

**IN THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION**

PARK SOUTHERN RESIDENTS' COUNCIL,

Plaintiff,

v.

PARK SOUTHERN NEIGHBORHOOD CORP.,
et al.,

Defendants.

DISTRICT OF COLUMBIA,
a municipal corporation,
441 Fourth Street, NW
Washington, DC 20001,

Plaintiff-Intervenor,

v.

PARK SOUTHERN NEIGHBORHOOD CORP.,
a District of Columbia nonprofit corporation,
800 Southern Avenue, SE
Washington, DC 20032,

and

ROWENA JOYCE SCOTT,
800 Southern Ave. SE, Apt. 806
Washington, DC 20032,

Defendants.

Civil Action No. 2014 CA 002646 B

Judge John M. Mott
Next Event: Initial Scheduling
Conference
Date: Aug. 29, 2014

DISTRICT OF COLUMBIA'S MOTION TO INTERVENE

Pursuant to Super. Ct. Civ. R. 24(b), the District of Columbia ("District"), through its Attorney General, respectfully seeks leave of this Court to intervene in the above-styled case, *Park Southern Residents' Council v. Park Southern Neighborhood Corp.*, 2014 CA 002646 B, and to file the attached Complaint for Injunctive and Equitable Relief against Defendants Park Southern Neighborhood Corporation ("PSNC") and Rowena Joyce Scott ("Scott"). The District brings its claims pursuant to its enforcement authority under the Nonprofit Corporations Act,

D.C. Official Code § 29-412.20(a)(1), and its rights as PSNC’s mortgage lender. The District seeks a *court-supervised* sale of PSNC’s primary asset, the Park Southern Apartments (“Park Southern” or the “Property”), in order to satisfy a mortgage debt to the District, maximize the generation of surplus funds, and ensure that surplus funds are held and applied for the benefit of Park Southern tenants.

In its suit, Plaintiff Park Southern Residents’ Council (“Council”) is seeking equitable relief against Defendant PSNC and its board of directors (the “Board”) for interfering with the right of the Council to meet and organize, and also against the Board for breaching its fiduciary duties.

As outlined in the attached memorandum of points and authorities, the District satisfies the criteria for permissive intervention because its claims share with the Council’s lawsuit numerous questions of law and fact relating to PSNC’s mismanagement of the Property and Scott’s illegitimate control of PSNC’s Board. Additionally, the District’s prayer for relief includes a court-supervised election of PSNC’s Board, which is relief also sought by the Council. Finally, intervention at this early stage of the litigation will neither unduly delay this case nor prejudice the original parties, but instead preserve judicial resources, reduce risks of inconsistency, and increase the information available to all parties and the Court. Accordingly, the District’s motion should be granted. A proposed order is attached.

Respectfully submitted,

IRVIN B. NATHAN
Attorney General for the District of Columbia

ELLEN A. EFROS
Deputy Attorney General
Public Interest Division

/s/ Bennett Rushkoff
BENNETT RUSHKOFF (DC Bar #386925)
Chief, Public Advocacy Section

/s/ Joseph R. Melanson
NICHOLAS BUSH (DC Bar #1011001)
JOSEPH R. MELANSON¹
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joseph.melanson@dc.gov

Dated: August 11, 2014

Attorneys for the District of Columbia

Rule 12-I(a) Certification

Undersigned counsel contacted counsel for all the parties in this case on August 7, 2014 to seek consent to the relief sought by this motion. Counsel for Plaintiff Council consents to the relief sought by this motion. Counsel for Defendants stated that Defendants PSNC and Scott do not take a position as to the District's motion. Counsel for Defendants has not yet responded to the District's request on behalf Defendants Bonnie Scott, Edward Yeldell, Pamela Abbey, and Johnsie Sims.

/s/ Joseph R. Melanson
Joseph R. Melanson
Assistant Attorney General

Certificate of Service

The undersigned hereby certifies that on August 11, 2014, I caused the foregoing Motion to be served on all counsel of record via the Court's Casefilexpress e-filing service.

/s/ Nicholas A. Bush
Nicholas A. Bush
Assistant Attorney General

¹ Joseph Melanson is licensed to practice law before the Massachusetts Supreme Judicial Court and the New York Court of Appeals and is practicing before this Court pursuant to D.C. App. R. 49(c)(4).

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**MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF
THE DISTRICT'S MOTION TO INTERVENE**

Pursuant to Super. Ct. Civ. R. 12-I, the District, through its Attorney General, submits the following points and authorities in support of its Motion to Intervene in the above-captioned lawsuit against PSNC and its Board. Pursuant to the Attorney General's enforcement authority under the Nonprofit Corporations Act, D.C. Official Code § 29-412.20(a)(1), the District seeks leave to intervene so that it may join the Council in pursuing proper elections for PSNC's Board.

The District’s proposed Complaint (attached hereto as **Attachment A**) seeks additional injunctive and equitable relief—including a sale of Park Southern by an independent court-appointed custodian or by judicial foreclosure—as a result of continued misconduct by Defendants PSNC and Scott that has been contrary to PSNC’s nonprofit purposes and has exceeded and abused any lawful authority they may have had. The primary goals of the District’s intervention are to bring about a sale of the Property under court supervision, thereby maximizing the generation of surplus for the benefit of Park Southern tenants, and to help rededicate PSNC to its nonprofit purposes on behalf of tenants.

FACTUAL BACKGROUND

PSNC is a nonprofit corporation that has owned and, until recently, operated Park Southern for the purpose of providing affordable housing for low-income residents of the District of Columbia (“D.C.”). In 2006, PSNC borrowed over \$3 million in District funds from the D.C. Department of Housing and Community Development (“DHCD”) to pay off its existing mortgage debt and repair and improve the Property. PSNC executed a promissory note and deed of trust in favor of DHCD, secured by the Property, which empower the agency to invoke a power of sale if PSNC breaches its loan-related obligations.

Since borrowing over \$3 million in District funds, PSNC, under the direction and control of Defendant Scott, has grossly mismanaged Park Southern’s finances and allowed the Property to fall into severe disrepair. In short, PSNC failed to make loan payments, depleted the Property’s security deposit account, and caused PSNC to be in serious arrears to its utilities providers. As a result, PSNC is about \$700,000 delinquent on its DHCD loan and owes a total of more than \$560,000 to three utility companies. Additionally, the Property has fallen into such disrepair that even a minimal renovation would cost millions of dollars. Defendants have also failed to follow the required process for electing PSNC’s Board, allowing Defendant Scott to maintain control of the Board without the consent of Park Southern residents.

Defendants' gross mismanagement and neglect have resulted in PSNC defaulting on its loan from DHCD. In light of PSNC's failure to cure, DHCD exercised its authority under the deed of trust and, on May 3, 2014, took control of the Property's day-to-day management. DHCD is now working to stabilize Park Southern's finances and improve services for tenants, but a sale of the property, along with proper elections for PSNC's Board, is necessary to address long-term building-maintenance and tenant-governance issues.

On April 29, 2014, the Council filed its complaint in this case for injunctive and other equitable relief against PSNC and its Board for interfering with the right of Park Southern's tenants to meet and organize and for breaching fiduciary duties. The Council alleges, among other things, that PSNC's Board "squandered and abused PSNC's assets, mismanaged its affairs, jeopardized the availability of 359 units of affordable housing, and repeatedly violated the rights of . . . tenants of the Park Southern Apartments." Compl. at 2. As part of its relief, the Council seeks new elections for PSNC's Board. *Id.* at 25.

The District respectfully seeks leave of this Court to intervene in the Council's suit so that it may seek a court-appointed independent custodian and other equitable relief against Defendants PSNC and Scott, through nonprofit-corporation-law and judicial-foreclosure claims that share numerous issues of law and fact with the Council's action.

ARGUMENT

I. The Court Should Allow the District to Intervene Under Rule 24(b)(2) Because Its Complaint Raises Questions of Law and Fact Shared By the Council's Lawsuit.

The Court should allow the District to intervene in this action under Rule 24(b)(2). The District's claims for the appointment of an independent custodian and for other equitable relief raise numerous questions of law and fact about Defendants' financial mismanagement, neglect of deferred maintenance, and failure to hold proper elections for PSNC's Board, that are shared by the Council's lawsuit. Moreover, the District's application for intervention is timely given the early procedural stage of this case.

Under Rule 24(b)(2), a third party may intervene in an action if, upon a timely application, its “claim or defense” shares “a question of law or fact” with the main action.¹ “[A] finding that the same facts give rise to the applicant’s independent claim and the lawsuit before the court is enough to establish a common question of law or fact.” *Nationwide Mut. Ins. Co. v. Nat’l REO Management, Inc.*, 205 F.R.D. 1, 6 (D.D.C. 2000) (citing *EEOC v. National Children’s Ctr.*, 146 F.3d 1042, 1046 (D.C. Cir. 1998)). A court must also consider whether the proposed intervention “will unduly delay or prejudice the adjudication of the rights of the original parties.” *E.g., Emmco Ins. Co. v. White Motor Corp.*, 429 A.2d 1385, 1387 (D.C. 1981). The decision to grant or deny a motion to intervene rests solely in the trial court’s sound discretion. *See Anderson v. D.C. Housing Auth.*, 932 A.2d 853 (D.C. 2007).

First, it cannot be disputed that the District’s claims share questions of law and fact with the Council’s action. The District’s proposed Complaint, like the Council’s complaint, centers on PSNC’s gross mismanagement of Park Southern’s finances, its serious neglect of the Property’s physical condition, and its failure to allow for proper elections as required by PSNC’s corporate documents. Whether cast in terms of breach of fiduciary duty or violations of the District’s Nonprofit Corporations Act, the Court’s analysis in this case will necessarily focus on (i) whether PSNC acted contrary to its nonprofit purposes and (ii) whether Defendants PSNC and Scott exceeded PSNC’s authority conferred on it by law. And, further, both the District and the Council are seeking a court-supervised election of PSNC’s Board. These shared issues clearly establish a common question of law or fact. *See Nationwide Mut. Ins.*, 205 F.R.D. at 6 (finding that the factual similarities between two cases, specifically that both cases arose from a common event, were enough to establish a common question of fact).

Second, the District’s motion is timely. The timeliness of a motion to intervene is “to be determined from all the circumstances,” *Emmco Ins. Co. v. White Motor Corp.*, 429 A.2d 1385,

¹ Super. Ct. Civ. R. 24 is identical in all relevant aspects to Fed. R. Civ. P. 24. Accordingly, the Court of Appeals looks to federal court decisions interpreting Fed. R. Civ. P. 24 as persuasive authority in interpreting the local rule. *Vale Properties, Ltd. v. Canterbury Tales, Inc.*, 431 A.2d 11, 13 n.3 (D.C. 1981); *see also Peddlers Square v. Scheuermann*, 766 A.2d 551, 556 (D.C. 2001).

1387 (D.C. 1981), and, in making this determination, a trial court should consider the following factors: (1) the length of the intervenor's delay; (2) the reason for the delay; (3) the stage to which the litigation had progressed when intervention was sought; (4) the prejudice that the original parties may suffer if the application is granted; and (5) the prejudice that the intervenor may suffer if its application is denied. *Id.* The enumerated factors support the District's request to intervene.

The first three factors strongly support allowing the District to intervene. Defendants have not answered the Council's complaint, and thus no proceedings need be repeated. *See Robinson v. First Nat'l Bank of Chicago*, 765 A.2d 543, 545 (D.C. 2001). Further, the Council's complaint was filed a mere three months ago. In that time, DHCD has exercised its authority under the deed of trust to stabilize Park Southern's finances and address maintenance issues. This case, in contrast, has progressed slowly; Defendants have not yet answered the Council's complaint, choosing instead to challenge the Court's subject matter jurisdiction through a motion to dismiss. Moreover, an initial scheduling conference has not yet been held in this case and is scheduled for August 29, 2014. Accordingly, factors one, two, and three weigh heavily in favor of intervention. *See Robinson v. First Nat'l Bank of Chicago*, 765 A.2d 543, 545 (D.C. 2001) (finding that a motion to intervene was timely when it was filed three months after the lawsuit had begun, defendant had not responded to the complaint, and "no proceedings had taken place that intervention would require repeating"); *see also Bossier Parish Sch. Bd. v. Reno*, 157 F.R.D. 133, 134 (D.D.C. 1994) (finding that intervention would not "unduly delay or prejudice the adjudication of the rights of the original parties" since the prospective intervenors filed their motion to intervene on the same day that the court held its first status conference).

The fourth and fifth factors also weigh in the District's favor, given the procedural stage of this case. Courts typically find prejudice where intervention would "reopen the settled issues." *NRDC v. Costle*, 561 F.2d 904, 908 (D.C. Cir. 1977). In the instant action, however, there are no settled issues. At this stage, the court has made no ruling on the merits of the Council's case, and has not even addressed the initial question of whether the Court has subject

matter jurisdiction. *See Robinson*, 765 A.2d at 545; *see also Glamis Imperial Corp. v. U.S. Dep't of the Interior*, No. 01-530, 2001 WL 1704305, at *2 (D.D.C. Nov. 13, 2001). Moreover, Defendants should not be heard to contend that intervention would impose an undue burden on them, when they have yet to answer the Council's complaint and no discovery has taken place.

The District, in contrast, will be prejudiced if intervention is denied. Absent intervention, the District will be forced to file a separate action, and thus the Court and all the parties involved will lose the advantages of a combined proceeding – namely, “litigative economy, reduced risks of inconsistency, and increased information (which might reduce the risk of error).” *See Mass. Sch. of Law at Andover, Inc. v. United States*, 118 F.3d 776, 782 (D.C. Cir. 1997) (internal citations omitted). As an example, since both the District and the Council seek a court-supervised election of PSNC's Board, denying the District's motion creates the risk of inconsistent rulings – with one court granting a court-supervised election and another court denying such an election. Further, absent intervention, the District would have no say in the crafting of an appropriate election for PSNC's Board, the entity that will ultimately be responsible for rededicating PSNC to its nonprofit purposes for the benefit of tenants. *See Natural Res. Def. Council*, 561 F.2d 904 (D.C. Cir. 1997) (finding that denying intervention would prejudice would-be-intervenors' interest in participating in the future administration of a settlement agreement, which would affect intervenors' interests). Thus, the potential prejudice to the District, and the interests of the parties and the Court in preserving judicial resources, counsel in favor of granting the District's motion.

This Court should therefore grant the District leave to intervene and accept for filing the District's Complaint for Injunctive and Equitable Relief attached hereto as **Attachment A**.

CONCLUSION

For the foregoing reasons, the District respectfully requests that this Court grant its motion for leave to intervene in Plaintiff's action against PSNC and the individual PSNC Board Defendants.

Respectfully submitted,

IRVIN B. NATHAN
Attorney General for the District of Columbia

ELLEN A. EFROS
Deputy Attorney General
Public Interest Division

/s/ Bennett Rushkoff
BENNETT RUSHKOFF (DC Bar #386925)
Chief, Public Advocacy Section

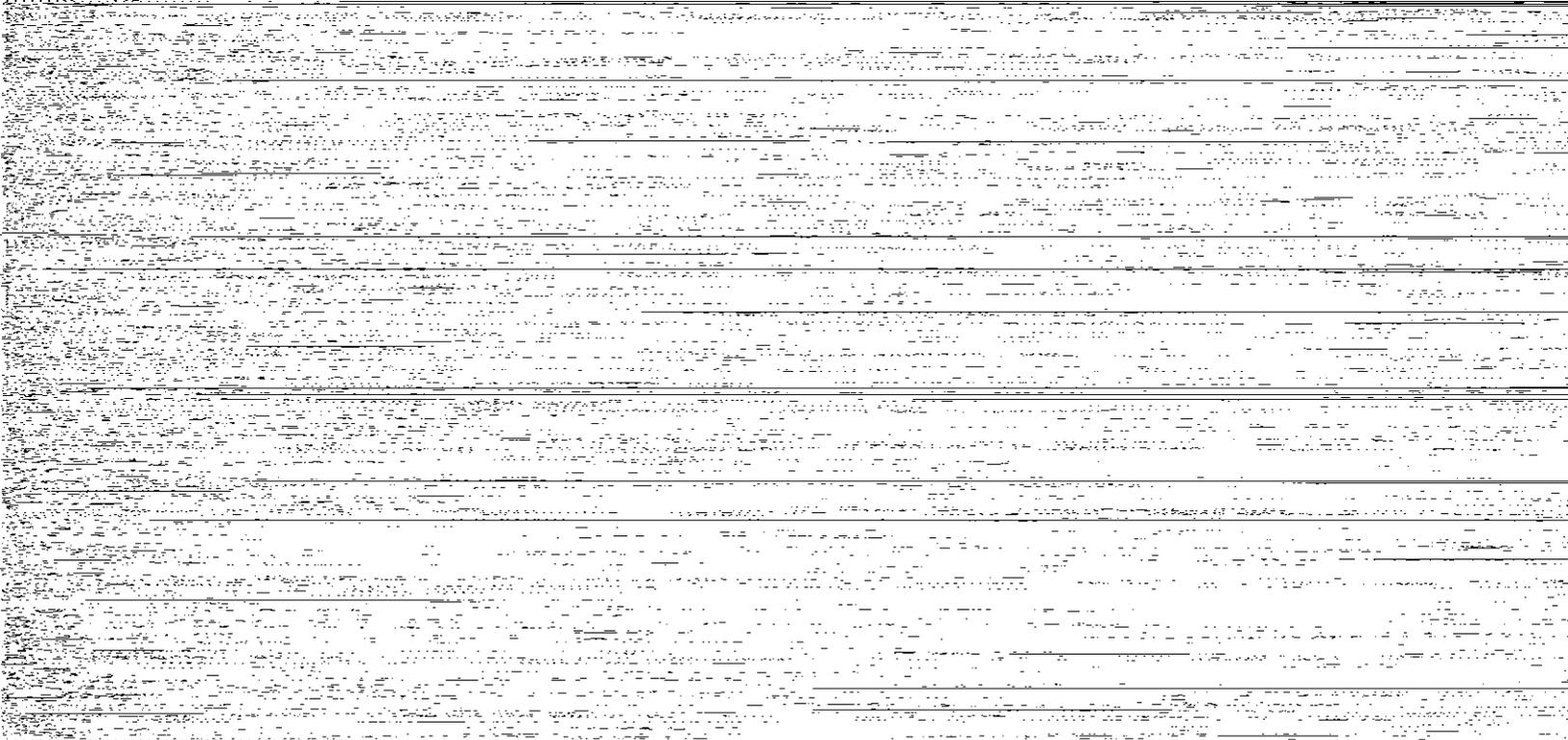
/s/ Joseph R. Melanson
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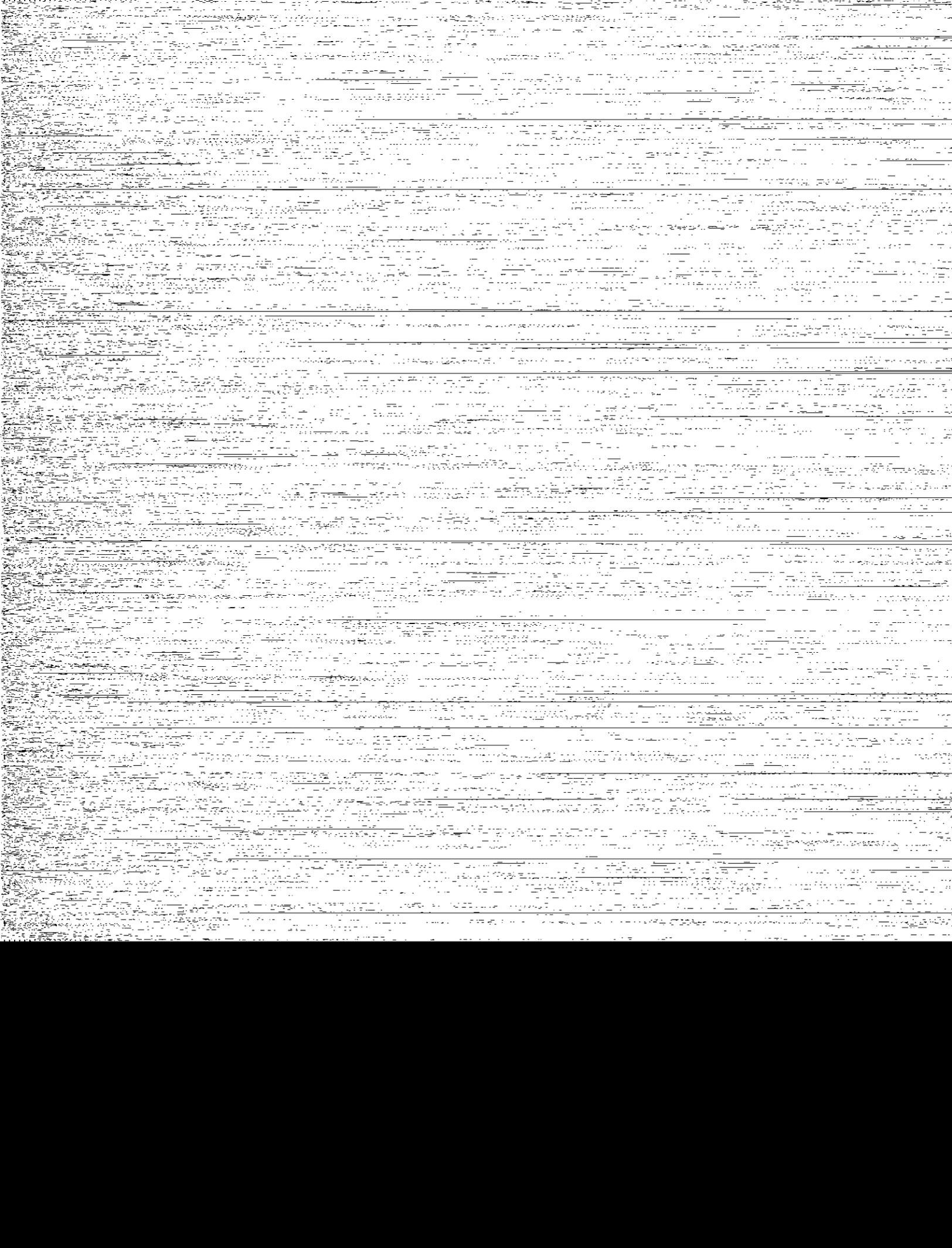
Dated: August 11, 2014

Attorneys for the District of Columbia

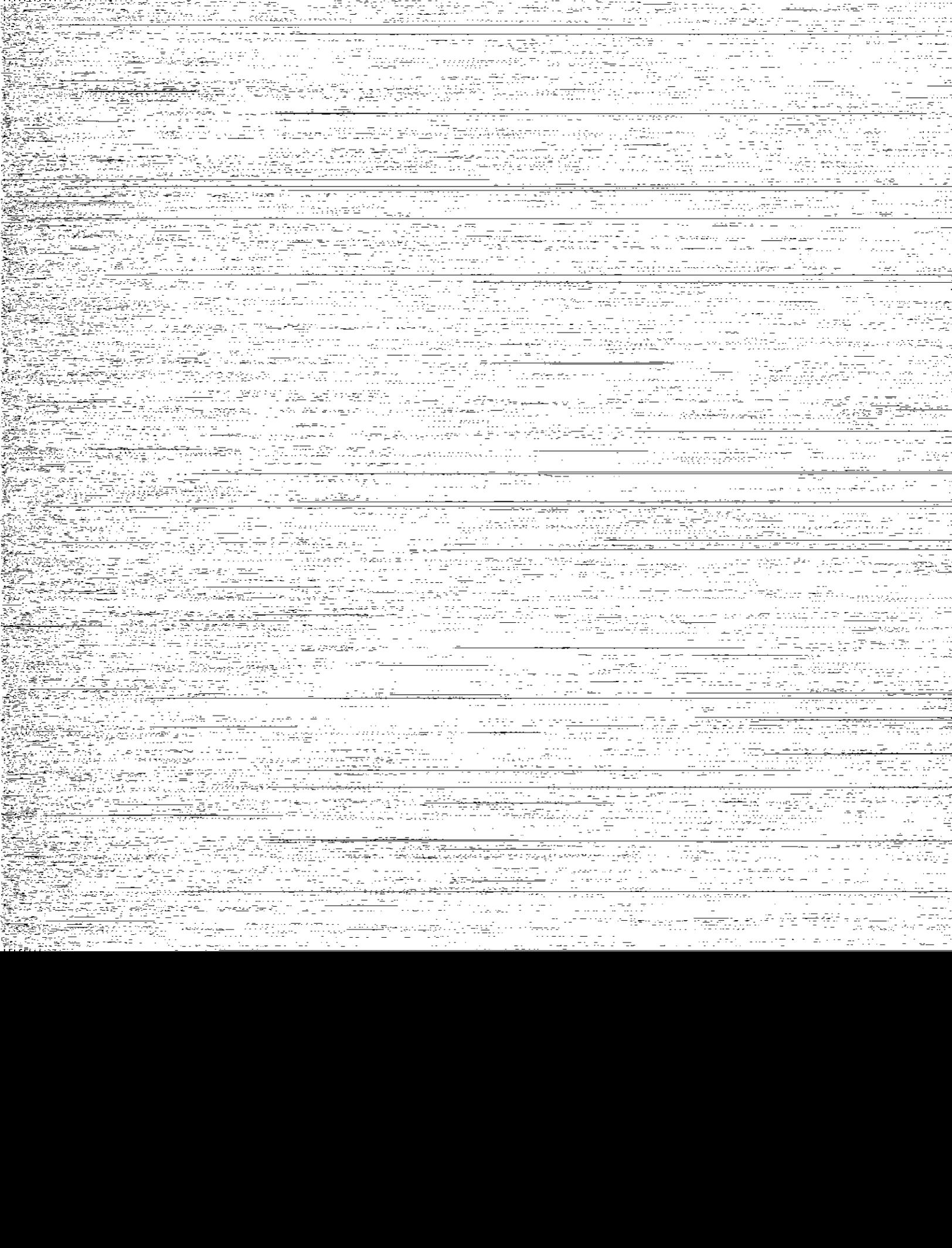
² Joseph Melanson is licensed to practice law before the Massachusetts Supreme Judicial Court and the New York Court of Appeals and is practicing before this Court pursuant to D.C. App. R. 49(c)(4).

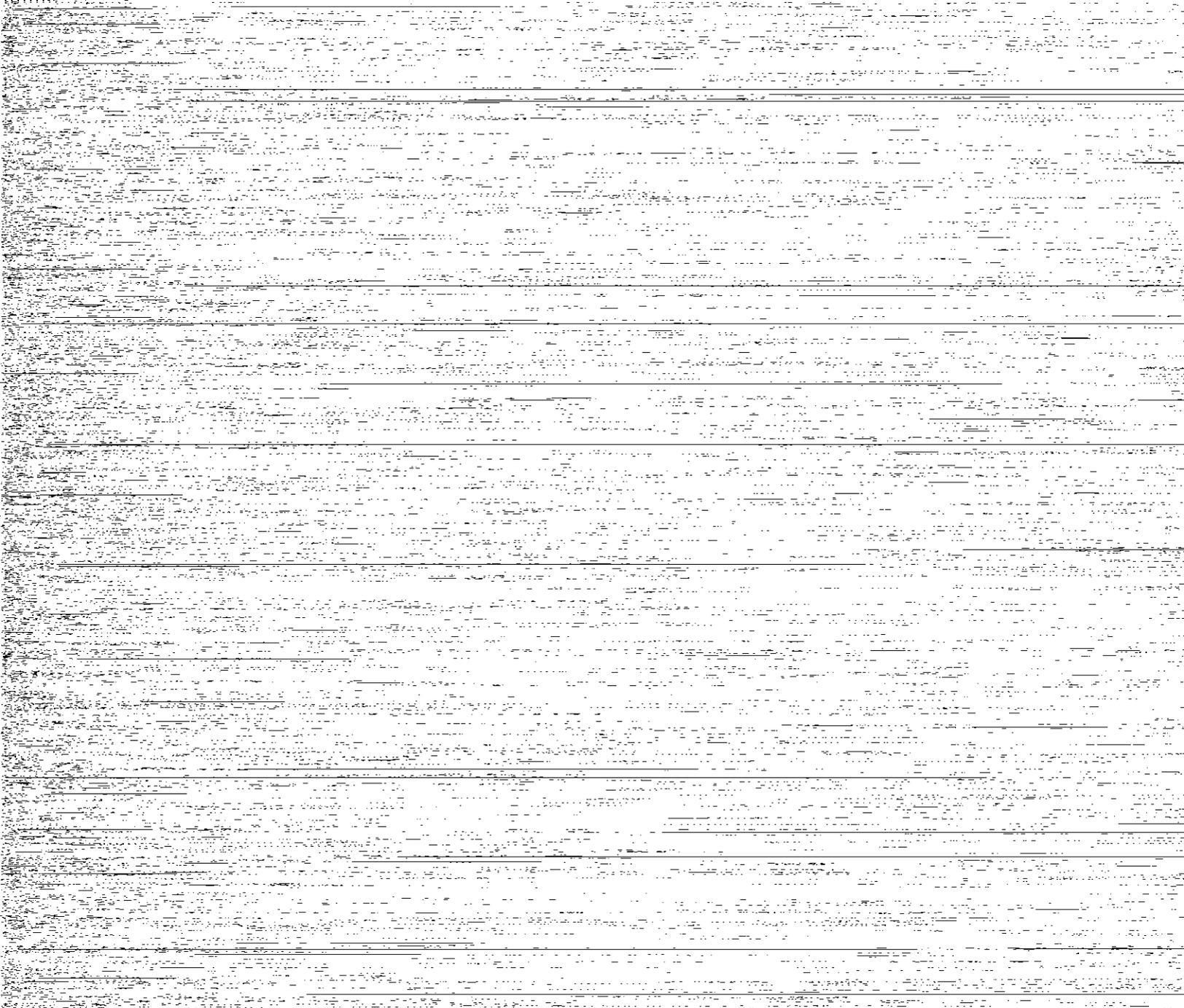
Attachment A

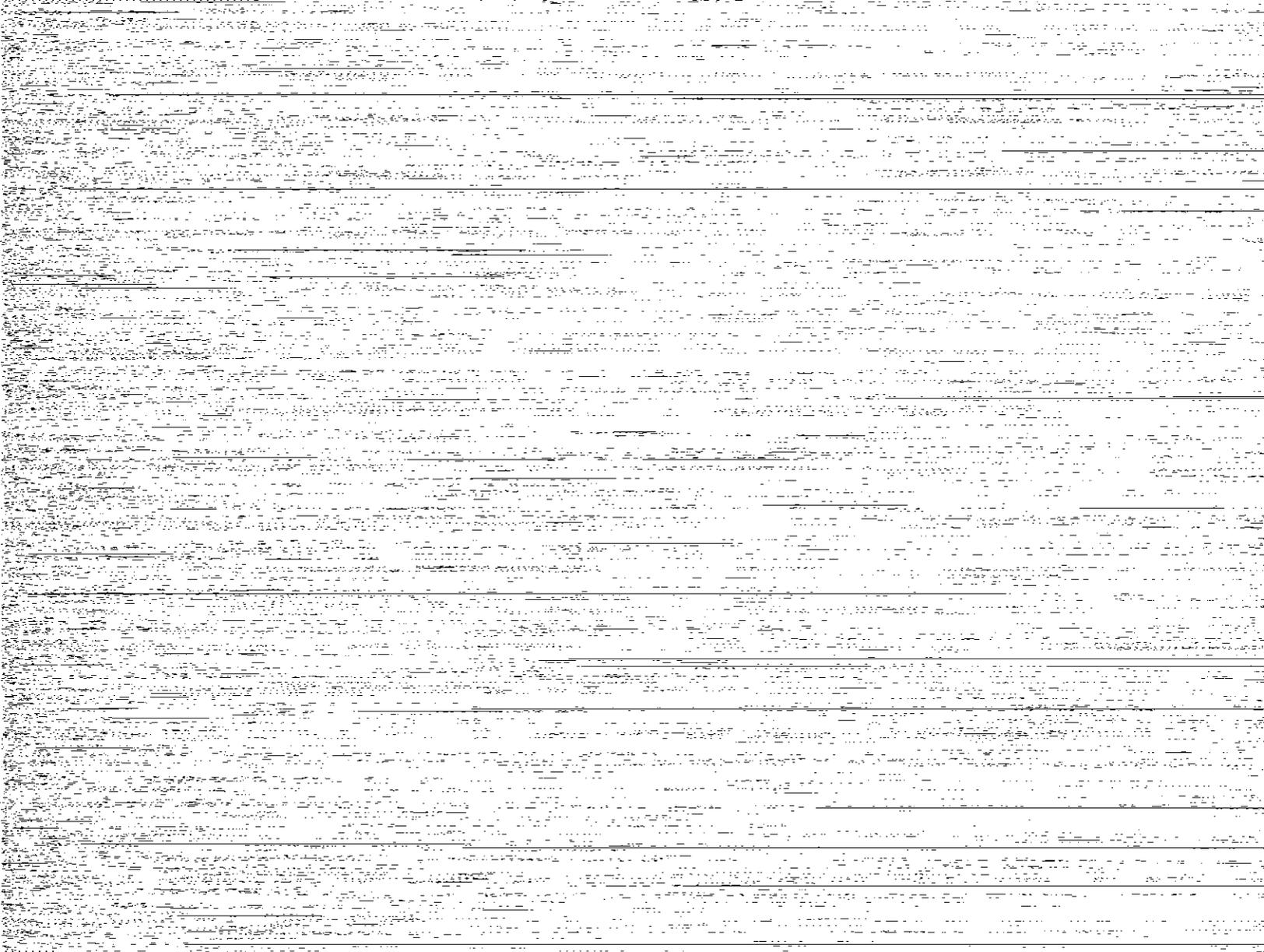


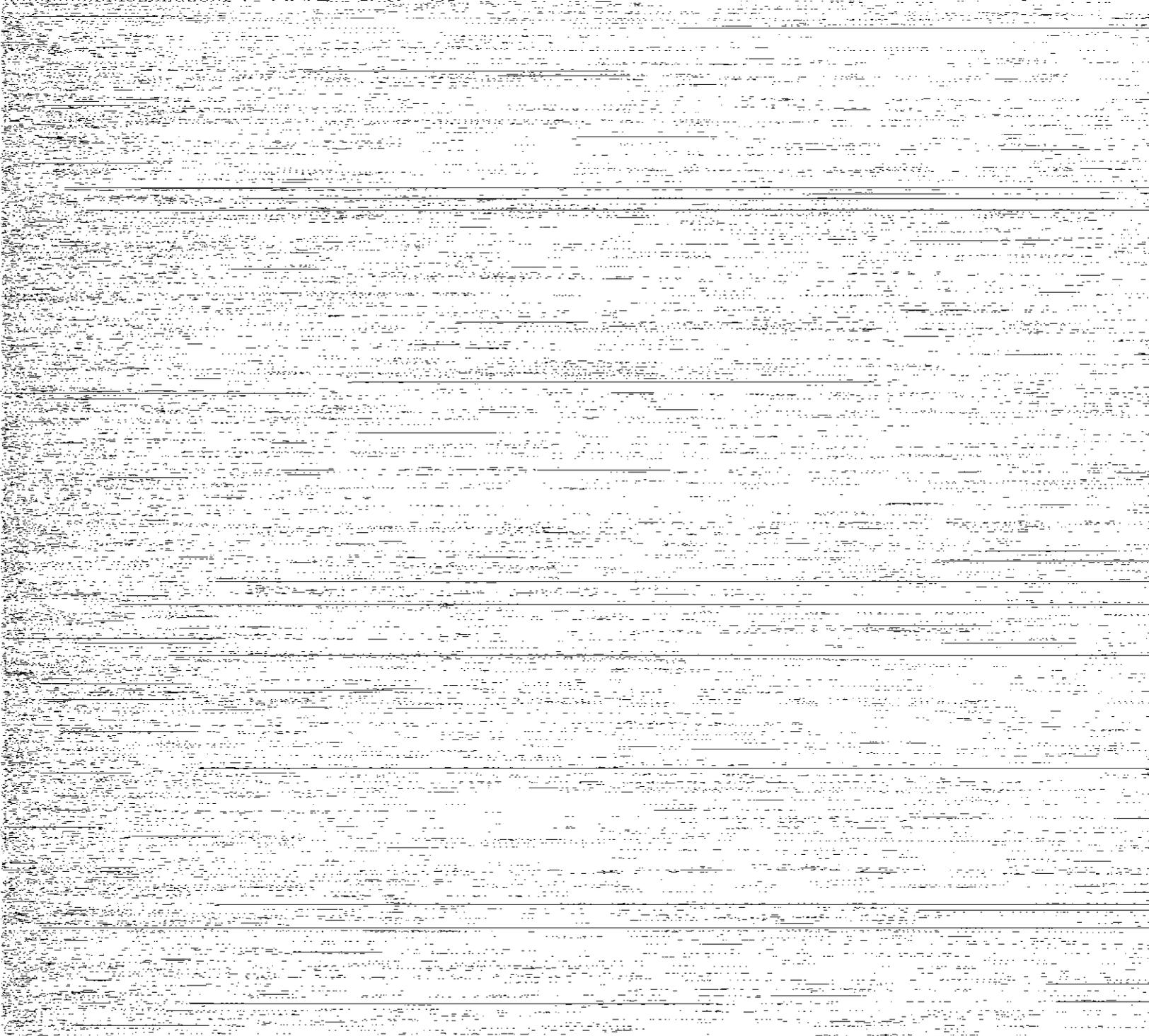




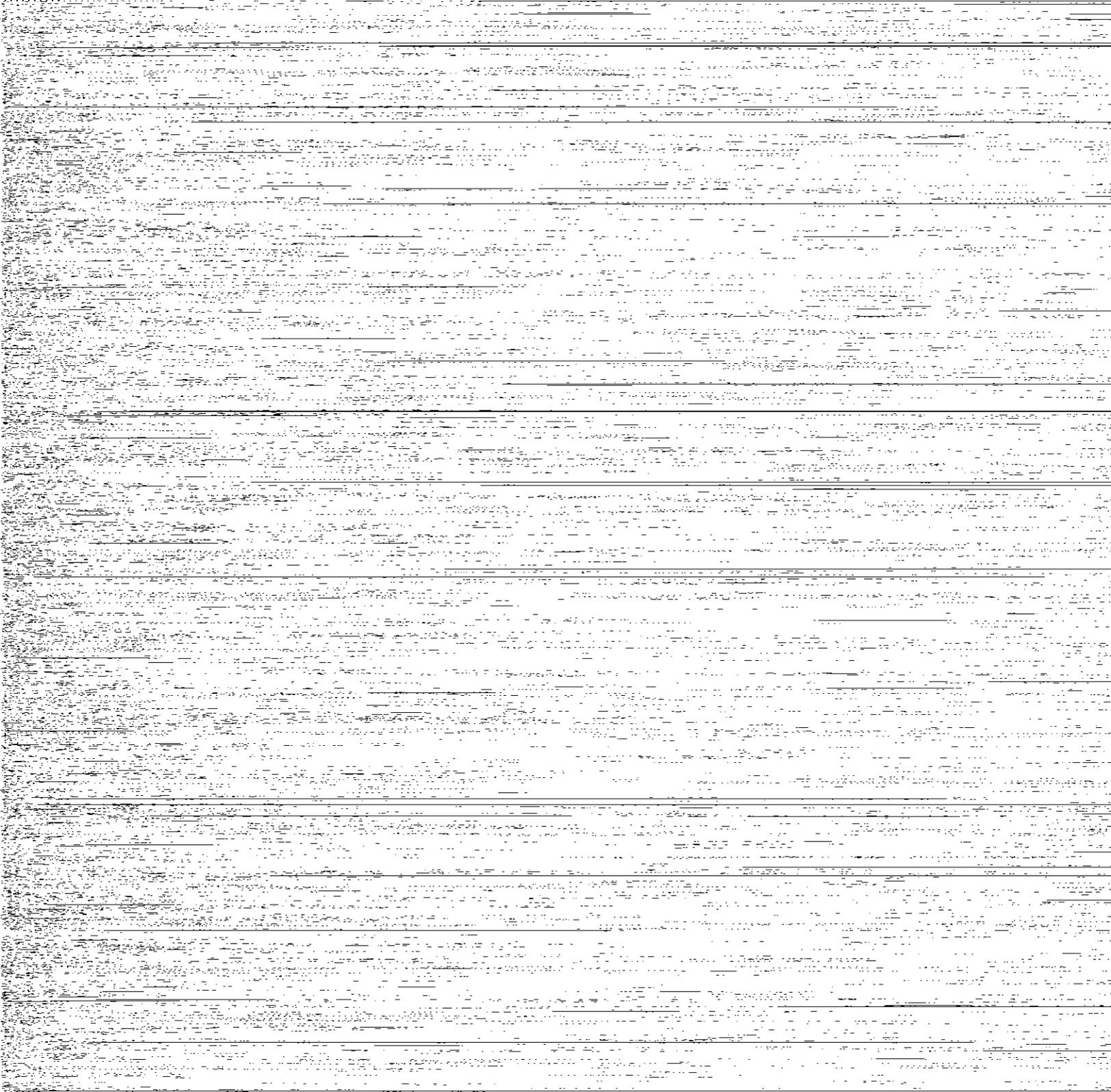


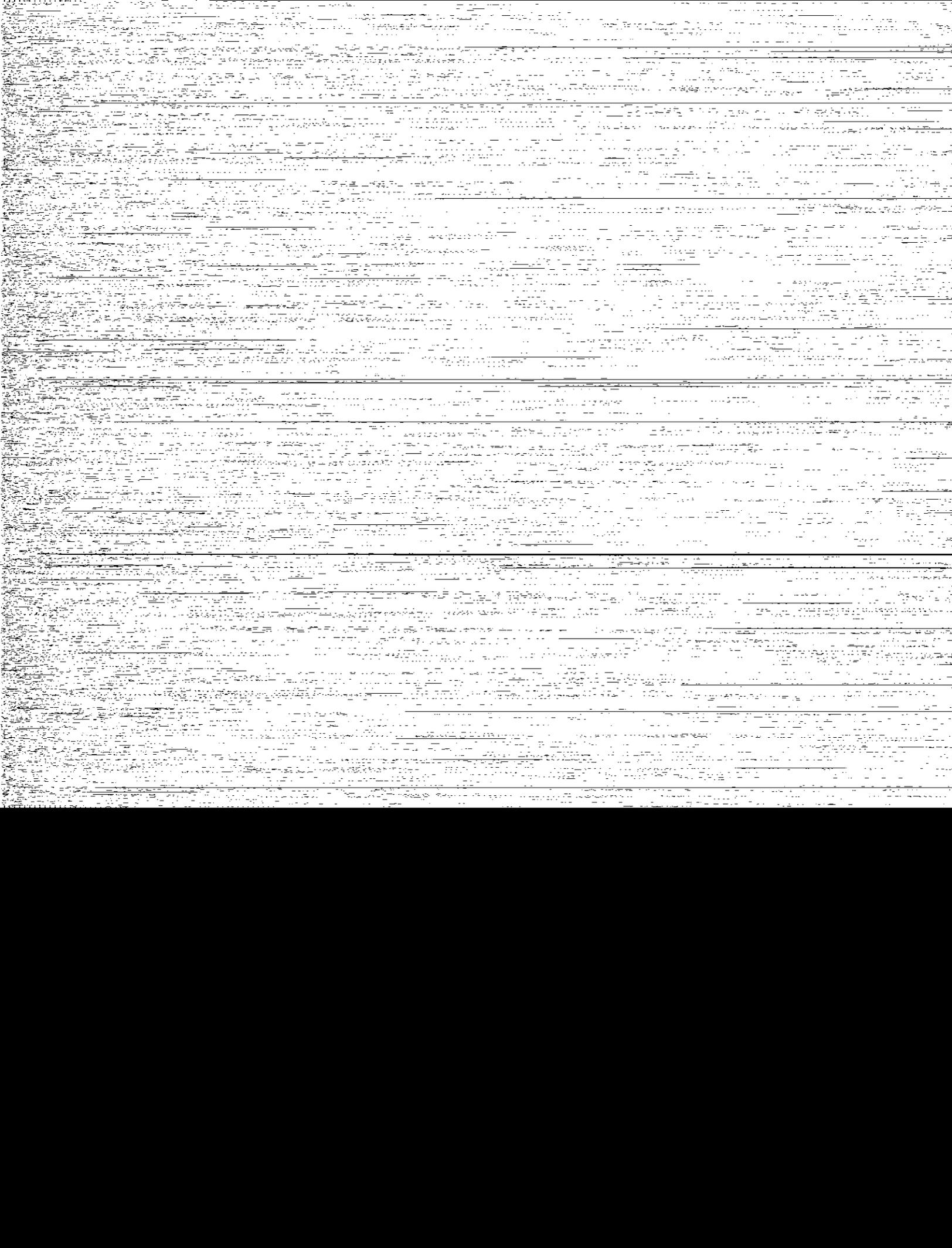




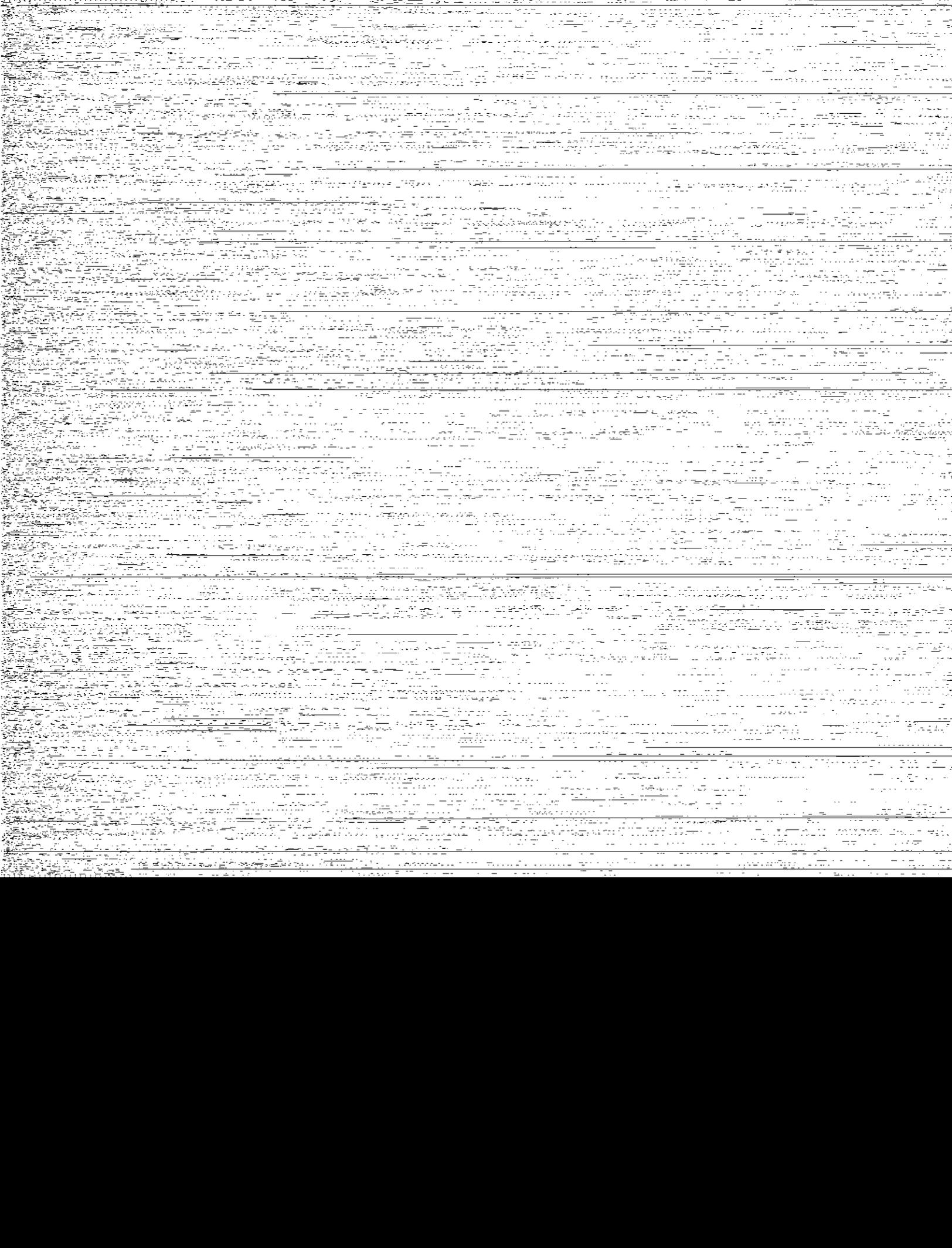


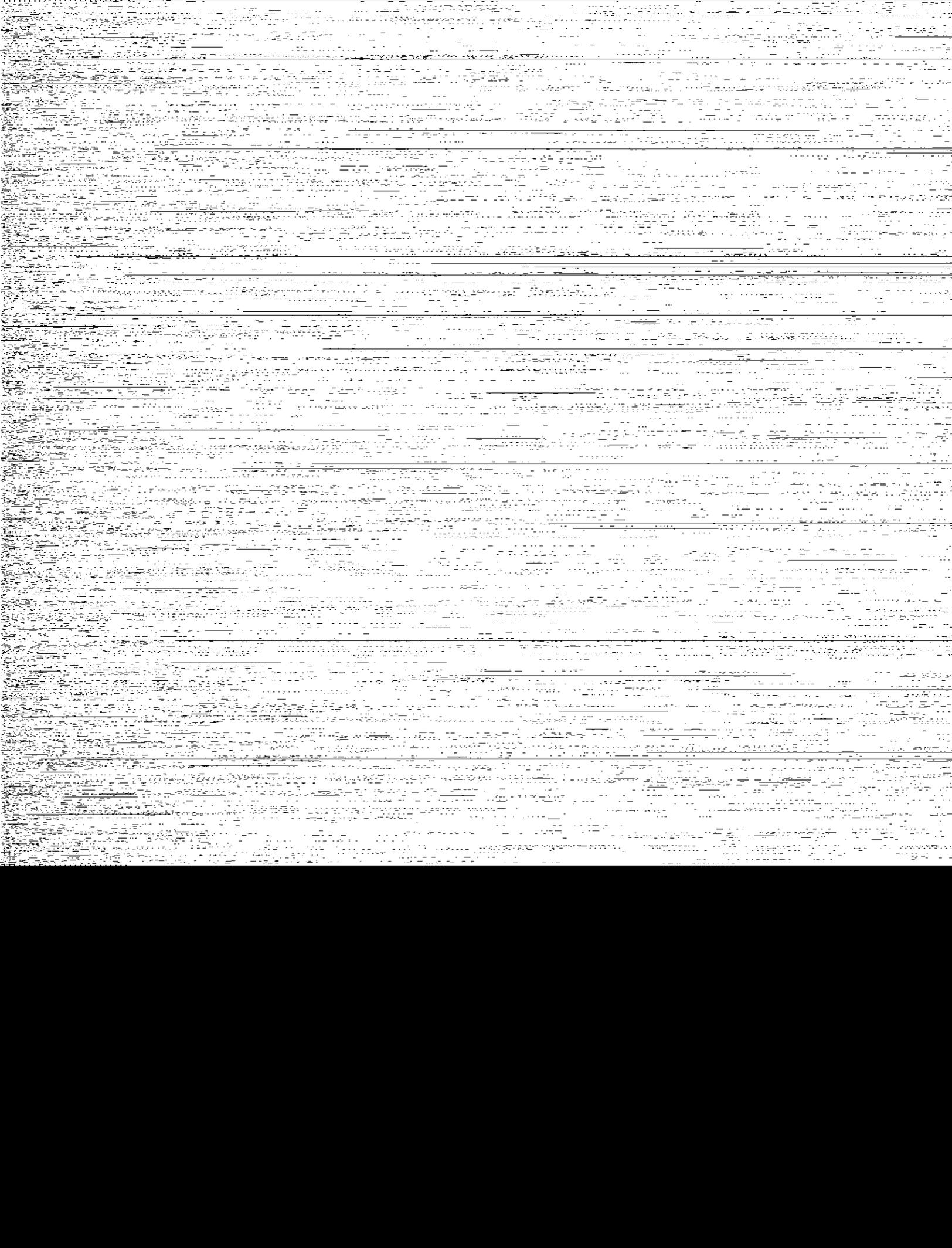








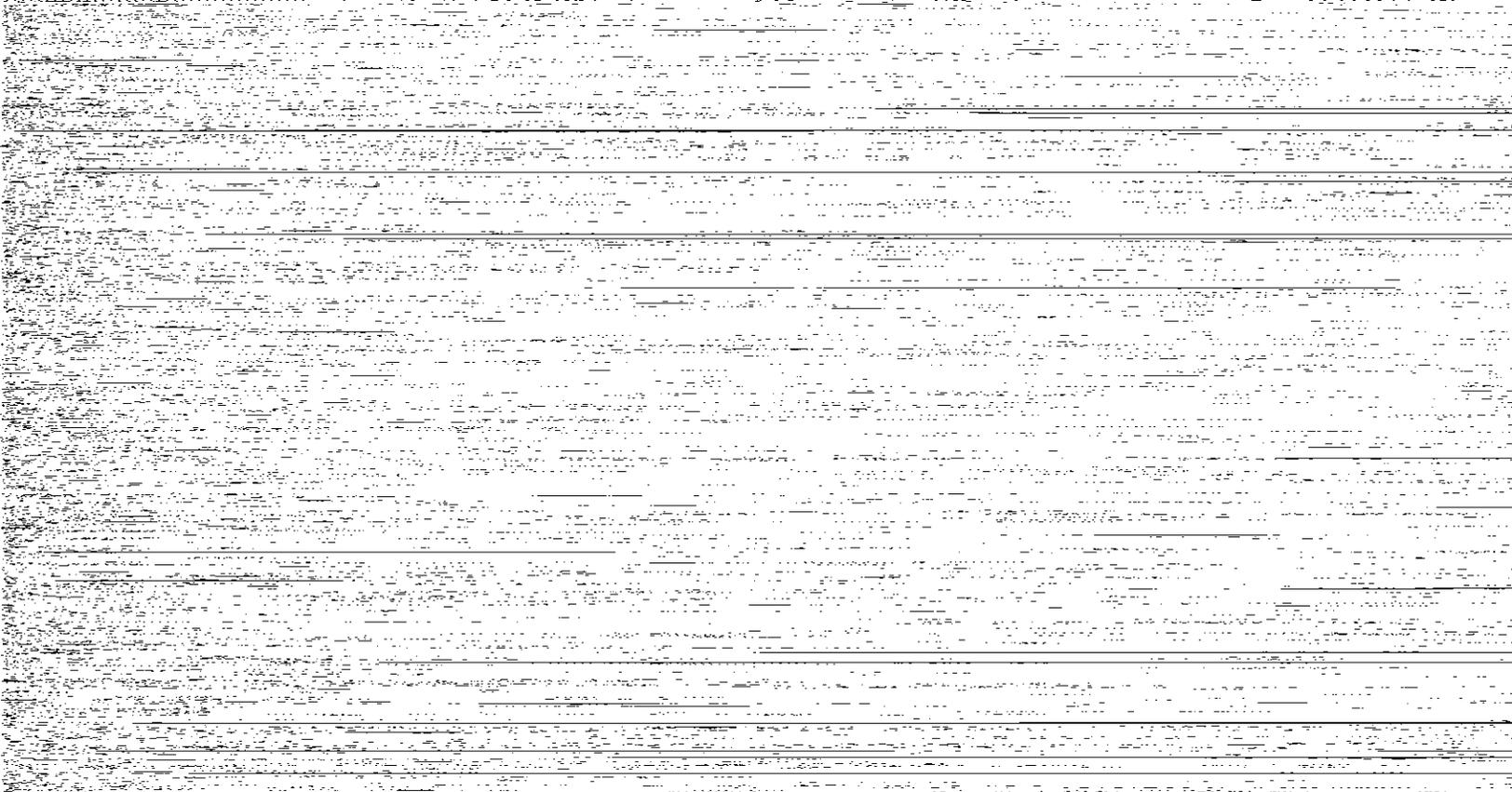












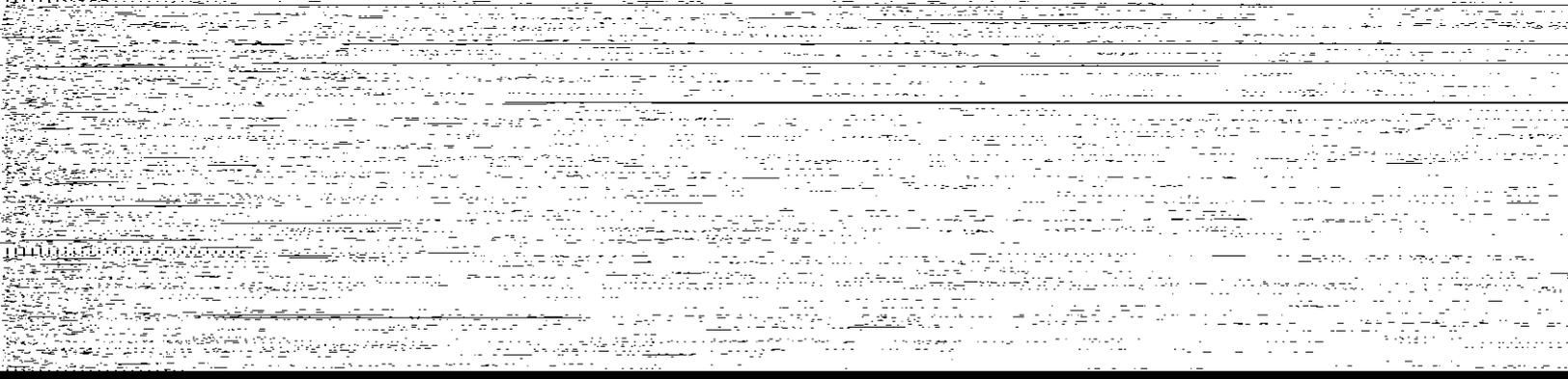


Exhibit A

FIRST DEED OF TRUST NOTE**Note Amount: \$3,076,641.00**Date: MAY 25th, 2006**FOR VALUE RECEIVED, PARK SOUTHERN NEIGHBORHOOD**

CORPORATION, a District of Columbia non-profit corporation (referred to herein as "Borrower" or "Maker"), promises to pay to the order of the District of Columbia, a municipal corporation, acting by and through the District of Columbia Department of Housing and Community Development (the "Holder"), or any subsequent holder, the principal sum of **Three Million Seven-Six Thousand Six Hundred Forty-One Dollars (\$3,076,641.00)** plus interest as computed below or herein provided. The principal and interest, shall be payable at 801 North Capitol Street, N.E., Washington, DC 20002, Attn: Director, or to whomever or wherever the Holder may at any time designate in writing.

This Note is made pursuant to a certain Loan Agreement, dated the date hereof, between the Maker and the Holder (the "Loan Agreement"), describing the loan proceeds to be funded under the District of Columbia Housing Production Trust Fund Act of 1988, as may be amended from time to time, D.C. Law 7-202, D.C. Official Code Section 42-2801 *et seq.* (2001 ed.); 10 DCMR Chapter 41 ("HPTF Statutes"), and is secured by a first deed of trust, dated the date hereof, granted by Maker for the benefit of Holder (the "Deed of Trust"). The Loan Agreement and Deed of Trust, along with all documents described in the Loan Agreement and Deed of Trust as Loan Documents, shall be collectively referred to herein as the "Loan Documents."

Interest on the unpaid principal balance of this Note shall accrue at an annual rate of three percent (3.0%) during the term of this Note, based on a 365-day year.

The Maker shall be granted a deferral of the repayment of the Note during the first eighteen (18) months ("Deferral Period") of the Loan Term of Forty (40) years, commencing on the date hereof. Interest shall accrue on a monthly basis from the date hereof including the eighteen (18) month Deferral Period. Beginning on the first day of the nineteenth (19th) calendar month of the Loan Term and continuing on the first day of each month thereafter through the end of the Loan Term or until the Loan is paid in full, the Maker shall make payments of principal and interest in the amount of **Eleven Thousand Two Hundred Thirty-Seven Dollars and Two Cents (\$11,237.02)**. All monthly payments shall be applied first to outstanding interest and then to principal.

The interest accrued on the Loan during the Deferral Period shall be One Hundred and Thirty-Eight Thousand Four Hundred and Forty-Eight Dollars and Eighty-Four Cents (\$138,448.84) (the "Deferred Interest"). In lieu of repaying the Deferred Interest to the Lender, and in consideration of Lender's forgiveness thereof, the

Borrower shall deposit the amount of One Hundred and Fifty Dollars (\$150.00) (the "Deferred Interest Deposits") into each of the operating and replacement reserve accounts established by Borrower in accordance with the following paragraph herein. The Deferred Interest Deposits shall commence on the first day of the nineteenth (19th) month of the Loan Term and shall continue each and every month until the expiration of the Loan Term or the repayment of the Loan in full. If Borrower does not make the Deferred Interest Deposits, then the total of all Deferred Interest Deposits that are not made shall be due and payable at the end of the Loan Term or upon the repayment of the Loan in full.

Commencing on the first day of the nineteenth (19th) month following Loan Closing, the Borrower shall set up two separate and independent accounts with a commercial banking institution licensed in the District of Columbia for the deposit of operating and replacement reserve funds to be used for the Property. One account shall be for operating reserve funds and the other shall be for replacement reserve funds. Commencing on the first day of the nineteenth (19th) month following Loan Closing and continuing on the first day of each and every month thereafter until the end of the Loan Term, the Borrower shall deposit the sum of One Thousand Five Hundred and Forty-Four Dollars (\$1,544.00) into each reserve account. The reserve accounts shall be used only to fund reasonable operating expenses or replacement expenses (as such are defined in accordance with Generally Accepted Accounting Principles) incurred in connection with the operation of the Property. The amount of the deposit into each reserve account is the sum of: (i) the Deferred Interest Deposit, and (ii) One Thousand Three Hundred and Ninety-Four Dollars (\$1,394.00) which is the amount agreed to by Lender and Borrower in consideration for Lender's agreement to make the Loan at the interest rate of three percent (3%) rather than at four and one-half percent (4.5%).

This Note shall mature and the unpaid principal balance, together with all accrued interest, charges and penalties, if any, shall become immediately due and payable, without further action by the Holder, on the earlier to occur of: (i) the payment in full of the Loan balance including all interest, penalties and fees, if any, accrued and unpaid, (ii) the termination of the Loan and acceleration of the Loan due to the action of the Lender as the result of a default by the Maker under the Loan Documents, of (iii) the expiration of the Loan Term.

In the event of a default under the Loan Documents, which remains uncured after written notice and the applicable cure period provided in the Loan Documents, then the entire unpaid principal amount and accrued interest, charges and fees, if any, shall be immediately due and payable, at the option of the Holder. The Holder hereof may exercise this option to accelerate during any default by the Maker regardless of any prior forbearance; however, the Holder shall provide the Maker with THIRTY (30) DAYS' prior written notice of its intention to accelerate the Note. In the event of any default in the payment of this Note, and if the same is referred to an attorney at law for collection or any action at law or in equity is brought with respect hereto, the Maker shall pay the

Holder hereof all expenses and costs, including, but not limited to, reasonable attorney's fees.

If any monthly payment under this Note remains unpaid for more than thirty (30) calendar days after the date when due, the Note shall be in default and the Maker shall pay to Holder a late fee of TWO PERCENT (2%) of the unpaid installment amount; any payments received shall first be applied to any late fees and the remainder shall be applied to pay any overdue principal and interest amounts.

In the event that the Holder accelerates the maturity of this Note, after appropriate notice to Maker, or this Note becomes immediately due and payable without the need for further action by the Holder, then the unpaid principal amount outstanding shall bear interest at a default rate of the lesser of (i) FIVE PERCENT (5%) per annum, or (ii) the maximum rate of interest permitted to be charged by Holder under applicable law. Such interest shall commence upon the date that the Note becomes immediately due and payable. In such event, the Note shall remain in default until paid in full, and the payment of principal and accrued interest and fees shall be immediately due and payable without demand by the Holder hereof.

This Note may be prepaid in whole or in part at any time without penalty or premium; provided, however, the Maker shall provide the Holder with reasonable notice of its intent to prepay the Loan evidenced by this Note.

From time to time, without notice or consent of Maker or any guarantor hereof, and without liability to Holder, the Holder may extend the time for payment of any amount due under this Note, reduce the payments thereon, release anyone liable to make payment under the Note, accept a renewal of this Note, join in any extension or subordination agreement, release any security given hereto, take or release other security, and agree in writing with the Maker to modify the rate of interest in the event of default, without affecting the obligation of the Maker or any guarantor hereof, to pay any amounts due under this Note. Nor shall any of the above actions of the Holder affect the requirement of Maker to observe the covenants contained herein.

All makers, sureties, guarantors and endorsers hereby waive presentment, notice of dishonor, and protest hereof. This Note shall be the joint and several obligations of all makers, sureties, guarantors and endorsers, if any, and shall be binding upon them and their successors and assigns.

The indebtedness evidenced by this Note is secured by Financing Statements and the Deed of Trust, and reference is made thereto for rights as to acceleration of the indebtedness evidenced by this Note. This Note shall be governed by the laws of the District of Columbia, and if any provision of this Note shall be held invalid, such invalidity shall not affect any other provision of this Note. In the event that the effective rate of interest hereunder ever exceeds the maximum interest rate permitted by law, the effective interest rate hereunder shall be reduced as provided in the Deed of Trust.

The terms and conditions of the Deed of Trust and the Loan Agreement, including any incorporated terms, conditions and exhibits shall be incorporated herein by reference and made a part of this Deed of Trust Note.

[signatures on the following page]

IN WITNESS WHEREOF, Maker or Maker's duly authorized representative has executed this Note as of the day and year first above written.

WITNESS/ATTEST

MAKER:

PARK SOUTHERN NEIGHBORHOOD CORPORATION, a District of Columbia non-profit corporation

By: Mary Sandridge
Name: Mary Sandridge
Title: Secretary

By: Robert L. Yeldell
Name: Robert L. Yeldell
Title: President

(Corporate Seal)

I HEREBY CERTIFY THAT the foregoing Deed of Trust Note was executed and delivered pursuant to, and in strict conformity with the provisions of a resolution of the Board of Directors of Park Southern Neighborhood Corporation.

Mary Sandridge
Secretary

(Corporate Seal)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT



Office of the Director

JUN 25 2008

Ms. Rowena J. Scott
President
Board of Directors
Park Southern Neighborhood Corporation
800 Southern Avenue, SE
Washington, D.C. 20032

Re: Park Southern Apartments

Dear Ms. Scott:

This letter is in response to your March 28, 2008 correspondence to this office in regards to the physical and financial positions of Park Southern Apartments. We are cautiously optimistic about the progress of the restoration of the property and the start of the remediation of the housing code violations. The Department acknowledges the change of leadership at Park Southern Neighborhood Corporation ("PSNC") and the recent hiring of a new general contractor to complete on budget and time the scope of work agreed on by your organization and the Department on May 25, 2006.

The loss of institutional knowledge relating to our mortgage debt service is also acknowledged because of the loss of your past President of the Board of Directors. However, please be advised that all terms and conditions as executed and agreed upon by the Department and your predecessor stands and enforcement of same shall be strictly adhered to in most cases. By way of this communication I am requesting my Agency Fiscal Officer to notify appropriate parties to forebear on PSNC relating to your mortgage debt service arrearage for a period of 60 days with payments due to start no later than July 01, 2008 and a recasting of your debt to cover the missed payments for the last 90 days. A formal proposed debt restructuring plan with your terms and conditions should be forwarded to the Department.

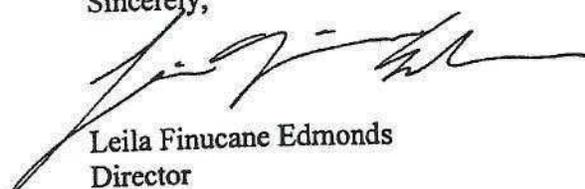
Please keep meticulous records on the funds disbursed for the construction of the code compliance rehabilitation scope of work that is part of the construction contract agreement executed between PSNC and District Development Group entered in on October 24, 2007. Please look into value engineering relating to your final scope of work.

It is paramount that your project achieves stability in the very near future to ensure the quality of life for your existing and future residents are not compromised. I am suggesting that your leadership and contractor complete a comprehensive stabilization plan for Park Southern Apartments that shall be reviewed and acceptable to the Department.

Additionally, please be advised that it is mandatory that you adhere to Section 504, Rehabilitation Act of 1973 relating to accessibility for handicapped residents.

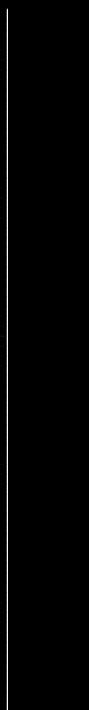
Please forward your debt restructuring and stabilization plans to Mr. Ray Slade at 801 North Capitol Street, N.E. – Washington, D.C. 20002. Mr. Slade's telephone number is (202) 442-6970. Mr. Slade is available for questions and additional information as well.

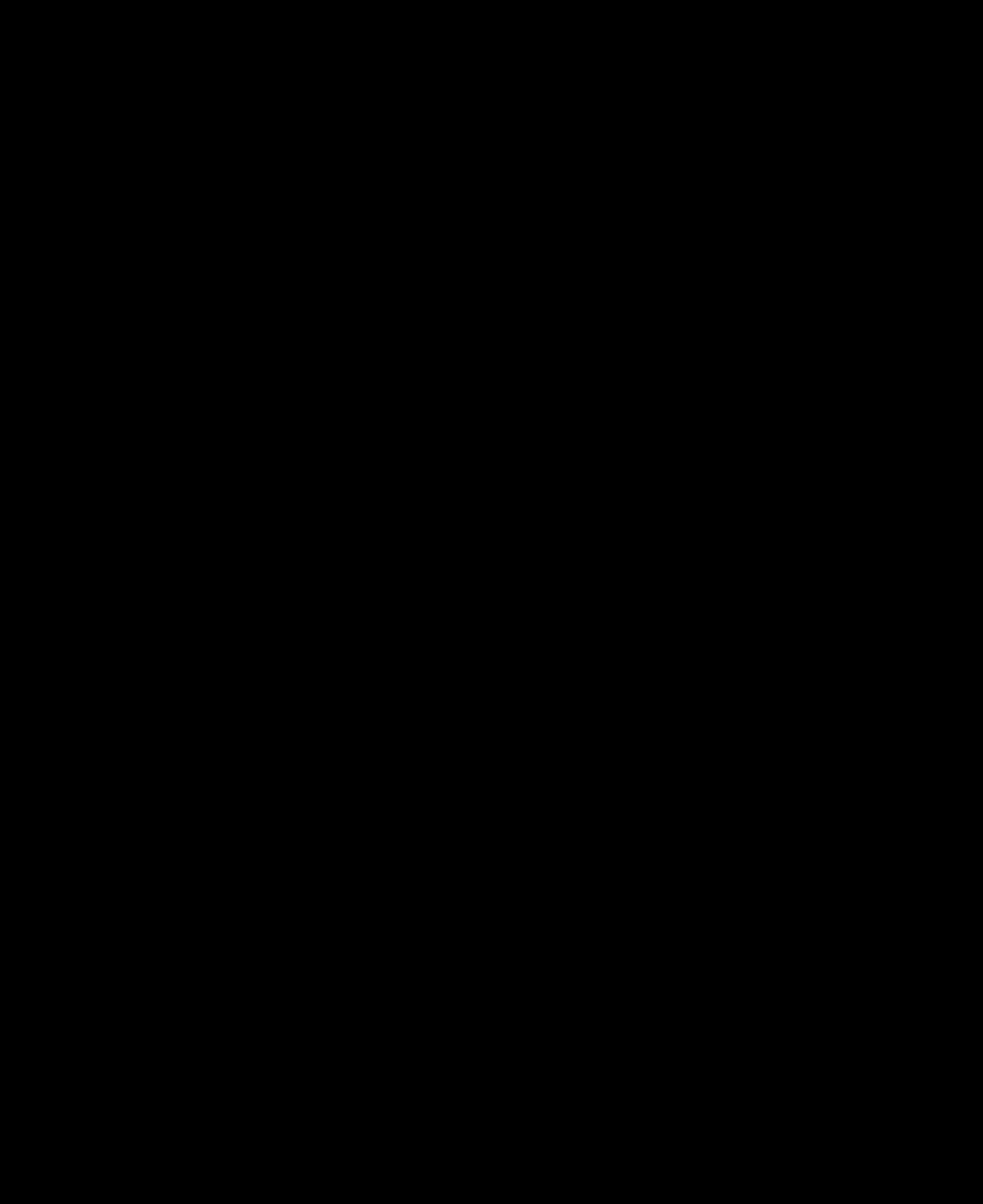
Sincerely,



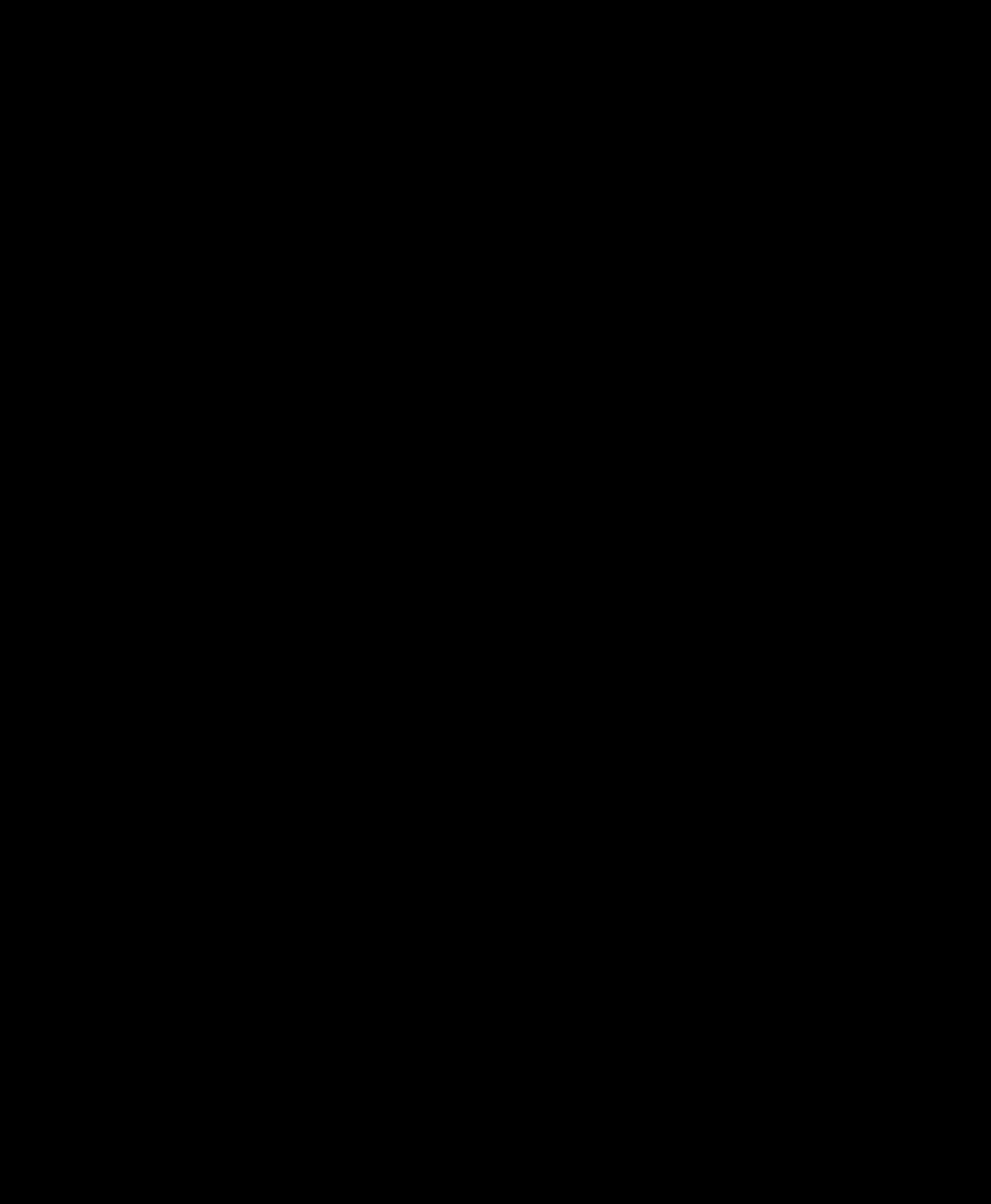
Leila Finucane Edmonds
Director

Exhibit B

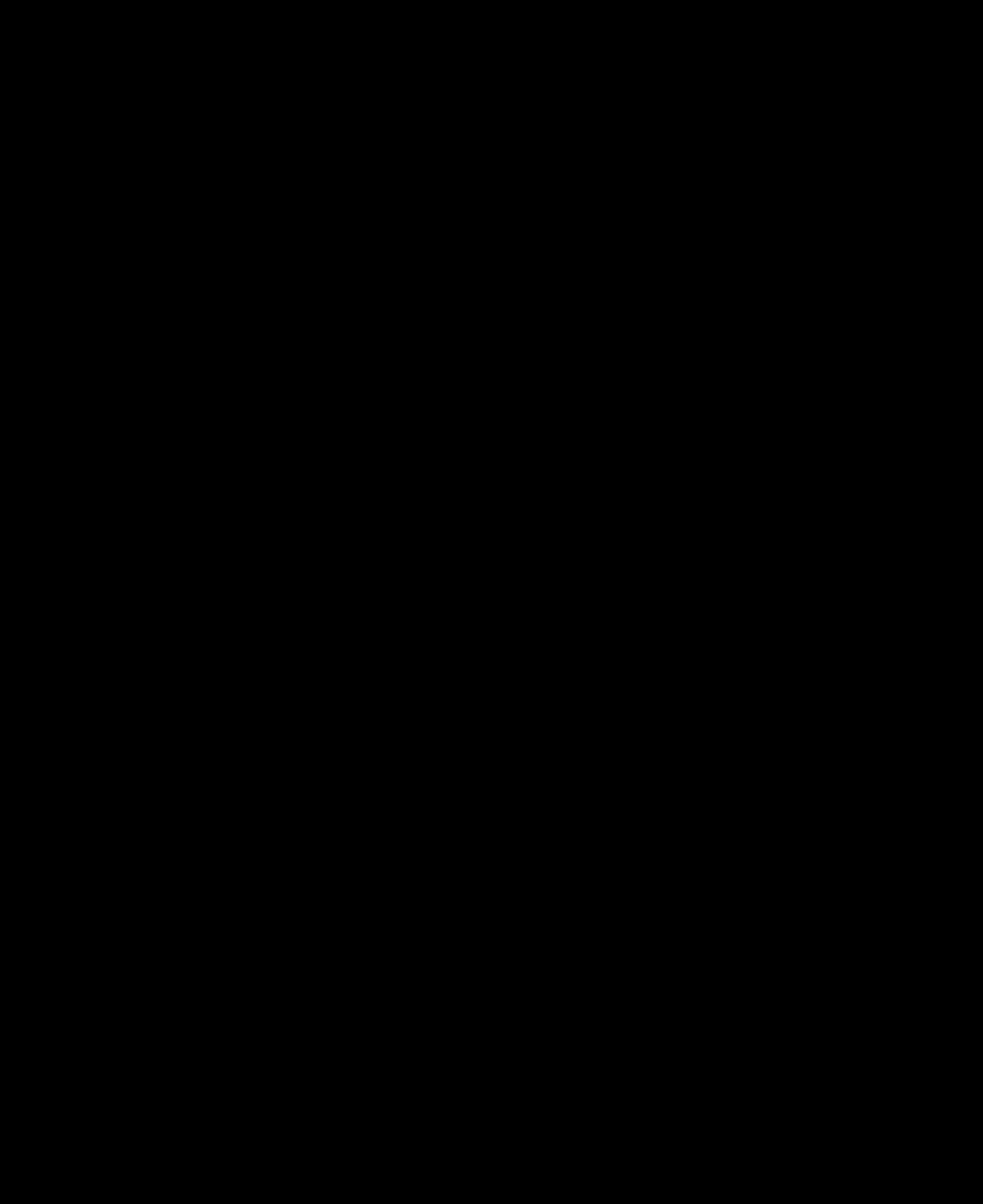


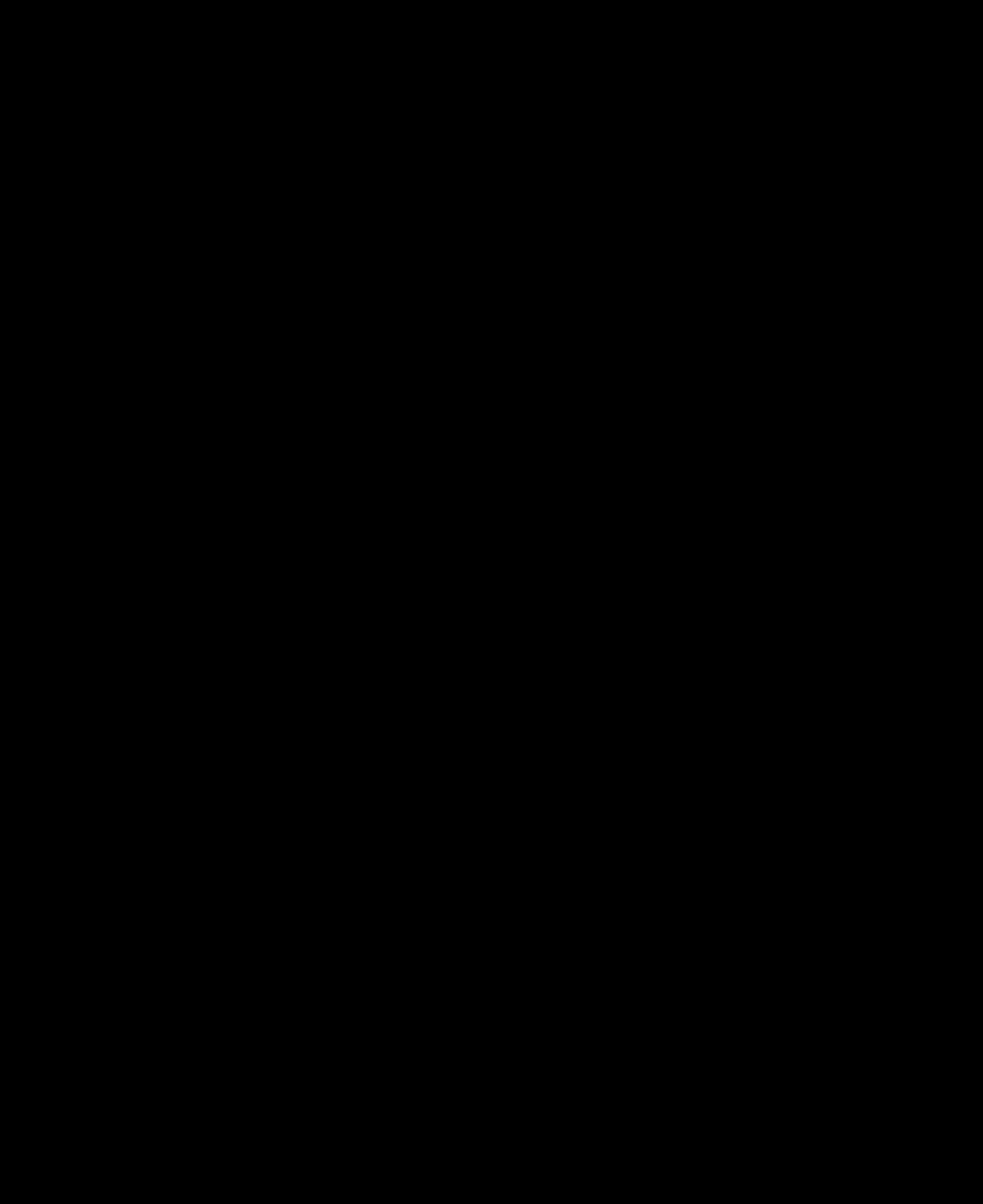


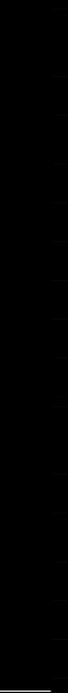


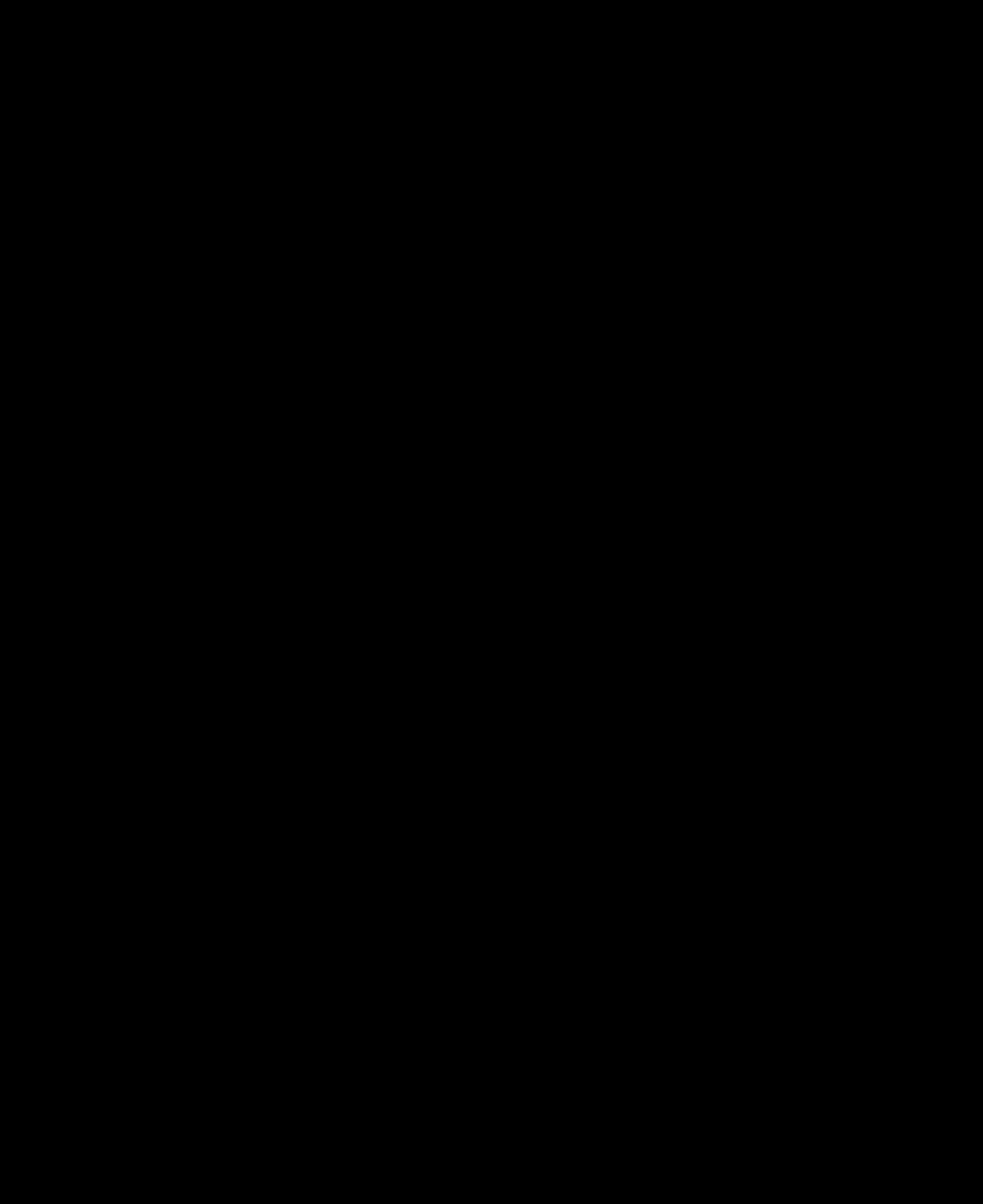












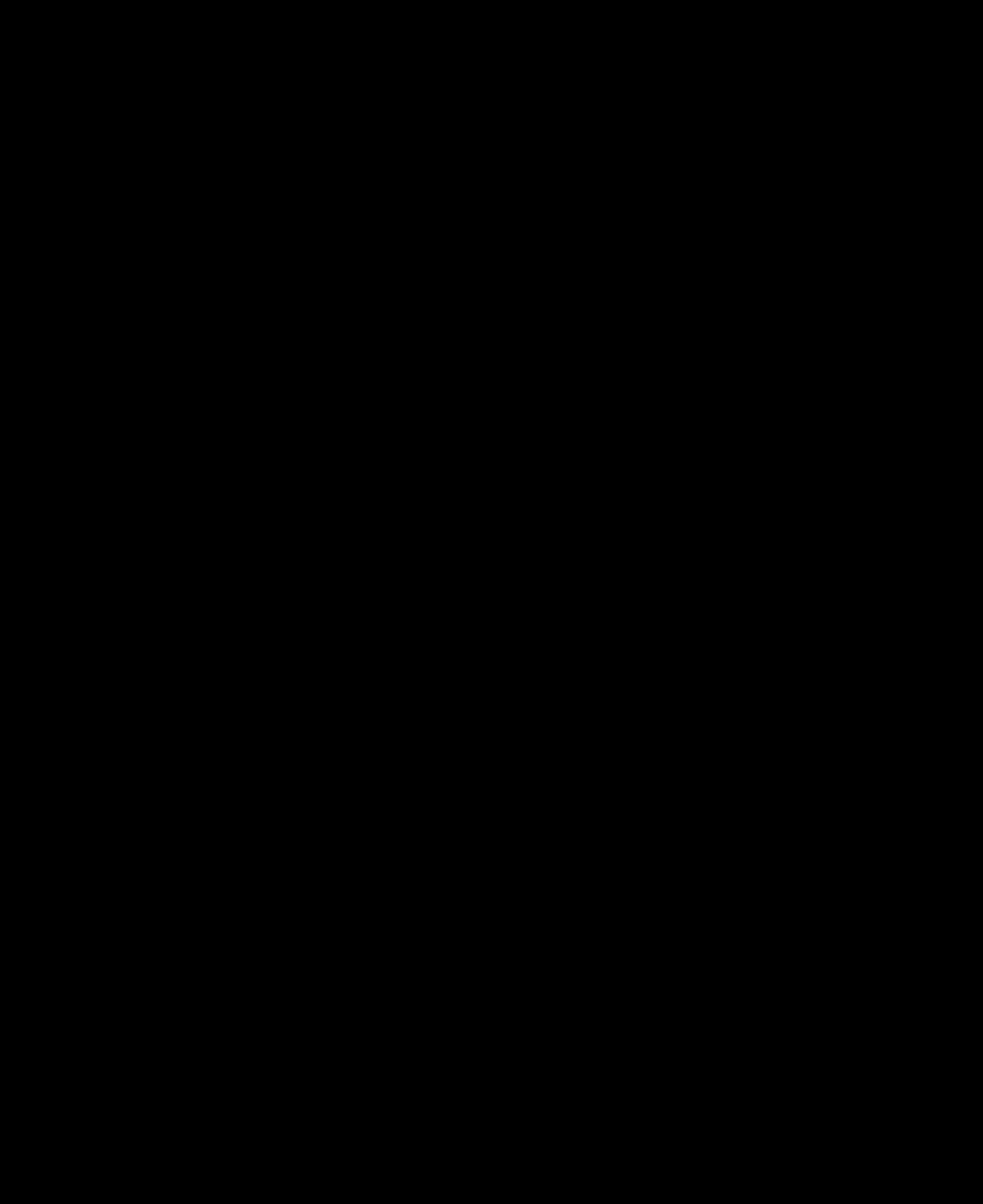
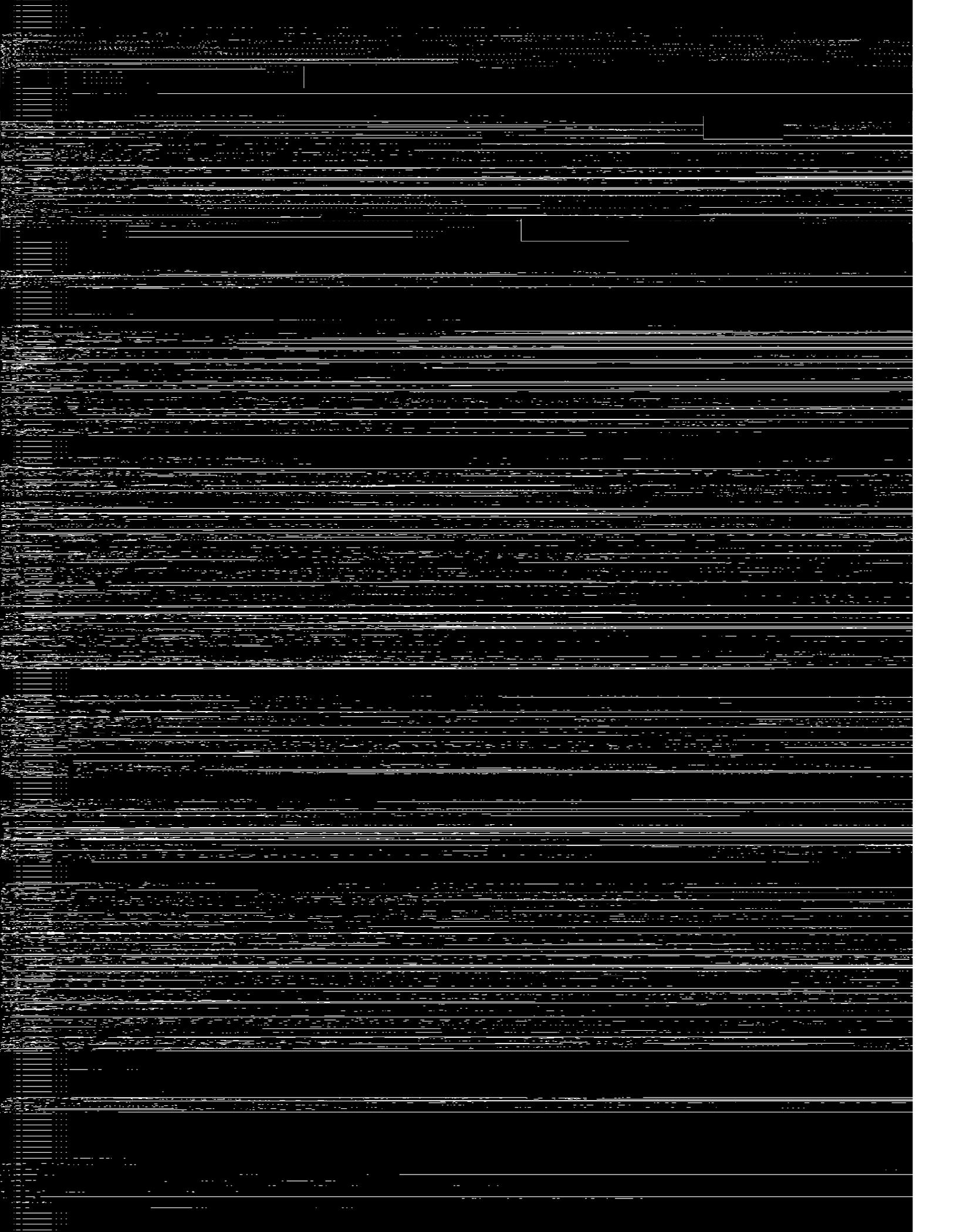
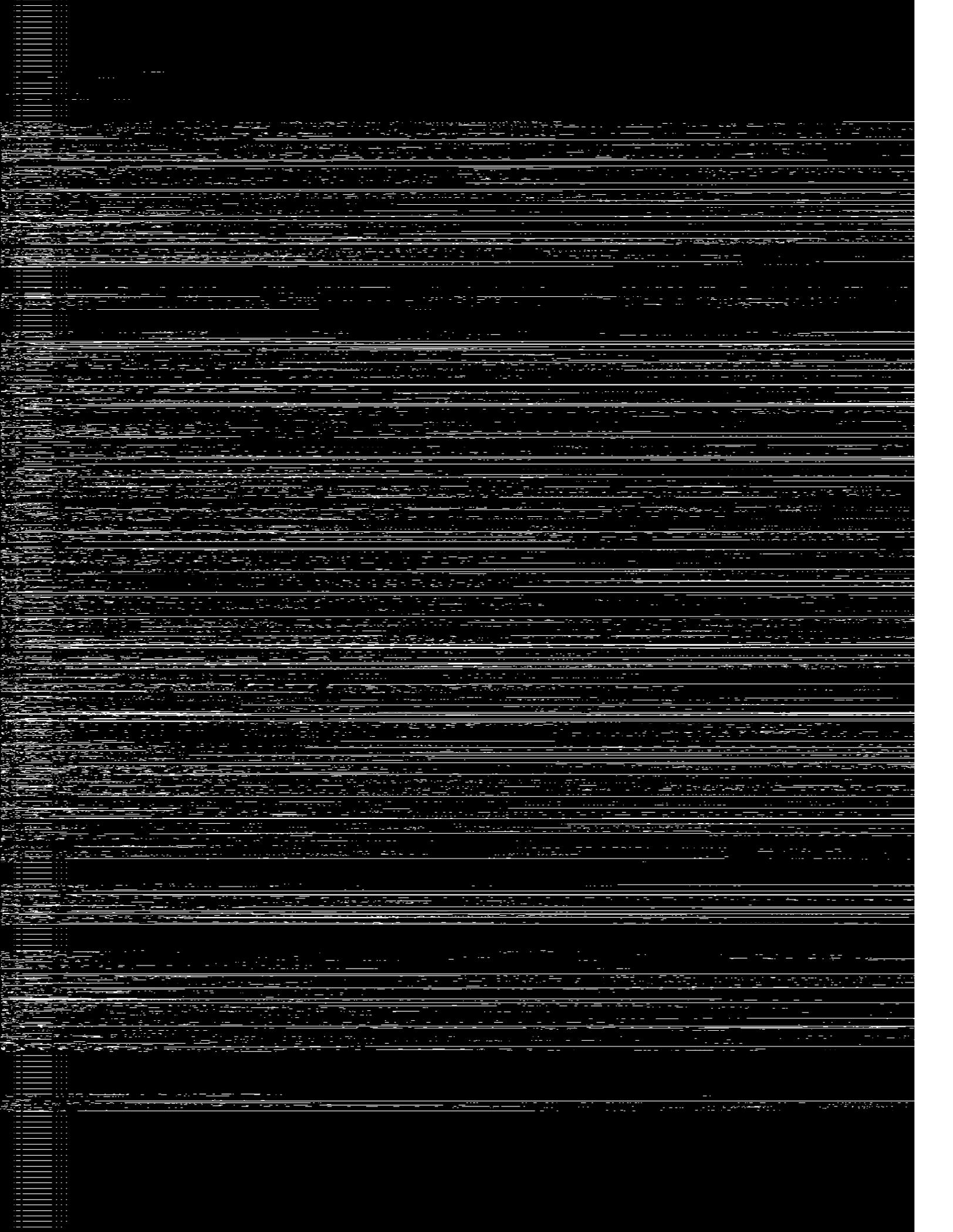
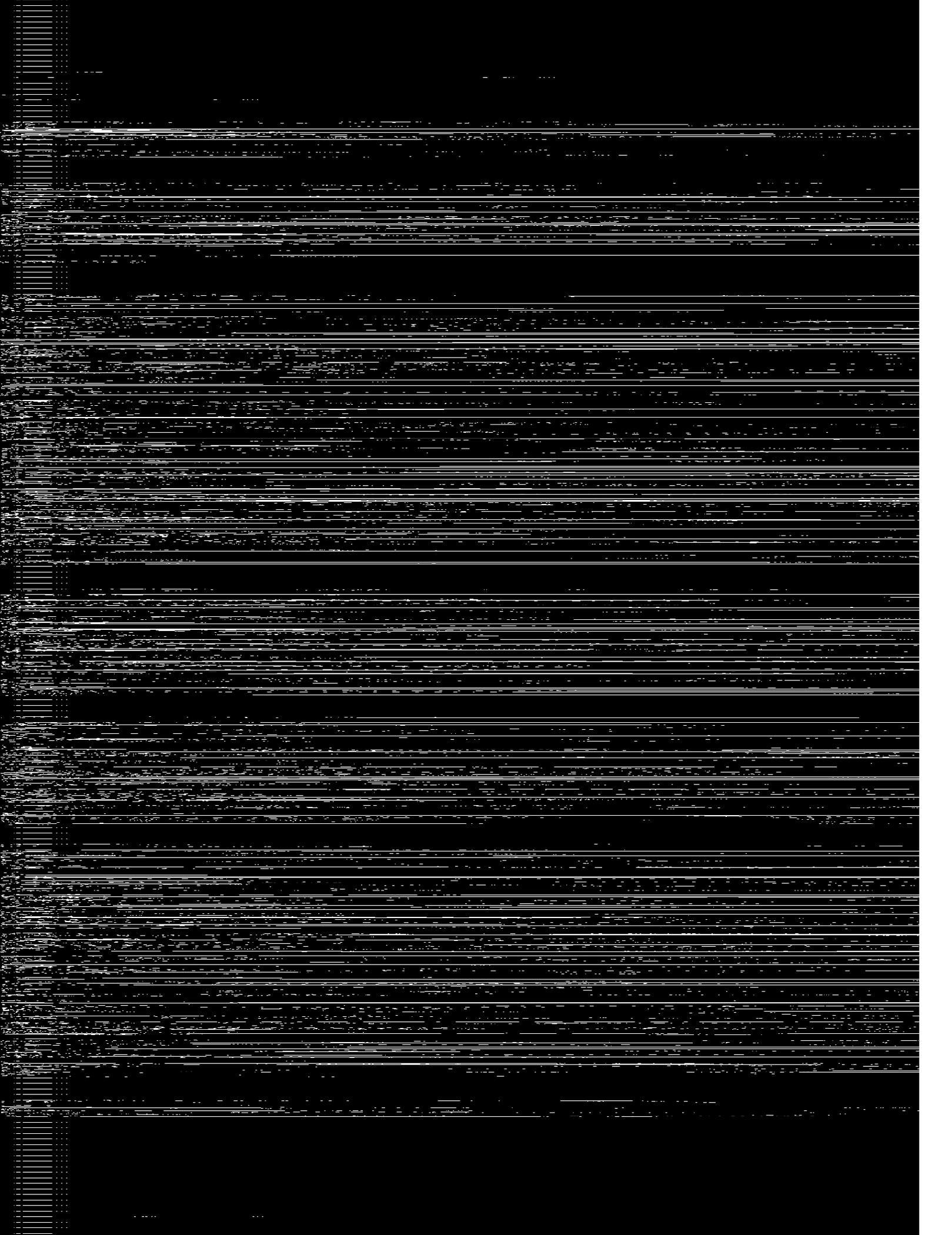
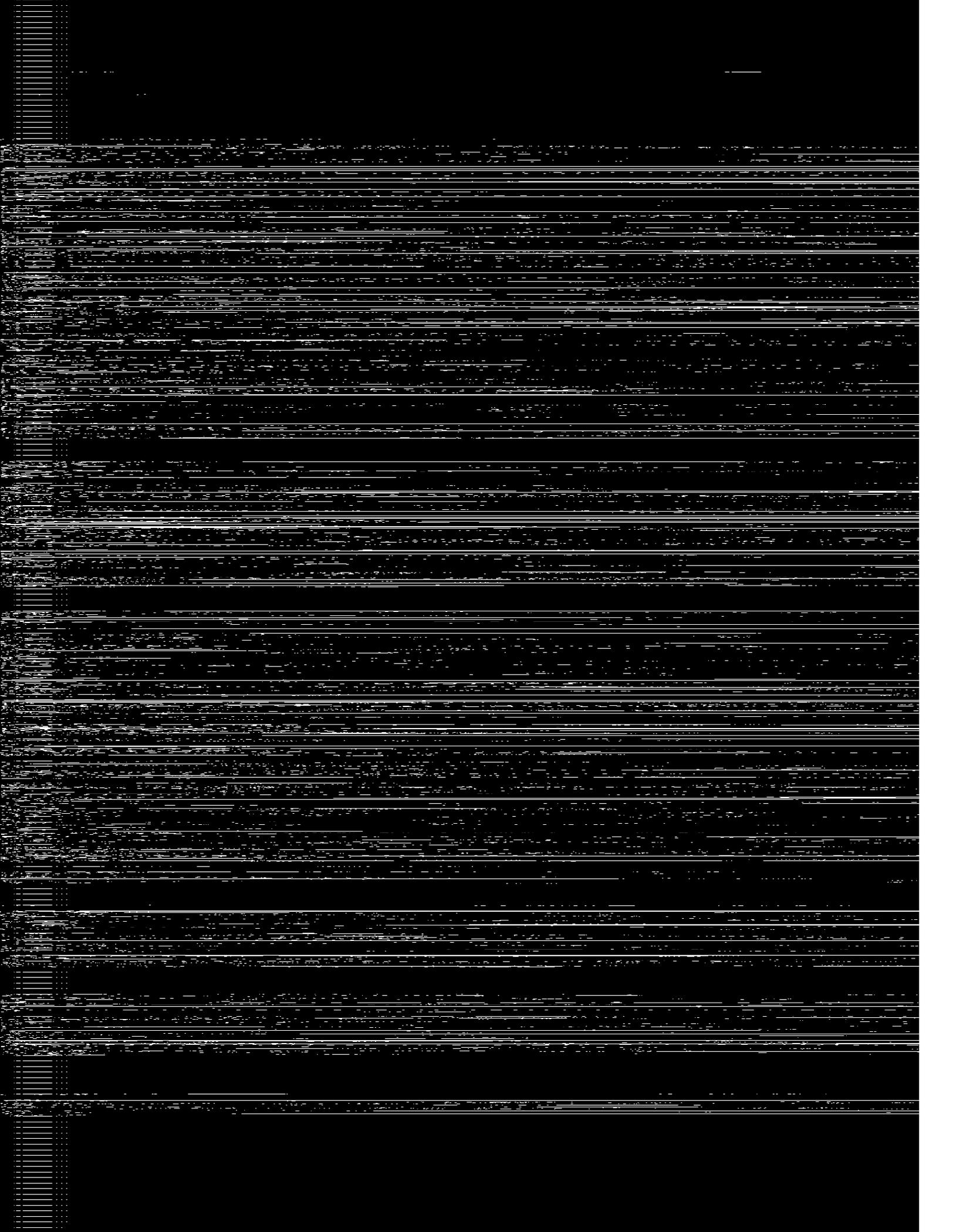


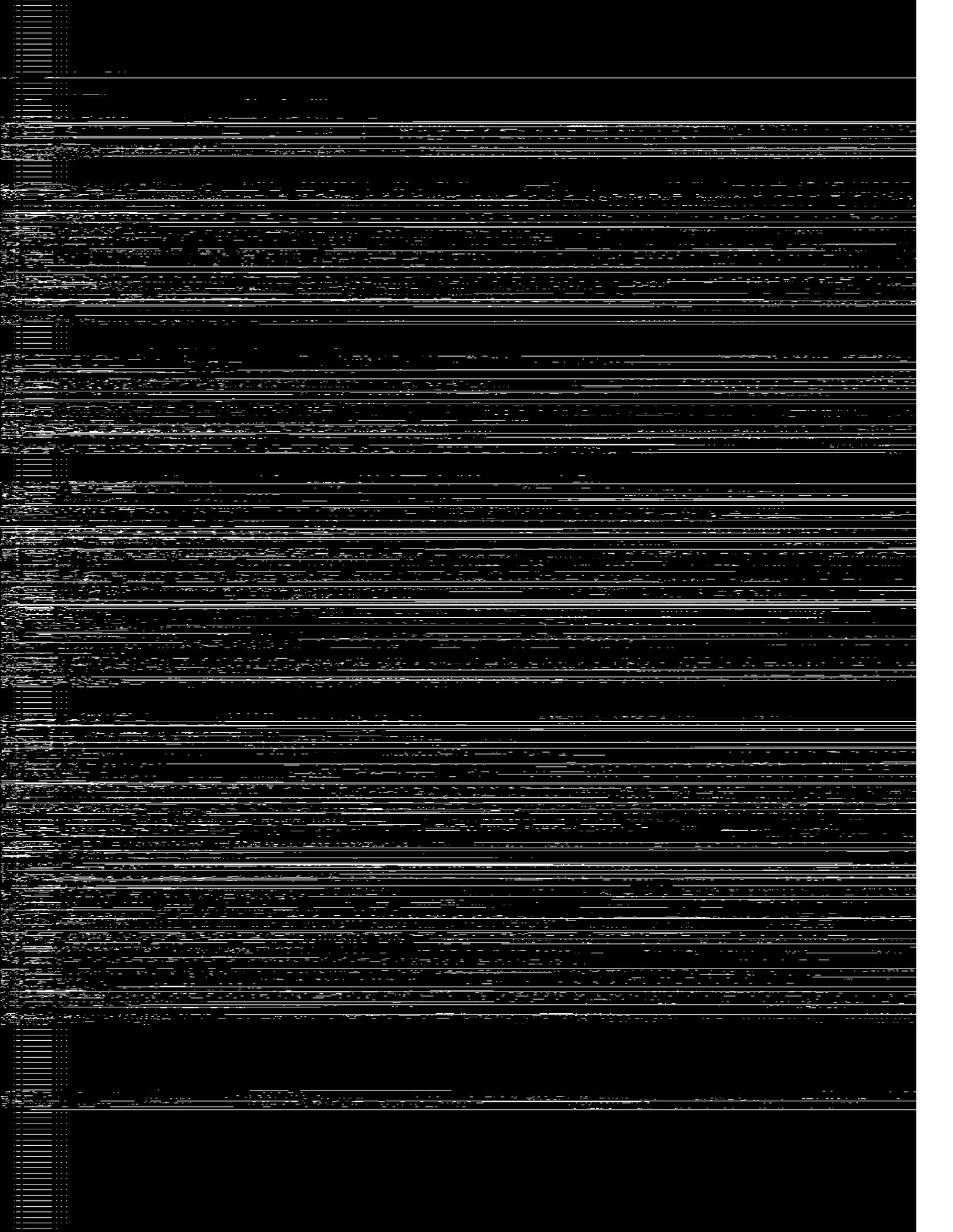
Exhibit C



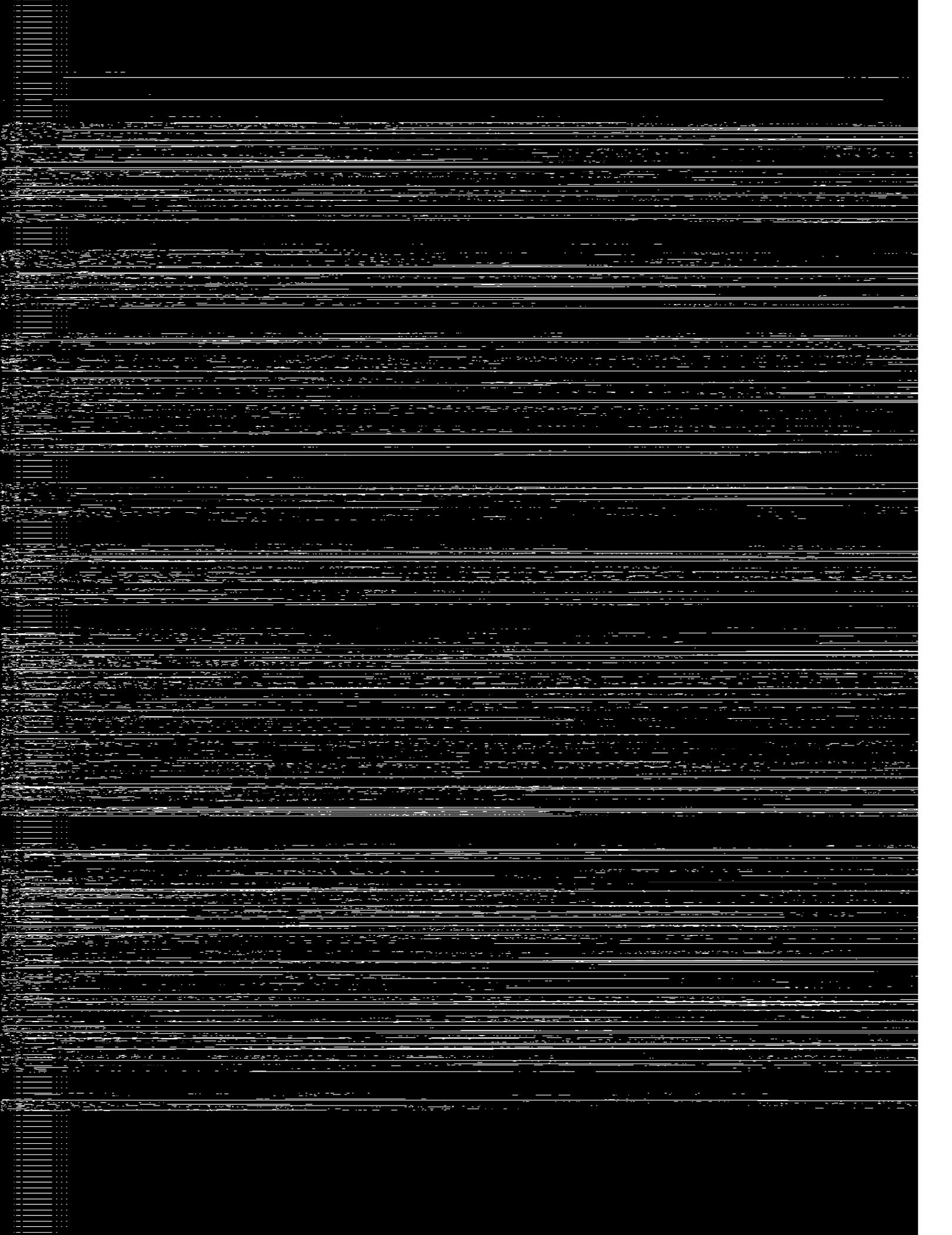


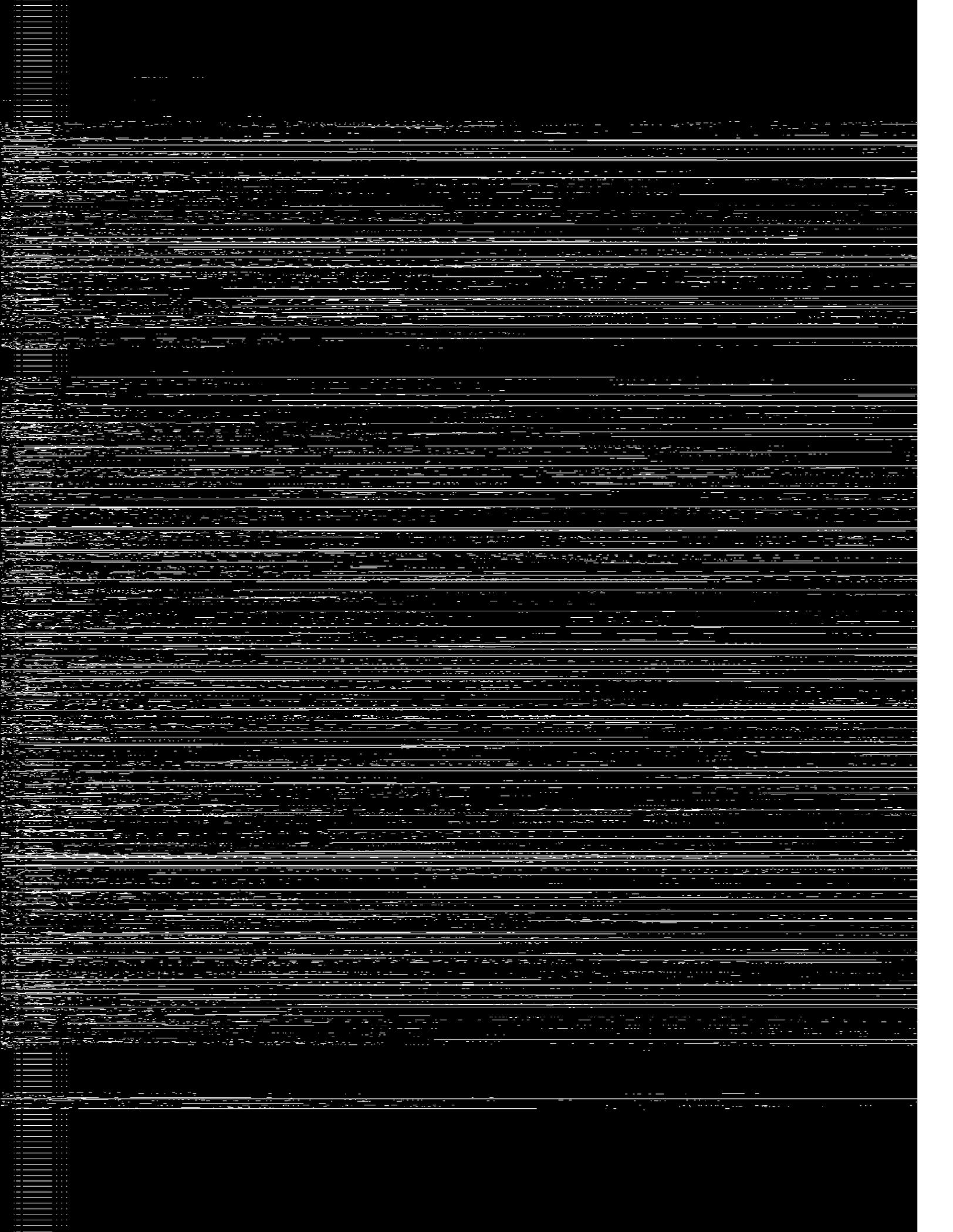


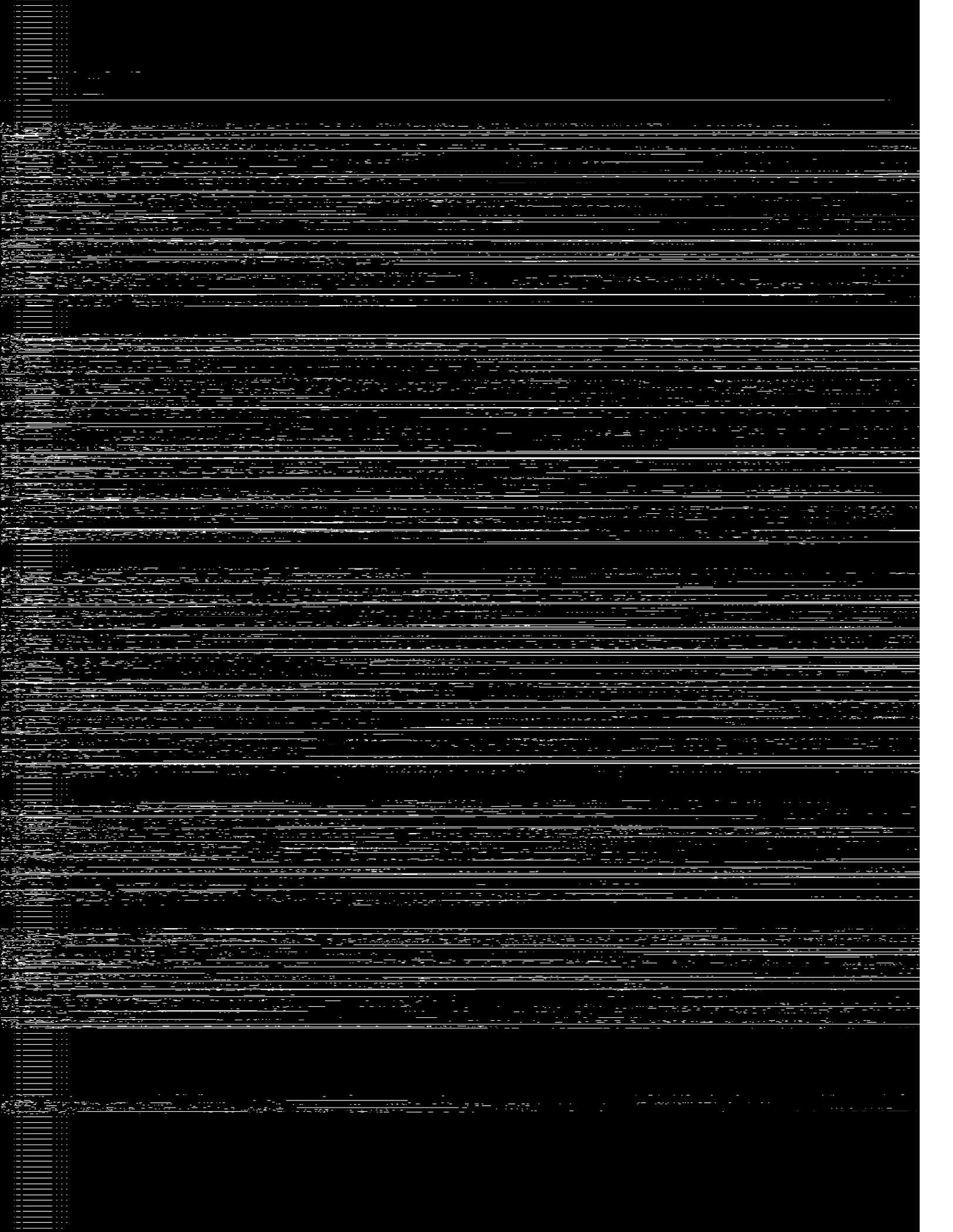


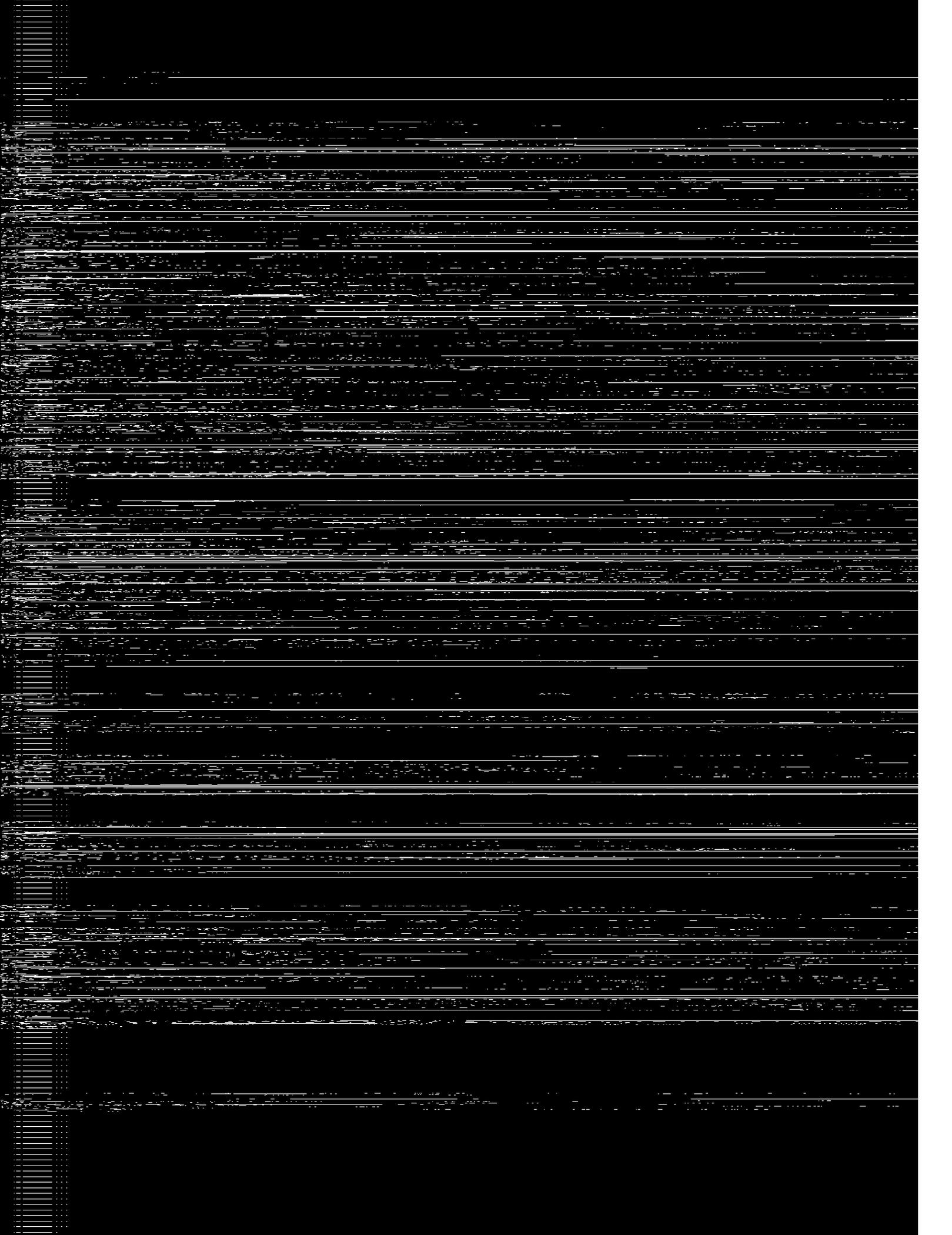


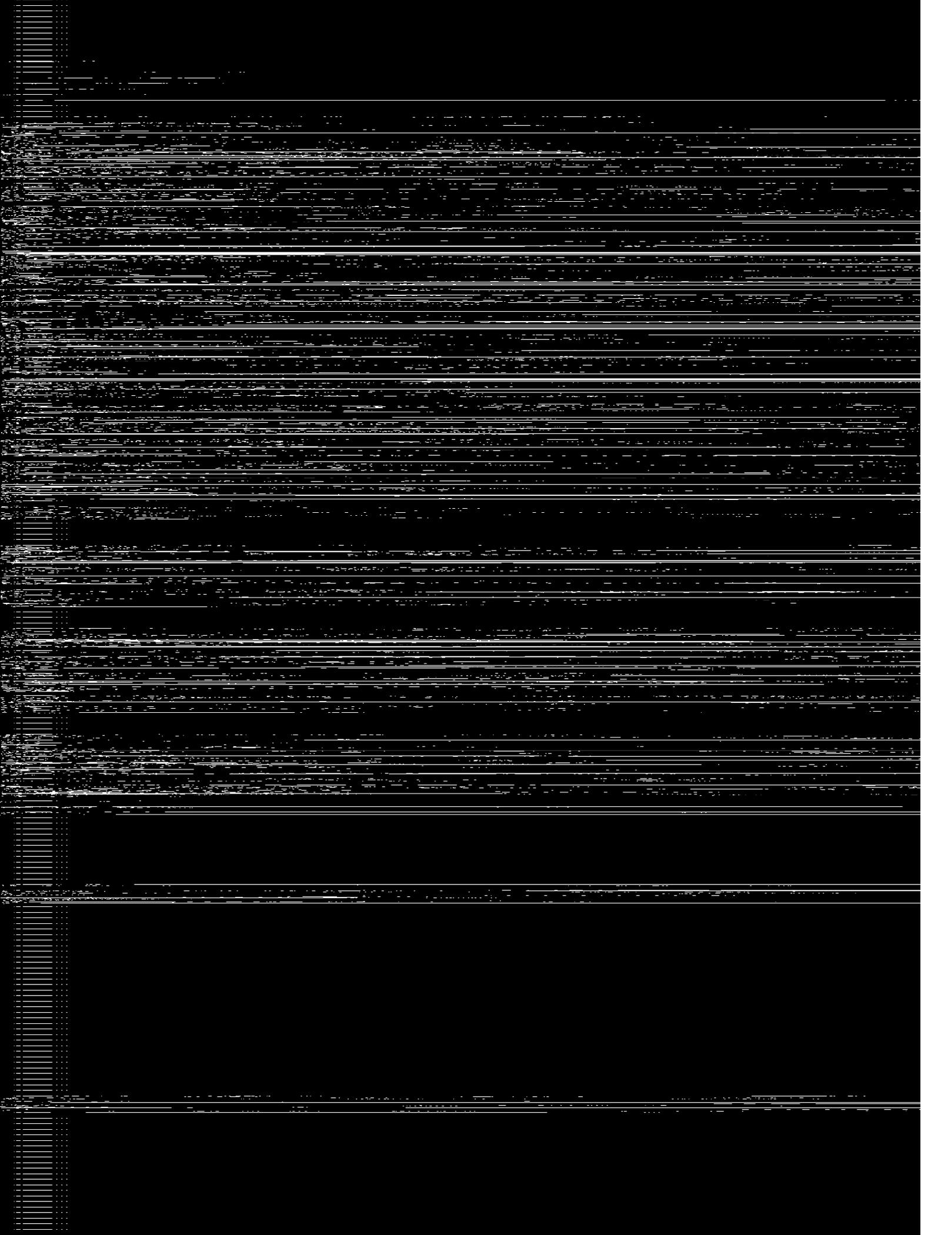


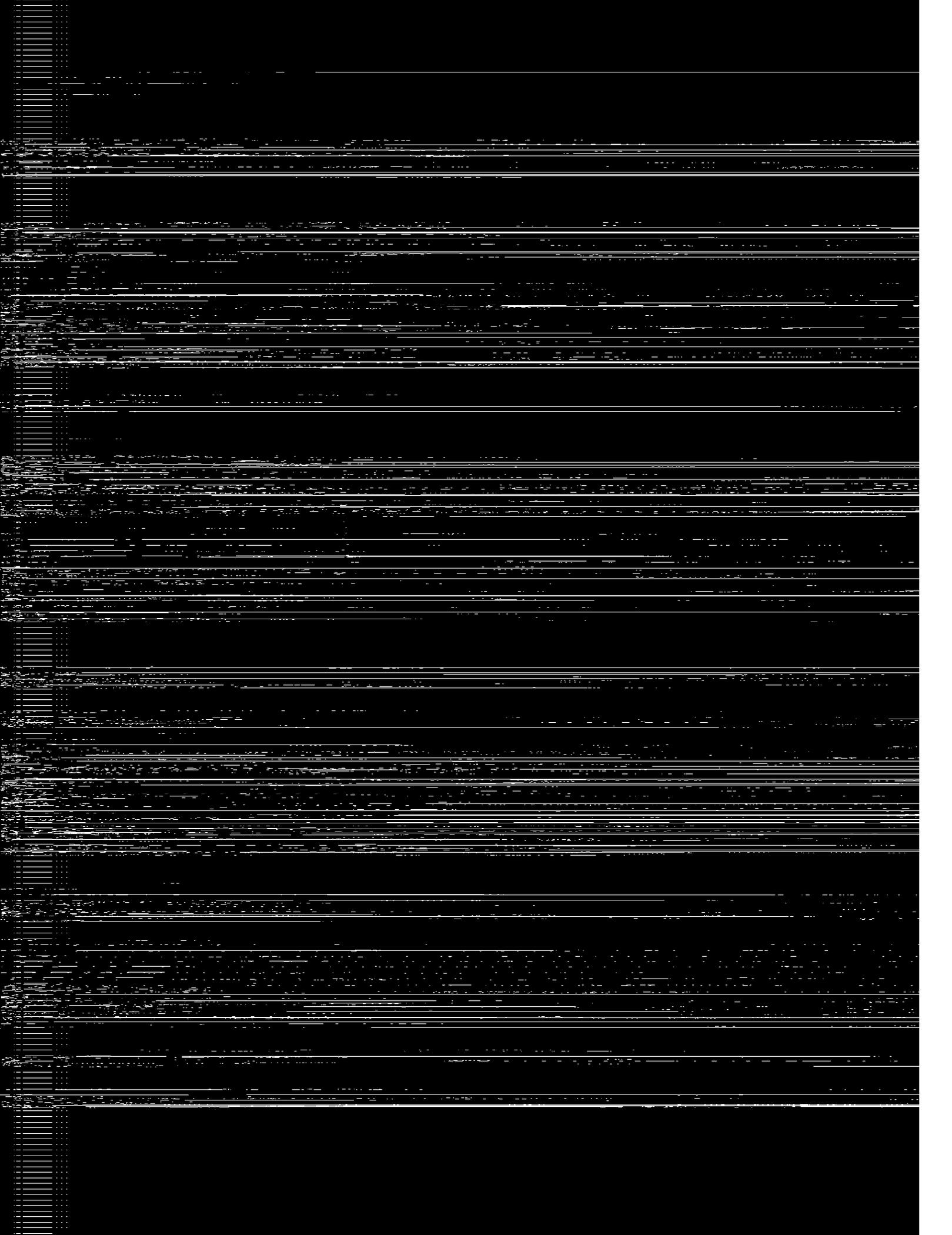












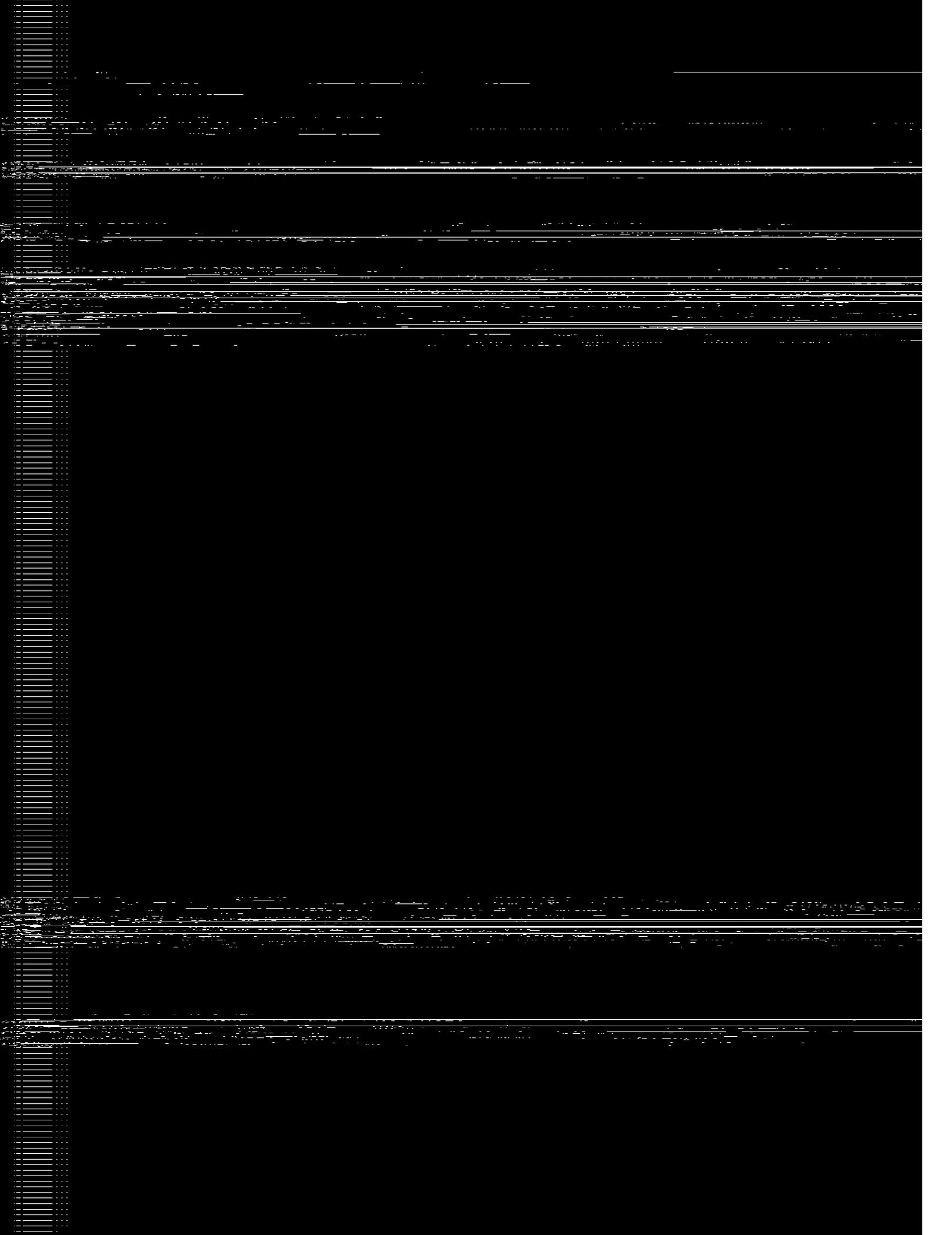


Exhibit D

LOAN AGREEMENT CONTRACT NO. [REDACTED]

THIS LOAN AGREEMENT (the "Agreement") is made this 25th day of May 2006, by and between **Park Southern Neighborhood Corporation**, a District of Columbia non-profit corporation (the "Borrower"), and the District of Columbia (the "District"), a municipal corporation acting by and through the D.C. Department of Housing and Community Development (the "Lender", "DHCD" or "Department").

WHEREAS, Borrower's principal place of business is at: 800 Southern Avenue, S.E., Suite 200, Washington, D.C. 20032;

WHEREAS, Borrower and Lender desire that the Lender loan the Borrower **THREE MILLION SEVENTY-SIX THOUSAND SIX HUNDRED FORTY-ONE DOLLARS (\$3,076,641.00)** of Housing Production Trust Fund monies ("HPTF") to be used to refinance and rehabilitate the property located at 800 Southern Avenue, S.E, Washington, D.C. (the "Property"), as further described in **Exhibit A** hereto, to provide affordable housing for extremely low to low income households in the District of Columbia, in accord with the requirements of the HPTF;

WHEREAS, this Loan will be financed by the HPTF authorized pursuant to the Housing Production Trust Fund Act of 1988, D.C., Code § 42-2801 et seq. and the District of Columbia Municipal Regulations Title 10, Chapter 41, both as may be amended from time to time (the "HPTF Regulations");

WHEREAS, the Lender and Borrower desire to set forth the terms and conditions of the Loan in this Agreement;

WHEREAS, Borrower agrees to rehabilitate the Property to provide three hundred fifty-nine (359) units of affordable rental housing to extremely low to low income families in accord with the HPTF Regulations;

WHEREAS, the Borrower's activities identified herein are eligible for receipt of available funds under the HPTF Regulations and all local laws and regulations;

WHEREAS, funds are available to the Department in the HPTF for approved HPTF housing production projects;

WHEREAS, DHCD approved the request for HPTF assistance and has determined such application to be in full compliance with all applicable HPTF Regulations; and

WHEREAS, the Borrower shall comply with all applicable United States and District of Columbia laws and regulations.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meaning ascribed to them below.

Whenever any words are used in this Agreement in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply, and whenever any words are used in this Agreement in the singular or plural form, they shall be construed as though used in the other form in all cases where they would so apply.

The captions and headings contained in this Agreement are included herein for convenience or reference only and shall not be considered a part hereof and are not in any way intended to limit the terms of this Agreement.

- (a) Affirmative Action Plan - the plan submitted by the Borrower and its general contractor to Lender for approval prior to Loan closing, the issuance of a Notice to Proceed and the distribution of any Loan proceeds. Such plan shall contain details of the Borrower's and its general contractor's efforts to comply with the District's goals for the hiring of minority, women and local, small or disadvantaged business enterprises in the demolition and construction of the Property, all as set forth in the Loan Commitment.
- (b) Assignment of General Contractor's Contract - the document whereby the Borrower and its general contractor agree to assign the construction contract and the plans and specifications for the construction rehabilitation of the Property to the Lender, such assignment to be operative only in the event of Borrower's uncured default under the Loan Documents.
- (c) Deed of Trust - the First Deed of Trust on the Property given by Borrower to Lender's trustee to secure the repayment of the Loan in accordance with the terms and conditions of the Lender Loan Documents.
- (d) Financing Statements - those certain financing statements that shall create a lien on all of the fixtures, furnishing, and equipment of the Borrower used in connection with the operation of the Property as a housing facility. Such lien shall further secure the Borrower's promise to repay the Loan in accordance with the terms and conditions of the Loan Documents.

- (e) HPTF Regulations - the regulations promulgated pursuant to the Housing Production Trust Fund Act of 1988, D.C., Code § 42-2801 et seq., found at Title 10 District of Columbia Municipal Regulations, Chapter 41, as may be amended from time to time.
- (f) Loan Documents - This Agreement, the Note, the Loan Commitment, the Rent Regulatory Agreement, the Declaration of Covenants, the First Deed of Trust, the Financing Statements, the Assignment of Contractor's Contract and the Affirmative Action Plan. All Loan Documents shall be incorporated herein by reference. In the event of a conflict in terms between this Agreement and any other Loan Document, the Lender, in its discretion, shall decide which document controls.
- (g) Loan Closing - The date on which the Borrower has satisfied all of the conditions precedent to closing set forth in the Loan Commitment, as amended, and all of the Loan Documents are executed and delivered.
- (h) Loan Commitment - Lender's letter of conditional commitment to make the Loan to Borrower, signed by Lender on December 28, 2005 and accepted by Borrower on December 22, 2005.
- (i) Loan - The financing provided by Lender in the principal amount of **THREE MILLION SEVENTY-SIX THOUSAND SIX HUNDRED FORTY-ONE DOLLARS (\$3,076,641.00)**, evidenced by this Agreement, the Note, and the Loan Commitment, and secured by the First Deed of Trust and Financing Statements.
- (j) Note - That certain deed of trust note made by Borrower, of even date herewith, as amended from time to time which shall evidence Borrower's promise to Lender to repay the Loan under the terms and conditions of the Loan Documents and the HPTF Regulations.
- (k) Rent Regulatory Agreement - The agreement between Borrower and Lender to maintain the rents and housing charges of all residential units in the Property, including an allowance for utilities within the levels allowed by the HPTF Regulations, for the period of forty (40) years from the date that the first renovated unit is placed in service.
- (l) Declaration of Covenants - covenants granted by the Borrower in favor of the Lender, dated the date of Loan Closing and recorded in the land records of the District of Columbia. The Covenants shall run with the land and shall bind the Borrower and all successors and assigns for the benefit of the Lender and shall require that the maintenance, operation, and affordability of the Property remain in compliance with the HPTF Regulations for the period of forty (40) years from the date that the first renovated unit is placed in service as such date is defined in the Covenant.
- (m) Reserved Units - three hundred and fifty-nine (359) units in the Property shall be Reserved Units and shall be rented exclusively to Low Income Households, Very

Low Income Households or Extremely Low Income Households. Further, at least forty (40) percent or one hundred forty-four (144) of the units shall be rented exclusively to Extremely Low Income Households. The HPTF Statutes define: (i) Low Income Household as a household with total income equal to, or less than 80% of the area median income and greater than 50% of the area median income; (ii) Very Low Income Household as a household with total income equal to, or less than 50% of the area median income and greater than 30% of the area median income; and (iii) Extremely Low Income Household as a household with total income equal to, or less than 30% of the area median income. Area median income means the area median income for a household in the Washington Metropolitan Statistical Area as set forth in the periodic calculation provided by the U.S. Department of Housing and Urban Development, adjusted for family size without regard to any adjustments made by HUD for the purposes of the programs it administers. Placed in service shall mean the earlier of: (i) the date on which the first rehabilitated unit in the Property is first certified or approved, by the District of Columbia, in accordance with District law, as being suitable for occupancy, or (ii) the first day of the nineteenth (19th) calendar month following the date of this Loan Agreement. The rent levels for the Reserved Units shall not exceed the maximum rent levels set forth in the Rent Regulatory Agreement and the Declaration of Covenants.

SECTION 1: LOAN PROVISIONS

(a) **TERM OF LOAN:** The term of the Loan shall be forty (40) years from the date of Loan Closing ("Loan Term"), Borrower shall be granted a deferral of the repayment of the Loan for the first eighteen (18) months ("Deferral Period") of the Loan term, during which time interest shall accrue.

(b) **INTEREST RATE:** Interest shall be charged at a rate of Three percent (3%) per annum. Interest shall accrue on the entire principal balance of the Loan from the date hereof. The interest accrued on the Loan during the Deferral Period shall be One Hundred and Thirty-Eight Thousand Four Hundred and Forty-Eight Dollars and Eighty-Four Cents (\$138,448.84) (the "Deferred Interest"). In lieu of repaying the Deferred Interest to the Lender, and in consideration of Lender's forgiveness thereof, the Borrower shall deposit the amount of One Hundred and Fifty Dollars (\$150.00) ("Deferred Interest Deposits") into each of the operating and replacement reserve accounts established by Borrower in accordance with paragraph (g) hereof. The Deferred Interest Deposits shall commence on the first day of the nineteenth (19th) month of the Loan Term and shall continue each and every month until the expiration of the Loan Term or the repayment of the Loan in full. If Borrower does not make the Deferred Interest Deposits, then the total of all Deferred Interest Deposits that are not made shall be due and payable at the end of the Loan Term or upon the repayment of the Loan in full.

- (c) **AMORTIZATION PERIOD:** The Loan shall be amortized over four hundred and sixty-two (462) months based upon a four hundred and sixty-two (462) month amortization repayment schedule.
- (d) **REPAYMENT:** On the first (1st) day of the nineteenth (19th) calendar month following Loan Closing, repayment of principal and interest of in the amount of **Eleven Thousand Two Hundred Thirty-Seven Dollars and Two Cents (\$11,237.02)** shall be due and payable and shall continue to be due and payable on the first of each subsequent month of the Loan Term. Any unpaid balance at the end of the Loan Term shall become immediately due and payable.
- (e) **USE OF LOAN FUNDS:** Borrower shall use the Loan funds in accordance with the requirements of the HPTF Regulations. The Loan proceeds shall be used solely: (1) to provide permanent refinancing for the Property in the amount of Three Hundred Ninety-Three Thousand Seven Hundred Forty-One Dollars (\$393,741.00) (“Refinance Portion”), and (2) to fund the rehabilitation of the Property in the amount of Two Million Six Hundred Eighty-Two Thousand Nine Hundred Dollars (\$2,682,900.00) (“Rehabilitation Portion”). Of the three hundred and sixty (360) units of housing in the Property, three hundred and fifty-nine (359) units shall be reserved units (“Reserved Units”), with rent levels affordable to low income households (“Low Income Households”). The term Low Income Households and the maximum rent level affordable to such households are defined in the HPTF Statute as 10 DCMR 4107.2 and 4199 and in the Rent Regulatory Agreement.
- (f) **DISBURSEMENT OF LOAN FUNDS:** Loan funds shall be disbursed in two phases. The Refinance Portion of the Loan shall be disbursed to the current first trust lender upon Loan Closing to payoff the existing first trust note in full. After Loan Closing, consistent with a draw schedule (“Draw Schedule”) approved in writing by Lender, the Borrower shall receive draw-down disbursements of the Rehabilitation Portion of the Loan to cover construction costs, as pre-approved by and inspected by Lender, in the form of a DC Government check. The Lender approved Draw Schedule is attached hereto as **Exhibit B**. Any and all funds disbursed to the Borrower in accord with this Agreement must be expended within (5) business days of receipt. If the funds are not expended within (5) business days of receipt, such funds must be returned to the Lender immediately and in no event more than the next business day. Any interest earned on these funds during the (5) day period is program income to be returned to DHCD. In no event shall the Borrower escrow the loan funds. Further, Lender shall not disburse funds to a Borrower without a demonstrated expectation that the Borrower shall expend the funds within (5) business day. In no event shall the Lender disburse loan funds to Borrower in advance of a demonstrated expectation that the funds will be expended within (5) business days for eligible incurred expenses. This does not prohibit the making of progress payments for completion of milestones.

- (g) **OPERATING AND REPLACEMENT RESERVE ACCOUNTS:** Commencing on the first day of the nineteenth (19th) month following Loan Closing, the Borrower shall set up two separate and independent accounts with a commercial banking institution licensed in the District of Columbia for the deposit of operating and replacement reserve funds to be used for the Property. One account shall be for operating reserve funds and the other shall be for replacement reserve funds. Commencing on the first day of the nineteenth (19th) month following Loan Closing and continuing on the first day of each and every month thereafter until the end of the Loan Term, the Borrower shall deposit the sum of One Thousand Five Hundred and Forty-Four Dollars (\$1,544.00) into each reserve account. The reserve accounts shall be used only to fund reasonable operating expenses or replacement expenses (as such are defined in accordance with Generally Accepted Accounting Principles) incurred in connection with the operation of the Property. The amount of the deposit into each reserve account is the sum of: (i) the Deferred Interest Deposit, and (ii) One Thousand Three Hundred and Ninety-Four Dollars (\$1,394.00) which is the amount agreed to by Lender and Borrower in consideration for Lender's agreement to make the Loan at the interest rate of three percent (3%) rather than at four and one-half percent (4.5%).

SECTION 2: REPRESENTATIONS AND WARRANTIES OF BORROWER

The Borrower to the best of its knowledge and belief, represents and warrants to Lender the following which shall be true and correct as of the date hereof:

- (a) The Borrower has satisfied all of the conditions precedent to Loan Closing as set forth in the Loan Commitment and not waived by Lender. The execution of the documents required herein and the performance required there-under will not violate any other agreement or instrument to which the Borrower is a party.
- (b) The Borrower will have, good and marketable title to any and all assets securing this Loan at the time that Lender records the security documents evidencing its security interest, subject to no mortgage, lien, encumbrance, conditional sales contract or other obligation, whether absolute or contingent, except those which have been disclosed to and accepted by Lender, and Borrower will defend title thereto against all claims and demands whatsoever and furnish to Lender such further assurances of title as may be necessary to effectuate the purposes and provisions of this Agreement or to perfect, continue or terminate Lender's security interest and pay all costs in connection therewith.
- (c) There has not been and will not be prior to Loan Closing, any changes made, or caused to be made, by Borrower in the financial condition, assets, liabilities, business or prospects of the Borrower other than changes in the ordinary course of business (none of which is materially adverse to Borrower), nor any damage, destruction or loss to the same, whether or not covered by insurance, which has materially and adversely affected the ability of the Borrower to rehabilitate the Property.

(d) Borrower will not make or cause to be made prior to Loan Closing, any material capital expenditures, purchases or acquisitions not in the ordinary course of business, other than in connection with the rehabilitation of the Property.

(e) On the date of Loan Closing, there will not be pending or threatened, any litigation, proceeding or investigation, which may result in any material and adverse change in the financial condition, assets, liabilities, business or prospects of the Borrower, and Borrower does not know of any basis for any such litigation, proceeding or investigation.

(f) The Borrower holds or will obtain all licenses, certificates, permits, franchises and rights, from all appropriate federal or District of Columbia authorities necessary for the rehabilitation of the Property.

(g) There are no actions or proceedings pending or threatened against the Borrower, to the best of Borrower's actual knowledge, to liquidate or reorganize it or place it into receivership.

(h) All federal and District of Columbia withholding, sales, franchise or real estate taxes due or payable, either pursuant to assessment against the Borrower, or the Property, or a payment obligation contained in a lease or other contract or agreement, have been paid by the Borrower or provision for the payment of the same has been made, as of the Loan Closing.

(i) Any financial statements of the Borrower furnished by the Borrower to Lender are true, correct and complete, as of the date of certification of same.

SECTION 3: OMISSIONS AND RELIANCE

(a) Borrower warrants and represents to Lender that the statements contained in this Agreement, all documentation provided to Lender or its representatives and all other representations or statements made by or on behalf of Borrower to Lender or its representatives in connection with the application for and closing of the Loan are true and complete and do not omit any fact or information material to Lender's evaluation of said application of and Borrower's compliance with the conditions for the Loan Closing. Borrower acknowledges that Lender has relied on this warranty and representation in connection with making the Loan. If Borrower has made any misrepresentation in connection with the application for and closing of this Loan, such shall be a default under the Loan entitling the Lender to exercise its right to accelerate the maturity of the Loan and exercise any and all other default remedies.

(b) Notwithstanding any investigation conducted before or after Loan Closing, and

notwithstanding any facts and circumstances which any party may learn as a result of such investigation or otherwise, the parties shall be entitled to rely upon the warranties and representations set forth herein.

SECTION 4: LENDER'S COSTS AND EXPENSES

The Borrower agrees to bear all costs and expenses, if any, incurred by Lender in connection with the collection and enforcement of the Loan Documents, including reasonable attorneys' fees whether or not suit is brought.

SECTION 5: BORROWER'S COVENANTS

Until payment in full of the Note, together with all interest and charges accrued thereon, if any, has been received by Lender, the Borrower covenants that it has or will:

- (a) Cooperate with the Lender, its representatives and duly authorized agents in the collection, enforcement and financial disclosures respecting this Agreement. Specifically, Borrower shall: (i) establish a separate independent account for the deposit of the Rehabilitation Portion of the Loan funds; (ii) maintain complete and accurate books and records and documentation of all expenses incurred in connection with the Project and the use of the Loan funds; (iii) permit all inspections of the Property and Property records as Lender deems necessary to ensure the quality of the Project and compliance with District and federal laws; and (iv) maintain accurate records of the rent roll for the Property and rent levels for the Reserved Units, updated on a monthly basis and available for inspection by the Lender within 10 days of Lender's request therefore.
- (b) Submit to Lender, on each anniversary of the date of Loan Closing, (1) the prior year's CPA audited financial statements for Borrower and the operation of the Property (the financial statements shall include a balance sheet, income statement and statement of changes in financial position); and (2) an accurate listing of the incomes of all tenants or owners in the Property and Borrower's certification that all of the Reserved Units have been rented exclusively to Low Income Households, Very Low Income Households or Extremely Low Income Households (minimum of 144 Reserved Units) during the Loan Term.
- (c) Submit to Lender, on a quarterly basis: (1) Receipts demonstrating Borrower's payment of quarterly taxes to the District of Columbia and the Internal Revenue Service; and (2) a financial report containing a reconciliation of revenues and expenditures for the Property for the prior quarter.
- (d) Comply with all statutes and government regulations and pay promptly all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations

relating to Borrower or the Property, except liabilities being contested in good faith and against which, if requested by the Lender, the Borrower will establish a reserve satisfactory to the Lender.

(e) Pay when due and comply with all terms, conditions and covenants of any encumbrances or any lien or indebtedness which is senior or junior to the Loan, and which affects any of the real or personal property securing the Loan.

(f) Obtain and maintain at no expense to Lender, casualty, all-risk and workers' compensation insurance policies, and all other required insurance policies required herein for the period of the Loan, and in accordance with the requirements of the Loan Commitment. Such policies shall provide Lender with thirty (30) days notice prior to cancellation and shall list the Lender as a loss payee and irrevocable beneficiary.

(g) Provide Lender with such information as Lender may reasonably request concerning the number and type of construction and permanent jobs created and retained as a result of the rehabilitation of the Property.

(h) Borrower will not, without prior written consent of Lender, create or permit to be created or remain any mortgage, pledge, lien, encumbrance, charge, security interest, conditional sale or other title retention agreement, with respect to the real and personal property which is the security for this Loan not specifically disclosed to and accepted by Lender as of the date of Loan Closing.

(i) In the rehabilitation of the Property, comply or cause its contractor to comply, with all applicable District and federal nondiscrimination, labor standards and equal employment statutes and regulations, including, but not limited to, Davis-Bacon Wage requirements and Affirmative Action requirements.

(j) Except as permitted under the Deed of Trust, the Borrower shall not, without prior written consent of the Lender, transfer, pledge, encumber, assign or otherwise burden or sell title to, or any interest, equitable or legal, in the Property to any person or entity whatsoever.

(k) The Borrower shall use the Loan funds solely for the purposes set forth in this Agreement and the Loan Commitment.

(l) Borrower shall comply with the requirements of the Loan Documents.

(m) Borrower shall rehabilitate, operate, and maintain the Property in compliance with the statutory and regulatory requirements applicable to the use of HPTF that include, but are not limited to, the affordability regulations contained in 10 DCMR Chapter 41.

(n) Borrower shall also be in compliance with the uniform administrative procedures, cost principles guidelines set forth in OMB Circulars A-87, A-110, A-122 and A-133.

(o) Borrower shall ensure that all due and applicable federal and local taxes are paid as they become due.

(p) Borrower shall ensure that all liabilities remain current for the term of the Loan, including, but not limited to D.C. and federal taxes, short-term bank loans, supplier payables, payroll expenses and long-term indebtedness.

(q) Affordability – Restrictive Use and Occupancy. Throughout the Loan Term, Borrower shall rent the Reserved Units exclusively to Low Income Households, Very Low Income Households and Extremely Low Income Households (at least 144 of the Reserved Units) and shall keep the rent levels of the Reserved Units at or below the maximum levels allowed by the Rent Regulatory Agreement and the HPTF Regulations. Further, in marketing vacant units in the Property, Borrower shall give priority to and actively seek to attract households referred by the District of Columbia Housing Authority.

(r) Borrower shall establish a separate independent account for the deposit of the Rehabilitation Portion of the Loan funds. Borrower shall submit to Lender a quarterly progress report on the rehabilitation of the Property, to include a description of work completed over the preceding quarter, work planned for the following quarter, Loan funds expended on the rehabilitation, and significant project issues (quarterly and year-to-date).

(s) All written or printed materials distributed or posted by Borrower which publicize the project being funded by the DHCD and shall include information that the service, activity, or development is being funded, partially or fully, through the Department. Further, announcement of all events that publicize the activity or project shall acknowledge funding by the Lender. This may include, but is not limited to, newspaper announcements or advertisements, flyers, postings, any radio and television announcements.

(t) Borrower shall comply with all federal and municipal regulations concerning lead based paint remediation, as a part of its rehabilitation and/or construction project. 24 CFR Part 35 et seq.; DCMR Title 20, Chapter 8, Sec. 806 (1998).

(u) Borrower shall comply with the Fair Housing Act which applies to all housing related transactions. The regulations, as described in 24 CFR Part 14 et al., are applicable to planners, architects, developers, tenants, homeowners, condominium associations, management companies, advertisement agencies, and anyone involved in the sale, rental, financing, or management of privately or government funded housing from

discriminating against prospective tenants or homeowners based on race, color, national origin, sex, religion, disability and familial status.

The Act also contains design and construction accessibility provisions for certain new multifamily dwellings developed for first occupancy on or after March 13, 1991. If a multifamily construction project has four (4) or more dwelling units, it is subject to the accessibility and adaptability requirement of the Act. Furthermore, a multifamily building with an elevator, must meet the Act's design and construction requirements regarding all of the dwelling units; if there is no elevator, then all of the ground floor dwelling units must meet the Act's requirements.

The Act also requires housing providers to make reasonable accommodation in rules, policies, practices or services, when such accommodation may be necessary to afford prospective tenants or home-owners equal opportunity to use and enjoy a dwelling.

(v) Borrower shall comply with all anti-money laundering federal statutes, laws, and regulations and related federal statutes, laws, and regulations, including but not limited to, the following:

- (i) the requirements of the Bank Secrecy Act (31 U.S.C. § 5318) as amended by the USA Patriot Act (Pub.L. 107-56) and Executive Order No. 13324; and
- (ii) the requirements of applicable Executive Orders administered by the US Dept. of Treasury's Office of Foreign Assets Control pertaining to anti-money laundering.

SECTION 6: HAZARDOUS MATERIALS AND INDEMNIFICATION

Borrower agrees to (i) comply with all governmental requirements applicable to Hazardous Materials (including lead paint) and other environmental, health, fire and safety laws or regulations, including but not limited to the Occupational Health and Safety Act and American With Disabilities Act, (ii) notify the Lender of any notice received by the Borrower of any leak, spill or other release of Hazardous Materials or of any violation of any environmental, health, fire or safety laws or regulations with respect to the Property in which event Lender shall be allowed a right of entry (including the right to conduct tests and take samples from the Property) and may, but shall not be required to, remediate the problem, (iii) if Hazardous Materials are determined to be located on the Property or another environmental, health, fire or safety law has been violated and such violation has been caused by the Borrower or its agents, provide the Lender with a bond or letter of credit, or similar financial assurance, satisfactory to Lender, in an amount sufficient to cover the cost of any clean up or of remediation of the violation, as the case may be, and (iv) indemnify and forever hold Lender harmless from any loss, claim, damage or liability arising out of, or in connection with, the presence on the Property of, or contamination

by, any Hazardous Materials or the violation of environmental, health, fire or safety laws or regulations if such loss, claim, damage or liability was caused by the Borrower or its agents and has occurred since Borrower took title to the Property. This indemnification shall survive repayment of the Loan. Further, the Borrower shall pay Lender, upon demand, for all costs incurred by Lender in connection with inspecting the Property with respect to Hazardous Materials, which Lender may do at any time and from time to time, and/or in connection with reviewing any Hazardous Material, environmental, health, fire or safety reports, including attorney's fees, engineering fees and other fees and expenses if such costs are incurred as a result of actions caused by the Borrower or its agents after the date Borrower takes title to the Property. As used herein, Hazardous Materials shall be defined as any substance (i) the presence of which requires investigation, remediation, or special handling under any federal, state or local statute, regulation, ordinance, order, policy or common law; or (ii) is or becomes a "hazardous substance" or "hazardous waste" under any federal, state or local statute, regulation, ordinance, order, policy or common law, including the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 9601 et. seq), as amended from time to time, or the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), as amended from time to time; and (iii) without limitation, includes any lead, oil or petroleum products, polychlorinated bi-phenyls, PCB's, asbestos, urea formaldehyde foam insulation or radon gas.

SECTION 7: CONDITIONS PRECEDENT TO DISBURSEMENT OF LOAN PROCEEDS

- (1) Borrower shall be in compliance with all terms and conditions of the Loan Documents including all HPTF Regulations.
- (2) Borrower shall have met and shall continue to meet all conditions precedent outlined in the Letter of Commitment.

SECTION 8: ASSIGNMENT OF LOAN OR LOAN FUNDS

The Borrower agrees not to assign, pledge or transfer this Agreement or any right or interest in any payment or Loan disbursement due pursuant to this Agreement, nor, except as provided under the Deed of Trust, shall Borrower change its corporate structure without the prior written consent of the Lender.

SECTION 9: DEFAULT/REMEDIES

- (1) Subject to any notice requirement, grace period or right to cure specifically set forth in any of the Loan Documents, the occurrence of any one or more of the following events shall constitute a default by the Borrower whereupon the Note shall become immediately due and payable without presentation, demand, protest, or notice of any kind, all of which

are hereby expressly waived, and Lender shall be entitled to all rights and remedies available to it under the law and as set forth in the Loan Documents.

(a) A breach, nonpayment, failure of performance, or default by the Borrower of any covenant, term, condition, or provision of this Agreement, the Loan Documents, the Note, Deed of Trust, the Declaration of Covenants or the Rent Regulatory Agreement, not cured within fifteen (15) days after written notice of such default for a failure to pay any amount due, or thirty (30) days after written notice of such default for non-monetary defaults; provided that for non-monetary defaults, if Borrower diligently pursues a cure, the Borrower shall be afforded by Lender such longer period as may be reasonably necessary for the Borrower proceeding diligently to cure such default.

(b) The making of any representation or warranty by the Borrower which is false or erroneous and is materially adverse to Lender's interests.

(c) The sale, transfer, assignment, pledge or conveyance of the Property, or a transfer of ownership and control of Borrower (greater than 49% interest in the aggregate), or any portion thereof, without the prior written consent of the Lender, which consent shall not be unreasonably withheld, conditioned or delayed..

(d) The liquidation, insolvency, entry into receivership or bankruptcy of the Borrower.

(2) Upon an event of default, the Lender, without notice or resort to any judicial proceeding, shall have the right to set off against and apply all funds of the Borrower held on deposit with or under the control of the Lender to the payment of any of the obligations of Borrower under the Loan Documents.

SECTION 10: NO WARRANTY OR WAIVER

(1) Lender's review of appraisals, surveys or other matters in connection with the Loan shall not constitute a warranty or representation by the Lender or its employees, agents or representatives.

(2) No waiver by Lender of any provision of this Agreement shall be deemed to be a continuing waiver. No waiver of any of Lender's rights shall be binding upon the Lender unless Lender approves such waiver in writing.

SECTION 11: ENTIRE AGREEMENT/ ENFORCEABILITY/ MODIFICATION

This Agreement, in conjunction with the other Loan Documents, constitutes a full and complete understanding between the parties and all other agreements and/or contracts either oral or written, or other legal instruments, is hereby superseded upon the execution of this Agreement. This Agreement shall be valid, binding and enforceable against the parties hereto and their successors and assigns, and the parties warrant that the persons executing this Agreement on their behalf are authorized to do so. None of the terms or provisions of this Agreement may be changed, waived, modified, discharged or terminated except by a written modification executed by both parties hereto.

SECTION 12: CONFLICT OF INTEREST/ LIMIT OF LIABILITY/ INDEMNIFICATION

(1) Federal and District laws strictly prohibit any person who exercises or has exercised any functions or responsibilities with respect to DHCD-assisted activities or who is in a position to participate in a decision making process or gain inside information with regard to such activities from obtaining a financial interest or benefit from a DHCD-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a DHCD-assisted activity. Further, as it relates to the procurement of supplies, equipment, construction and services, recipients of HPTF monies are held to the conflict of interest provisions of the HPTF Regulations. Borrower shall submit a copy of its conflict of interest policies and procedures to Lender within fifteen (15) days of Loan Closing.

(2) No member, official, or employee of Lender shall be personally liable to the Borrower or any successor in interest in the event of any breach of this Agreement by Lender or for any amount which may become due to the Borrower or its successors or assigns on any obligations under the terms of this Agreement.

(3) All acts, including any failure to act, relating to the Property by any agent, representative or designee of the Lender are performed solely for the benefit of Lender to assure repayment of the Loan and are not for the benefit of the Borrower or for the benefit of any other person, including without limitation, purchasers, tenants or other occupants. Acceptance by the Borrower of this Agreement shall evidence its agreement to indemnify the Lender, its employees, agents and representatives and to hold them harmless against any loss or expense resulting from any and all claims, actions, settlement or liability for acts or failure to act in connection with the Property.

SECTION 13: WAIVER OF JURY TRIAL/ SERVICE OF PROCESS/ COURT COSTS

The Borrower agrees that any lawsuit between the Lender and Borrower shall be decided by a judge, without a jury. Borrower hereby irrevocably designates the Clerk of the Superior Court

for the District, and his/her successors in office, as the true and lawful attorney of Borrower for the purpose of receiving service of all legal notices and process issued by any court in the District as well as service of all pleadings and other documents related to any legal proceeding or action arising out of this Agreement. Borrower agrees that service upon said Clerk shall be valid regardless of Borrower's whereabouts at the time of such service and regardless of whether Borrower receives a copy of such service, provided that the Lender shall have mailed a copy to Borrower in accordance with the notice provisions herein. Borrower agrees to pay all court costs and reasonable attorney's fees incurred by the District in connection with enforcing any provision of this Agreement. Notwithstanding the foregoing, Lender agrees to use reasonable efforts, in Lender's sole discretion, to provide Borrower with notice of the filing of any lawsuit by Lender against Borrower.

SECTION 14: NO THIRD PARTY BENEFICIARIES

The terms and provisions of this Agreement are for the benefit of the parties hereto, and no other person shall have any right or cause of action on account hereof.

SECTION 15: COUNTERPARTS

This Agreement may be signed in counterparts, any of which together with all executed signature pages shall constitute a fully executed and binding agreement.

SECTION 16: TIME OF ESSENCE

Time is of the essence of each and every provision of this Agreement.

SECTION 17: SEVERABILITY/ GOVERNING LAW

In the event that any provision of this Agreement shall be held to be unenforceable under the law, all remaining provisions of this Agreement shall be binding, valid and enforceable. This Agreement shall be governed by the laws of the District.

SECTION 18: NOTICES

Notices required herein shall be deemed to have been given and received, three (3) business days after having been sent to the appropriate party listed below, by regular and certified mail, or one (1) business day after having been sent by messenger or facsimile transmission. The below addresses may be changed by written notice to the appropriate party.

NOTICE TO LENDER:

D.C. Department of Housing and
Community Development
801 North Capitol Street N.E.,
Washington, D.C. 20002
Attn: Director

With a copy to:

The Office of the Attorney General for the District of Columbia
801 North Capitol Street N.E.,
Washington, D.C. 20002
Attn: Economic Development Section

NOTICE TO BORROWER:

Park Southern Neighborhood Corporation
800 Southern Avenue, S.E., Suite 200
Washington, DC 20032
Attn: President

SECTION 19: NOTICE OF NON-DISCRIMINATION

In accordance with the D.C. Human Rights Act of 1977, as amended, D.C. Official Code Section 2-1401.01 et seq., (Act) the District of Columbia does not discriminate on the basis of actual or perceived: race, color, religion, national origin, sex, age, marital status, personal appearance, sexual orientation, familial status, family responsibilities, matriculation, political affiliation, disability, source of income, or place of residence or business. Sexual harassment is a form of sex discrimination, which is also prohibited by the Act. In addition, harassment based on any of the above protected categories is also prohibited by the Act. Discrimination in violation of the Act will not be tolerated. Violators will be subject to disciplinary action.

SECTION 20: FREEDOM OF INFORMATION ACT

The District of Columbia Freedom of Information Act of 1976 (DCFOIA), Pub. L. 614 D.C. Code § 2-531 et seq. provides for the disclosure of public information. Specifically, the law provides that “any person has a right to inspect, and at his or her discretion, to copy any public record except as expressly exempted by the Act.” Further, a “public record” has been defined by the District of Columbia Public Records Management Act of 1985 as “any document, book, photographic image, electronic data recording paper, sound recording, or other material regardless of form or characteristic, made or received pursuant to law or in connection with the transaction of public business by any officer or employee of the District.” D.C. Code § 2-1701(13) (1999).

Information or documentation submitted to the Department of Housing and Community Development pursuant to this Loan, or in connection with the transaction of the business of the Department, is subject to public disclosure in response to a Freedom of Information Act request. Therefore, information that you submit to the Department, if not specifically exempt by D.C. Code § 2-534 of the DCFOIA, may be disclosed to the public upon a proper request.

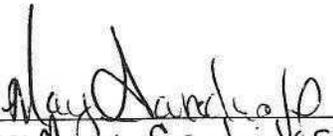
IN WITNESS WHEREOF, the Lender and the Borrower have caused this Agreement to be executed and attested by their respective duly authorized representatives and affixed their respective seals hereto on the day and year first written above.

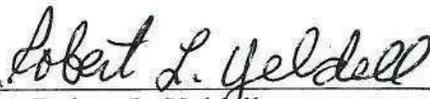
LENDER:
District of Columbia, a municipal Corporation, acting by and through the Department of Housing and Community Development

By: 
Jalal Greene
Director

WITNESS/ATTEST

BORROWER:
Park Southern Neighborhood Corporation, a District of Columbia nonprofit corporation

By: 
Name: Mary Sandridge
Title: Secretary

By: 
Name: Robert L. Yeldell
Title: President

(Corporate Seal)

I HEREBY CERTIFY THAT the foregoing Loan Agreement was executed and delivered pursuant to, and in strict conformity with the provisions of the Articles of Incorporation and Borrowing Resolution for Park Southern Neighborhood Corporation, a District of Columbia nonprofit corporation.


Name:
Title: Secretary

EXHIBIT A

LEGAL DESCRIPTION

800 Southern Avenue, SE, Washington, DC

Lot numbered 38 in Square numbered 6210 in a subdivision made by Marjorie M. Lawson and Milton Polinger as per plat recorded in the Office of the Surveyor for the District of Columbia in Liber 145 at folio 171.

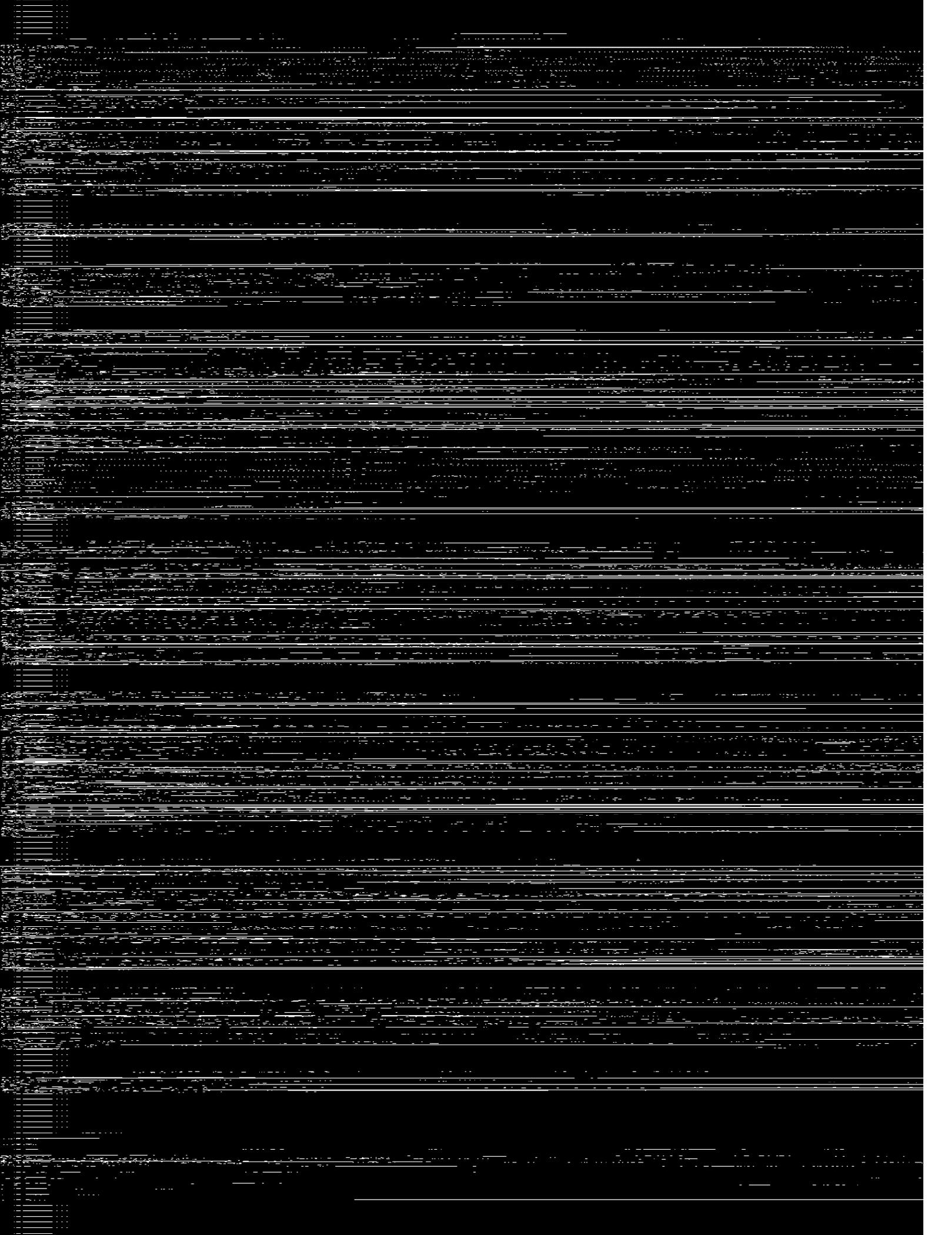
EXHIBIT B

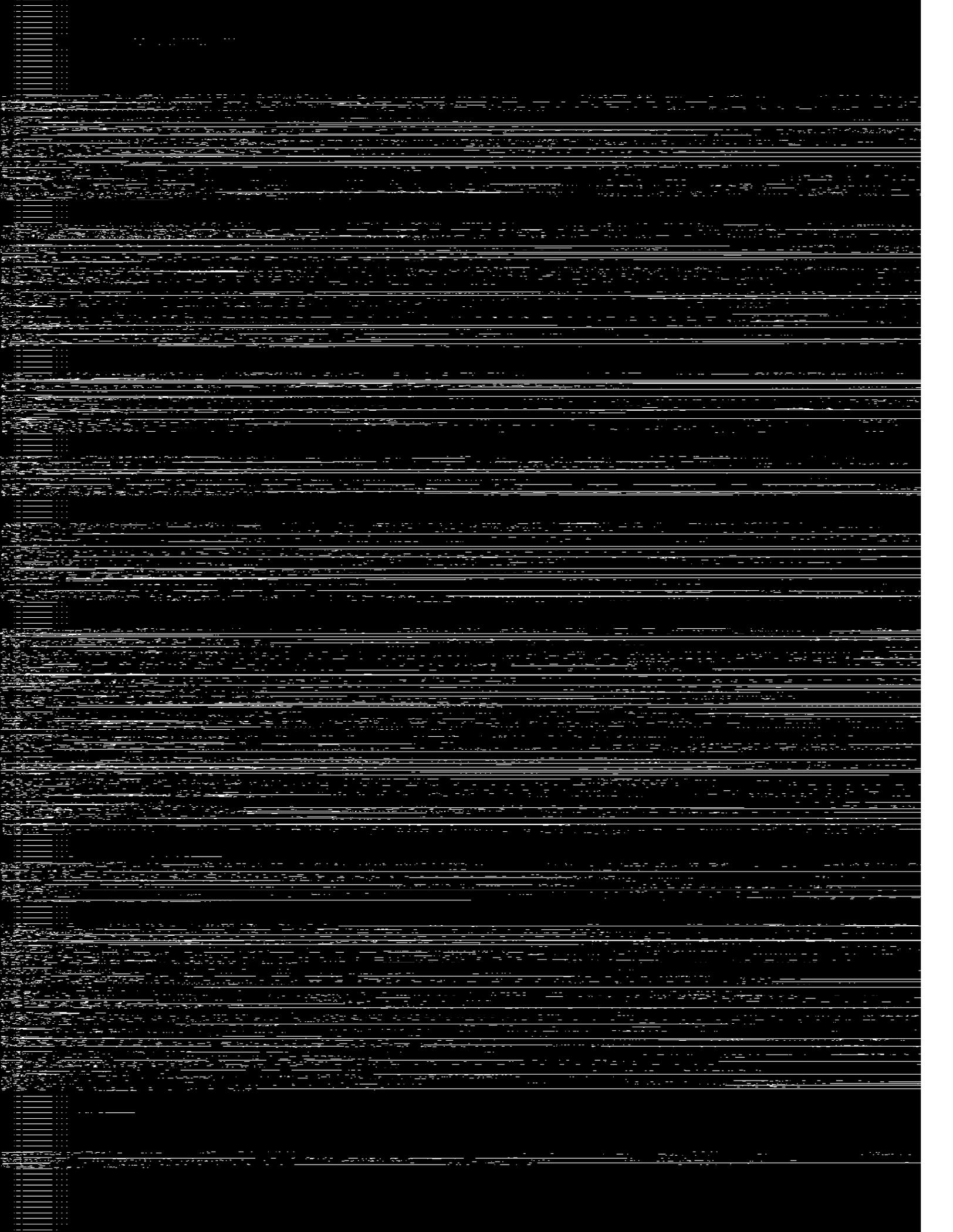
CONSTRUCTION DRAW SCHEDULE

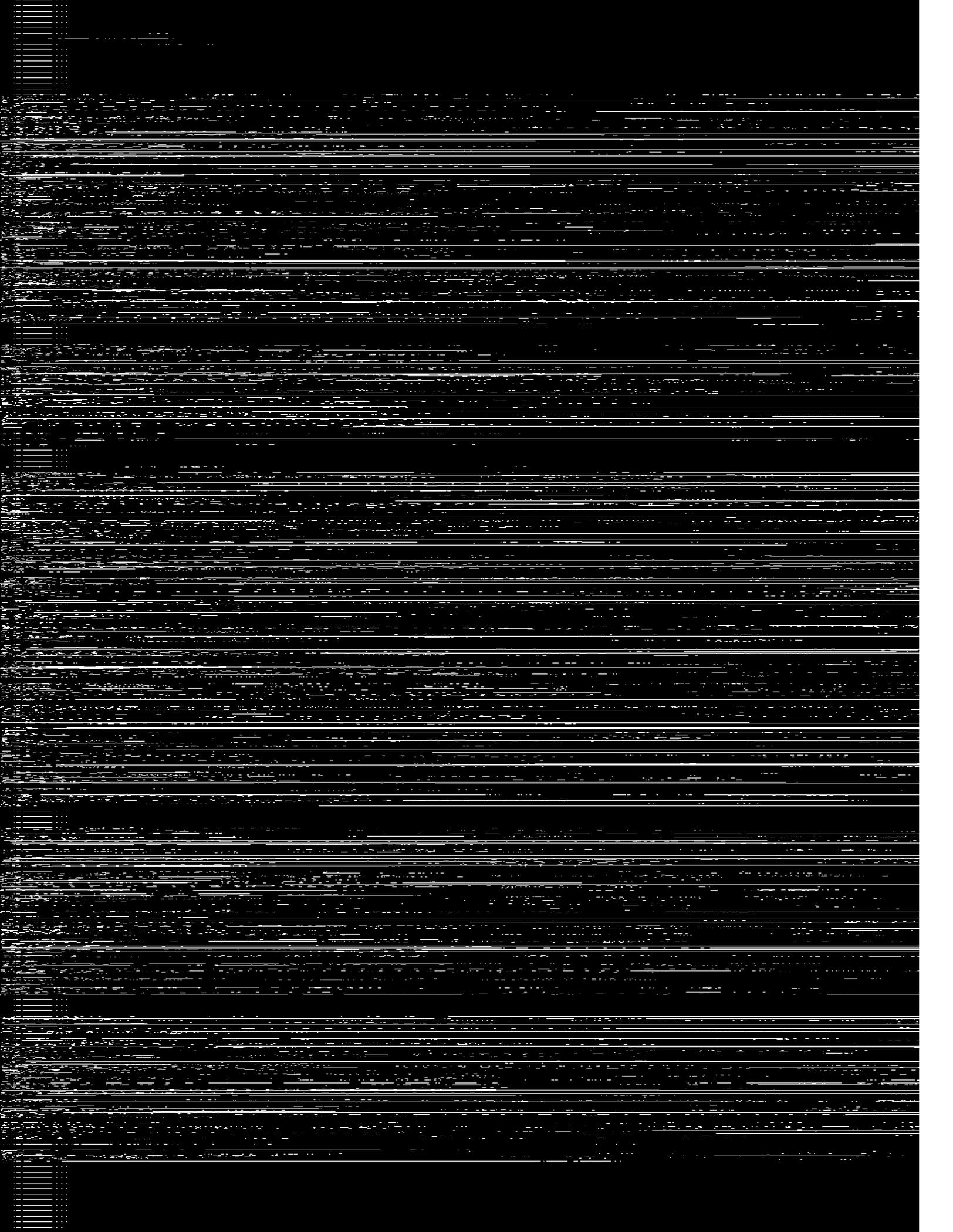
PARK SOUTHERN NEIGHBORHOOD CORPORATION

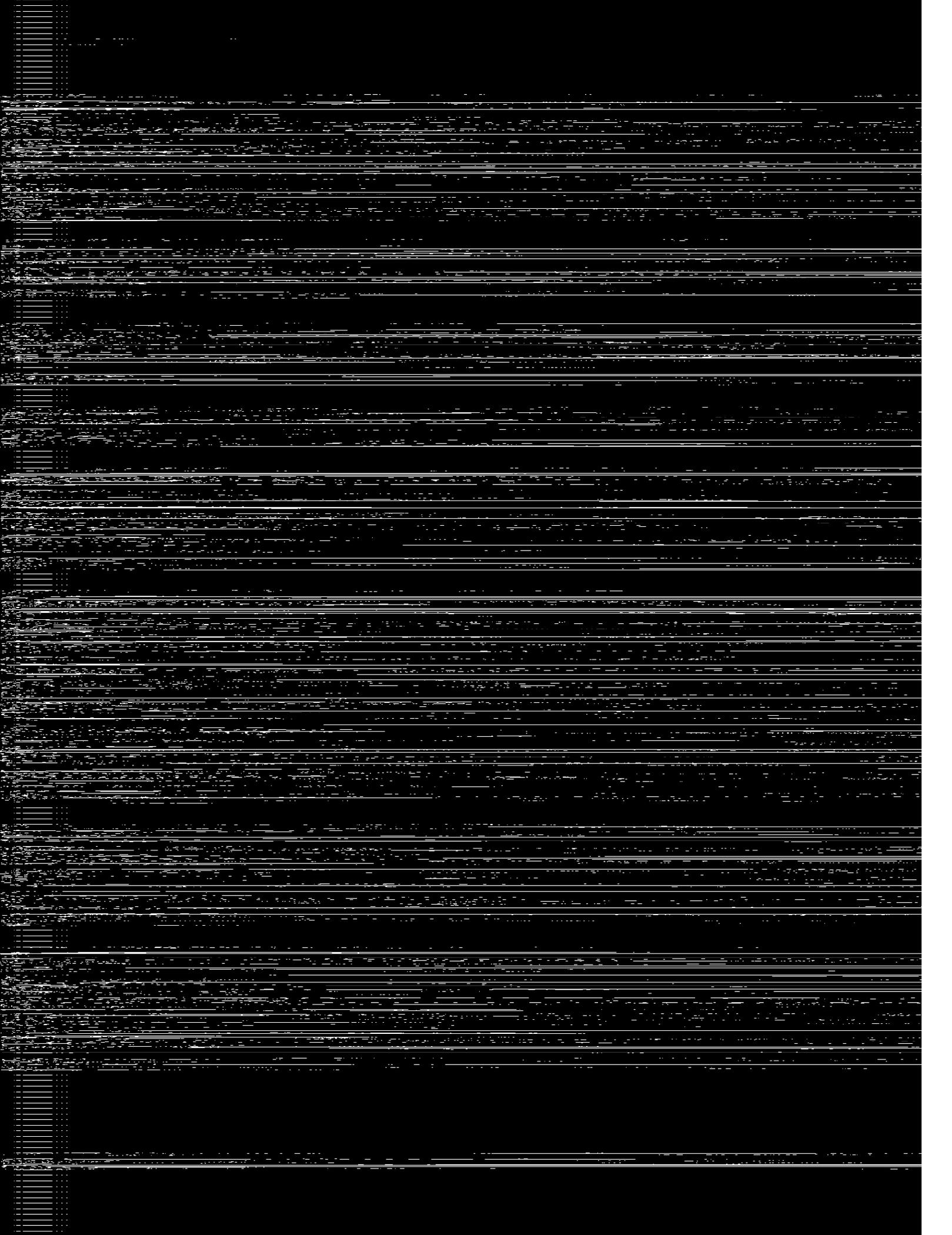
Earth work	\$40,250
Site Utilities	\$24,323
Roads and walks	\$55,292
Unusual site conditions	\$17,250
Demolition	\$77,050
Concrete	\$25,300
Masonry	\$103,500
Metals	\$54,625
Insulation	\$17,250
Sheet metal	\$43,125
Carpeting	\$237,300
Elevators	\$483,000
HVAC	\$511,700
Electric	\$23,070
Roof	\$172,800
Doors	\$97,200
Windows	\$35,000
Kitchen appliances/cabinets	\$246,600
Trash chute	\$7,500
Common areas	\$5,000
Miscellaneous	\$17,250
Builder's general overhead	\$63,208
Bond premium	\$27,158
Builder's profit/oversight fee	\$130,841
General requirements	\$155,669
General liability	\$11,639
TOTAL	\$2,682,900

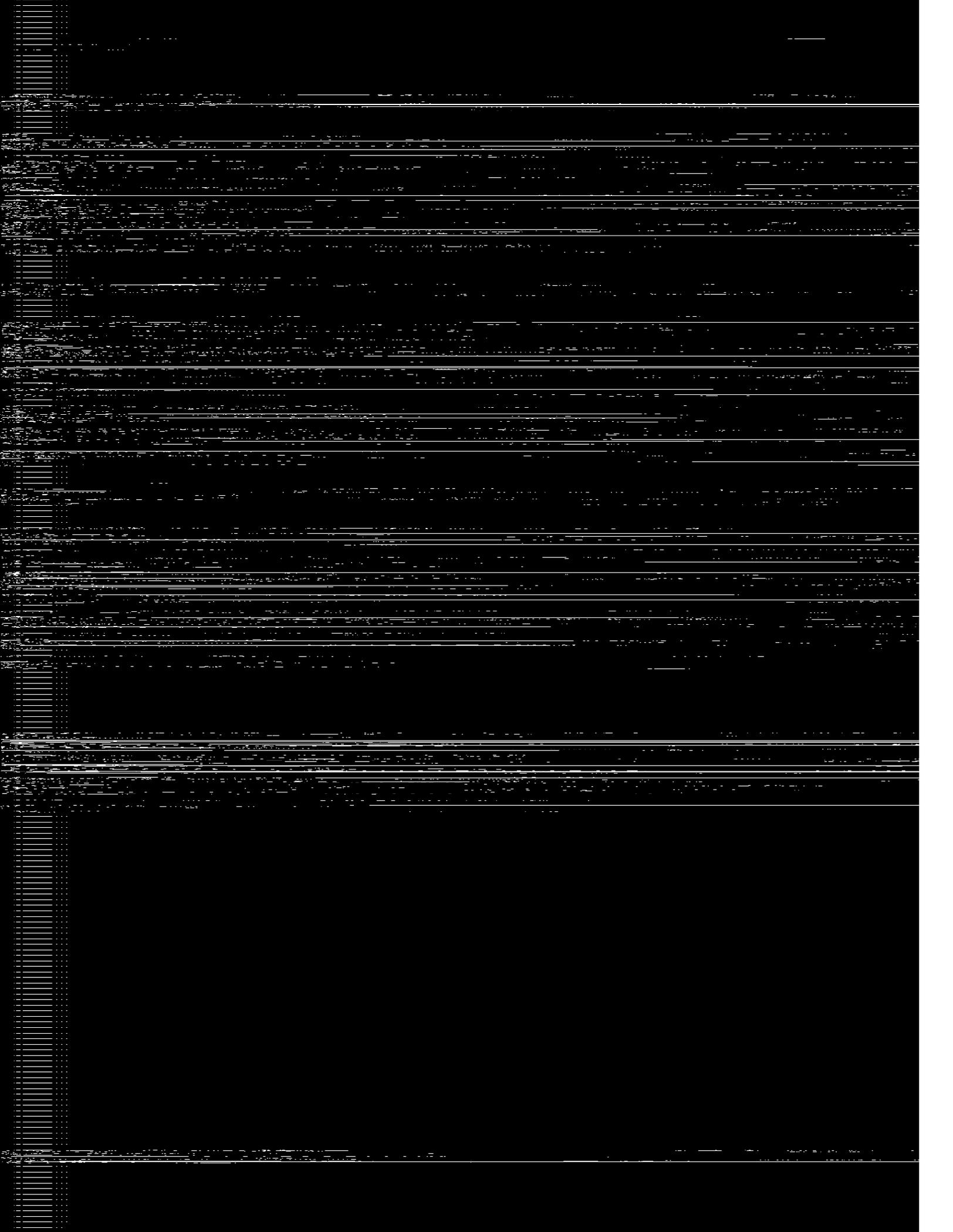
Exhibit E

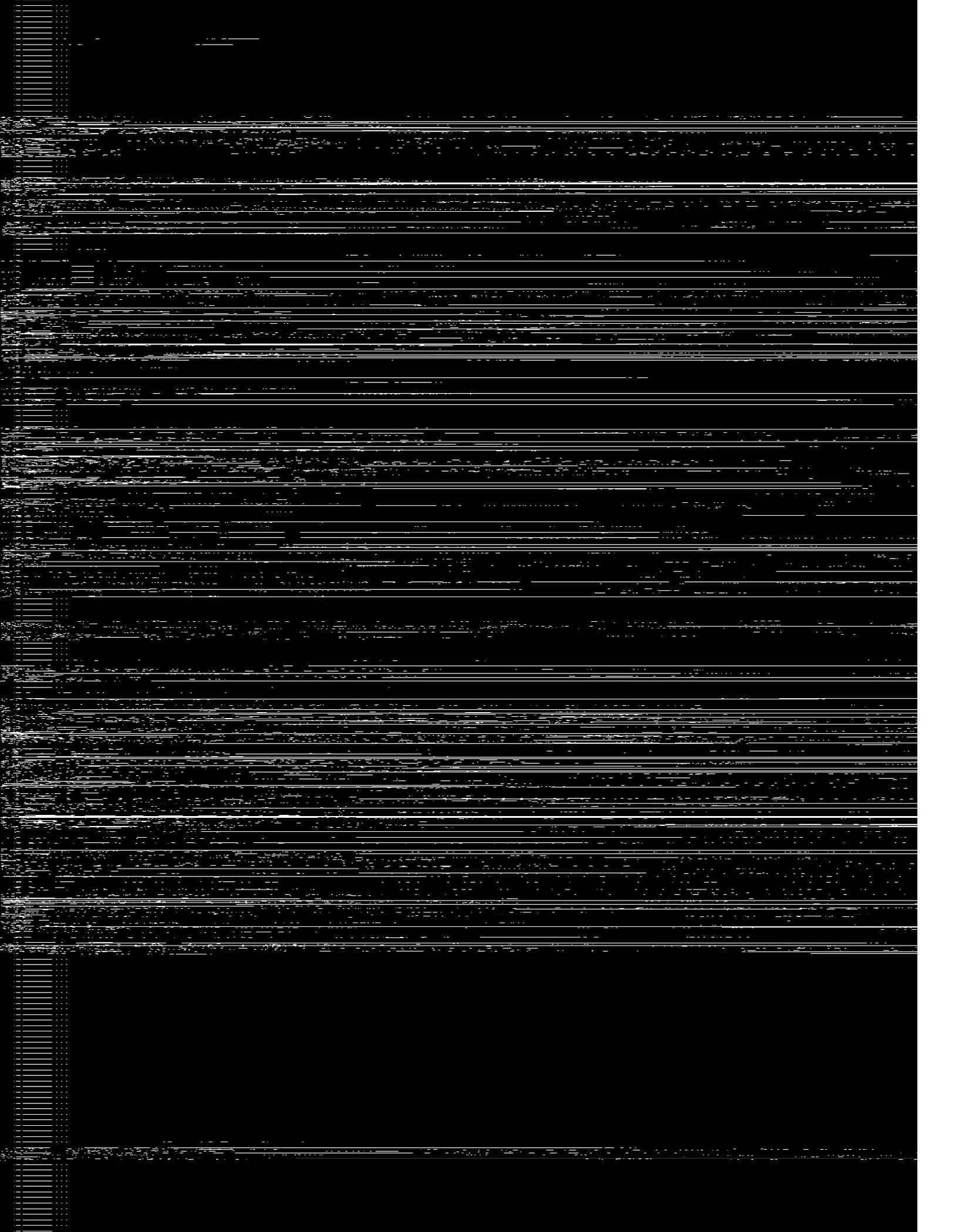


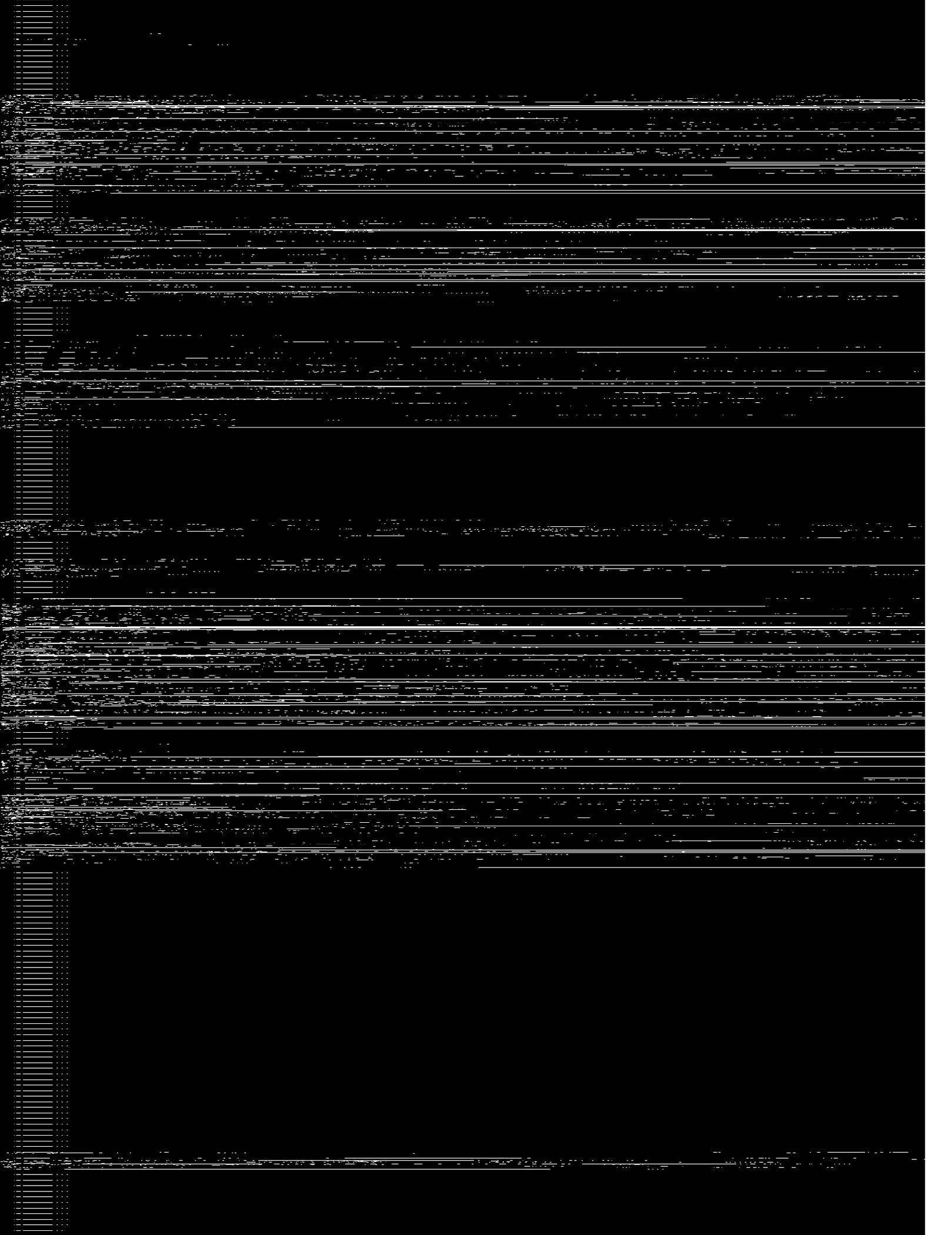












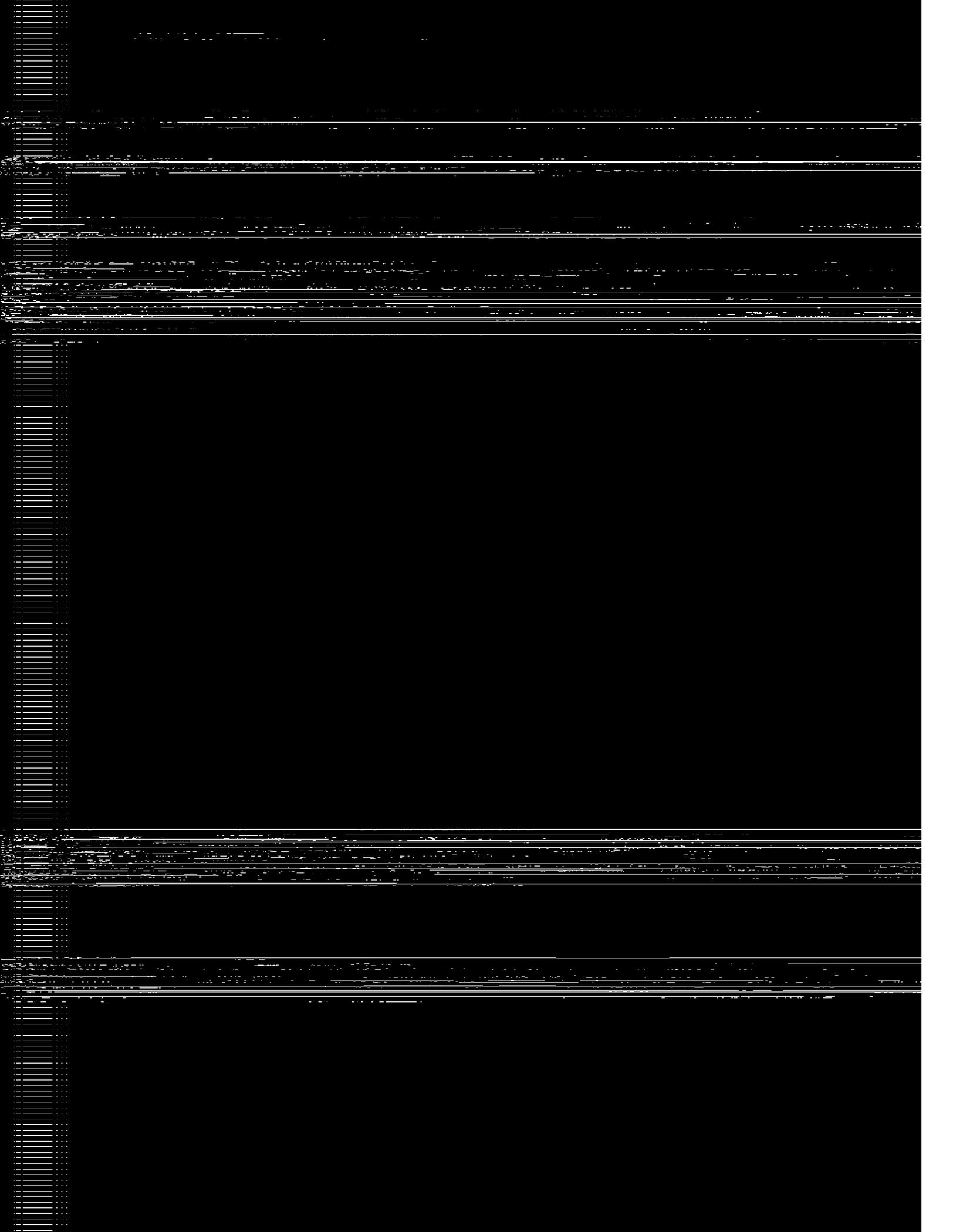
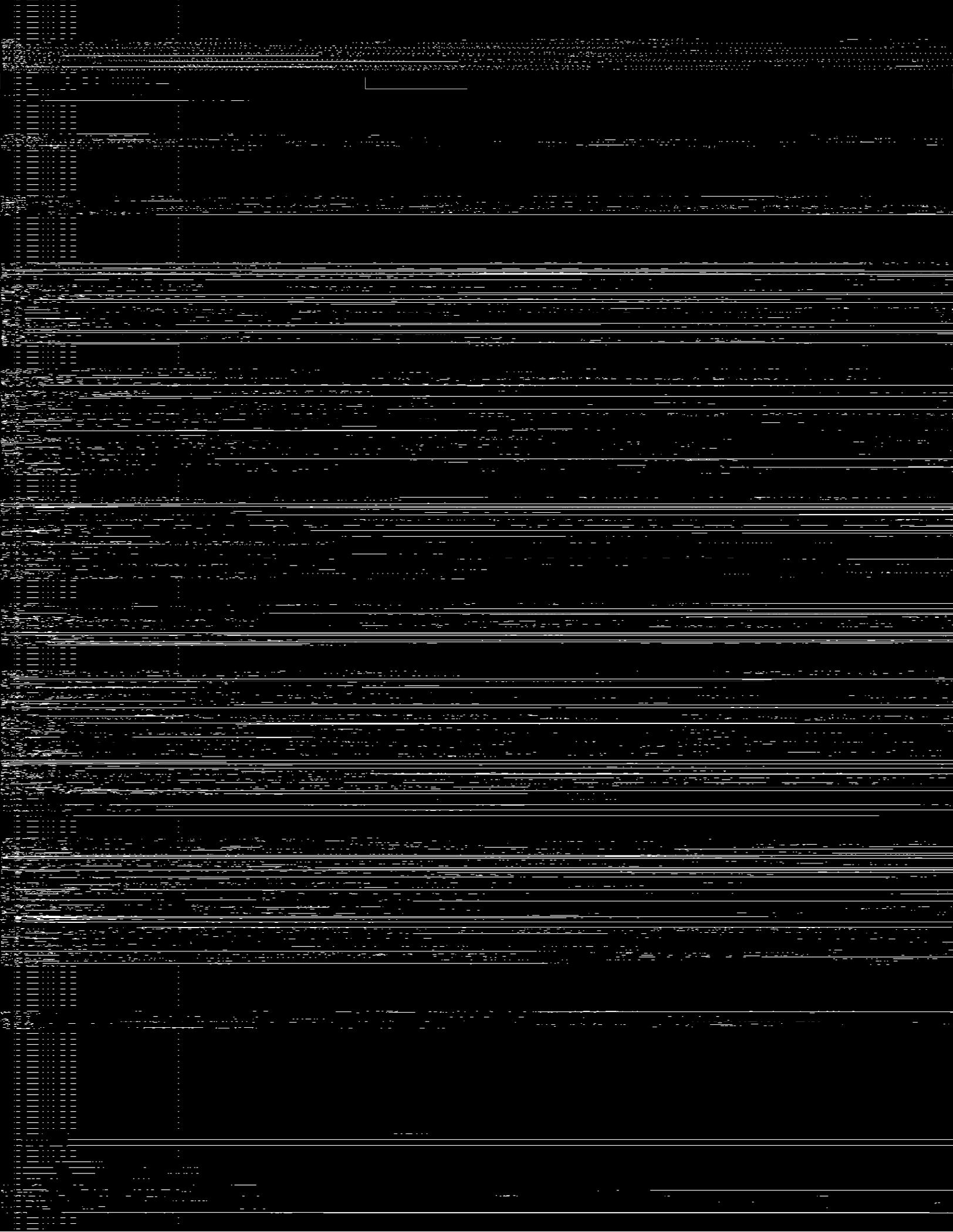


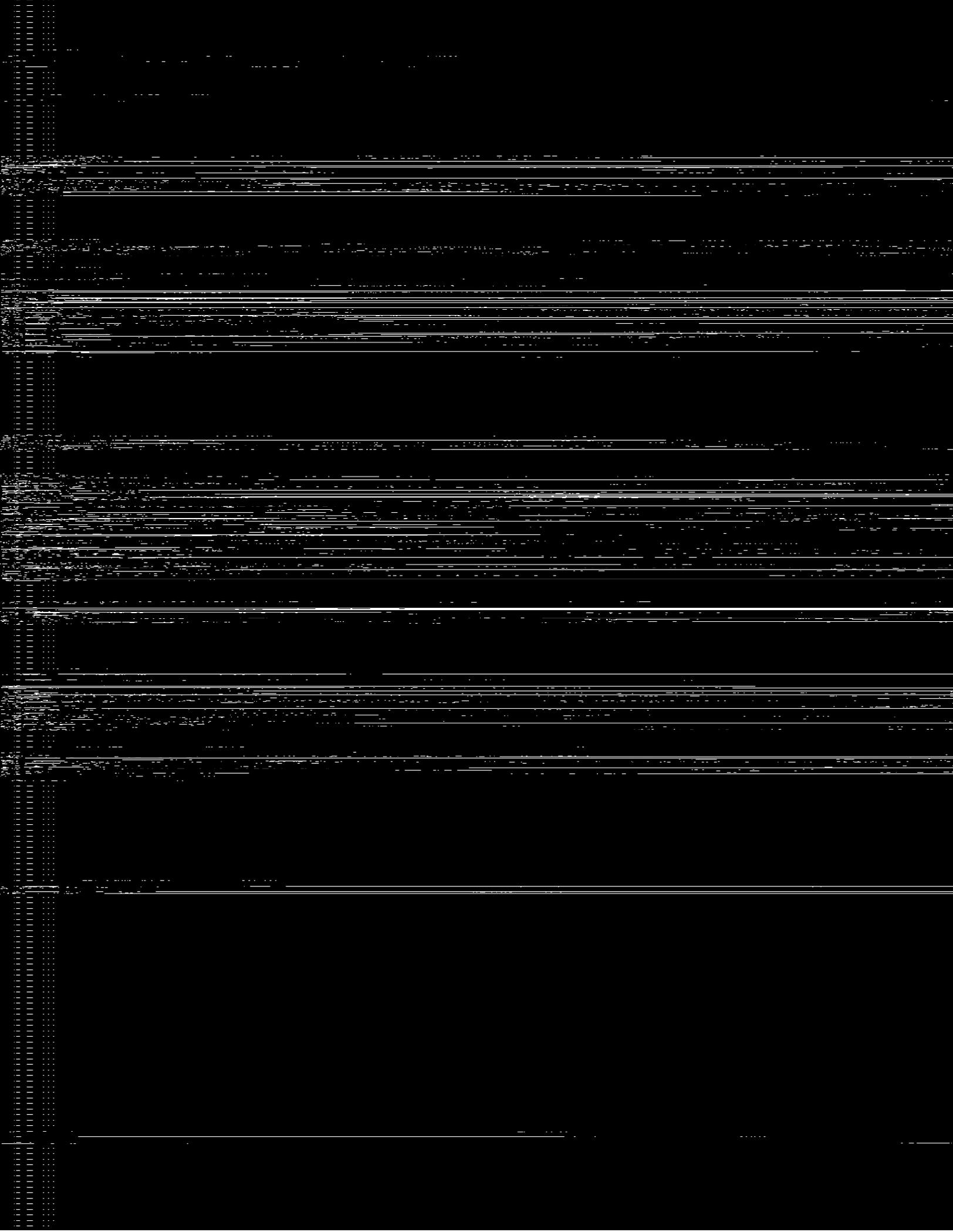
Exhibit F

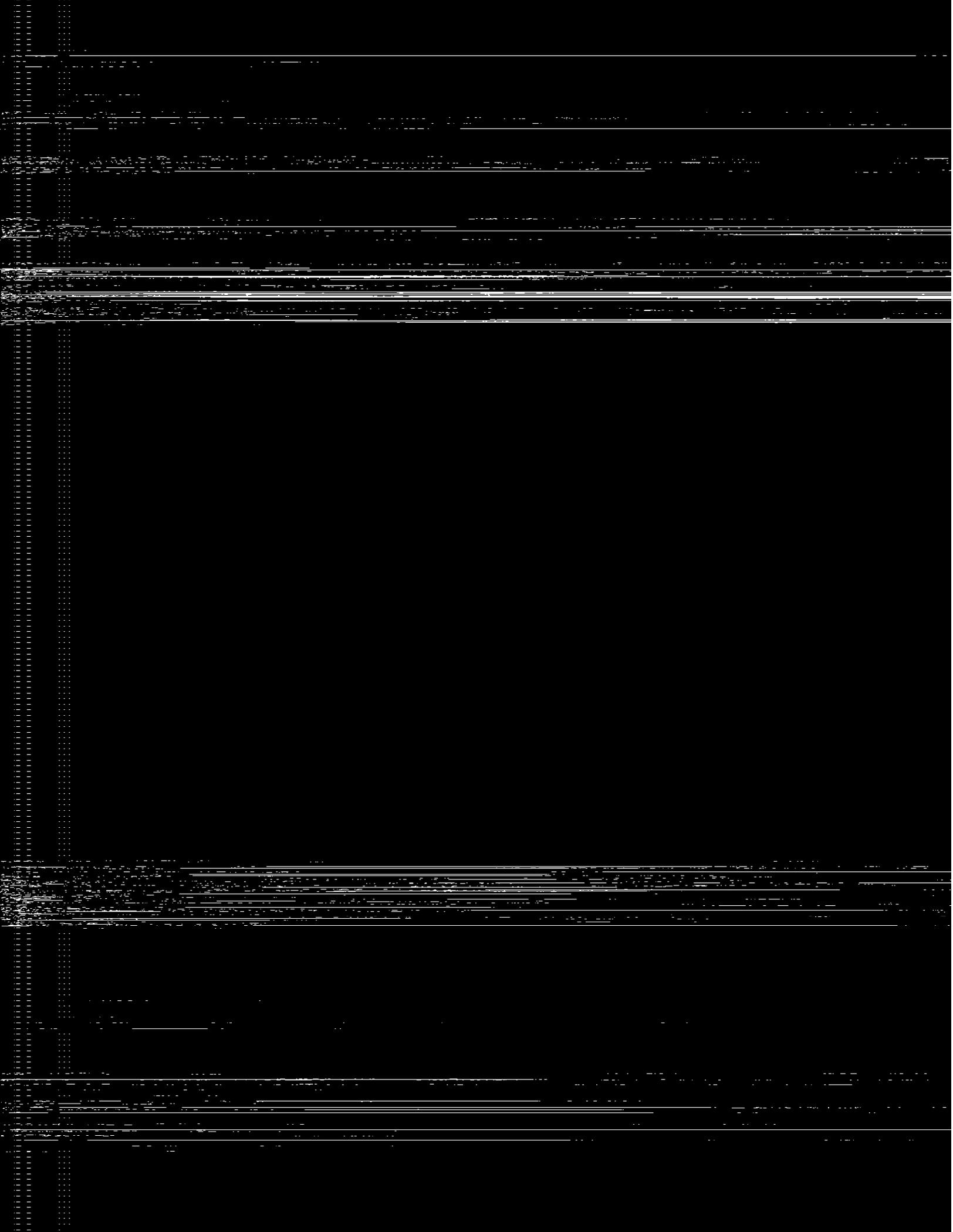
Exhibit G

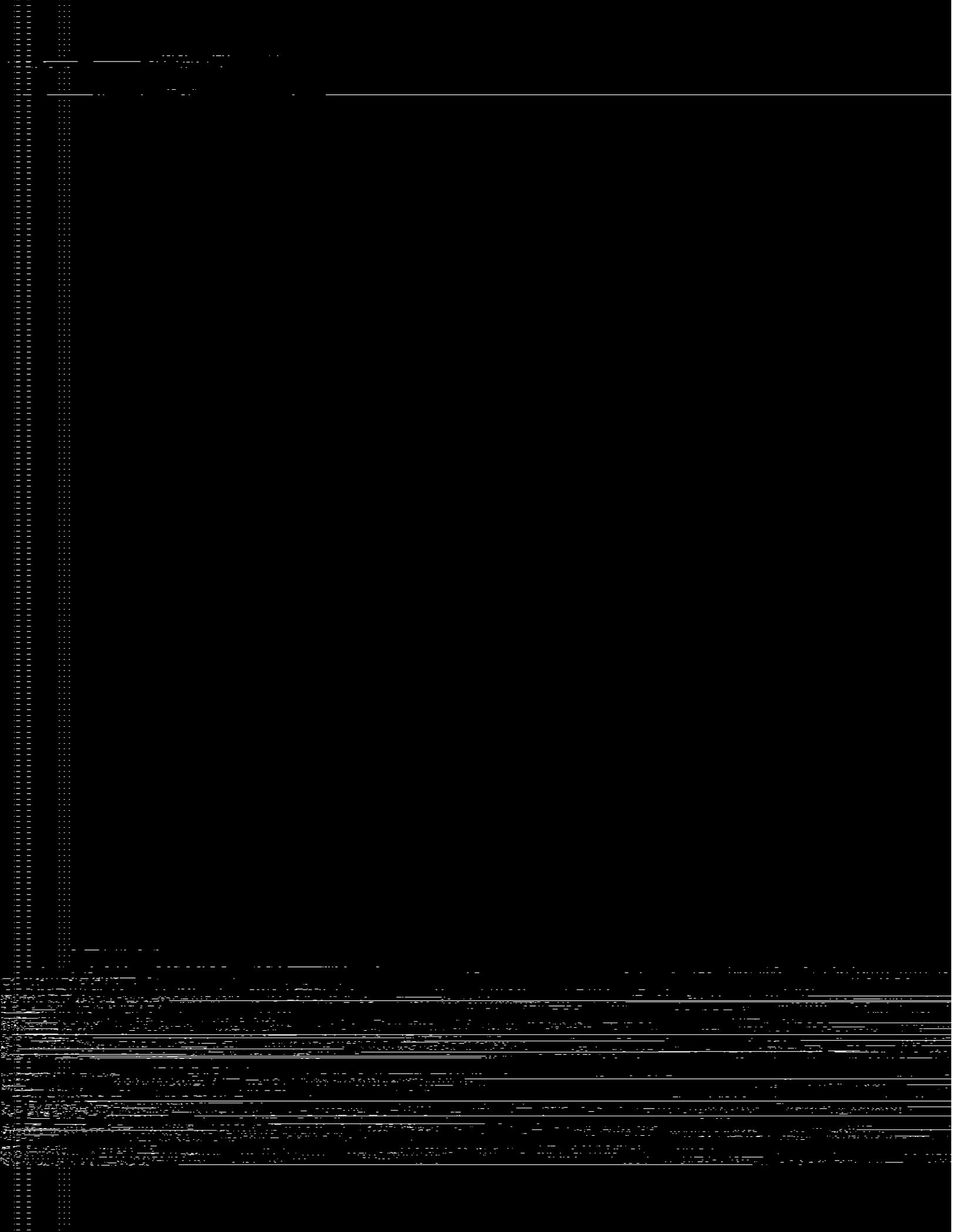
Exhibit H











**THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION**

PARK SOUTHERN RESIDENTS' COUNCIL,

Plaintiff,

v.

PARK SOUTHERN NEIGHBORHOOD CORP.,
et al.,

Defendants.

DISTRICT OF COLUMBIA,
a municipal corporation,
441 Fourth Street, NW
Washington, DC 20001,

Plaintiff-Intervenor,

v.

PARK SOUTHERN NEIGHBORHOOD CORP.,
a District of Columbia nonprofit corporation,
800 Southern Avenue, SE
Washington, DC 20032,

and

ROWENA JOYCE SCOTT,
800 Southern Ave. SE, Apt. 806
Washington, DC 20032,

Defendants.

Civil Action No. 2014 CA 002646 B

Judge John M. Mott

PROPOSED ORDER

Before the Court is the District's Motion to Intervene. Having considered the District's motion, any opposition thereto, and the entire record in this case, the District's Motion is **GRANTED** and it is hereby

ORDERED that the District may intervene in this action; and it is

FURTHER ORDERED that the District's Complaint for Injunctive and Equitable Relief, attached as **Attachment A** to its Motion to Intervene, is accepted for filing in this case.

John M. Mott
Superior Court Judge

Dated: _____

Copies to:

Bennett Rushkoff, Esq.
Nicholas A. Bush, Esq.
Joseph R. Melanson, Esq.
Carrie F. Apfel, Esq.
Michael W. Khoo, Esq.
Reginald Richter, Esq.