly sell the Affordable Unit in accordance with this Covenant.

4.5 In connection with the sale of an Affordable Unit, the Owner or an Affordable Owner, as applicable, may reject any applicant seeking to acquire an Affordable Unit who has obtained a Certificate of Eligibility of a Qualified Purchaser or other evidence of eligibility adopted by District or the Agency, whether or not pursuant to the IZIA Act or Regulations, only if, based on such applicant's application, background and/or creditworthiness (including, without limitation, the applicant's inability to provide credible evidence that such applicant will qualify for sufficient financing to purchase the Affordable Unit), Owner or Affordable Owner, as applicable, shall in good faith and reasonably determine such applicant is unacceptable to purchase or inhabit an Affordable Unit.

4.6 In no event shall a Transferee reside in an Affordable Unit unless he or she is a Qualified Purchaser.

4.7 Until all initial sales of Residential Units are completed, Owner shall provide District with progress reports on the status of its leasing and sale of the Residential Units during the term of this Covenant.

ARTICLE V ENFORCEMENT AND REMEDIES

Owner and each successor in title of an Affordable Unit for itself and its successors, heirs and assigns understand and shall by its declaration of a condominium unit or acceptance of a deed to an Affordable Unit, as the case may be, be deemed to agree that the District 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 the right to seek specific performance, injunctive relief and other equitable remedies including without limitation the remedy of rescission with respect to the conveyance of an Affordable Unit not in compliance with this Covenant, and damages against an owner of an Affordable Unit or his or her estate for breach of its obligations hereunder. Any exercise of the remedy of rescission shall be subject to the interest of any mortgage or deed of trust lien upon the Affordable Unit. If District shall prevail in any such legal action to enforce this Covenant, then the Person against whom District shall prevail, shall pay District all of its costs and expenses, including reasonable attorney fees, incurred in connection with District efforts to enforce this Covenant. In the event the District is represented by OAG, reasonable attorneys fees shall be calculated based on an equivalent amount that a private firm of comparable size to OAG in the Washington, D.C. area would have charged for such representation based on the number of hours OAG employees prepared for and participated in any such litigation. In all events the liability hereunder of Owner shall be limited to its interest in the Project.

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

This Covenant is and shall be binding upon the Property and each Affordable Unit and shall run with the land for the period provided in Article IX. The rights and obligations of the District, the Owner, the Affordable Owners, 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 District pertaining to the monitoring and/or enforcement of the obligations of the Owner and the Affordable Owners hereunder shall not convey with the transfer of title or any lesser interest in the Property, but shall be retained by District, or such designee of the District as the District may so determine.

**ARTICLE VII
MORTGAGEES**

7.1 In the event any Affordable Owner's mortgagee under a mortgage or beneficiary under a deed of trust recorded against an Affordable Unit ("**Mortgagee**") intends to initiate a foreclosure proceeding under its mortgage or deed of trust, such Mortgagee shall first notify District of its intent to do the same in writing, at least thirty (30) calendar days prior to the initiation of any proceeding relating to the Affordable Unit, and shall include in its notice the amount of the Affordable Owner's outstanding financial obligations to such Mortgagee as of the date of the notice (the "**Foreclosure Notice**").

7.2 All such mortgages or deeds of trust placed against an Affordable Unit shall be subject and subordinate to this Covenant.

7.3 All proceeds of a foreclosure sale in excess of the greater of (i) all amounts due the Mortgagee and (ii) the Maximum Sales Price shall be paid to the District of Columbia for deposit into the Housing Preservation Trust Fund or such other fund established by applicable law.

**ARTICLE VIII
AMENDMENT OF COVENANT**

Neither this Covenant, nor any part hereof, can be amended, modified or released other than by an instrument in writing executed by a duly authorized official of the District of Columbia on behalf of the District and if prior to the initial conveyance by Owner of all Affordable Units, by a duly authorized representative of the Owner. Any amendment to this Covenant that alters the terms and conditions set forth herein shall be recorded among the Land Records before it shall be deemed effective.

**ARTICLE IX
TERM OF COVENANTS**

The Term of this Covenant shall be perpetual.

ARTICLE X 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 District at the following addresses:

DISTRICT:

District of Columbia
Office of the Deputy Mayor for Planning and Economic Development
1350 Pennsylvania Avenue, Suite 317
Washington, D.C. 20004
Attention: Deputy Mayor for Planning and Economic Development

With a copy to:

The Office of the Attorney General for the District of Columbia
441 Fourth Street, N.W., Sixth Floor North
Washington, D.C. 20001
Attn: Chief, Real Estate Section

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 Owner at the following addresses, or to such other persons or locations as the Owner may designate in writing to the District from time to time:

OWNER:

Gilberto Cardenas
c/o The Argos Group, LLC
631 D Street, NW, Suite 638
Washington, DC 20004

Notices which shall be delivered to Owner 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 against receipted copy, when the copy of the notice is receipted; (ii) if given by overnight courier service, on the next Business Day after the notice is deposited with the overnight courier service; (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 XI
MISCELLANEOUS**

11.1 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. Each of Owner and the District irrevocably submits 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. Each of the District and Owner irrevocably and unconditionally waives 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 waives and agrees 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.

11.2 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.

11.3 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.

11.4 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.

11.5 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 Owner.

11.6 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.

11.7 LIEN

Each Sale or other conveyance of an Affordable Unit after the initial sale of such Affordable Unit by the Owner shall be subject to a lien in favor of the District to secure all sums due and owing the District or payable to the District of Columbia Housing Preservation Trust Fund, its successors on any other entity designated by the District, in accordance with applicable law, and in accordance with the foregoing Covenants.

11.8 ESTOPPEL CERTIFICATE – MAXIMUM SALE PRICE

In connection with a proposed sale of an Affordable Unit, within thirty (30) days after receipt of a written request from, or on behalf of an Affordable Owner, the Mayor of the District of Columbia or such agency of the District of Columbia designated in writing by the Mayor shall certify in recordable form (i) whether a proposed sale price is greater than the Maximum Sales Price applicable to the Affordable Unit owned by such Affordable Owner; and (ii) if so, the amount then due and owing to the District in connection with such sale or other conveyance; provided that the written request sets forth, under penalties of perjury, (a) the proposed sales price for the Affordable Unit, (b) the purchase price paid for such Affordable Unit by the selling Affordable Owner, (c) the actual cost of each permanent improvement and/or replacement of interior component made by such Affordable Unit Owner, and (d) Affordable Owner's affirmation that the items referenced in (c) above are properly includable in determining the Maximum Sales Price under Section 2.7 of the Covenants.

11.9 REPRESENTATIONS AND WARRANTIES OF THE DISTRICT

The District hereby represents and warrants to Owner as follows:

(a) The District (i) has the power and authority to execute, deliver and perform its obligations under this Covenant, and (ii) has taken all necessary action to authorize the execution, delivery and performance of this Covenant.

(b) No consent or authorization of, or filing with, any Person (including any governmental authority), which has not been obtained, is required in connection with the execution and delivery of this Covenant by the District.

(c) This Covenant has been duly executed and delivered by the District, and constitutes the legal, valid and binding obligation of the District, enforceable against it in accordance with its terms.

(d) The execution, delivery and performance by the District of this Covenant will not violate any governmental requirement or result in a breach of any contractual obligation to which the District is a party.

(e) The District's execution, delivery and performance of this Covenant and the transactions contemplated hereby shall not: (i) to the best of the District's knowledge, violate any judgment, order, injunction, decree, regulation or ruling of any court or governmental authority with proper jurisdiction that is binding on the District; or (ii) result in a breach or default under any provision of the organizational documents of the District.

(f) No litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the best knowledge of the District, threatened by or against the District which, if adversely determined, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the District's ability to perform its obligations under this Covenant.

(g) Except as otherwise set forth in this Covenant, no consent or authorization of, or filing with, any Person (including any governmental authority), which has not been obtained, is required in connection with the performance of this Covenant by the District.

[signatures on following pages]

IN TESTIMONY WHEREOF, (i) the District has caused these presents to be signed, acknowledged and delivered in its name by Deputy Mayor for Planning and Economic Development, its duly authorized representative, witnessed by _____, its _____ in the Office of the Deputy Mayor for Planning and Economic Development and (ii) Owner has caused these presents to be signed, acknowledged and delivered in its name by _____, its duly authorized _____, witnessed by _____, its _____.

WITNESS

DISTRICT OF COLUMBIA

By: _____
Name: _____
Title: _____

By: _____ [SEAL]
Name: _____
Title: Deputy Mayor for Planning and
Economic Development

Approved as to legal sufficiency:

D.C. Office of the Attorney General

By: _____
Assistant Attorney General

WITNESS

ARGOS CH, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

STATE _____)
)
COUNTY _____) ss:
)

I, _____, a Notary Public, in and for the jurisdiction aforesaid, do hereby certify that _____, the Deputy Mayor for Planning and Economic Development, who is personally well known to me (or satisfactorily proven to me) to be the person who executed the foregoing and annexed Affordability Covenant bearing date as of the _____, personally appeared before me in said jurisdiction and acknowledged the same to be his free act and deed.

Given under my hand and seal this ___ day of _____.

Notary Public

My Commission Expires: _____

CITY OF WASHINGTON

ss.

DISTRICT OF COLUMBIA

I, _____, a Notary Public in and for the District of Columbia, DO HEREBY CERTIFY THAT _____ who is personally known to me (or proved by oaths of credible witnesses to be) the Managing Member for the Owner in the foregoing and annexed Affordability Covenant, bearing the date of the _____ personally appeared before me in said District of Columbia, and as _____, acting on behalf of Owner, as aforesaid, acknowledged the same to be his free act and deed.

Given under my hand and seal this ___ day of _____.

Notary Public

My Commission Expires: _____

Exhibit A

Land

TO BE ATTACHED

DEVELOPMENT AND COMPLETION GUARANTY

This DEVELOPMENT AND COMPLETION GUARANTY (this "**Guaranty**") is made as of April 29, 2009 ("**Effective Date**"), by Phillip W. Gibbs, an individual (referred to herein as "**Guarantors**" or "**Guarantor**") in favor of the DISTRICT OF COLUMBIA, a municipal corporation (the "**District**").

RECITALS

A. ARGOS CH, LLC ("**Developer**") and District have entered into a Development and Disposition Agreement dated as of April 29, 2009 (the "**DDA**"), concerning the sale by District to Developer, and the development by Developer, of (i) that certain improved real property located at 1341 Maryland Avenue, NE, Washington, DC and known as for assessment and taxation purposes as Lot 0830 in Square 1028 (the "**Firehouse Parcel**"), and (ii) that certain improved real property located at 525 9th Street, NE, Washington, DC and known for assessment and taxation purposes as Lot 0808 in Square 0936 (the "**Police Station Parcel**") (collectively, the "**Property**").

B. The DDA provides for the development of the Property by Developer as a residential project (the "**Project**") in accordance with the conditions and requirements set forth in the DDA, the Construction and Use Covenant (as defined in the DDA) and the Affordability Covenant (as defined in the DDA). The DDA 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 Guarantors, to District.

C. To induce District to enter into the DDA, Guarantors have agreed to guaranty all obligations of Developer under the DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) and the Affordability Covenant, and such other obligations as more particularly set forth in this Guaranty.

NOW, THEREFORE, in consideration of District entering into the DDA, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantors, each intending to be legally bound, hereby agree as follows:

1. Incorporation of Recitals. 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.

2. Representations and Warranties.

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

(a) the making and performance of this Guaranty by such 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 such 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 such Guarantor is a party or by which it is bound;

(b) such Guarantor has reviewed, with the advice and benefit of its legal counsel, the terms and provisions of the DDA, this Guaranty, the Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) the Schedule of Performance, the Affordability Covenant, the Approved Project Plans and Spec, and the documents referenced in each of the foregoing;

(c) such 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) such 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 this Guaranty, 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 such Guarantor's knowledge, threatened against or affecting such Guarantor before any governmental authority which could, if adversely decided, result in a material adverse change (in comparison to any state of affairs existing before or after the date of this Guaranty) to (i) the business operations, assets or condition (financial or otherwise) of such Guarantor, or (ii) the ability of such Guarantor to perform, or of District to enforce, any material provision of this Guaranty (a "Material Adverse Change");

(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 such Guarantor of this Guaranty and the transactions contemplated by this Guaranty;

(h) such 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 such 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 such Guarantor from complying with the provisions of this Guaranty within the time limits set forth herein;

(k) such 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 has been no Material Adverse Change to such Guarantor;

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

(n) such Guarantor is not a Prohibited Person;

(o) all financial statements delivered to District at any time by or on behalf of such 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 such 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. Each Guarantor hereby absolutely, irrevocably, and unconditionally, and 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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 within the time frames set forth in the DDA and the Construction and Use Covenant (and any exhibits to either of them); (d) Developer's obligations to cause the Project to be completed in accordance with the Approved Plans and Specs, as required in the DDA, Construction and Use Covenant, and Affordability Covenant; (e) 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); (f) 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 (g) the truth, accuracy, and completeness of all of Developer's representations and warranties as set forth in the DDA. Further, each Guarantor absolutely, irrevocably, and unconditionally, and 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) and the Affordability Covenant and (ii) the enforcement of this Guaranty by District (including, without limitation, reasonable attorneys' fees). Upon the occurrence of any failure of Developer to fully and timely perform its agreements, covenants, and obligations under the DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) and Affordability Covenant, upon request by District, Guarantors shall, at Guarantors' sole cost and expense, cure such default by or failure of Developer. The obligations of Guarantors 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, Guarantors 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 Guarantors timely comply with the immediately preceding sentence, and if requested by District, post security as reasonably determined by District, each Guarantor shall have the right to contest in good faith any claim, lien, or encumbrance, provided that such Guarantor does so diligently and without prejudice to District or any delay in Final Completion.

5. No Right of Subrogation. Guarantors hereby acknowledge that they 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. Guarantors hereby acknowledge and agree that Guarantors 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 or any obligations under the DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) and Affordability Covenant, each Guarantor waives and releases any claim (within the meaning of 11 U.S.C. § 101) which such 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 such Guarantor

or any right of such Guarantor to proceed against Developer or another Guarantor for reimbursement. It is expressly understood that the waivers and agreements of Guarantors set forth above constitute additional and cumulative benefits given to District for its security and as an inducement for it to enter into the DDA with Developer.

6. Financial Statements. Within fifteen (15) days after the Effective Date of this Guaranty, and within thirty (30) days after Guarantors' receipt of a request from District from time-to-time until Final Completion of the Project, each Guarantor shall deliver to District copies of updated, unaudited financial statements (certified by such Guarantor as being true, correct, and complete) and unaudited balance sheets, profit and loss statements, cash flow statement, other financial reports, and other financial information of such Guarantor as District may reasonably request.

7. No Discharge of Obligations.

7.1 Except in the event of a written amendment to this Guaranty signed by the Guarantors and District and then only to the extent expressly provided therein, to the fullest extent permitted by law, none of Guarantors' obligations and no right against Guarantors 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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 DDA, Construction and Use Covenant, Affordability Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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, whether negligent or otherwise, of District or its agents, employees, consultants, or any other Person acting for the benefit of District.

7.2 It is expressly agreed by Guarantors that, to the fullest extent permitted by law, none of the forgoing events shall release or discharge the obligations of Guarantors 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 Guarantors 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 Guarantors affecting or limiting the liability of Guarantors hereunder. The obligations of Guarantors hereunder are independent of any obligations which Guarantors 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 Guarantors 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 of the Guarantors whether or not any action is brought or prosecuted against Developer, the other Guarantor, or any other Person, or whether Developer, the other Guarantor, or any other Person is joined in any such action or actions. The liability of each 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 such 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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 Guarantors in connection with the Guaranteed Obligations, but each and every term and condition hereof shall be in addition thereto. In no event will Guarantors' 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 the other 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) and Affordability Covenant. Guarantors 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, (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, (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 either Guarantor of any other obligations owed to District under the terms hereof, 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 Each Guarantor agrees that if District determines that a default has occurred hereunder District may (in addition to all of its other rights and remedies) without the consent of or 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 Guarantors 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. Each 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 fifteen percent (15%) per annum until all sums are paid to District. Upon the occurrence of any of (a) through (f) in the first sentence of this Section, 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 Each Guarantor agrees that District and Developer or the 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 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 Each 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 (other than indefeasible payment in full of the Guaranteed Obligations and full performance of the Guaranteed Obligations to the satisfaction of District); (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 (other than by reason of the timely and full payment and performance of all Guaranteed Obligations); (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 (other than by reason of the timely and full payment and performance of all Guaranteed Obligations); (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 Guarantors 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 Guarantors. Each 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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 Each 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) or Affordability Covenant; (b) supplement, modify, amend, or waive, or enter into or give any agreement, approval, or consent with respect to, the DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) 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, reconvey, 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 Each Guarantor expressly agrees that until the Guaranteed Obligations are paid and performed in full and each and every term, covenant, and condition of this Guaranty is fully performed, each 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 DDA, Construction and Use Covenant, the District Deeds of Trust (as defined in the DDA), the District Note (as defined in the DDA) or Affordability Covenant, or otherwise.

(e) Each 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 Each 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 DDA.

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. EACH GUARANTOR HEREBY WAIVES ANY RIGHT TO JURY TRIAL IN CONNECTION WITH ANY SUIT, ACTION, PROCEEDING, OR CLAIM RELATING TO THIS GUARANTY, THE DDA, CONSTRUCTION AND USE COVENANT, THE DISTRICT DEEDS OF TRUST (AS DEFINED IN THE DDA), THE DISTRICT NOTE (AS DEFINED IN THE DDA) 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 EACH 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

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INITIAL HERE

22. Notice. Any notice which may or is required to be given hereunder shall be deemed given three days after being deposited, registered or certified, return receipt requested, in the United States mail, addressed to the recipient at the address set forth after recipient's name below, or at such different addresses as it shall have theretofore given written notice of hereunder:

GUARANTOR:

Phil Gibbs
Hamel Builders, Inc.
5710 Furnace Avenue, Suite H
Elkridge, MD 21075
410.379.6700 x 102
410.379.6705 fax

DISTRICT:

Office of the Deputy Mayor for Planning and
Economic Development
1350 Pennsylvania Ave., N.W., Suite 317
Washington, DC 20001
Attention: Deputy Mayor for Planning and
Economic Development
Facsimile: (202) 727-6703

with a copy to:

Office of the Attorney General for the District of
Columbia
1100 15th Street, N.W., Suite 800
Washington, DC 20005
Attention: Deputy of Commercial Division
Facsimile: (202) 727-6014

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.

[Signature Page Follows]

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

By: _____ [SEAL]

Name: Phillip W. Gibbs

Title: An Individual

Soc. Sec. No.:

Address: 176 Lafayette Ave,
Annapolis Md. 21401

CITY OF WASHINGTON

ss.

~~DISTRICT OF COLUMBIA~~

I, Melissa Barnhart, a Notary Public in and for the District of Columbia, DO HEREBY CERTIFY THAT _____ who is personally known to me (or proved by oaths of credible witnesses to be) the _____ for the _____ in the foregoing and annexed _____, bearing the date of the _____ personally appeared before me in said District of Columbia, and as _____, acting on behalf of Owner, as aforesaid, acknowledged the same to be his free act and deed.

Given under my hand and seal this 29 day of April 2009.

Melissa Barnhart

My Commission Expires: 3/3/10

