ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item
Meeting of June 12, 2010

DATE: June 10, 2010

SUBJECT:

A. Consent to the Resubdivision of County Owned Real Property to Be Known as Parcels A and B, Buckingham Commons Village 3, Being the Resubdivision, Vacation and Rededication of Parts of Fifth Buckingham Community, Incorporated, Deed Book 454 at Page 285 and Deed Book 512 at Page 304, Arlington County, Virginia (RPC No. 20023002);

B. Approval of Amendment and Restatement of the "Deed of Ground Lease Among The County Board of Arlington County, Virginia, a body politic, as Landlord, and Buckingham Village LLC, a Delaware limited liability company, as Tenant", dated March 3, 2009, effective March 19, 2009, into Two Separate Amended and Restated Ground Leases: (i) an Amended and Restated Deed of Ground Lease for Parcel A, Buckingham Commons Village 3, between the County Board of Arlington County, Virginia, as Landlord, and Buckingham Village Limited Partnership, or its Designee(s), as Tenant(s), including an Amendment to Amended and Restated Deed of Ground Lease (Parcel A) in Connection with the Proposed Leasehold Mortgage Financing for the Proposed Development; and (ii) an Amended and Restated Deed of Ground Lease for Parcel B, Buckingham Commons Village 3, between the County Board of Arlington County, Virginia, as Landlord, and Buckingham Village LLC, or its Designee(s), as Tenant(s), on County Owned Property Known as Buckingham Commons Village 3, Arlington, Virginia (RPC No. 20023002).

C. Approval of a Declaration of Easements, Covenants and Restrictions among the County Board of Arlington County, Virginia, Buckingham Village Limited Partnership and Buckingham Village, LLC, on County Owned Property Known as Parcels A and B, Buckingham Commons Village 3, Arlington, Virginia (RPC No. 20023002).

C. M. RECOMMENDATIONS:

1. Consent to the Resubdivision of County Owned Real Property as shown on the Plat Entitled "Plat Showing Buckingham Commons Village 3, Being the

County Manager: MB mas

County Attorney: SAM

Staff: Betsy Herbst, DES Real Estate Bureau

42. A. — D.

Report Date: 6/10/2010

Resubdivision, Vacation and Rededication of Parts of Fifth Buckingham Community Incorporated, Deed Book 454, Page 285, Deed Book 512, Page 304, Arlington County, Virginia", dated May 14, 2010, and prepared by Bowman Consulting Group, Ltd. (Exhibit A)

2. Approve the Amendment and Restatement of the "Deed of Ground Lease Among The County Board of Arlington County, Virginia, a body politic, as Landlord, and Buckingham Village LLC, a Delaware limited liability company, as Tenant", dated March 3, 2009, effective March 19, 2009, into Two Separate Amended and Restated Ground Leases: (i) an Amended and Restated Deed of Ground Lease for Parcel A, Buckingham Commons Village 3, between the County Board of Arlington County, Virginia, as Landlord, and Buckingham Village Limited Partnership, or its Designee(s), as Tenant(s), including an Amendment to Amended and Restated Deed of Ground Lease (Parcel A) in Connection with the Proposed Leasehold Mortgage Financing for the Proposed Development; and (ii) an Amended and Restated Deed of Ground Lease for Parcel B, Buckingham Commons Village 3, between the County Board of Arlington County, Virginia, as Landlord, and Buckingham Village LLC, or its Designee(s), as Tenant(s), on County Owned Property Known as Buckingham Commons Village 3, Arlington, Virginia (RPC No. 20023002), subject to further modifications to such Deeds of Ground Lease that do not materially change the County's obligations or affect the County's interests as approved by the County Attorney. (Exhibits B, C and D)

3. Approve the Declaration of Easements, Covenants and Restrictions among the County Board of Arlington County, Virginia, Buckingham Village Limited Partnership and Buckingham Village, LLC, on County Owned Property Known as Parcels A and B, Buckingham Commons Village 3, Arlington, Virginia (RPC No. 20023002), subject to further modifications to such Declaration that do not materially change the County's obligations or affect the County's interests as approved by the County Attorney. (Exhibit E)

4. Authorize the Real Estate Bureau Chief, or His Designee, to Execute on Behalf of the County Board: (1) a Deed of Resubdivision, and All Related Plats and Documents Necessary for the Resubdivision, Subject to Approval as to Form by the County Attorney; (2) the Amended and Restated Deed of Ground Lease for Parcel A, Buckingham Commons Village 3, including the Amendment to Amended and Restated Deed of Ground Lease (Parcel A), and All Other Related Documents Necessary for the Leasehold Mortgages for the Proposed Development, including any Document(s) Necessary to Subordinate the County's Right to Purchase or Pay-Off the Leasehold Mortgage securing the Virginia Housing and Development Authority to the Right of the Construction Leasehold Mortgage Lender to Purchase or Payoff the VHDA Mortgage, Subject to Approval as to Form of all Documents by the County Attorney; (3) the Amended and Restated Deed of Ground Lease for Parcel B, Buckingham Commons Village 3, Subject to Approval as to Form by the County Attorney; and (4) a Declaration

of Easements, Covenants and Restrictions on Parcels A and B, Buckingham Commons Village 3, Subject to Approval as to Form by the County Attorney.

ISSUE: In order to facilitate Tenant's resubdivision of Buckingham Commons Village 3 into Parcels A and B, and to facilitate Tenant's financing and redevelopment of Parcel A for low income residential rental units, the County Board is being requested to approve and authorize the execution of two separate Amended and Restated Deeds of Ground Lease for Subdivided Parcels A and B, Buckingham Commons Village 3, and modify certain terms of the original Ground Lease. There are no outstanding issues.

SUMMARY: County Board approval of the resubdivision of the property into Buckingham Commons Village 3, Parcels A and B, and approval and execution of the two attached Amended and Restated Deeds of Ground Lease (the "Ground Leases") and Declaration of Easements, Covenants and Restrictions (the "Declaration") is necessary for Buckingham Village Limited Partnership ("Parcel A Tenant") and Buckingham Village LLC ("Parcel B Tenant")(collectively, the "Tenants") to facilitate Parcel A Tenant's financing with the Virginia Housing and Development Authority ("VHDA") and Capital One for renovation of the low income residential units on Parcel A.

BACKGROUND: At a regular meeting of the County Board on June 9, 2007, the County Board approved the general plan for a public-private partnership for acquisition and renovation of Buckingham Village 3, located in the 300 block of N. George Mason Drive, Arlington, Virginia, RPC No. 20023002 (see Attachments 1 and 2, Vicinity Maps).

In January 2008, the County selected Telesis Corporation ("Telesis") and National Housing Trust-Enterprise Preservation Corporation ("NHTPC"), related entities of the Tenants, to redevelop the Property. The Property is presently improved with sixteen (16) residential apartment buildings, containing approximately one hundred forty (140) residential units (the land and improvements are jointly referred to as the "Property").

Consistent with the County's plan to redevelop the Property, the County Board, on February 21, 2009, approved the Deed of Ground Lease between the County Board as Landlord and Buckingham Village LLC, a wholly-owned subsidiary of Neighborhood Associates Corporation, as Tenant, in order to facilitate renovation and redevelopment of the residential apartment buildings for operation of the Affordable Housing Program to include approximately 92 affordable rental units and, possibly, 48 affordable ownership units (together the "Project").

DISCUSSION: The County acquired the Property on March 19, 2009, and since that date, the Tenant has operated and maintained the Property as affordable residential units under the terms of the original Ground Lease. The parties anticipated in the original Ground Lease that modifications of the terms of the Ground Lease would be required in the future as plans for redevelopment and financing of the Project became more definite.

In mid 2009, Buckingham Village Limited Partnership ("BVLP"), the Tenant's designee to undertake the development of Parcel A, applied and was awarded Low Income Housing Tax Credits ("LIHTC") from Virginia Housing Development Authority ("VHDA") to be used to help finance the renovation of the affordable dwelling units on subdivided Parcel A (92 rental units). The final award of the tax credits is subject to BVLP's meeting all criteria necessary for approval of the VHDA financing. The financing and renovation of the units on Parcel B, possibly as affordable ownership units, will take place at a future time.

At a regular meeting of the County Board on March 13, 2010, the County Board approved the Tenant's request for a Use Permit for the addition and expansion of nonconforming buildings and amendments of yard, setback, and parking regulations for existing apartment buildings (i.e. allow "bump outs" to provide more family-sized units and for the Property to be subdivided to facilitate the proposed financing for the 92-unit rental portion and anticipated financing for the 48-unit ownership portion).

In order to facilitate the redevelopment of the Property, the County Board, as owner of the underlying land, is being requested to consent to the resubdivision of the Property as shown on the plat attached hereto as Exhibit A entitled, "Plat Showing Buckingham Commons Village 3, Being the Resubdivision, Vacation and Rededication of Parts of Fifth Buckingham Community Incorporated, Deed Book 454, Page 285, Deed Book 512, Page 304, Arlington County, Virginia", dated May 14, 2010, and prepared by Bowman Consulting Group, Ltd., and authorize execution of a Deed of Resubdivision, all related plats and documents necessary for the resubdivision.

Under the terms of the proposed Amended and Restated Ground Leases, attached hereto as Exhibits B and C, the County would continue to ground lease both subdivided Parcels A and B of the Property (in the case of Parcel A to BVLP, and in the case of Parcel B to the Tenant) for the remainder of the original 75 year term, with an option by each tenant to extend the term thereafter for an additional five (5) years. The proposed Amended and Restated Ground Leases will revise the original Ground Lease as summarized below:

(a) The amendments will reflect the separation of the original parcel of land into two subdivided Parcels A and B. Parcel A includes the buildings that will be renovated and occupied as rental units; Parcel B includes the buildings that will be renovated and possibly converted into ownership units sometime in the future. Separation of the Property into two parcels will facilitate financing of the redevelopment on Parcel A and the future financing of the ownership units on Parcel B.

(b) The rent installments to be paid by the Tenants to the County under the Amended and Restated Ground Leases have also been modified to separate the payments by parcel and to adjust the due dates to coincide with the anticipated financing and construction schedules. The monetary return from both Parcels will vary depending upon whether the Parcel B units remain as affordable rental units or are eventually converted and sold as affordable ownership units. The conversion of Parcel B to ownership units would be expected to increase the amount of return to the County by approximately $2.5 million.

Assuming Parcels A and B both remain rental units, the total amount of the rent installments set forth in the Amended Ground Leases will be reduced from the installments provided in the original Ground Lease. The reduced return from the Property is due principally to the increases in the scope of work and related development and construction expenses from the original estimates, and the reduction of anticipated tax credits for the Project. The total projected rent installments will be revised as follows:

1) The combined "Initial Base Rent Installments" of $1,000,000.00 for both Parcels A and B remains the same as the amount provided in the original Ground Lease, with the differences being the separation of the payments by parcel and the extension of the respective due dates:

i) The Initial Base Rent Installment for Parcel A of $650,000.00 will be due on or before September 30, 2010;

ii) The Initial Base Rent Installment for Parcel B of $350,000.00 will be due on or before April 30, 2014.

2) The combined "Second Base Rent Installments" for both Parcels A and B have been reduced from the installments provided in the original Ground Lease for the reasons previously mentioned.

i) The Second Base Rent Installment for Parcel A of $2,500,000.00 will be paid by the Parcel A Tenant on the later of the date of substantial completion of the rental units or the date of the final contribution by Tenant's Investor Limited Partner, but in any case, no later than January 1, 2014;

ii) The Second Base Rent Installment for Parcel B of $1,311,000.00 will be paid by the Parcel B Tenant on the later of the date of substantial completion of the units or the date on which a construction loan is paid off and permanent financing is obtained, but in any case, no later than August 31, 2015.

As in the original Ground Lease, under certain circumstances, up to one-half of the Second Base Rent Installments may be deferred and paid from the respective Tenant's cash flow in subsequent years.

3) Additional annual payments of rent will also be paid based upon the Tenants' cash flow. The Tenants will be required to provide the County with quarterly reports and audited financial statements to substantiate the payment amounts.

Under the Amended Ground Leases, payments paid annually by the Tenants are described separately as "Annual Base Rent Installments", the land portion of the payment which is paid from 30% of Tenant cash flow remaining after deducting property expenses from property revenue, and as "Annual Supplemental Rent Installments", the improvements portion which is paid from 20% of Tenant cash flow after deducting property expenses from property revenue. Annual

Supplemental Rent Installment Schedules are attached as Exhibit F to the respective Amended Ground Leases for Parcels A and B. This separation of the annual payments into two parts is necessary to the Tenants in classifying the payments for federal income tax purposes.

i) The Annual Base Rent Installments for Parcel A of $41,515.00 for 2012, and $83,030.00 annually thereafter through 2061, will be due beginning 60 days after substantial completion of the units, but no earlier than July 1, 2012, and are payable in arrears within 90 days of the close of Parcel A Tenant's fiscal year. The Annual Supplemental Rent Installments for Parcel A are set forth in the schedule of payments attached as Exhibit F to the Amended Ground Lease for Parcel A, which calls for $68,797.00 in 2012 and $137,594.00 annually thereafter through 2061.

ii) The Annual Base Rent Installment for Parcel B of $42,677.00 commences in 2014 and continues through 2063. Each payment is due within 90 days of the close of Parcel B Tenant's fiscal year. The Annual Supplemental Rent Installments for Parcel B are set forth in the schedule of payments attached as Exhibit F to the Amended Ground Lease for Parcel B, which calls for $71,436.00 commencing in 2014 and continuing annually thereafter through 2063.

(c) The additional proposed Amendment to the Amended and Restated Ground Lease for Parcel A, attached hereto as Exhibit D, will provide certain rights to VHDA as secured lender of Parcel A in the event of default by the Parcel A Tenant. These provisions are necessary to obtain the proposed financing. In addition, the County will be provided with certain rights to cure the default by the Parcel A Tenant prior to any foreclosure by VHDA.

The VHDA financing will be for a term of 35 years. During the construction period, Capital One, a lender working with VHDA, will provide short-term construction financing for the Project. Capital One and VHDA may require additional documents to be signed on behalf of the County as part of the closing transaction. For this reason, the County Board is being requested to authorize execution of any such documents necessary for obtaining the leasehold mortgage, possibly including the subordination of the County's right to purchase or pay-off the VHDA leasehold mortgage, in the event of a default by the Parcel A Tenant, to the right of Capital One, the construction lender, to purchase or payoff the VHDA loan. Any documents required to be executed would be subject to approval as to form by the County Attorney.

Under the Amended Ground Lease for Parcel B, the tenant will have to obtain the County's approval, as landlord, of the renovation documents required for the initial Low-Income Housing Tax Credits application within sixty (60) months after commencement of the ground lease. Thereafter, the tenant will be required to procure the initial construction permit for the renovation and close on the construction financing within twenty-four (24) months after approval of the renovation documents. The tenant will be required to substantially complete the renovation on Parcel B within thirty-six (36) months after the later of: (i) the County's final approval of the renovation documents; or

(ii) the date on which the mortgage for the construction financing is recorded. In the event the County and tenant decide to pursue an ownership concept for the affordable units, the rehabilitation requirements and the ground lease structure would be terminated and replaced with a substantially different business arrangement requiring further Board action.

The Declaration of Easements, Covenants and Restrictions, attached hereto as Exhibit E, will be recorded among the County land records by the County, with the consent and joinder of the Tenant, to assure that the affordable housing community and shared use of Parcels A and B is perpetuated indefinitely on the Property. The Declaration further provides that certain areas and improvements located with Parcels A and B shall be jointly used and maintained, subject to certain conditions. The areas in which use will be shared by residents of both parcels include the community room, classroom, office, restrooms, bike storage room, laundry room, certain utilities and the leasing office. The Declaration also establishes a joint committee for management of the shared use areas and provides for cost sharing for ongoing maintenance and repairs based upon the number of residential apartment units in each parcel.

FISCAL IMPACT: Upon payment of the Initial and Second Base Rent Installments for both parcels no later than August 31, 2015, the Tenants will have made payments totaling $4,811,000.00. As in the original Ground Lease, up to one-half of the Second Installment may be deferred and paid from Tenants' cash flow in subsequent years. Thereafter, the Tenants will also make annual rent payments as described above, subject to availability of net cash flow of the project.

Rent payments will be used to prepay a portion of the $35.0 million in debt that the County recently refinanced with Bank of America, which was approved by the County Board on April 27, 2010, and was the subject of a separate Board Report.

Rent payments will not be sufficient to cover all of the debt the County incurred to acquire and refinance Buckingham Village 3. As noted above, it is anticipated that the County will receive Initial and Second Base Rent Installments of $4,811,000 prior to August 2015 if both parcels were to be developed as affordable rental housing. After these lump sum payments are used to pay down debt, approximately $30.2 million in debt will remain outstanding in late 2015.

In addition, rent payments during the 75-year term of the ground lease will be used to prepay debt, and are expected to range from $30,000 to $300,000 annually, increasing over time, as net cash flow of the Property increases. On a cumulative basis over the lease term, the annual rent payments will be significant, but because of the size of the payments, the fact that payments will be received over a long period of time, and because payments are dependent on net cash flow of the Project, debt retirement will proceed slowly. As indicated previously, it is anticipated that debt service on the Buckingham Village 3 debt will continue to be paid for from the Affordable Housing Investment Fund.

CONCLUSION: It is recommended that the County Board (i) consent to the resubdivision of the Property; (ii) approve the attached Amended and Restated Deed of Ground Lease for Parcel A, along with the Amendments related to the VHDA financing; (iii) approve the Amended and Restated Deed of Ground Lease for Parcel B, and (iv) approve the Declaration of Covenants and Restrictions, all as set forth in Exhibits A, B, C and D hereto.

LIST OF EXHIBITS

Exhibit A: Resubdividion Plat
Exhibit B: Amended and Restated Ground Lease (Parcel A)
Exhibit C: Amendment to Amended and Restated Ground Lease (Parcel A)
Exhibit D: Amended and Restated Ground Lease (Parcel B)
Exhibit E: Declaration of Easements, Covenant and Restrictions

LIST OF ATTACHMENTS

Attachments 1 and 2: Vicinity Map

EXHIBIT A
RESUBDIVISION PLAT

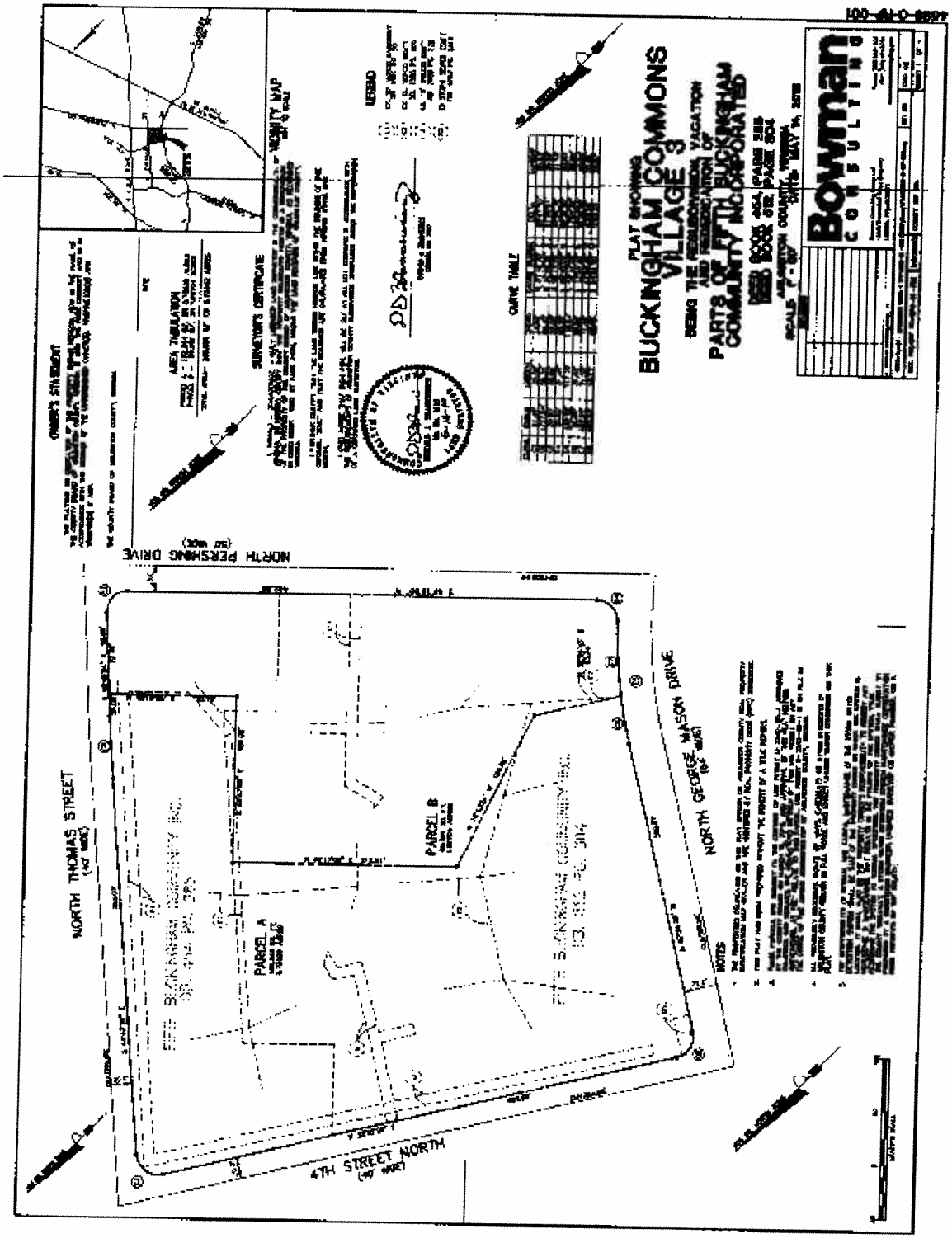

EXHIBIT B
AMENDED AND RESTATED DEED OF GROUND LEASE
(PARCEL A)

AMENDED AND RESTATED
DEED OF GROUND LEASE
(PARCEL A)

Among

The County Board of Arlington County, Virginia, a body politic,
as Landlord,

and

Buckingham Village Limited Partnership, a Delaware limited partnership,
as Tenant,

Dated: As of June ___, 2010

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EXHIBITS:

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Exhibit B – Insurance Requirements
Exhibit C – Renovation, Finance and Management Plan
Exhibit D – [*Intentionally Omitted*]
Exhibit E – Affordable Housing Program
Exhibit F – Annual Supplemental Rent Installments Schedule
Exhibit G – Form of Memorandum of Lease

AMENDED AND RESTATED DEED OF GROUND LEASE (PARCEL A)

THIS AMENDED AND RESTATED DEED OF GROUND LEASE (this "Lease") is made as of this ___ day of June 2010, by and among (i) **The County Board of Arlington County, Virginia**, a body politic ("Landlord"), and (ii) **Buckingham Village Limited Partnership**, a Delaware limited partnership ("Tenant").

RECITALS

A. Landlord is the owner of certain Combined Land (all capitalized terms used in these Recitals are defined below) currently improved with sixteen (16) residential apartment buildings, containing approximately one hundred forty (140) residential units, known as Buckingham Village 3 (RPC № 20023002) (the "Combined Land").

B. Landlord issued a Request for Proposals ("RFP") from developers for the redevelopment of the Combined Land and improvements thereon, including without limitation, for the design, permitting, renovation and financing for the Affordable Dwelling Units (hereinafter defined) to be located on the Combined Land. Tenant responded to the RFP in January 2008. Based on Tenant's response to the RFP, Landlord selected Tenant in 2008 to re-develop the Combined Land.

C. Landlord issued a letter of intent to Tenant on August 1, 2008, providing that Tenant would refine and determine the specific elements of the Affordable Housing Program (hereinafter defined), the renovation and construction plan, and the financing plan for the Project related to the redevelopment of the Combined Land, as approved by Landlord.

D. Landlord and Tenant's predecessor-in-interest, Buckingham Village LLC, a Delaware limited liability company ("BVLLC"), entered into that certain Deed of Ground Lease dated March 3, 2009 (the "Original Ground Lease"), whereby Landlord leased the Combined Land and conveyed the existing improvements, under the terms and conditions thereof, to Tenant for Tenant's and its Affiliates' redevelopment of the Combined Land and improvements, comprised of approximately one hundred forty (140) rental residential units, consistent with the general plan approved by the County Board for the Property on June 9, 2007 and the Affordable Housing Program, and any amendments thereto approved by Landlord and Tenant (collectively, the "Redevelopment").

E. To facilitate the financing and development of the Combined Land, BVLLC, with Landlord's approval, has subdivided the Combined Land into two (2) separate parcels, as follows: (i) the parcel of land which is the subject matter of this Lease, containing approximately 3.74 acres and being referred to on the subdivision plat as Parcel A (the "Land"), and (ii) the remainder of the Combined Land, containing approximately 2 acres and being referred to on the subdivision plat as Parcel B ("Parcel B"). The Land contains eleven (11) residential apartment buildings, containing approximately ninety-two (92) residential units. Simultaneously with the execution and delivery of this Lease, Landlord and BVLLC are entering into a separate Amended and Restated Ground Lease with respect to Parcel B and the improvements thereon.

F. Landlord and Tenant have entered into this Lease to effectuate the Redevelopment with respect to the Land and the Improvements thereon (the "Project").

G. Tenant shall be considered to be the owner of the Improvements on the Land, subject to the terms of this Lease.

H. Tenant and Landlord intend that the Affordable Dwelling Units in the Improvements shall be operated so as to qualify for Low-Income Housing Tax Credits (hereinafter defined), except as otherwise set forth in the Affordable Housing Program, and so as to comply with all County Requirements (hereinafter defined).

I. This Lease is intended to fully replace and supercede the Original Ground Lease, effective as of the date hereof, with respect to the Land and the Improvements thereon.

J. BVLLC is executing this Lease to confirm its consent to this Lease.

NOW, THEREFORE, IN CONSIDERATION of the foregoing and the covenants and agreements of the parties hereto, as are hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each party hereto, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord all of that tract of Land in Arlington County, Virginia,

TOGETHER WITH any and all rights, alleys, ways, privileges, servitudes, appurtenances and advantages, now or hereafter to the same belonging or in any way appertaining (all of which, together with the Land, are hereinafter referred to collectively as the "Premises"),

TO HAVE AND TO HOLD the Property unto Tenant, its successors and permitted assigns, for the sole purpose and term of years set forth herein,

ON THE TERMS AND SUBJECT TO THE CONDITIONS which are hereinafter set forth:

ARTICLE I
DEFINITIONS

Section 1.01 Specific. As used herein, the following terms have the following meanings:

"Additional Base Rent Installments" has the meaning given it in Section 3.01(c).

"Affiliate" means an entity that controls Tenant or is controlled by Tenant or under common control such that Tenant either (a) operates and manages the entity, and/or (b) has greater than 50% of the voting rights in the entity.

"Affordability Covenants" shall mean the covenants providing restrictions on the use of the Affordable Dwelling Units described in Section 4.04.

"Affordable Dwelling Units" shall mean the Residential Dwelling Units in the Improvements to be operated consistent with the Affordable Housing Program at all times and to be operated, following Construction Completion, so as (i) to qualify for Low-Income Housing Tax Credits, or (ii) to satisfy other financing requirements, including but not limited to the County Requirements.

"*Affordable Housing Program*" means the "for lease" Affordable Dwelling Units that will be developed by Tenant on the Property and the income level and size of families to be served by the Project, as specified on Exhibit E attached hereto and made a part hereof and any amendments thereto approved by Landlord and Tenant.

"*Annual Base Rent Installments*" has the meaning given it in Section 3.01(c).

"*Annual Supplemental Rental Installments*" has the meaning given it in Section 3.01(c).

"*Applicable Law*" shall mean all Federal, State and local laws, ordinances and regulations applicable to all or any portion of the Property, the Project and/or the transactions contemplated by the terms of this Lease, including without limitation, all requirements of the Buckingham Historic District (which shall be applicable to the Property as of the Commencement Date hereunder), and all requirements of site plans applicable to the Property.

"*Appraisal*" has the meaning given it in Section 3.01(f).

"*Area Median Income*" shall be the median income for the Washington, D.C. Metropolitan Area, as adjusted annually for household size, as published by the United States Department of Housing and Urban Development.

"*Bankruptcy*" shall be deemed, for any person or entity, to have occurred either:

(a) if and when such person or entity (i) applies for or consents to the appointment of a receiver, trustee or liquidator of such person or entity or of all or a substantial part of its assets, (ii) files a voluntary petition in bankruptcy or admits in writing its inability to pay its debts as they come due, (iii) files a petition or an answer seeking a reorganization or an arrangement with its creditors or seeks to take advantage of any insolvency law, or (iv) files an answer admitting the material allegations relating to bankruptcy or insolvency of a petition filed against such person or entity in any bankruptcy, reorganization or insolvency proceeding; or

(b) if (i) an order, judgment or decree is entered by any court of competent jurisdiction adjudicating such person or entity as bankrupt or insolvent, approving a petition and an adjudication, or reorganization, or appointing a receiver, trustee or liquidator of such person or entity or of all or a substantial part of its assets, or (ii) there otherwise commences with respect to such person or entity or any of its assets any proceeding under any bankruptcy, reorganization, arrangement, insolvency, readjustment, receivership, or similar law, and if such order, judgment, decree or proceeding continues unstayed for any period of 90 consecutive days after the expiration of any stay thereof.

"*BVLLC*" means Buckingham Village LLC, a Delaware limited liability company.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Combined Land*" has the meaning given it in Recital A above.

"*Commencement Date*" means March 19, 2009.

"*Condemnation Award*" means the aggregate amount of any condemnation award or awards payable with respect to a Taking, whether by agreement or pursuant to a judgment or otherwise, with any interest payable on such amount, including consequential damages to any portion of the Property not taken, net of any costs and expenses of collecting the same.

"Construction Completion" means that the Project has received all applicable final certificates of occupancy.

"Construction Mortgage" any Mortgage or Mortgages providing funding for the renovation of the Project.

"County Manager" means the County Manager of Arlington County, Virginia, or his or her designee.

"County Requirements" means all generally applicable legal requirements established by Arlington County, Virginia from time to time that are applicable to the Property.

"Date of Taking" means the date as of which Tenant is deprived of possession of any property involved in a Taking.

"Depositary" shall mean any Permitted Leasehold Mortgagee, which is an Institutional Lender, which is qualified to do business in Virginia that serves as Depositary from time to time.

"Environmental Laws" shall mean any and all federal, state or local statutes, laws, rules, regulations, ordinances, or codes pertaining to the environment in effect and any judicial or administrative interpretation thereof specifically relating to the Property (including, but not limited to, any judicial or administrative order, consent decree or judgment relating to the environment or Hazardous Materials, or exposure to Hazardous Materials on the Property) including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Resource, Conservation and Recovery Act of 1976, as amended, the Clean Air Act, as amended, the Federal Water Pollution Control Act, as amended, the Oil Pollution Act of 1990, as amended, the Safe Drinking Water Act, as amended, the Hazardous Materials Transportation Act, as amended, and the Toxic Substances Control Act, as amended.

"Event of Default" has the meaning given it in Section 14.01.

"Expiration Date" means March 31, 2084.

"*Extended Term*" means the 5-year Option Period for which the Term will continue beyond the Initial Term resulting from Tenant exercising its option to extend the Term provided in Section 2.01 of this Lease.

"*Extended Use Agreement*" means the agreement to be entered into between the limited partnership that undertakes the rental part of the Project and the Virginia Housing Development Authority as required pursuant to Section 42 of the Code.

"Federal Historic Tax Credit" shall mean the tax credit allowable pursuant to Section 47 of the Code for Federal Qualified Rehabilitation Expenditures incurred in connection with the certified rehabilitation of the Improvements.

"Federal Qualified Rehabilitation Expenditures" has the meaning set forth in Section 47(c)(2)(A) of the Code for qualified rehabilitation expenditures.

"Fee Mortgage" shall mean a Mortgage encumbering Landlord's fee interest in the Property, subject to the terms of this Lease.

"Fee Mortgagee" means the holder of a Fee Mortgage.

"Final Contribution" has the meaning given it in Section 3.01(b).

"General Contractor" means Harkins Builders and/or such other entities as may be designated by Tenant and approved by Landlord to undertake all or a part of the renovation provided for in the Renovation Documents.

"Governmental Authority"/"Governing Authority" means all federal, state, county, municipal and other governments and all subdivisions, agencies, authorities, departments, courts, commissions, boards, bureaus and instrumentalities of any of them having jurisdiction over Landlord, Tenant and the Land, or any of them.

"*Hazardous Materials*" has the meaning given it in Section 4.02(b).

"Historic Credits Entity" has the meaning given it in Section 13.03.

"HTC Master Lease" has the meaning given it in Section 13.03

"Hudson" has the meaning given it in Section 3.01(b).

"Improvements" means the buildings and other improvements on the Land described in the Recitals, together with all appurtenances thereto and any buildings and other improvements that may be hereafter constructed on the Land, as the same may be hereafter repaired, restored, altered or improved, and together with all apparatus, machinery, devices, fixtures, appurtenances, equipment and personal property now or hereafter attached or affixed to the Premises or the other Improvements and necessary for the proper operation and maintenance of the Premises or the Improvements. The Improvements shall include the rights over, upon, across and under the Land for all purposes strictly related to uses permitted by Section 4.01, including, but not limited to the rights to use the Land for sub-adjacent support and ingress and egress, including the right to remove or relocate the Improvements, subject to the terms hereof.

"*Improvement Purchase Price*" has the meaning given it in Section 3.01(d)(ii).

"Initial Base Rent Installment" has the meaning given it in Section 3.01(a).

"Initial Term" means the 75-year period beginning on the Commencement Date and expiring on the Expiration Date.

"Institutional Lender" means any entity which is either a commercial bank, savings bank, savings and loan institution, credit union, pension fund, business trust (including, without limitation, real estate investment trust), insurance company authorized to do business in the Commonwealth of Virginia, governmental revenue or development authority, any governmental agency or entity or any bondholder or bondholder representative, any entity which is regularly engaged in financing the purchase, construction or rehabilitation of real estate and which is subject to regulatory oversight by any federal or state governmental authority, or any affiliate or subsidiary of any of the foregoing entities.

"Indemnified Party" has the meaning given it in Section 19.01.

"Investor Limited Partner" means any entity having a 20% or greater interest in the Tenant entity.

"Land" shall mean that tract of realty located in Arlington County, Virginia, which is defined in Recital E above and is further described in Exhibit A attached hereto.

"Landlord" means The County Board of Arlington County, Virginia and its successors and assigns as holder of fee simple interest in the Land.

"Landlord Event of Default" has the meaning given it in Section 14.05.

"Land Records" means the Official Public Records of Real Property of Arlington County, Virginia.

"Leasehold Estate" means the leasehold estate in the Property held by Tenant under this Lease.

"Leasehold Mortgagee" means any lender holding a Mortgage on all or any part of the Leasehold Estate and/or Improvements.

"Lease Year" means (a) the period commencing on the Commencement Date and terminating on the first anniversary of the last day of the calendar month containing the Commencement Date, and (b) each successive period of twelve (12) calendar months thereafter during the Term.

"LIHTC Housing Requirements" means applicable Low-Income Housing Tax Credits requirements as provided in Section 42 of the Code, and as required during the compliance period specified therein and any extended use period under the Extended Use Agreement.

"Low-Income Housing Tax Credits" shall mean the Low-Income Housing Tax Credit provided for under Section 42 of the Code, or any corresponding provision or provisions of succeeding law.

"Mortgage" means any mortgage or deed of trust, together with any regulatory agreement or other documents or agreements relating thereto and recorded therewith, at any time encumbering any or all of the Property, and any other security interest therein existing at any time under any other form of security instrument or arrangement used from time to time in the locality of the Property (including but not limited to any such other form of security arrangement arising under any deed of trust, sale-and-leaseback documents, lease-and-leaseback documents, security deed or conditional deed, or any financing statement, security agreement or other documentation used pursuant to the Uniform Commercial Code or any successor or similar statute), provided that such mortgage, deed of trust or other form of security instrument, and an instrument evidencing any such other form of security arrangement, has been recorded among the Land Records or in such other place as is, under applicable law, required for such instrument to give constructive notice of the matters set forth therein.

"Mortgagor" means the Person having obligations secured by a Mortgage.

"Mortgagee" means the holder of a Mortgage.

"*Notice*" shall mean any notice(s), request(s) or other communication(s) required or permitted to be given under this Lease, shall be in writing, and shall be delivered by hand or reputable courier (including Federal Express and other such services), or mailed by United States registered or certified mail, return receipt requested, postage prepaid and addressed to each party at its address as set forth hereunder.

"Option Period" has the meaning given it in Section 2.01.

"Original Ground Lease" has the meaning given it in Recital D above.

"Parcel B" shall mean that tract of realty located in Arlington County, Virginia, which is defined in Recital E above.

"Partial Taking" means a Taking that is not a Total Taking or a Temporary Taking.

"Permitted Leasehold Mortgage" has the meaning given in Section 7.02.

"Permitted Transfer" has the meaning given in Section 13.02.

"Permitted Leasehold Mortgagee" means a Mortgagee secured by a Permitted Leasehold Mortgage, as defined in Section 7.02.

"Person" means a natural person, a trustee, a corporation, a partnership, a limited liability company and any other form of legal entity.

"Pre-Development Expenses" has the meaning given it in Section 2.04(b)(i).

"Premises" has the meaning given it in the Recitals hereinabove.

"Prime Rate" shall mean the then applicable *Wall Street Journal* Prime Rate (U.S. money center commercial banks) or its successor publication (or in the absence thereof, such similar rate as Landlord may reasonably designate).

"Project" has the meaning given it in Recital F above.

"Property" means the Premises and the Improvements.

"*Property Expenses*" has the meaning given it in Section 3.01(c).

"*Property Revenue*" has the meaning given it in Section 3.01(c).

"*Purchase Agreement*" means that certain Agreement of Sale dated June 21, 2007 by and between 4319 North Pershing Drive Apartments Investors LLC, as Seller, and The County Board of Arlington County, Virginia, as Purchaser, with respect to the Combined Land and Improvements thereon.

"Redevelopment" has the meaning given it in Recital D above.

"Renovation Documents" has the meaning given it in Section 8.01(a).

"Renovation, Finance and Management Plan" has the meaning given it in Section 8.01(a).

"Rent" means all rent payable under Article III.

"Requirements of Governmental Authority" means all laws, statutes, codes, acts, constitutions, ordinances, judgments, decrees, injunctions, orders, resolutions, rules, regulations, permits, licenses, authorizations, administrative orders and other requirements of any Governmental Authority.

"Resident" shall mean a Person occupying a Residential Dwelling Unit, including but not limited to an Affordable Dwelling Unit, pursuant to a Tenancy Agreement.

"Residential Dwelling Unit" shall mean a rental dwelling unit in the Improvements.

"*Restricted Fair Market Value*" has the meaning given it in Section 3.01(f).

"RFP" has the meaning given it in Recital B.

"State and Local Laws and Ordinances" shall mean all applicable laws, regulations, codes, and ordinances in the Commonwealth of Virginia and Arlington County relating to health, safety, the environment, liens, housing and building requirements and conditions.

"State Historic Tax Credit" shall mean the Virginia historic rehabilitation tax credit described in Virginia Code Section 58.1-339.2 and 17 VAC 10-30.

"Second Base Rent Installment" has the meaning given it in Section 3.01(b).

"*Second Base Rent Installment Deadline*" has the meaning given it in Section 3.01(b).

"Security Deposits" has the meaning given it in Section 16.01.

"Substantial Completion" or *"Substantially Complete"* shall mean for each Residential Dwelling Unit, the date that (a) the Work for the Residential Dwelling Unit is sufficiently complete, in accordance with the Construction Documents related thereto, such that the Residential Dwelling Unit can be occupied, (b) the Architect has issued a Certificate of Substantial Completion for such Residential Dwelling Unit or the building of which it is part, and (c) the Residential Dwelling Unit can be legally occupied.

"Substantial Completion Date" has the meaning given it in Section 3.01(b)(i).

"Taking" means any taking or damaging of all or any part of, interest in, or right appurtenant to the Property by any Governmental Authority as a result of or in lieu of or in anticipation of or under threat of the power of condemnation or eminent domain, including severance, damage and any change in grade.

"Tax" and *"Taxes"* have the meanings given in Section 5.01.

"Tax Credits" shall mean, collectively, the Low-Income Housing Tax Credit, the Federal Historic Tax Credit and the State Historic Tax Credit.

"Temporary Taking" means a temporary Taking that does not extend beyond the Term, so that Landlord's interest in the Property is unaffected by such Taking.

"Tenancy Agreement" shall mean the lease agreement between Tenant (or Tenant's predecessor-in-interest or successor-in-interest with respect to the Improvements) and a Resident under the terms of which a Resident is entitled to enjoy possession of a Residential Dwelling Unit.

"Tenant's Fiscal Year" has the meaning given it in Section 3.01(c).

"Tenant's Value in the Improvements" means the "AS IS" value of the Improvements as of the date of the Taking, taking into account the effect on such value of this Lease (had the Taking not occurred) and all other matters effecting such interest; provided, however, in no event shall Tenant's Value in the Improvements be less than the then-current balance owed by Tenant under all Permitted Leasehold Mortgages of record on the Property as of the date of the Taking.

"Term" has the meaning given it in Section 2.01.

"*Termination Fee*" [*Intentionally Omitted*].

"*Total Taking*" means a Taking, whether permanent or temporary, the effect of which is that the portion or portions of the Property remaining cannot, in the good faith judgment of Tenant, be practically and economically used or converted for use by Tenant for the purposes for which the Property were being used prior to the Taking or for other uses acceptable to Tenant, in Tenant's sole and absolute discretion.

"Transfer" has the meaning given it in Section 13.01.

"*Work*" has the meaning given it in Section 12.03(b).

Section 1.02 General. Any other term to which meaning is expressly given in this Lease shall have such meaning.

Section 1.03 Construction. Any Rent or any other amount paid hereunder shall be construed as made by Tenant solely for the use of the Land, as Tenant shall be deemed to own the Improvements for all purposes, subject to the terms of this Lease. Any covenants contained herein made by the Tenant regarding the Improvements shall be construed solely to protect Landlord from liability in connection with the Improvements.

Section 1.04 Incorporation of Recitals. The Recitals set forth above are hereby incorporated and made a part of this Lease.

ARTICLE II
TERM

Section 2.01 Length. This Lease shall be for a term ("Term") commencing on the Commencement Date, and expiring at 11:59 p.m. on the Expiration Date, except that if the date of such expiration or termination is hereafter advanced to an earlier date, extended or postponed pursuant to any provision of this Lease or by operation of law, the date to which it is advanced, extended or postponed shall thereafter be the "Expiration Date" for all purposes of this Lease). So long as Tenant is not in default of any term or condition of this Lease, Tenant shall have an option to extend the Term by five (5) years (the "Option Period"). Tenant shall be deemed to have exercised the option to so extend the Term if Tenant provides Landlord with written notice of Tenant's desire to so extend the Term at least eighteen (18) months prior to the original Expiration Date (*i.e.*, by no later than September 30, 2082). In the event that Tenant fails to timely and properly exercise its option to extend the Term as aforesaid, the Term of this Lease shall expire upon the original Expiration Date. If Tenant timely exercises the option to so extend the Term, all of the terms and conditions of this Lease shall continue to apply during the Option Period, including without limitation, Tenant's obligation to pay Annual Base Rent Installments and Annual Supplemental Rent Installments pursuant to Section 3.01(c) below.

Section 2.02 Surrender. Tenant shall, at its expense as provided herein, at the expiration of the Term or any earlier termination of this Lease, (a) remove from the Property Tenant's signs, goods and effects and any machinery, trade fixtures and equipment used in conducting Tenant's trade or business and not made part of the Property or otherwise owned by Landlord, (b) repair any damage to the Property caused by such removal, and (c) promptly yield up to Landlord the Property (and execute any documents necessary for such legal transfer), in a good repair and condition (except as may otherwise be provided in Article IX) and in compliance with all applicable state and local laws and ordinances, subject to ordinary wear and tear, and as affected by condemnation or damaged by casualty (subject to restoration, as provided herein), subject to Article XI and Article XII. Upon such expiration or termination (whether by reason of an Event of Default or otherwise), (x) neither Tenant nor its creditors and representatives shall thereafter have any right at law or in equity in or to any or all of the Property or to repossess any of same, or in, to or under this Lease, and Landlord shall automatically be deemed immediately thereupon to have succeeded to all of the same, free and clear of the right, title or interest therein of any creditor of Tenant or any other person whatsoever (but subject to any rights hereunder of Permitted Leasehold Mortgagees, if any, and subject to the rights of any person then holding any

lien, right, title or interest in or to the Land), and (y) Tenant hereby waives any and all rights of redemption which it may otherwise hold under any applicable law.

Section 2.03 Ownership of Improvements. Landlord and Tenant acknowledge and agree that during the Term and with respect to the tax years during which the Term begins and ends, for federal and state tax purposes, ownership of the Improvements shall be vested in Tenant (its assigns and successors) alone, and Tenant shall be entitled to all of the tax attributes of ownership of the Improvements, including, without limitation, the right to claim depreciation or cost recovery deductions, Tax Credits and other benefits for federal and state income tax purposes attributable to the ownership of the Improvements. In confirmation of the foregoing, Landlord hereby grants to Tenant, without any express or implied warranty, any and all right, title and interest of Landlord in and to the Improvements now or hereafter located on the Land, subject to the terms, covenants and conditions of this Lease. Without limiting the foregoing, Tenant hereby agrees to own, operate, maintain, repair, replace, manage, finance, use and only transfer any rights in or to the Improvements subject to the terms, covenants and conditions of this Lease. Subject to the provisions of Article VII hereof, upon the expiration or earlier termination of this Lease, title to the Improvements shall automatically be granted, assigned and transferred to, and without the need of any instrument of transfer shall re-vest in, Landlord and shall be surrendered to Landlord in the condition required under Section 2.02 hereof.

Section 2.04 Landlord Termination Rights. [*Intentionally Omitted*]

ARTICLE III
RENT

Section 3.01 Rent. In consideration of the Landlord conveying ownership of the Improvements and leasing the Land to Tenant, Tenant agrees to pay Landlord Rent during the Term, without set off, deduction or counterclaim, as follows:

(a) On the earlier to occur of (i) September 30, 2010, and (ii) the date on which the Construction Mortgage is recorded encumbering the Premises and the Improvements, Tenant shall prepay to Landlord the initial installment of base rent ("Initial Base Rent Installment") in the amount of Six Hundred Fifty Thousand and $^{No}/_{100}$ Dollars ($650,000.00).

(b) On the later of (i) the date on which Substantial Completion has occurred for all Residential Dwelling Units (the "Substantial Completion Date"), or (ii) the date on which Hudson Housing Capital LLC or its designee ("Hudson"), in its role as the Investor Limited Partner, makes its final required capital contribution (the "Final Contribution") to the Tenant entity pursuant to the terms of the Tenant entity's limited partnership agreement (which Final Contribution is required to be made by Hudson on the date Tenant receives the Form 8609 issued by the Virginia Housing Development Authority with respect to the Improvements), Tenant shall prepay to Landlord the second installment of base rent in the amount of Two Million Five Hundred Thousand and $^{No}/_{100}$ Dollars ($2,500,000.00) (the "Second Base Rent Installment"); provided, however, notwithstanding the foregoing, the amount of the Second Base Rent Installment shall be paid to Landlord no later than January 1, 2014 (the "Second Base Rent Installment Deadline"); and

(c) Commencing on that date which is sixty (60) days from and after the Substantial Completion Date, but no earlier than July 1, 2012, Tenant shall (i) pay additional annual installments of base rent in the amount of (A) $41,515 for the partial year of 2012, and

(B) $83,030 for each full year thereafter through calendar year 2061 (collectively, the "Annual Base Rent Installments"), which Annual Base Rent Installments shall be paid in arrears within ninety (90) days of the close of the Tenant's fiscal year, which is the twelve (12) month period from January 1 to December 31 ("Tenant's Fiscal Year"), and (ii) pay annual installments of supplemental rent in the amounts set forth in the Annual Supplemental Rent Installments schedule, as specified on the schedule attached hereto and made a part hereof as Exhibit F (the "Annual Supplemental Rent Installments"), which Annual Supplemental Rent Installments shall be paid in arrears within ninety (90) days of the close of the Tenant's Fiscal Year. The Annual Base Rent Installments shall be paid from thirty percent (30%) of Tenant cash flow remaining after deducting all reasonable and customary costs and expenses of the Tenant in connection with the Tenant's management and operation of the Property, including but not limited to capital expenditures, amounts allocated to reserves, debt service on loans (except for any payment of deferred developer fee or any loans payable solely out of cash flow) and accounting, audit and compliance costs including the asset management fee to the Investor Limited Partner (collectively, "Property Expenses"), from any and all revenues received from Tenant in connection with the operation of the Property ("Property Revenue"). The Annual Supplemental Rent Installments shall be paid from twenty percent (20%) of Tenant cash flow after deducting Property Expenses from Property Revenue. Notwithstanding the foregoing, Tenant shall only be entitled to deduct Property Expenses from Property Revenue for purposes of determining cash flow if and to the extent such Property Expenses are consistent with an annual Property operating budget prepared by Tenant and approved in writing by Landlord, such approval not to be unreasonably withheld, conditioned or delayed. The form of such annual Property operating budget shall be as reasonably required by Landlord from time to time. Tenant shall provide Landlord with (i) quarterly reports within thirty (30) days after the completion of each quarter during each Tenant's Fiscal Year detailing the Property Revenue received and the Property Expenses incurred during such prior quarter, and (ii) audited financial statements with respect to the operation of the Property for each Tenant's Fiscal Year within one hundred eighty (180) days after the completion of each Tenant's Fiscal Year, time being of the essence. If Tenant fails to timely provide such audited financial statements, Landlord shall have the right at any time, upon reasonable prior written notice, to audit Tenant's books and records with regard to the operation of the Property within twelve (12) months after the expiration of any Tenant's Fiscal Year and for the two (2) immediately preceding Tenant's Fiscal Years. In the event such a Landlord audit reveals that cash flow was understated for any Tenant's Fiscal Year, then Tenant shall pay to Landlord, within thirty (30) days after Landlord provides its audit report to Tenant, any Annual Base Rent Installments and Annual Supplemental Rent Installments that were deferred as a result of such understatement of cash flow. If and to the extent that the equity investment and permanent mortgage loan for the proposed development of the Property are insufficient, after payment of all development expenses other than the deferred development fee, to fund the full Second Base Rent Installment then, in such event, up to one-half (½) of the Second Base Rent Installment may be deferred and paid from Tenant's cash flow in subsequent years. If and to the extent Tenant's cash flow in any year is insufficient to pay all or a portion of the Annual Base Rent Installment or Annual Supplemental Rent Installment then due, such unpaid portion of the Annual Base Rent Installment and/or Annual Supplemental Rent Installment shall accrue and be payable from thirty percent (30%) of Tenant cash flow or twenty percent (20%) of Tenant cash flow, as applicable, in subsequent years.

(d) Landlord and Tenant agree that for federal and state income tax purposes, this Lease will be treated as a sale of the Improvements for the sum of (i) $260,000 of the Initial Base Rent Installment, (ii) $1,000,000 of the Second Base Rent Installment, and (iii) the subsequent payments of Annual Supplemental Rent Installments thereafter due under this Lease (the sum of the amount set forth in clauses (i), (ii) and (iii) of this sentence being defined herein as the "Improvement Purchase Price"), and that the Tax Credits will be transferred to the Tenant as a result. Consistent with this treatment, Landlord and Tenant agree that (x) a portion of every Annual Supplemental Rent Installment will be treated as interest and a portion will be treated as principal, in the same manner and amount as if the payments of Annual Supplemental Rent Installments were described as debt payments on a self-amortizing 50-year loan, bearing adequate stated interest at the Applicable Federal Rate published by the Internal Revenue Service, and (y) in no event will the Improvement Purchase Price be treated as rent for federal or state tax purposes.

(e) Upon the occurrence of the Substantial Completion Date, Landlord and Tenant shall execute a document, as prepared by Landlord, confirming the Substantial Completion Date. Tenant's failure to execute such confirmation shall not in any manner affect the Substantial Completion Date otherwise established pursuant to the terms of this Section 3.01. Upon the written request of Landlord or Tenant at any time after the Substantial Completion Date, the parties shall confirm, in writing, a schedule that calculates what portion of each payment of the Annual Supplemental Rent Installments constitutes principal and which portion constitutes interest. Landlord and Tenant agree that they shall not take any position on any federal or state income tax return that is inconsistent with the treatment of the Lease as (i) a sale of the Improvements for the Improvement Purchase Price (as adjusted pursuant to the following paragraph, if applicable), and (ii) a lease of the Land in exchange for (A) $390,000 of the Initial Base Rent Installment, (B) $1,500,000 of the Second Base Rent Installment, (C) the Annual Base Rent Installments and (D) any payments made by the Tenant pursuant to the requirements of Sections 3.02 and/or 3.04.

(f) Tenant's obligation to pay the Rent as aforesaid shall fully survive the expiration or earlier termination of the Term of this Lease. Notwithstanding anything herein to the contrary, in no event shall the Improvement Purchase Price pursuant to Section 3.01(d) above exceed the fair market value of the Improvements, taking all restrictions into account (the "Restricted Fair Market Value"), which Restricted Fair Market Value shall be evidenced by an appraisal, obtained by Tenant at its expense, in form and substance reasonably acceptable to Tenant and Landlord and dated as of the Commencement Date (the "Appraisal"). If and to the extent the Restricted Fair Market Value of the Improvements is determined to be less than the Improvement Purchase Price set forth in this Section 3.01, the parties hereto shall verify same in writing and, Tenant's payments pursuant to Sections 3.01(b) and (c) herein will be reduced in chronological order, such that the Improvement Purchase Price equals the Restricted Fair Market Value of the Improvements.

Section 3.02 Tax on Lease. If federal, state or local law now or hereafter imposes any tax, assessment, levy or other charge (other than any income tax) directly or indirectly upon Landlord with respect to this Lease or the value thereof, Tenant shall pay the amount thereof within thirty (30) days of Landlord's written demand therefor.

Section 3.03 Security Deposit. NONE.

Section 3.04 Net Lease. Other than as is expressly set forth in this Lease (and except for Landlord's legal fees, third-party consultants retained by Landlord and Landlord's own costs), all costs, expenses, liabilities, or other charges whatsoever with respect to the Property and the acquisition, rehabilitation, ownership, leasing, operation, maintenance, repair, rebuilding, use, occupation of, or conveyance of any or all of the Property shall be the sole responsibility of and payable by Tenant. Nothing contained herein will require the Tenant to indemnify, hold harmless or pay any costs, expenses or liabilities for the Landlord for any such claim or liability resulting from the Landlord's negligence or the Landlord's willful and wrongful acts or that of its agents, representatives, board members, contractors, or employees.

Section 3.05 Late Payment Interest. In the event that Tenant shall fail to pay when due any Rent payable under this Lease, interest shall accrue thereon at the rate of the Prime Rate plus two (2) percentage points per annum until such late Rent is paid, and, Tenant shall pay Landlord such late payment interest within fifteen (15) days after demand, in addition to all other Landlord rights and remedies hereunder.

Section 3.06 No Offset, Abatement or Deduction. Tenant shall pay all Rent to Landlord without notice or demand and free of any offset, diminution, abatement, counterclaim or other deduction whatsoever, except as contained herein. The parties intend that the obligations of Tenant hereunder shall be separate and independent covenants and shall continue unaffected unless such obligations shall have been modified or terminated pursuant to an express provision of this Lease.

Section 3.07 Form and Place of Payment. Tenant shall pay all Rent in the lawful money of the United States of America to Landlord at Landlord's address for Notices as determined pursuant to Article XVII or to such other Person or address (or account, for electronic fund transfers) as may have been identified in a Notice given by Landlord to Tenant pursuant to Article XVII.

ARTICLE IV
USE OF PROPERTY

Section 4.01 Nature of Use. Tenant and its successors and assigns, and any entity which succeeds to Tenant's interests in the Property by foreclosure or an assignment or deed in lieu of foreclosure, shall only use the Property for the redevelopment, renovation, ownership, use, maintenance, repair and replacement of the Project and for no other purpose, without the prior written consent of Landlord, which consent may be withheld or denied at Landlord's sole and absolute discretion.

The use of the Property shall be further restricted by all Applicable Laws and by the terms of the Affordability Covenants. Notwithstanding the foregoing provisions in this Section 4.01, in the event of foreclosure on the portion of the Improvements comprising the Affordable Dwelling Units by a Permitted Mortgagee under its Permitted Leasehold Mortgage or an assignment or deed of all or any part of the Leasehold Estate and/or Improvements in lieu of foreclosure thereunder, the occupancy restrictions applicable to the Affordable Dwelling Units shall, subject to the terms of Section 4.04(c) below, remain in effect as long as is necessary to comply with the LIHTC Housing Requirements, the Affordability Covenants, and any other requirements, as applicable.

Tenant may only alter the use of the Property as set out in the first paragraph of this Section 4.01 with Landlord's prior written consent, which consent may be withheld or denied at Landlord's sole and absolute discretion, and further subject to compliance with any applicable Low-Income Housing Tax Credit or other regulatory requirement.

Section 4.02 Compliance With Law and Covenants. Tenant, throughout the Term and at its sole expense, in its redevelopment, possession and use of the Premises and the Improvements shall:

(a) materially and promptly comply with (i) all applicable Federal, State and Local Laws and Ordinances; and (ii) all requirements to keep in force throughout the Term all licenses, consents and permits required from time to time by applicable law to the Property;

(b) not (either with or without negligence) knowingly cause or permit Hazardous Materials on the Property, except any use thereof in the ordinary course of Tenant's and/or an Affiliate's business or by Residents and only in compliance with all applicable Environmental Laws. Notwithstanding the foregoing, if during the Term, Tenant allows Hazardous Materials on the Property in violation of this Lease, then to the extent required by the relevant or lead governmental enforcement agency, the Tenant shall diligently take the steps necessary to adopt a plan of remediation by a qualified environmental consultant with respect to any such Hazardous Materials and take prompt action for the containment of any such Hazardous Materials or the removal of any such Hazardous Materials in compliance with all applicable federal, state, and local regulations. For purposes of this Lease, "Hazardous Materials" shall include those substances described as such in any Environmental Law.

Section 4.03 Easements and Approvals. Subject to the terms of the Section of this Lease entitled "Role of Landlord/Landlord Decisions; No Waiver," (a) Landlord shall grant or join in granting, or assist in obtaining and, if necessary, modifying or abandoning such rights-of-way, easements and other interest on or over the Land as may be required to provide the Land with ingress and egress, and electric, telephone, gas, water, sewer and other public utilities reasonably necessary to the redevelopment and operation of the Project on the Land, and (b) if requested by Tenant, Landlord shall join in (but only if strictly required by Applicable Law) Tenant's applications, at Tenant's sole cost and expense, to obtain zoning approvals, easements and arrangements to enable Tenant to construct the Project, pursuant to the Arlington County Zoning Ordinance (i) as its exists on the date of execution of this Lease and/or (ii) as may be modified in the future during the Term of this Lease.

Section 4.04 Affordable Dwelling Units. The Affordable Dwelling Units shall be:

(a) Leased and operated so as (i) to qualify for and maintain compliance with all provisions and requirements of the Low-Income Housing Tax Credit program throughout the Low-Income Housing Tax Credit compliance period or other affordable housing programs as applicable and appropriate, or (ii) to satisfy the terms and conditions of the County Requirements.

(b) Rents and utilities for the Affordable Dwelling Units, commencing upon Construction Completion through the Expiration Date, as extended, shall be calculated based on the LIHTC Housing Requirements or other program requirements, as applicable.

(c) Subject to the applicable provisions of LIHTC Housing Requirements, including without limitation Section 42(h)(6)(E)(ii) of the Code or other program requirements,

upon foreclosure of a Leasehold Mortgagee's interest in the Residential Dwelling Unit, this Section 4.04 shall no longer apply.

Section 4.05 Historic Designation. Landlord shall promptly pursue, at its cost, the designation of the Property as a historic property and its listing in the National Register of Historic Places. In doing so, Landlord shall provide Tenant a reasonable opportunity to review and comment on the related materials.

ARTICLE V
TAXES AND OPERATING EXPENSES

Section 5.01 Tenant To Pay. Tenant (a) shall bear the full responsibility for the expense of any and all real property or other taxes relating to the Property, including any and all payments in lieu of taxes, if applicable, special and general assessments, and any water and sewer charges charged against any or all of the Premises, the Residential Dwelling Units, and the other Improvements and payable with respect to any calendar or tax year or other period falling wholly or partly within the Term, including but not limited to any assessments or fees levied against the Land and the Improvements by a Governmental Authority (each a "Tax" and all of which are "Taxes"), except that if any such Tax is levied with respect to a period beginning before the Commencement Date or ending after the Expiration Date, Tenant shall bear the full expense of only that percentage thereof equaling the percentage of such period falling within the Term; (b) shall pay the same before any penalty is incurred for late payment thereof; and (c) shall deliver to Landlord the receipted bill for such Taxes within 10 business days after Landlord requests it from Tenant in writing. Tenant shall not be required to pay any income taxes otherwise chargeable to the Landlord. Tenant shall have the rights, to the extent permitted by law, to apply for the conversion of any assessment for local improvements assessed during the Term of this Lease in order to cause the same to be payable in annual installments, and upon such conversion, the Tenant shall discharge such installments as they become due and payable during the Term. If to the extent strictly required by Applicable Law, then, subject to review and approval by the County Attorney, Landlord agrees to permit the application for the foregoing conversion to be filed, if necessary, in the Landlord's name, but at Tenant's sole cost and expense, and shall execute any and all reasonably acceptable documents requested by Tenant to accomplish the foregoing result

Section 5.02 Proceedings To Contest. Tenant may bring proceedings to contest the validity or the amount of any Taxes or to recover any amount thereof paid by Tenant, provided that prior thereto Tenant pay any and all Taxes then due and Tenant notify Landlord in writing that Tenant intends to take such action. Tenant shall indemnify and hold harmless Landlord against and from any expense arising out of any such action. Any refunds or credits relating to any successfully contested taxes shall be paid to the Tenant.

Section 5.03 Operating Expenses. Since this is a "Triple Net Lease," Tenant shall obtain on its own account and pay or cause to be paid any and all charges for water, electricity, gas, sewage, waste and trash removal and garbage disposal, telephone and other utility services furnished to the Property and for any and all other costs and expenses related to the ownership, operation, management, maintenance, repair and replacement of the Project.

ARTICLE VI
INSURANCE

Section 6.01 Insurance To Be Maintained by Tenant. Tenant shall maintain at its expense throughout the Term the insurance required in Exhibit B attached hereto and made a part hereof. Approval, disapproval or failure to act by Landlord regarding any such insurance shall not relieve Tenant of full responsibility or liability for damages or accidents as set forth in this Lease. Neither shall the bankruptcy, insolvency or denial of liability by the insurance company exonerate Tenant from any such liability. Tenant may include the interest of each Permitted Leasehold Mortgagee in all fire and other hazard insurance policies pursuant to a standard mortgagee clause or endorsement, may name each Permitted Leasehold Mortgagee as a loss payee, and may deposit an original or copy of such policies with each Permitted Leasehold Mortgagee. Tenant may name each Permitted Leasehold Mortgagee as an additional insured in all comprehensive general liability insurance policies.

Section 6.02 Insureds. Each such liability insurance policy shall name as insureds or additional insureds thereunder (a) Tenant and (b) Landlord, as their interests may appear.

Section 6.03 Insurer. All insurance required and all renewals of insurance shall be issued by companies that satisfy the requirements of Exhibit B, and that are authorized to issue such policies and otherwise transact business in the Commonwealth of Virginia. All insurance policies will expressly provide that such policies will not be canceled or altered without 30 days' (10 days in the event of a failure to pay premiums) prior written notice to Landlord. Such insurance will, to the extent obtainable, at no material cost to the Tenant, provide that no act or omission of Tenant which would otherwise result in forfeiture or reduction of the insurance will affect or limit the obligation of the insurance company to pay the amount of any loss sustained; and all property insurance will, to the extent obtainable at customary and commercially reasonable cost to the Tenant, contain a waiver by the insurer of its rights of subrogation against the Landlord.

Section 6.04 Evidence. Upon written request of Landlord, Tenant shall deliver to Landlord within 30 days a copy of each such insurance policy or certificates thereof, and Tenant shall keep such originals available on the Property or elsewhere for Landlord's inspection, as provided herein.

Section 6.05 Increase in Risk. Tenant shall not do or permit to be done (within its commercially reasonable control) any act or thing as a result of which any policy of insurance of any kind covering any or all of the Property or any liability of Landlord in connection therewith may become void or suspended.

Section 6.06 Insurance Proceeds. The Landlord and the Tenant hereby agree that for so long as any Permitted Leasehold Mortgage is outstanding, any and all insurance proceeds received by the Tenant in connection with the Property shall be applied in accordance with the most senior Permitted Leasehold Mortgage governing the application of such proceeds.

ARTICLE VII
MORTGAGES

Section 7.01 Mortgages on the Land.

(a) Subordination. Each and every Fee Mortgage which may now or hereafter affect the Property, or any portion thereof, and all renewals, extensions, supplements,

amendments, modifications, consolidations, and replacements thereof or thereto, substitutions therefor, and advances made thereunder, shall be subject to this Lease. In confirmation of the foregoing, Landlord shall execute and obtain execution of the Fee Mortgagee and deliver to Tenant at the time of entering into the Fee Mortgage, an instrument evidencing such subordination and non-disturbance that Tenant reasonably may request in a form acceptable to Landlord and the Fee Mortgagee. Upon any foreclosure or other exercise of remedies by a Fee Mortgagee, all rights of Tenant and any Leasehold Mortgagee under this Lease shall remain in full force and effect. No Fee Mortgagee shall have any rights pursuant to this Lease until Tenant has received Notice of such Fee Mortgagee's status as same, name and address.

(b) Attornment. If any Fee Mortgagee, or any of its successors or assigns, or any other person claiming by or through any such Fee Mortgagee or by or through any foreclosure proceeding of any such Fee Mortgagee shall succeed to the rights of Landlord under this Lease, such Fee Mortgagee or other person shall accept this Lease and recognize Tenant as the holder of all of the rights of Tenant hereunder, and Tenant shall attorn to and recognize such successor as Tenant's landlord under this Lease, and such successor and Tenant shall promptly execute and deliver at any time any instrument that may be reasonably necessary to evidence such acceptance and attornment. In addition, any Fee Mortgage shall provide that in the event that the Fee Mortgagee thereunder shall succeed to the rights of Landlord under this Lease pursuant to foreclosure, deed in lieu of foreclosure or other proceedings, such Fee Mortgagee shall recognize all Tenancy Agreements which were in effect immediately prior to such foreclosure or other proceedings pursuant to their terms, including any covenant of quiet enjoyment contained in such Tenancy Agreements, so long as the particular Resident is not in default beyond any applicable cure period set forth in its Tenancy Agreements. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between Tenant and such successor Landlord, upon and subject to all of the then executory terms, covenants and conditions of this Lease. The provisions of this Section 7.01(b) shall be self-operative and no instrument of any such attornment shall be required or needed by the holders of any such Fee Mortgage. In confirmation of any such attornment, Tenant shall, at Landlord's request or at the request of any such Fee Mortgagee, promptly execute and deliver such further instruments as may be reasonably required by any such Fee Mortgagee.

(c) Liability of Fee Mortgagee. Neither the Fee Mortgagee nor anyone claiming by, through or under such Fee Mortgagee shall be:

(i) liable for any act or omission of any prior Landlord (including without limitation, the then defaulting Landlord), or

(ii) bound by any payment of Rent which Tenant might have paid for more than one (1) year in advance to any prior Landlord (including without limitation, the then defaulting Landlord), or

(iii) bound by any covenant to make any payment to Tenant which was required to be made prior to the time such Fee Mortgagee succeeded to any prior Landlord's interest, or

(iv) bound by any amendment or modification of this Lease that decreases the rental obligation, shortens the length of the Term, if such amendment or modification is made without the written consent of such Fee Mortgagee, or

(v) bound by any warranties or representations made by Landlord in the Lease other than the representations and warranties set forth in Section 16.03 below, or

(vi) bound to Tenant subsequent to the date on which such Fee Mortgagee shall transfer its interest in the Property to any other party, so long as said other party delivers to Tenant a subordination and non-disturbance agreement to the extent required by Section 7.01(a) above.

(d) Notice of Default. Provided that Tenant has received Notice of a Fee Mortgagee, Tenant hereby agrees to give to any such Fee Mortgagee copies of all Notices of default by Landlord under this Lease at the same time and in the same manner as and whenever Tenant shall give any such Notice of default to Landlord, and no such Notice of default shall be deemed given to Landlord hereunder unless and until a copy of such Notice has been so delivered to such Fee Mortgagee. Such Fee Mortgagee shall have the right to remedy any default of Landlord under this Lease or to cause any default of Landlord under this Lease to be remedied and for such purpose Tenant hereby grants such Fee Mortgagee such additional period of time as may be reasonable to enable such Fee Mortgagee to remedy, or cause to be remedied, any such default in addition to the period given to Landlord for remedying, or causing to be remedied, any such default; provided, however, that in no event shall such additional period of time granted to such Fee Mortgagee exceed ten (10) days in the case of a monetary default or thirty (30) days in the case of all other defaults. Tenant shall accept performance by such Fee Mortgagee of any term, covenant, condition or agreement to be performed by Landlord under this Lease with the same force and effect as though performed by Landlord. No default under this Lease shall exist or shall be deemed to exist (i) as long as such Fee Mortgagee, in good faith, shall have commenced to cure such default and shall be prosecuting the same to completion with reasonable diligence subject to delays beyond Fee Mortgagee's reasonable control, or (ii) if possession of the Property is required in order to cure such default, or if such default is not susceptible of being cured by such Fee Mortgagee, as long as such Fee Mortgagee, in good faith, shall have notified Tenant that such Fee Mortgagee intends to institute proceedings under the Fee Mortgage, and thereafter, within fourteen (14) days after the giving of such Notice, commences such foreclosure proceedings and prosecutes such proceedings with reasonable diligence and continuity (subject to delays beyond Fee Mortgagee's reasonable control), and upon obtaining such possession, commences promptly to cure the default and prosecutes the same to completion with reasonable diligence and continuity (subject to delays beyond Fee Mortgagee's reasonable control). Neither such Fee Mortgagee nor its designee or nominee shall become liable under this Lease unless and until such Fee Mortgagee or its designee or nominee becomes, and then only for so long as such Fee Mortgagee or its designee or nominee remains, the fee owner of the Land. As provided in Section 7.01(c)(i) above, neither the Fee Mortgagee nor anyone claiming by, through or under such Fee Mortgagee shall be liable for any act or omission of any prior Landlord. Such Fee Mortgagee shall have the right, without Tenant's consent, to foreclose the Fee Mortgage or to accept a deed in lieu of foreclosure of such Fee Mortgage, provided that no such foreclosure or deed in lieu of foreclosure shall have any impact on Tenant's rights under this Lease.

Section 7.02 Mortgages on the Leasehold Estate or Improvements. The Tenant shall not, without prior written consent of the Landlord, encumber the Leasehold Estate or the Improvements with any Mortgage (or record any such Mortgage) other than Permitted Leasehold Mortgages described in this Section. The total loan to value ratio for all Permitted Leasehold Mortgages, in the aggregate, on the Leasehold Estate and/or the Improvements shall not, (a) if

the Property is valued subject to the Affordability Covenants, exceed one hundred percent (100%), or (b) if the Property is valued free of the Affordability Covenants, exceed eighty percent (80%). Tenant shall, prior to granting a Mortgage on the Leasehold Estate, provide Landlord with a then-current appraisal of the Property prepared by an independent MAI appraiser in compliance with FIRREA, in order to support Tenant's compliance with the foregoing loan to value ratio limits; provided, however, Landlord agrees to accept the Appraisal for this purpose for two (2) years after the Commencement Date. The compliance with such loan to value ratio limits shall be determined as aforesaid prior to Tenant's granting a Mortgage on the Leasehold Estate, and such loan to value ratio limits shall not be applicable to a particular Mortgage after such Mortgage has been granted by Tenant. Any Mortgage permitted by this Section 7.02 without the consent or approval of the Landlord and any other Mortgage on all or any part of the Leasehold Estate or the Improvements to which the Landlord consents shall be a Permitted Leasehold Mortgage.

Additionally, Tenant, at its option and without the consent of Landlord, shall have the unlimited and unrestricted right, at any time and from time to time, at Tenant's own expense, to negotiate and obtain one or more loans financed by an Institutional Lender (or any other lender approved by the Landlord, which approval shall not be unreasonably conditioned, delayed, or denied) and secured by Mortgages on all or any part of the Leasehold Estate and/or the Improvements, provided all loan proceeds are used exclusively for one or more of the following purposes: the renovation of the Project or any of the Improvements including, without limitation, all design, financing, legal, and other costs and fees; redemption or purchase of one or more of the Investor Limited Partner's interests; refinancing of existing debt; repair, demolition, expansion or renovation of any Improvements, or construction of new improvements allowed under the terms of this Lease, including all design, financing, legal, and other costs and fees related to such purposes. Notwithstanding the foregoing, the total loan to value ratio for all Permitted Leasehold Mortgages on the Leasehold Estate and/or the Improvements, shall not, (i) if the Property is valued subject to the Affordability Covenants, exceed one hundred percent (100%), or (ii) if the Property is valued free of the Affordability Covenants, exceed eighty percent (80%). The compliance with such loan to value ratio limits shall be determined as aforesaid prior to Tenant's granting a Mortgage on the Leasehold Estate, and such loan to value ratio limits shall not be applicable to a particular Mortgage after such Mortgage has been granted by Tenant. Any loan financed by an Institutional Lender pursuant to the Renovation, Finance and Management Plan shall be deemed a Permitted Leasehold Mortgage.

Upon the recording of a Permitted Leasehold Mortgage, Tenant shall notify Landlord thereof and in such notice shall specify the address of the Leasehold Mortgagee to which notices shall be sent pursuant to this Lease. Tenant shall not record any Mortgage against all or any part of the Leasehold Estate and/or the Improvements unless it is a Permitted Leasehold Mortgage.

Section 7.03 Nonmerger. This Lease shall not terminate as to the Permitted Leasehold Mortgagee because of any conveyance of Tenant's Leasehold Estate or any portion thereof to Landlord or of the Landlord's interest in the Property to the Tenant. Accordingly, if the Leasehold Estate and the fee estate are commonly held, then they shall remain separate and distinct estates. They shall not merge without the written consent of all Permitted Leasehold Mortgagees.

Section 7.04 Foreclosure. Upon foreclosure or assignment or deed in lieu of foreclosure of all or any part of the Leasehold Estate and/or the Improvements, any Permitted

Leasehold Mortgagee (or its designee or nominee) or any purchaser at foreclosure shall have the right to acquire all or any part of the Leasehold Estate and/or Improvements without consent or approval of Landlord and shall also have the right to further sell, transfer, assign or sublet all or any part of the Leasehold Estate and/or Improvements to a third party without the consent or approval of Landlord. In the event of any such transfer by foreclosure or by assignment or deed in lieu of foreclosure, the transferee and its successors and assigns shall have no liability for the payment of any sums or the performance of any obligation required by this Lease to be paid or performed by Tenant prior to such transfer. Such transferee and each of its successors and assigns shall become Tenant, as applicable, shall be the owner of all or any part of the Leasehold Estate and/or Improvements (or part thereof) so transferred for all purposes under this Lease, shall be responsible for the payment of all sums and the performance of all obligations as Tenant, as applicable, thereafter becoming due or arising under this Lease, and shall be entitled to all of the rights, benefits and privileges of Tenant, as applicable, under this Lease; provided, however, that any Permitted Leasehold Mortgagee (or its designee or nominee) who has acquired all or any part of the Leasehold Estate and/or Improvements by such transfer shall have no liability for the payment of any sums or the performance of any obligations to be paid or performed after any subsequent assignment or transfer of all or any part the Leasehold Estate and/or Improvements to any other party.

Section 7.05 No Subordination. Tenant acknowledges and agrees that Landlord is under no obligation to subordinate this Lease or any rights thereto and that any request for subordination to any Leasehold Mortgage will have to be approved in writing by the Landlord in its sole discretion. Each and every Leasehold Mortgage which may now or hereafter affect the Premises or Improvements, or any portion thereof, and all renewals, extensions, supplements, amendments, modifications, consolidations and replacements thereof or thereto, substitutions therefor, and advances made thereunder, shall be subject to Landlord's fee interest in the Property and to the terms and conditions of this Lease. At Landlord's written request to Tenant from time to time, any Leasehold Mortgagee shall, within fifteen (15) days of Landlord's request, sign and deliver a certificate confirming its subordinate position consistent with the terms of this Section 7.05. Upon any foreclosure or other exercise of remedies by a Leasehold Mortgagee, all rights of Landlord under this Lease shall remain in full force and effect. Tenant further acknowledges and agrees that no Leasehold Mortgagee shall be entitled to any protections of this Article VII unless and until a true copy of the original of the instrument creating and effecting such Leasehold Mortgagee's Leasehold Mortgage, certified by the Leasehold Mortgagee to be a true copy of such instrument, and written Notice containing the name and post office address of the Leasehold Mortgagee, shall have been delivered to Landlord.

ARTICLE VIII
IMPROVEMENTS TO PREMISES

Section 8.01 Improvements by Tenant.

(a) **Renovation**. Tenant has submitted and Landlord has approved the general plans for the redevelopment of the Project (together with all amendments thereto approved by the County Manager or the County Board, if County Board approval is required by Applicable Law, being referred to as the "Renovation, Finance and Management Plan"), attached hereto and made a part hereof as Exhibit C. Tenant shall proceed with due diligence, at Tenant's sole cost and expense except as otherwise may be agreed to in writing by the parties, to re-develop, or cause to be re-developed, architectural designs, plans and specifications for the design, renovation and managing the Project (the "Renovation Documents"), in accordance with the Renovation, Finance and Management Plan. The plans for the renovation of the Project and related matters, including, but not limited to any interior or exterior alterations thereof shall at all times be subject to the approval of Landlord, which approval shall not unreasonably be withheld, conditioned or delayed. Tenant shall submit the proposed final Renovation Documents to Landlord for approval, and Landlord shall have thirty (30) business days to approve or disapprove and specify all objections to the proposed final Renovation Documents. Landlord's failure to give Tenant notice within such thirty (30)-business day period shall be deemed to be Landlord's approval of the Renovation Documents. If Landlord disapproves, then Tenant shall have thirty (30) business days to revise the proposed final Renovation Documents and resubmit the same for Landlord's review, which shall be expeditious. Landlord's approval of the Renovation Documents shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with applicable laws, ordinances, rules and regulations of government authorities. Following Construction Completion, Tenant shall have the right, from time to time, to make alterations to the Property and to construct new improvements to the Property fully consistent with the definition of Project herein, upon the prior written consent of the Landlord (which consent shall not be unreasonably withheld, conditioned or delayed), provided such repairs, alterations and new improvements comply with all Applicable Laws.

(b) **Commencement of Renovation**. Provided all approvals, easements and appurtenances required to renovate the Project have occurred and/or been obtained and a building permit has been obtained, Tenant shall commence the renovation of the Project, and shall complete the same with all due diligence subject to force majeure events in Section 14.04 below or any other delays that are not the fault of Tenant. Tenant agrees that no construction shall be commenced until all insurance required under Section 6.01 above has been obtained in accordance with the provisions thereof. The terms of this Section shall not be deemed or construed to alter or limit Landlord's rights under Section 2.04 of this Lease.

(c) **Inspection Rights**. After the Commencement Date, in accordance with Article X herein, Landlord shall, in addition to Landlord's rights as a Governmental Authority pursuant to Applicable Laws, have the right to enter the Property from time to time to inspect it at reasonable times and intervals and upon reasonable prior notice (not less than 24 hours) during the course of the construction work. Any entry shall be subject to the supervision of Tenant and the construction contractors, and any entry shall be at Landlord's own risk. Any entrant shall be duly empowered to sign, and shall sign, a reasonable standard waiver form and shall comply with all safety policies and procedures of the Project and construction thereof. Any entry shall

be conducted with due regard for the business activities conducted at the Property and Tenant's construction work, and no entry shall unreasonably interfere with the business activities conducted on the Land, the progress of the construction work, or violate the safety plan for the construction site.

Section 8.02 Mechanics or Other Liens.

(a) Tenant shall: (i) within ninety (90) days after it is filed, have released (by bonding or otherwise) any mechanics', materialman's or other lien filed or claimed against the Property by reason of labor or materials provided by or for Tenant during the Term, or otherwise arising out of Tenant's use or occupancy of any or all of the Property, and (ii) defend, indemnify and hold harmless Landlord against and from any and all liability, claim of liability or expense (including but not limited to that of reasonable attorneys' fees) incurred by Landlord on account of any such lien or claim. In the event that Tenant fails to timely remove or have released any such lien, Landlord shall have the right and option to remove same at Tenant's expense, in which case, Tenant shall fully reimburse Landlord for all costs so expended by Landlord within fifteen (15) days of demand as additional rent hereunder.

(b) Nothing in this Lease shall be deemed in any way (i) to constitute Landlord's consent or request, express or implied, that any contractor, subcontractor, laborer or materialman provide any labor or materials for any alteration, addition, improvement or repair to any or all of the Property if doing so would give rise to the filing of any mechanic's or materialman's lien against any or all of the Landlord's interest in the Property, or (ii) to give Tenant any right, power or authority to contract for or permit to be furnished any service or materials, if doing so would give rise to the filing of any mechanics' or materialmens' lien against any or all of the Landlord's interest in the Property, or (iii) to evidence Landlord's consent that the Property be subjected to any such mechanic's or materialman's lien.

Section 8.03 Fixtures. Any and all improvements, repairs, alterations and all other property attached to or otherwise installed as a fixture within the Improvements by Tenant shall, immediately on the completion of their installation, become part of the Improvements and remain with the Property at the expiration or earlier termination of this Lease, except that any machinery, equipment or fixtures installed by Tenant at no expense to Landlord and used in the conduct of Tenant's trade or business (rather than to service the Premises or the Improvements generally) shall not be deemed part of the Improvements, and such machinery, equipment or fixtures shall remain Tenant's property, and shall be removed from the Property by Tenant at the end of the Term (and any damage to the Property caused by such removal shall be repaired at Tenant's expense) and except for improvements whose useful life does not extend to the expiration or earlier termination of this Lease or are otherwise demolished or removed as allowed under this Lease.

Section 8.04 Signs. Tenant shall have the right to erect from time to time about the Improvements and the Premises, in accordance with Applicable Law, such signs as it desires for the use and operation of the Project.

Section 8.05 Tenant Control. Landlord, in its role as a property owner and not in its role as a Governing Authority, shall have no control over the means and methods of the construction of the improvements and Landlord shall have no right to accept the improvements on behalf of Tenant, Tenant being solely responsible for such construction activities.

ARTICLE IX
REPAIRS AND MAINTENANCE

Tenant shall (1) maintain the Property in good repair and in clean, safe and sanitary condition, ordinary wear and tear excepted, (2) not commit or permit waste of the Property, (3) not create, permit or allow to exist on or with respect to the Property any condition whereby the Property shall become less valuable or marketable because of such condition allowed by Tenant, (4) use commercially reasonable efforts to ensure that any additional buildings or improvements to the Property shall be built in good and workmanlike manner using materials of the same quality as the Project, and in accordance with all applicable building codes and other laws, and (5) comply with all State and Local Laws and Ordinances applicable to the Property and not suffer or permit any violations thereof. The Tenant shall promptly correct any deficiencies in the maintenance of the Property. Without limiting the foregoing, Landlord, as Landlord under this Lease, shall not have any responsibility for the repair or maintenance of the Property.

ARTICLE X
LANDLORD'S RIGHT OF ENTRY

Subject to the rights of any Resident or other tenant under a Tenancy Agreement, Landlord and its authorized representatives shall, in addition to Landlord's rights as a Governing Authority, be entitled to enter the Property at any time during normal business hours upon five (5) business days' written notice to inspect the Property or for other reasonable purposes.

ARTICLE XI
FIRE AND OTHER CASUALTIES

Section 11.01 Restoration.

(a) Subject to provisions of Sections 6.06 and 11.02 hereof, if any or all of the Property is damaged or destroyed, Tenant shall, if any insurance proceeds are available to Tenant and adequate for such purposes, commence and complete restoration with reasonable diligence as nearly as possible to the Property's value, condition and character immediately before such damage or destruction, to the extent such insurance proceeds are available to Tenant therefore, provided that such construction can reasonably be completed within the Term. In the event that damage or destruction occurs to the Property within the last five (5) years of the Term, Tenant shall have no obligation to restore the Property.

(b) Subject to the provisions of Sections 6.06 and 11.02 hereof, insurance proceeds (other than any proceeds which are separately paid on account of any damage to or destruction of Tenant's personal property, inventory or work-in-process, all of which shall be paid to Tenant) payable as a result of such casualty under policies of insurance held by or for the account of Tenant with respect to the Property pursuant to Article VI against such casualty and received by Tenant and/or Landlord, as the case may be (less such reasonable attorneys' fees or other expenses as are incurred by the Landlord and/or Tenant in the collection thereof, which shall be paid out of such proceeds), shall be used, if available proceeds are sufficient therefor, to restore the Improvements in accordance with Subsection (a) of this Section. Any remaining proceeds shall be disbursed as follows: (i) to the Permitted Leasehold Mortgagees in order of priority of their liens to the extent governed and required by their loan documents and (ii) to the Tenant, to the extent of any remaining proceeds after disbursement pursuant to (i) above.

(c) Anything in this Lease to the contrary notwithstanding other than Section 6.06 and Section 11.02 hereof, upon the expiration or earlier termination of this Lease before such restoration is completed free and clear of any liens, any insurance proceeds not theretofore applied to the cost of such restoration or to Permitted Leasehold Mortgages (in order of priority of their liens, to the extent governed and required by the Mortgage loan documents) shall be paid to the Tenant and Landlord to the extent permitted by the Permitted Leasehold Mortgage documents.

Section 11.02 Rights of the Parties Under the Loan Documents. Notwithstanding the foregoing, for so long as any Permitted Leasehold Mortgage is in effect, the most senior Permitted Leasehold Mortgage governing any casualty proceeds shall control (a) the disbursement, use and application of such casualty proceeds, including, without limitation, any application of insurance proceeds to the payment of indebtednesses secured by Permitted Leasehold Mortgages prior to application (if any) to restore the Property, and (b) this Lease termination provisions hereunder. If any Permitted Leasehold Mortgagee (or its designee or nominee) shall acquire all or any part of the Leasehold Estate and/or Improvements by foreclosure or assignment or deed in lieu of foreclosure, such Permitted Leasehold Mortgagee (or its designee or nominee) and its successors and assigns shall not be obligated to demolish, repair or restore the Property (regardless of whether such damage or destruction occurred before or after foreclosure), and the Permitted Leasehold Mortgagee (or its designee or nominee) may apply all or a portion of the insurance proceeds to payment of the unpaid indebtedness then or previously secured by its Permitted Leasehold Mortgage.

In the event that the Property so damaged by casualty is not fully restored, the insurance proceeds distributable to Tenant and Landlord (after any application to pay indebtednesses secured by Permitted Leasehold Mortgages) shall be allocated among them based upon the relative values of their respective interests in the Property or portions thereof damaged or destroyed by casualty and not restored, which distribution shall be determined without regard to any termination of this Lease. If the Tenant and the Landlord cannot agree upon such values within sixty (60) days after such proceeds are available for distribution, then the matter may be submitted by the Tenant, the Landlord, or any Leasehold Mortgagee to the Arlington County Circuit Court for a decision.

Section 11.03 Termination.

(a) Except as otherwise provided herein, no total or partial damage to or destruction of any or all of the Property shall entitle Tenant or Landlord to surrender or terminate this Lease, or shall relieve Tenant from its liability hereunder to pay in full any Rent and all other sums and charges which are otherwise payable to Landlord by Tenant hereunder, or from any of its other obligations hereunder, and Tenant hereby waives any right now or hereafter conferred upon it by statute or otherwise, on account of any such damage or destruction, to surrender this Lease, to quit or surrender any or all of the Property, or to have any suspension, diminution, abatement or reduction of any sum payable by Tenant hereunder. Notwithstanding the foregoing, in the event that (i) all of the Residential Dwelling Units in the Property are substantially damaged or the damage would prevent the use and operation of the Improvements as a multi-family rental housing development, and (ii) insurance proceeds available to Tenant are insufficient to restore the damaged Property in accordance with Section 11.01(a) above, or (iii) five (5) years or less remain in the Term, the Tenant shall have the right, subject to the prior

written approval of each Permitted Leasehold Mortgagee, to terminate this Lease after payment of any Rent due prior to the casualty.

(b) Notwithstanding any other term or provision hereof to the contrary, in the event of a casualty that causes substantial damage or destruction to the Improvements and Tenant's failure to fully repair and restore the Improvements within three (3) years after the occurrence of such casualty, then Landlord shall have the right to terminate this Lease upon thirty (30) days prior written notice to Tenant, regardless of whether or not Tenant has received sufficient insurance proceeds unless Tenant has started and is diligently attempting to restore the Improvements in which event the Landlord's right to terminate this Lease shall be delayed for one (1) year to allow Tenant to complete restoration of the Improvements provided Tenant is diligently pursuing the same. Additionally, in the event that the full amount of Rent payable to Landlord pursuant to Section 3.01 above has not been paid as of the date of any casualty to the Improvements, such amount of unpaid Rent shall first be paid to Landlord from any insurance proceeds before such insurance proceeds are used to reconstruct the Improvements or pay any Leasehold Mortgagee or for any other purpose.

ARTICLE XII
CONDEMNATION

Section 12.01 General. If, at any time during the Term, all or any part of the Property is involved in a Taking, then the provisions of this Article XII shall apply to the condemnation proceedings and the distribution of any Condemnation Awards pertaining to such Taking.

Section 12.02 Total Taking. If a Total Taking occurs, then any unpaid Rent shall be fully payable as of the Date of Taking, including without limitation, any amount of the Second Base Rent Installment or Annual Base Rent Installments or Annual Supplemental Rent Installments previously deferred pursuant to the provisions of Section 3.01 above, and this Lease shall be terminated as of the Date of Taking. All sums, including damages and interest, constituting the Condemnation Award shall be deposited promptly with a Depositary, and shall be distributed and disbursed in the following amounts and in the following order of priority:

(a) To Landlord, a sum equal to the value of Landlord's fee simple title to the Land, taking into account the effect on such value of this Lease (had the Taking not occurred) and all other matters affecting such interest; and

(b) To Tenant or Leasehold Mortgagee, the balance of the Condemnation Award.

Notwithstanding any other provision herein, if the Total Taking is undertaken by Arlington County or any political subdivision or entity of Arlington County, then in that event, said funds shall be distributed and disbursed in the following order of priority:

(i) To Tenant or Leasehold Mortgagee, a sum equal to the value of Tenant's Value in the Improvements taking into account the effect on said value of the Lease and all other matters effecting said interest; and

(ii) To Landlord, the balance of the Condemnation Award.

Section 12.03 Partial Taking. If a Partial Taking occurs, then the Term shall not be reduced or affected in any way, this Lease shall remain in full force and effect for the portion of the Property remaining after such Taking and the Tenant's obligation to pay Rent shall continue

without abatement or diminution. All sums, including damages and interest constituting the Condemnation Award shall be deposited promptly with a Depositary, and shall be distributed and disbursed in the following amounts and in the following order of priority:

(a) First, to be used for restoration of the Land and Improvements to an economically feasible state, in the good faith judgment of Tenant; and

(b) The balance, *pro rata* between Landlord and Tenant (or Leasehold Mortgagee) in accordance with (i) as to Landlord, the value of Landlord's fee simple title in the portion of the Property so taken, taking into account the effect on such value of this Lease and all other matters affecting such interest (had the Taking not occurred), and (ii) as to Tenant (or Leasehold Mortgagee), the value of the Leasehold and Improvements to Tenant considering the number of years left in the Term.

Tenant, at its sole cost and expense, shall commence and thereafter proceed to repair, alter, raze or restore the remaining part of the Land, or otherwise to secure the Improvements and render the Improvements safe (the "Work"), all in Tenant's reasonable discretion and in accordance with Article IX above. If the Condemnation Award received by Tenant is insufficient to pay the entire cost of the work, then Tenant shall pay the full amount of any such deficiency. If the Condemnation Award received by Tenant shall exceed the entire cost of the Work, then Tenant shall assign its interest and any such excess portion of the Condemnation Award to the Depositary if any and, if none, may use such excess for such purposes as Tenant, in its sole discretion, deems appropriate. Under no circumstances shall Landlord be obligated to make any payment, disbursement or contribution towards or on account of the cost of the Work.

Section 12.04 Temporary Taking. If a Temporary Taking occurs, then the Term shall not be reduced or affected in any way and Tenant shall continue to pay in full the Rent, without reduction or abatement, in the manner and at the times specified in this Lease. Except only to the extent that Tenant is prevented (either legally or as a practical matter) from so doing pursuant to the terms of the order of the condemning authority, Tenant shall continue to perform and observe all of the other covenants, agreements, terms and provisions of this Lease as though such Taking had not occurred. Upon any such Temporary Taking, Tenant shall be entitled to receive the entire amount of any Condemnation Award made for such Temporary Taking whether such award is paid by way of damages, Rent or otherwise; provided, however, if the period of temporary use or occupancy shall extend beyond the date of the expiration or termination of the Term, then such Condemnation Award shall be prorated by Landlord and Tenant as of such date of expiration.

Section 12.05 Condemnation Proceedings. Tenant, Landlord and any Mortgagee shall each have the right, at its own expense, to appear in any condemnation proceeding and to participate in any and all negotiations, hearings, trials and appeals in such proceeding.

Section 12.06 Notice of Condemnation. If Landlord or Tenant receives notification of any proposed or pending condemnation proceeding affecting the Land, then the party receiving such notification shall promptly give Notice to the other party.

Section 12.07 New End of Term. If a Partial or Temporary Taking occurs during the last five (5) years of the Term, then Tenant may, at Tenant's option, terminate this Lease on the same terms and conditions as are set forth in Section 11.03 above except that any Condemnation Award shall be treated as set forth in Section 12.02 above.

Section 12.08 Other Governmental Action. In case of any governmental action, not resulting in the Taking or condemnation of any portion of the Property but creating a right to compensation therefor, such as the curving of the grade of any street upon which the Land abuts, then this Lease shall continue in full force and effect without reduction or abatement of Rent and the award shall be paid to Tenant.

Section 12.09 Mortgagees. If there is more than one Leasehold Mortgage, Landlord shall recognize the Leasehold Mortgagee whose Leasehold Mortgage is senior in lien as the Leasehold Mortgagee having priority as to the rights of a Leasehold Mortgagee under this Article XII. Notwithstanding the foregoing provisions of this Article XII, for so long as any Permitted Leasehold Mortgage is in effect, the most senior Permitted Leasehold Mortgage governing any condemnation proceeds shall control (a) the disbursement, use and application of such condemnation proceeds, including, without limitation, any application of condemnation proceeds to the payment of indebtednesses secured by Permitted Leasehold Mortgages prior to application (if any) to restore the Property, and (b) this Lease termination provisions hereunder. If any Permitted Leasehold Mortgagee (or its designee or nominee) shall acquire all or any part of the Leasehold Estate and/or Improvements by foreclosure or assignment or deed in lieu of foreclosure, such Permitted Leasehold Mortgagee (or its designee or nominee) and its successors and assigns shall not be obligated to demolish, repair or restore the Property (regardless of whether such condemnation occurred before or after foreclosure), and the Permitted Leasehold Mortgagee (or its designee or nominee) may apply all or a portion of the condemnation proceeds to payment of the unpaid indebtedness then or previously secured by its Permitted Leasehold Mortgage.

ARTICLE XIII
TRANSFERS

Section 13.01 Prohibited. Except as permitted in Section 13.02 below, Tenant hereby acknowledges that this Lease is one which is personal to Tenant and agrees for itself and its successors and assigns in interest hereunder that it will not (a) assign this Lease or any of its rights under this Lease as to all or any portion of the Premises or the Improvements, or (b) make or permit any voluntary or involuntary total or partial sale, lease, sublease, assignment, conveyance, Mortgage, pledge, encumbrance or other transfer of any or all of the Premises or the Improvements, or the occupancy or use thereof (each of which is hereinafter referred to as a "Transfer"), without first obtaining Landlord's express written consent thereto. Landlord may withhold or deny its consent at its sole and absolute discretion.

Section 13.02 Permitted Transfers. Notwithstanding anything to the contrary herein, any Transfer (a) to a Resident pursuant to a Tenancy Agreement consistent with the terms and conditions of this Lease; (b) made pursuant to Sections 7.02, 7.04 or 13.03 hereof; or (c) in accordance with the Tax Credits and the Renovation, Finance and Management Plan or other applicable requirements, shall not require Landlord's consent, and, together with any other Transfer to which Landlord consents, shall be deemed a "Permitted Transfer."

Section 13.03 Other Permitted Transfers. For the Project to be eligible to receive the maximum equity contribution from the sale of the Federal Historic Tax Credit and the State Historic Tax Credit, on or after the Commencement Date, Tenant, as sublandlord, may sublease (the "HTC Master Lease") the Land and Improvements to a limited liability company or limited partnership, as subtenant, whose managing member or general partner, as applicable, shall be an

Affiliate of Tenant (the "Historic Credits Entity"), subject to Landlord's prior written consent, which such consent shall not be unreasonably withheld, conditioned or delayed. Such HTC Master Lease shall be subject and subordinate in all respects to this Lease. It shall be the intent of Tenant, as sublandlord, and Historic Credits Entity, as subtenant, that Historic Credits Entity shall comply with and perform all of Tenant's obligations, and exercise all of Tenant's rights, under this Lease to the same force and effect as if Historic Credits Entity were named as the tenant hereunder. If Landlord consents to the HTC Master Lease to the Historic Credits Entity, Landlord shall be deemed to have consented to the addition from time to time of investor members or limited partners, as applicable, in the Historic Credits Entity so long as such additions do not change the controlling ownership of the Historic Credits Entity. In addition, After the Substantial Completion of the Project, Tenant shall have the right, with the prior written consent of Landlord, which consent shall not unreasonably withheld, conditioned or delayed, to sell, transfer, sublease or assign, in whole or part, its rights and obligations in this Lease and/or all or any part of the Leasehold Estate and/or the Improvements, to any Affiliate approved by the Permitted Leasehold Mortgagees (if required). Landlord shall not disturb the possession, interest, or quiet enjoyment of any such sublessee, assignee and lessee. Tenant shall not have any liability for the acts or omissions of any such sublessee, assignee and lessee during the period of such sublease, assignment and lease, provided that such sublessee, assignee and lessee assume all of Tenant's obligations hereunder during such period.

Section 13.04 Effect on Obligations. Except as otherwise set forth in this Article XIII, no Transfer by a Tenant shall alter or impair Tenant's obligations hereunder arising during the Term, and Tenant shall not be released from any such obligations as a result of any Transfer without Landlord's express written consent thereto.

Section 13.05 Benefit and Burden. Except as otherwise provided in this Lease, this Lease shall be binding on and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns in interest hereunder.

ARTICLE XIV
DEFAULT

Section 14.01 Definition. As used in this Lease, each of the following events shall constitute an "Event of Default" to the extent not cured after any applicable notice and cure periods: if Tenant fails (a) to pay any Rent or other sum which it is obligated to pay to Landlord under this Lease, when and as it is due and payable hereunder, and/or (b) to perform any other of its obligations under this Lease if Landlord reasonably determines that such failure would have a material adverse effect on the Property or on Landlord's rights, benefits or interests under this Lease.

Section 14.02 Notice; Grace Period. Anything in this Section to the contrary notwithstanding, no Event of Default shall be deemed to have occurred and Landlord shall not exercise any right or remedy on account thereof which it holds under this Lease or applicable law unless and until:

(a) **Notice and Opportunity To Cure**. (i) Landlord shall so notify in writing Tenant, all Investor Limited Partners as designated by Tenant and all Permitted Leasehold Mortgagees as designated by Tenant, each of whom shall have the right to cure such Event of Default, and (ii) Landlord shall not terminate this Lease for Tenant's default unless and until Landlord has given the Investor Limited Partner and such Permitted Leasehold Mortgagee notice of such Event of Default and sixty (60) days in addition to any applicable cure period given

Tenant in which to cure it. Notwithstanding the foregoing, Landlord shall have no obligation to provide any notice to the Investor Limited Partner or to such Permitted Leasehold Mortgagee unless and until Tenant provides Landlord with written notice identifying such Investor Limited Partner and/or such Permitted Leasehold Mortgagee and providing the notice addresses for such parties. If an Event of Default, by its nature, cannot be reasonably cured within thirty (30) days, the Investor Limited Partner and Permitted Leasehold Mortgagee shall have such additional time as it shall reasonably require to effect such cure, so long as the Investor Limited Partner and such Permitted Leasehold Mortgagee is proceeding with all due diligence to effect such cure. In addition to the foregoing time periods with respect to such Permitted Leasehold Mortgagee, for any Event of Default that cannot be cured without possession of the Property, Landlord shall allow such additional time as such Permitted Leasehold Mortgagee shall reasonably require to prosecute and complete a foreclosure, assignment or deed in lieu thereof or other proceeding in order to obtain such possession, including time to obtain relief from a bankruptcy stay in the Tenant's bankruptcy, of up to a maximum of an additional one hundred twenty (120) days.

(b) (i) Tenant fails to cure such Event of Default (A) if such Event of Default consists of a failure to pay money, within thirty (30) days after Landlord gives such written notice to Tenant, or (B) if such Event of Default consists of something other than a failure to pay money, within sixty (60) days after Landlord gives such written notice to Tenant (or, if such Event of Default cannot, by its nature, be reasonably cured within sixty (60) days, such additional time, but in no event more than an additional ninety (90) days, as shall be reasonably required to effect such cure provided that Tenant is proceeding with all due diligence; provided, however, if prior to the expiration of the cure period, Tenant establishes to Landlord's satisfaction that more than ninety (90) additional days are necessary to accomplish the cure, and Landlord provides Tenant with a written notice that grants Tenant additional time to accomplish such cure, then Tenant shall have the additional time to cure set forth in Landlord's notice), and (ii) neither the Investor Limited Partner nor the Permitted Leasehold Mortgagee has cured such Event of Default within the cure period (minimum of thirty (30) days) given Tenant in which to cure as set forth in Section 14.01(a) above.

(c) It is understood that Tenant and the Investor Limited Partner and the first priority Permitted Leasehold Mortgagee shall have the right, subject to the terms of Section 14.02(a) above, to cure any Event of Default, regardless of whether such Event of Default relates to the Improvements owned by Tenant or secured by the Permitted Leasehold Mortgage of such Permitted Leasehold Mortgagee.

Section 14.03 Landlord's Rights on Event of Default.

(a) If an Event of Default occurs and is continuing (unless waived by Landlord in writing after receipt of notice pursuant to the provisions hereof), Landlord may (subject to the provisions of Section 14.02 above) take any or all of the following actions:

(i) reenter and repossess any or all of the Property pursuant to legal process; and/or

(ii) terminate this Lease by giving written notice of such termination to Tenant, all Investor Limited Partners as designated by Tenant and all Permitted Leasehold Mortgagees as designated by Tenant, which termination shall be effective as of the date of such notice or any later date therefor specified by Landlord therein (provided that, without limiting the generality of the foregoing provisions of this Section 14.03(a)(ii), Landlord shall not be deemed

to have accepted any abandonment or surrender by Tenant of all or any part of the Leasehold Estate and/or Property unless Landlord has so advised Tenant and the Investor Limited Partner and such Permitted Leasehold Mortgagee expressly and in writing, regardless of whether Landlord has reentered or relet all or any part of the Property or exercised any or all of Landlord's other rights under this Section or applicable law); and, on the date specified in such notice, Tenant's right to possession of the Property will cease and the Leasehold Estate shall revest in Landlord; provided, however, such termination of this Lease and cessation of Tenant's right to possession and such revesting of the Leasehold Estate and reentry by Landlord shall be subject to and limited by and shall not defeat, render invalid or limit in any way any residential Tenancy Agreements, any provision of LIHTC Housing Requirements and the Affordability Covenants;

(iii) in Landlord's own name (but either (A) as agent for Tenant, if this Lease has not then been terminated, or (B) for the benefit of Tenant, if this Lease has then been terminated), relet any or all of the Property, with or without any additional premises, for any or all of the remainder of the Term (or, if this Lease has then been terminated, for any or all of the period which would, but for such termination, have constituted the remainder of the Term) or for a period exceeding such remainder, on such terms and subject to such conditions as are acceptable to Landlord in its sole discretion (including but not limited to the alteration of any or all of the Property in any manner which, in Landlord's judgment, is necessary or desirable as a condition to or otherwise in connection with such reletting, and the allowance of one or more concessions or "free-rent" or reduced-rent periods), and collect and receive the rents therefor. Anything in this Lease or Applicable Law to the contrary notwithstanding, (1) Landlord shall not have any duty or obligation to relet all or any part of the Property as the result of any Event of Default, or any liability to Tenant or any other person for any failure to do so or to collect any Rent or other sum due from any such reletting; (2) Tenant shall have no right in or to any surplus which may be derived by Landlord from any such reletting, if the proceeds of such reletting exceed any Rent, installment thereof or other sum owed by Tenant to Landlord hereunder; and (3) Tenant's liability hereunder shall not be diminished or affected by any such failure to relet or the giving of any such initial or other concessions or "free-rent" or reduced rent periods in the event of any such reletting. Tenant shall be obligated to the Landlord for all unpaid expenses and costs during Tenant's ownership and possession of the Property. Tenant shall not have any liability for the expenses, costs, acts or omissions of any tenant or occupant subsequent to such reletting of the Property. Landlord shall abide by any restrictions, obligations and duties imposed by the LIHTC Housing Requirements and the Affordability Covenants;

(iv) without waiving or limiting any other remedies available to Landlord, upon such default by Tenant (and subject to the notice and cure rights of Tenant), Landlord shall be entitled (but not obligated) to perform or cause such obligations to be so performed on behalf of Tenant, and Tenant shall reimburse Landlord, as additional rent hereunder, for its reasonable third party out-of-pocket costs and expenses incurred by Landlord in doing so, which amount shall be due within thirty (30) days of Tenant's receipt of a written statement of the costs and expenses so incurred by Landlord; and/or

(v) pursue any combination of such remedies and/or any other right or remedy available to Landlord on account of such Event of Default under this Lease and/or at law or in equity, including without limitation, an action for specific performance or other injunctive relief. Nothing herein shall limit or prejudice Landlord's right to prove for and obtain as

damages, by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved.

(b) Any such termination of this Lease, or summary dispossession proceedings, abandonment, reletting, bankruptcy, re-entry by Landlord or vacancy, shall not relieve Tenant of any of its liabilities and obligations under this Lease (whether or not any or all of the Property is relet), and Tenant shall remain liable to Landlord for all damages resulting from any Event of Default prior to such termination, abandonment, reletting, bankruptcy, re-entry or vacancy, including but not limited to any damage resulting from the breach by Tenant of any of its obligations under this Lease to pay Rent that is then unpaid and any other sums which Tenant is then obligated to pay hereunder, provided that Tenant shall not be liable for Rent and other sums (except as provided in Section 14.03(d) below) that shall thereafter be due and payable under this Lease.

(c) If any or all of the Property is relet by Landlord for any or all of the unexpired Term of this Lease, the amount of rent reserved upon such reletting shall be deemed to be the fair and reasonable rental value for the part or the whole of the Property so relet during the term of the reletting.

(d) If an Event of Default occurs that is not cured within the applicable notice and cure period, Tenant shall, immediately on its receipt of a written demand therefor from Landlord, reimburse Landlord for (i) all reasonable, out-of-pocket expenses (including but not limited to any and all reasonable repossession costs, management expenses, operating expenses, legal expenses and attorneys' fees) incurred by Landlord (A) in curing or seeking to cure any Event of Default, and/or (B) in exercising or seeking to exercise any of Landlord's rights and remedies under this Lease and/or at law or in equity on account of any Event of Default, and/or (C) otherwise arising out of any Event of Default, plus (ii) interest on all such expenses, at the lesser of 6% or the highest rate then permitted on account thereof by applicable law, all of which expenses and interest shall be Rent and shall be payable by Tenant immediately on demand therefor by Landlord.

(e) Notwithstanding anything contained in this Lease to the contrary, Landlord agrees that at any time during the period between the Commencement Date and the date that is the expiration of the applicable fifteen (15)-year tax credit compliance period and any extended use period provided under an Extended Use Agreement, Landlord shall not exercise any of its remedies for Tenant's default under this Lease that would cause a violation of the LIHTC Housing Requirements or other tax credit requirements or would interfere with the rights of any Investor Limited Partner to receive its Tax Credits or any other tax benefits due to the Investor Limited Partner, and this Lease shall not be terminated, without the prior written consent of the Investor Limited Partner. Any termination without such consent shall, except as provided in the immediately foregoing sentence, be void *ab initio*.

Section 14.04 Force Majeure.

(a) Subject to Section 14.04(b) below, any prevention, delay, nonperformance (other than nonperformance of an obligation to pay money to Landlord) or stoppage by Tenant due to any of the following causes shall be excused: any regulation, order, act, restriction or requirement or limitation imposed by any federal, state, municipal or foreign government or any department or agency thereof that was not in effect as of the date of this Lease, or civil or

military authority; acts of God; acts or omissions of Landlord or its agents or employees; fire, explosion or floods; strikes, walkouts or inability to obtain materials; war, riots, sabotage or civil insurrection; or any other causes beyond the reasonable control of Tenant (but excluding delays of Tenant's contractors or subcontractors unless such delays arise from the bankruptcy or insolvency of Tenant's contractors or subcontractors).

(b) No prevention, delay, or stoppage of performance shall be excused unless:

(i) Tenant notifies Landlord within thirty (30) days of such prevention, delay or stoppage that it is claiming excuse of its obligations under this Section 14.04; and

(ii) Tenant diligently proceeds within thirty (30) days of the conclusion of such prevention, delay or stoppage to commence to cure the condition causing the prevention, delay or stoppage; and

(iii) Tenant affects such cure within a reasonable time.

Section 14.05 Landlord Event of Default. Landlord shall be deemed in default of its obligations under this Lease if Landlord shall fail to perform, in a timely manner in accordance with the terms of this Lease, any obligation under this Lease required to be performed by Landlord, and such failure shall continue for thirty (30) days after written notice of such failure from Tenant (a "Landlord Event of Default"). Notwithstanding the foregoing, Landlord shall have such additional period as may be reasonably required to cure such failure, if the same, by its nature, may not be reasonably cured within thirty (30) days so long as Landlord commences such cure within thirty (30) days after notice thereof and thereafter diligently prosecutes the same to completion. If Landlord fails to complete such cure as provided above, then subject to the provisions of any Permitted Leasehold Mortgage, Tenant shall thereupon be entitled to exercise any and all remedies available to Tenant for such default under this Lease or at law or in equity; provided, however, Tenant shall have no right to exercise any "self help" right or remedy, to set off against Rents payable hereunder or to obtain any consequential damages against Landlord. Without waiving or limiting any other remedies available to Tenant, upon such default by Landlord (and subject to the notice and cure rights of Landlord), Tenant shall be entitled (but not obligated) to perform or cause such obligations to be so performed on behalf of Landlord, and Landlord shall reimburse Tenant, as additional rent hereunder, for its reasonable third party out-of-pocket costs and expenses incurred by Tenant in doing so, which amount shall be due within thirty (30) days of Landlord's receipt of a written statement of the costs and expenses so incurred by Tenant. In the event Landlord or a creditor thereof files a petition for relief naming Landlord as a debtor under Title 11 of the United States Code, Landlord hereby acknowledges and agrees that Tenant's possessory interest under this Lease and ownership of the Improvements are unique interests and cannot be converted into a cash claim under Section 363 of Title 11 of the United States Code unless Tenant expressly consents to the same. Notwithstanding anything in this Lease to the contrary, the Lease will not be terminated by Tenant without the prior written consent of the Permitted Leasehold Mortgagees and, during the applicable fifteen (15)-year tax credit compliance period under the LIHTC Housing Requirements, as well as any other applicable time period under other applicable requirements, the Investor Limited Partner. Any termination without such consent shall be void *ab initio*.

ARTICLE XV
ESTOPPEL CERTIFICATE; RECORDATION

Section 15.01 Estoppel Certificate. Each party hereto shall, at any time and from time to time within twenty (20) days after being requested to do so by the other party and/or any Investor Limited Partner or any Permitted Leasehold Mortgagee in writing, execute, acknowledge, and address and deliver to the requesting party (or, at the latter's request, to any existing or prospective Mortgagee, transferee or other assignee of the requesting party's interest in the Property or under this Lease which acquires such interest in accordance with this Lease) a certificate in recordable form.

(a) certifying (i) that this Lease is unmodified and in full force and effect (or, if there has been any modification thereof, that it is in full force and effect as so modified, stating therein the nature of such modification); (ii) that Tenant has accepted possession of the Property, and the date on which the Term commenced; (iii) as to the dates to which any Rent and other charges arising hereunder have been paid; (iv) as to the amount of any prepaid Rent or any credit due to Tenant hereunder; and (v) as to whether, to the best of such party's knowledge, information and belief, the requesting party has been sent a notice that it is then in default in performing any of its obligations hereunder (and, if so, specifying the nature of each such default); and

(b) acknowledging and agreeing that any statement contained in such certificate may be relied upon by the requesting party and any such other addressee.

Section 15.02 Recordation. Concurrently with the execution of this Lease, a short form Memorandum of Deed of Ground Lease shall be recorded by Landlord, at its sole cost and expense in the Land Records for Arlington County, Virginia in the form attached hereto and made a part hereof as Exhibit G. Without limiting the foregoing, such Memorandum shall include a statement that the Property is subject to the terms and conditions of the Affordable Housing Program. As a condition to Landlord's execution of such Memorandum, Landlord shall require that Tenant sign and deliver a certificate terminating and releasing such Memorandum, which certificate Landlord shall retain and shall be entitled to record upon the expiration or earlier termination of this Lease.

ARTICLE XVI
CONDITION OF TITLE, PROPERTY AND TENANCY AGREEMENTS

Section 16.01 Limited Warranties. Tenant hereby acknowledges that it has examined the Property, the title thereto, the existing Tenancy Agreements in force at the Property, zoning which may be applicable thereto, if any, the applicable parking ordinance, the streets, sidewalks, parking areas, curbs and access ways adjoining them, any surface and subsurface conditions thereof, and the present uses and nonuses thereof, if any, and that it accepts each of them in its present condition or state, without restriction, representation, covenant or (except as is set forth in Section 16.03 below) warranty, express or implied, in fact or at law, by Landlord or any other person, and without recourse to Landlord, as to any appurtenances thereto, the nature, condition or usability thereof, or the uses to which any or all of the Property may be put. Tenant hereby accepts the Property in its "AS IS," "WHERE IS" condition and acknowledges that Landlord has made no representations or warranties as to the Property, its physical or environmental condition, its ability to be re-developed or improved, its value, the status or condition of title to the Property, the status of Residents, Tenancy Agreements and/or any security deposits under

Tenancy Agreements (the "Security Deposits"), the Applicable Laws pertaining to the Property, the ability to obtain any permit or approval necessary for the redevelopment of the Project, or any other matter relating in any way to the Property or its surroundings. Without limiting the foregoing, Tenant hereby acknowledges that it (i) has received and reviewed Phase I and Phase II environmental reports with respect to the Property, (ii) accepts the environmental condition of the Property, and (iii) shall hold Landlord harmless from any and all claims, costs, damages or liabilities, including without limitation, attorneys' fees, arising in connection with or as a result of any environmental condition of the Property, which condition first arises after the Commencement Date of this Lease. Tenant shall be fully responsible, at its sole cost and expense, for all matters relating to the redevelopment and renovation of the Project and Landlord shall have no obligations related thereto, including without limitation, for any subsurface or soil conditions.

Section 16.02 Tenancy Agreements.

(a) Tenant acknowledges that it has received and reviewed the Purchase Agreement, including without limitation, the terms of Subparagraph 5i of the Purchase Agreement entitled "Leases and Rights of Possession," and the rent roll attached as Exhibit D to the Purchase Agreement. Landlord's knowledge about the existing Residents and the existing Tenancy Agreements and the Security Deposits under the Tenancy Agreements is solely derived from the information provided by the seller under and pursuant to the terms of the Purchase Agreement. Landlord has no independent knowledge or information about such matters. Tenant has reviewed the existing Tenancy Agreements and the status thereof.

(b) Effective as of the Commencement Date hereunder, Landlord hereby assigns to Tenant all of Landlord's right, title and interest in and to the Tenancy Agreements in effect as of such date, including without limitation, all Security Deposits actually received by Landlord, and Tenant hereby accepts such assignment and hereby assumes all obligations and liabilities of the landlord under such Tenancy Agreements. Tenant hereby acknowledges that Tenant is in receipt of the Security Deposits.

(c) Tenant hereby acknowledges that Landlord has made no representations or warranties of or with respect to the Residents, the Tenancy Agreements and/or the Security Deposits. Tenant shall be solely responsible to comply with all obligations as landlord under the Tenancy Agreements and to comply with all Applicable Laws with respect thereto.

Section 16.03 Quiet Enjoyment. Landlord hereby:

(a) represents, warrants and covenants and agrees that, at the time of the execution and delivery of this Lease by the parties hereto, it (i) is the contract-purchaser of the Property and that it has no written notice of any claim or demand contesting or impairing its interests in the Property; and (ii) has the full right, power and authority to enter into this Lease and thereby to lease the Property; and

(b) warrants that Tenant will have, subject to the existing Tenancy Agreements, quiet and peaceful possession of the Property during the Term so long as all of Tenant's obligations hereunder are timely performed, except if and to the extent that such possession is terminated pursuant to any provision of this Lease.

Section 16.04 Limitation on Liability. Nothing in this Lease shall be deemed to impose on Landlord any liability on account of any act or failure to act by any person other than

Landlord, Landlord's agents, representatives, board members, contractors, or employees. Further, Landlord's liability under this Lease and for any claim arising in any manner with respect to this Lease shall be limited in all events solely to Landlord's interest in the Property.

ARTICLE XVII
NOTICES

Any notice, demand, consent, approval, request or other communication or document to be provided hereunder to Landlord, Tenant, Investor Limited Partner or Permitted Leasehold Mortgagee (a) shall be in writing, and (b) shall be deemed to have been provided on the earlier of (i) (A) 48 hours after being sent as certified or registered mail in the United States mails, postage prepaid, return receipt requested, or (B) the next business day after having been deposited (in time for delivery by such service on such business day) with Federal Express or another national courier service; or (ii) (if such party's receipt thereof is acknowledged in writing) its having been given by hand or other actual delivery to such party. Addresses for notice:

Landlord:	The County Board of Arlington County, Virginia 2100 Clarendon Boulevard - Suite 302 Arlington, VA 22201 Attention: County Manager
With copies to:	Arlington County Office of the County Attorney 2100 Clarendon Boulevard, Suite 403 Arlington, VA 22201 Attention: County Attorney
And:	Arlington County Real Estate Bureau 2100 Clarendon Boulevard, Suite 800 Arlington, VA 22201 Attention: Real Estate Bureau Chief
And:	Arlington County Housing Division 2100 Clarendon Boulevard, Suite 700 Arlington, VA 22201 Attention: Housing Division Director
And:	Watt, Tieder, Hoffar & Fitzgerald, L.L.P. 8405 Greensboro Drive, Suite 100 McLean, VA 22102 Attention: Colin J. Smith
To Tenant:	Telesis Corporation 1101 30th Street, N.W., Fourth Floor Washington, D.C. 20007 Attn: Mr. Bertrand Mason
And to:	National Housing Trust-Enterprise Preservation Corporation 1101 30th Street, NW, Fourth Floor Washington, DC 20007 Attn: Scott Kline

Landlord shall forward to all Investor Limited Partners as designated by Tenant and all Permitted Leasehold Mortgagees as designated by Tenant copies of any notices, demands, consents, approvals, requests and other communication and documents (other than Rent and other periodic billing notices) sent to Tenant, so long as Tenant has previously provided Landlord with the name and notice address of such Permitted Leasehold Mortgagees and Investor Limited Partners.

Any notice required or permitted to be given under this Lease shall be deemed given if provided in accordance with the foregoing paragraph of this Article XVII; provided, however, that any party may change its address for notice purposes by timely notice to the other party.

No notice given by Landlord shall be effective against the Permitted Leasehold Mortgagees or the Investor Limited Partners to whom Landlord is required to provide notice hereunder unless Landlord has given a copy of the notice to such Permitted Leasehold Mortgagees and Investor Limited Partners, so long as Tenant has previously provided Landlord with the name and notice address of such Permitted Leasehold Mortgagees and Investor Limited Partners.

ARTICLE XVIII
LANDLORD NOT LIABLE FOR INJURY OR DAMAGE, ETC.

Except to the extent (1) expressly prohibited by Applicable Law, (2) arising from actions by Landlord not related to its status as owner of the Land, or (3) directly caused by the negligence or willful misconduct of Landlord or Landlord's agents, representatives, board members, contractors, or employees, Landlord shall not in any event whatsoever be liable for any injury or damage to Tenant or to any other Person happening on, in or about the Property and its appurtenances nor for any injury or damage to the Property or to any property belonging to Tenant or any other Person which may be caused by any fire or breakage, or by the use, misuse and abuse of the Improvements (including but not limited to, any of the common areas within the Improvements, equipment, elevators, hatches, openings, installations, stairways, hallways, or other common facilities), or the streets and sidewalk area within the Land or which may arise from any other cause whatsoever. Landlord shall not be liable to Tenant or to any other Person for any failure of water supply, gas or electric current, nor for any injury or damage to any property of Tenant or of any other Person or to the Property caused by or resulting from gasoline, oil, steam, gas, electricity, or hurricane, tornado, flood, wind or similar storms or disturbances, or water, rain or snow which may leak or flow from the street, sewer, gas mains or subsurface area or from any part of the Land, or leakage of gasoline or oil from pipes, storage tanks, appliances, sewer or plumbing works therein, or from any other place, nor for interference with light or other incorporeal hereditaments by anybody, or caused by any public or quasi-public work. Nothing herein shall be construed to limit or waive in any way the sovereign immunity of Landlord, its officers, agents or employees.

ARTICLE XIX
INDEMNIFICATION OF LANDLORD

Section 19.01 Tenant's Obligations. Tenant shall protect, indemnify, defend and save Landlord (in Landlord's capacity as landlord under this Lease and not as a Governmental Authority) and any of Landlord's agents, representatives, board members, contractors, or employees (each an "Indemnified Party") harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses, including, without

limitation, reasonable engineers', architects' and attorneys' fees and disbursements, which may be imposed, upon or incurred by or asserted against any Indemnified Party by reason of any of the following occurring during or after (but attributable to a period of time falling within) the Term, unless the sum is the direct result of an Indemnified Party's negligence or willful misconduct (which exclusion does not waive or otherwise restrict Landlord's right to sovereign immunity):

(a) any demolition or razing or construction of the Improvements or any other work or thing done in, on or about the Land or any part thereof;

(b) any use, non-use, possession, occupation, alteration, repair, condition, operation, maintenance, or management of the Property or any part thereof,or of any sidewalk, curb, or vault adjacent thereto that the owner of the Property is required to maintain pursuant to Applicable Law;

(c) any act on the part of the Tenant or any of its respective officers, agents, employees or licensees;

(d) any accident, injury (including death at any time resulting therefrom) or damage to any Person or property occurring in, on or about the Land or any part thereof, or in, on or about any sidewalk, curb or vault adjacent thereto that the owner of the Property is required to maintain pursuant to Applicable Law;

(e) any failure on the part of Tenant to pay Rent or to perform or comply with any of the covenants, agreements, terms or conditions contained in this Lease on Tenant's part to be performed or complied with;

(f) any lien or claim which may be alleged to have arisen against or on the Land, or any lien or claim which may be alleged to have arisen out of this Lease and created or permitted to be created by Tenant against any assets of Landlord under the laws of the Commonwealth of Virginia or of any other Governmental Authority or any liability which may be asserted against Landlord with respect thereto;

(g) any claim by any Resident or other occupant of any portion of the Property for any cause; and

(h) any failure by Tenant to comply with Applicable Laws.

Section 19.02 Effect of Insurance. The obligations of Tenant under this Article XIX shall not be affected in any way by the absence in any case of covering insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part under insurance policies affecting the Property or any part thereof.

Section 19.03 Tenant to Defend. If any claim, action or proceeding is made or brought against Landlord against which it is indemnified pursuant to Section 19.01 above, then, upon demand by Landlord, Tenant shall resist or defend such claim, action or proceeding in Landlord's name, if necessary, by the attorneys for Tenant's insurance carrier (if such claim, action or proceeding is covered by insurance), otherwise by such attorneys as Tenant shall reasonably select. The foregoing notwithstanding, Landlord may engage its own attorneys at Landlord's cost to defend it or to assist in its defense.

Section 19.04 Survival. The provisions of this Article XIX shall survive the Expiration Date with respect to any liability, suit, obligation, fine, damage, penalty, claim, cost, charge or

expense arising out of or in connection with any wrongful action or failure to take action or any other matter occurring prior to the Expiration Date.

ARTICLE XX
SURRENDER OF LAND AND IMPROVEMENTS

Section 20.01 Surrender. Upon the expiration or earlier termination of the Term, Landlord shall become the sole and absolute owner of the Improvements, free of any interest of Tenant or any Leasehold Mortgagee, without the execution of any further instrument or the payment of any further consideration. Tenant shall, on the last day of the Term, or upon the sooner termination of the Term, quit and surrender to Landlord the Land and Improvements vacant, free of all equipment, furniture and other personal property, and in good order and condition, reasonable wear and tear excepted, and free and clear of all lettings, occupancies, liens and encumbrances other than those, if any, existing on the Commencement Date, created by Landlord, without any payment or allowance whatever by Landlord. Tenant hereby waives any Notice now or hereafter required by law with respect to vacating the Property on any such Expiration Date or earlier termination date. Tenant's obligation to observe and perform this covenant shall survive the expiration or earlier termination of the Term.

Section 20.02 Holding Over. Tenant acknowledges that possession of the Land and Improvements must be surrendered to Landlord at the expiration or sooner termination of the Term. Tenant agrees to indemnify Landlord against and save Landlord harmless from all costs, claims, loss or liability resulting from the failure or delay by Tenant in so surrendering the Land and Improvements, including, without limitation, any claims made by any succeeding tenant founded on such failure or delay. The parties recognize and agree that the damage to Landlord resulting from any failure by Tenant to surrender possession of the Land and Improvements timely as aforesaid may be extremely substantial, may exceed the amount of any Rent theretofore payable hereunder, and will be impossible to measure accurately. Unless Landlord and Tenant agree otherwise in writing, if possession of the Land and/or Improvements is not surrendered to Landlord upon the expiration or sooner termination of the Term, then Tenant shall pay to Landlord, as liquidated damages for each month and for each portion of any month during which Tenant holds over in the Land and/or Improvements after the expiration or sooner termination of the Term, in addition to any sums payable pursuant to the foregoing indemnity, a sum equal to 1.5 times the annual Rent payable under Section 3.01 of this Lease as reasonably determined by Landlord. Nothing herein contained shall be deemed to permit Tenant to retain possession of the Land and/or Improvements after the expiration or sooner termination of the Term. If Tenant holds over in possession after the expiration or termination of the Term, such holding over shall not be deemed to extend the Term or renew this Lease, but the tenancy shall be from month to month upon the terms and conditions of this Lease at the Rent as herein increased. This provision shall survive the expiration or earlier termination of this Lease.

Section 20.03 End of Term. On the last day of the Term or upon any earlier termination of the Lease, or upon re-entry by Landlord upon the Land, Tenant shall deliver to Landlord Tenant's executed counterparts of all Tenancy Agreements, any service and maintenance contracts that are in Tenant's possession and are then affecting the Land or Improvements, true and complete maintenance records for the Land and Improvements, all original licenses and permits then pertaining to the Land and Improvements which are in the possession of Tenant or its management agent, permanent certificates of occupancy then in effect for the Improvements, and all warranties and guarantees then in effect which Tenant has received

in connection with any work or services performed or equipment installed in the Improvements, together with a duly executed assignment thereof to Landlord, and all financial reports, books and records required by this Lease and whatsoever relating to the Land.

Section 20.04 Removal of Personal Property. On the last day of the Term or upon any earlier termination of this Lease or upon a re-entry by Landlord upon the Land, Tenant, at its sole cost and expense, shall remove from the Property on or prior to such expiration, termination or re-entry, any personal property situated thereon which is not owned by Landlord, and shall repair any damage caused by such removal. Any property not so removed shall become the property of Landlord, and Landlord may cause such property to be removed from the Property and disposed of, but the cost of any such removal and disposition and of repairing any damage caused by such removal shall be borne by Tenant.

ARTICLE XXI
GENERAL

Section 21.01 Effectiveness. This Lease shall become effective on and only on its execution and delivery by each party hereto and the approval required by Section 21.20 below.

Section 21.02 Complete Understanding. This Lease, including all exhibits attached hereto, represents the complete understanding between the parties hereto as to the subject matter hereof, the Project, the Premises, the Improvements, the equipment, or the rest of the Property, and the rights and obligations of the parties hereto as to the same, and supersedes all prior negotiations, representations, guaranties, warranties, promises, statements or agreements, either written or oral, between the parties hereto as to the same, including without limitation, the Original Ground Lease. No inducements, representations, understandings or agreements have been made or relied upon in the making of this Lease, except those specifically set forth in this Lease. Neither party hereto has any right to rely on any other prior or contemporaneous representation made by anyone concerning this Lease which is not set forth herein. Without limiting the generality of the foregoing, the RFP shall be superseded in its entirety by the terms and conditions of this Lease.

Section 21.03 Waiver. No party hereto shall be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing (and, without limiting the generality of the foregoing, no delay or omission by any party hereto in exercising any such right shall be deemed a waiver of its future exercise). No such waiver made in any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance, or any other such right. Without limiting the generality of the foregoing, no action taken or not taken by Landlord under this Section or any other provision of this Lease (including but not limited to Landlord's acceptance of the payment of Rent after an Event of Default occurs) shall operate as a waiver of any right to be paid a late charge or of any other right or remedy which Landlord would otherwise have against Tenant on account of such Event of Default under this Lease or applicable law (Tenant hereby acknowledging that, in the interest of maintenance of good relations between Landlord and Tenant, there may be instances in which Landlord chooses not immediately to exercise some or all of its rights if an Event of Default occurs). No waiver by Tenant of (a) any provision of this Lease, (b) the performance by Landlord of any of its duties or obligations hereunder, or (c) any right, option, election, privilege or benefit of Tenant herein shall be effective without prior written consent of the Investor

Limited Partner, and the first priority Permitted Leasehold Mortgagee, and any waiver without such consent shall be void *ab initio*.

Section 21.04 Applicable Law. This Lease shall be given effect and construed by application of the law of the Commonwealth of Virginia without regard to its conflicts of laws or principles, and Landlord and Tenant each irrevocably (a) agrees that any suit, action or other legal proceeding arising out of this Lease or any of the transactions contemplated hereby shall be brought in the Arlington County Circuit; (b) consents to the jurisdiction of such court in any suit, action, or proceeding; and (c) waives any objection he or it may have to the laying of venue of any such suit, action or proceeding in such court.

Section 21.05 Time of Essence. Time shall be of the essence of this Lease, except that, whenever the last day for the exercise of any right or the discharge of any obligation hereunder falls on a Saturday, Sunday or statutory holiday, the party having such right or obligation shall have until 5:00 p.m. on the next succeeding day which is not a Saturday, Sunday or statutory holiday to exercise such right or discharge such obligation except for the force majeure provisions in Section 14.04 above.

Section 21.06 Headings. The headings of the Sections, paragraphs and subparagraphs hereof are provided herein for and only for convenience of reference, and shall not be considered in construing their contents.

Section 21.07 Construction. As used herein, all references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, and (c) to any Section, paragraph or subparagraph shall be deemed, unless otherwise expressly indicated, to have been made to such Section, paragraph or subparagraph of this Lease. Landlord agrees that, when interpreting this Lease, there shall be no presumption against Landlord on account of the fact that Landlord is the party that caused the drafting of this Lease.

Section 21.08 Exhibits. Each writing or plat referred to herein as being attached hereto as an exhibit or otherwise designated herein as an exhibit hereto is hereby made a part hereof.

Section 21.09 Severability. No determination by any court, governmental or administrative body or agency or otherwise that any provision of this Lease or any amendment hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of (a) any other such provision, or (b) such provision in any circumstance not controlled by such determination. Each such provision shall remain valid and enforceable to the fullest extent allowed by, and shall be construed wherever possible as being consistent with, applicable law.

Section 21.10 Disclaimer of Partnership Status. Nothing in this Lease shall be deemed in any way to create between the parties hereto any relationship of partnership, joint venture or association, and the parties hereto hereby disclaim the existence of any such relationship.

Section 21.11 Commissions. Each party hereto hereby represents and warrants to the other that, in connection with the leasing of the Property hereunder, the party so representing and warranting has not dealt with any real estate broker, agent or finder, and there is no commission, charge or other compensation due on account thereof. Tenant shall defend, indemnify and hold harmless Landlord against and from any liability, claim of liability or expense arising out of any inaccuracy in Tenant's representation.

Section 21.12 Limited Third-party Rights. Notwithstanding anything to the contrary set forth elsewhere in this Lease, the Investor Limited Partner shall be deemed a third-party beneficiary of the following provisions of the Lease: Section 7.05 (No Subordination), Section 13.02 (Permitted Transfers), Section 14.02 (Notice; Grace Period), Section 14.03 (Landlord's Rights on Event of Default), Section 14.05 (Landlord Event of Default), Section 15.01 (Estoppel Certificate), and Article XVII (Notices), and the Investor Limited Partner shall have rights to enforce such terms. The foregoing rights of the Investor Limited Partner to be a third-party beneficiary under this Lease shall be the only right of Investor Limited Partner (express or implied) to be a third-party beneficiary under this Lease. Such rights of the Investor Limited Partner shall expire upon the expiration of the applicable 15-year tax credit compliance period as set forth in Section 42 of the Code.

Section 21.13 New Lease. In the event of termination of this Lease for any reason (other than pursuant to Sections 2.01, 2.04 or 2.05 above) prior to its stated Expiration Date or in the event of any acquisition by Landlord of the Leasehold Estate, Landlord shall give each Permitted Leasehold Mortgagee (of which Landlord has previously received written notice) notice of such termination or acquisition within ten (10) business days after such termination or acquisition. If any Permitted Leasehold Mortgagee gives notice of its request upon Landlord for the new lease within a period of thirty (30) calendar days from the date such notice of termination or acquisition is delivered to the Permitted Leasehold Mortgagee, Landlord shall, within twenty (20) business days after Landlord's receipt of such Permitted Leasehold Mortgagee's notice of a request for a new lease, (a) enter into a new lease of the Property with the Permitted Leasehold Mortgagee or its designee or nominee (or, in the event that more than one Permitted Leasehold Mortgagee so requests a new lease, the Landlord shall enter into a new lease with either (i) the Permitted Leasehold Mortgagee, or its designee or nominee, who has the most senior Permitted Leasehold Mortgage on all of the Premises and Improvements and has requested a new lease, or (ii) if no such Permitted Leasehold Mortgagee requests a new lease, each Permitted Leasehold Mortgagee, or its designee or nominee, who has the most senior Permitted Leasehold Mortgage on any portion of the Premises or Improvements and has requested a new lease, all of whom shall collectively be the Tenant under such new lease) for the remainder of the Term of this Lease upon all of the covenants, conditions, limitations and agreements herein contained, effective immediately upon such termination of such prior Lease, at the rental and upon the covenants, agreements, terms, conditions and limitations (except as may have been previously fulfilled or as may be inapplicable to the Permitted Leasehold Mortgagee or its designee or nominee) otherwise herein contained; and (b) execute such deeds or other instruments as the Permitted Leasehold Mortgagee may require and as are acceptable to Landlord in order to convey the Improvements to the Permitted Leasehold Mortgagee; provided that the Permitted Leasehold Mortgagee (A) fully cures, simultaneously with entering into such new lease, any and all then existing defaults of Tenant other than defaults not reasonable susceptible of being cured by the Permitted Leasehold Mortgagee (including, without limitation, any default by reason of any bankruptcy, insolvency, actions by or for the benefit of creditors, or indebtedness of Tenant), and (B) pays Landlord for all expenses including, without limitation, reasonable attorneys' fees and disbursements and court costs incurred by Landlord in connection with the default by Tenant, the termination of this Lease and the preparation of the new lease. For the purpose of this Lease, the execution of a new Lease and conveyance of the Improvements shall be deemed to be an assignment or deed in lieu of foreclosure under its Permitted Leasehold Mortgage and

shall have the same effect under the terms and provisions of this Lease as such an assignment or deed.

Section 21.14 Preservation of Lease. This Lease may be amended, modified, supplemented, changed, cancelled, or terminated only by instrument executed by the parties hereto (or their successors or permitted assigns) and only with the prior written consents of all Permitted Leasehold Mortgagees and the Investor Limited Partner. Landlord shall not accept a surrender of the Lease without consents of all Permitted Leasehold Mortgagees and Investor Limited Partner. Any such amendment, modification, supplement, change, cancellation, termination or surrender shall not bind Permitted Leasehold Mortgagees and the Investor Limited Partner or their successors and assigns and shall be void *ab initio* unless made with such Permitted Leasehold Mortgagees' and Investor Limited Partner's consent.

Each Permitted Leasehold Mortgagee, at its election at any time prior to termination of this Lease, may revoke any notice of Tenant's termination of the Lease or any notice of Tenant's intention to do so. If Tenant gives notice to Landlord of its termination of the Lease, or its intention to do any of the foregoing, Landlord shall notify, within seven (7) calendar days, each Leasehold Mortgagee (of whom Landlord has been notified in writing or has actual knowledge) in order that each Leasehold Mortgagee, at its election, may revoke any such notice to Landlord, on behalf of Tenant, prior to termination of this Lease.

Section 21.15 Tenant's Rights, Generally. Upon and during the continuation of an event of default under any Permitted Leasehold Mortgage, the Permitted Leasehold Mortgagee, who is the Mortgagee under such Permitted Leasehold Mortgage, may, subject to the terms hereof, exercise any or all of the rights under this Lease of the Tenant but only so long as Landlord shall have received prior written notice of such Permitted Leasehold Mortgagee.

Section 21.16 No Personal Liability. Except as otherwise provided by Section 21.13 above, no Permitted Leasehold Mortgagee or its designee or affiliate shall have any liability under this Lease for acts or omissions taking place prior to the date it acquires any Tenant's interest and becomes a Tenant under this Lease. If a Permitted Leasehold Mortgagee or its designee or affiliate shall succeed to the interest of Tenant under the Lease, whether as a purchaser at a foreclosure sale or by the acceptance of an assignment or deed in lieu of foreclosure, such Permitted Leasehold Mortgagee and its designee or nominee shall, except as otherwise provided by Section 21.13 above, (a) not be liable for any act or omission of Tenant, and (b) be released from all liability prior to the date such Permitted Leasehold Mortgagee or its designee or nominee succeeds to the interest of Tenant. The foregoing shall not diminish Landlord's rights under Section 14.03 above with respect to any Event of Default that has not been cured or under the obligation of the Permitted Leasehold Mortgagee or its designee or nominee to cure defaults under Section 21.13 above.

Section 21.17 Role of Landlord/Landlord Decisions; No Waiver. Tenant hereby acknowledges that Landlord has entered into this Lease in its role as landlord under this Lease and not as a Governing Authority. Accordingly, Landlord's execution of this Lease shall neither constitute nor be deemed to be governmental approval for any actions or interests contemplated herein, including, without limitation, for the construction of the Improvements, or for any other governmental approval or consent required to be obtained by Tenant, including without limitation, any easement or permit pursuant to Section 4.03 above. Whenever in this Lease Landlord is required to join in, consent, give its approval, or otherwise act under this Lease, it is

understood that such obligations are meant to apply to Landlord acting in its capacity as a landlord and not in its capacity as a Governing Authority. Further, Tenant hereby acknowledges that any and all decisions, determinations, consents, notifications or any other actions taken or to be taken by Landlord pursuant to this Lease, whether or not specifically contemplated hereunder, may be taken by the County Manager or by another Arlington County official or body pursuant to any means, mechanism or process as determined by Arlington County in its sole discretion, and Tenant shall have no right to question or challenge the propriety, authority or legality of any such Arlington County official or body, or means, mechanism or process by which any such decision, determination, consent, notification, or other action is taken or to be taken hereunder by Landlord; provided such decision, determination, consent, notification, or other action by Landlord is taken in accordance with all applicable laws, rules, regulations, ordinances, codes, procedures, processes and orders. Notwithstanding the foregoing, nothing in this Lease shall be construed to waive any of Landlord's powers, rights or obligations as a Governing Authority or local governing body, whether or not affecting the Land or Improvements, including, but not limited to, its police power, right to grant or deny permits, right to collect taxes or other fees, or any other power, right or obligation whatsoever.

Section 21.18 No Rights in Third Parties. Except as specifically provided in Section 21.12 and otherwise within this document, the parties hereto mutually agree that no provision of this Lease shall create in the public, or in any person or entity other than those signing this Lease as parties hereto, rights as a third party beneficiary hereunder, or authorize any person or entity, not a party or authorized assignee hereto, to maintain any action for personal injury, property damage, or breach of contract pursuant to the terms of this Lease or otherwise.

Section 21.19 No Indemnification or Hold Harmless. Notwithstanding any other term or provision of this Lease to the contrary, Landlord shall have no obligation to explicitly or implicitly indemnify or hold harmless Tenant or any third party or parties from any liability whatsoever.

Section 21.20 Approval of Lease by Landlord. This Lease shall not become effective unless and until the County Board approves this Lease. Such approval by the County Board shall be evidenced by the execution of this Lease by the Chairman of the County Board or other person designated by the County Board. Upon the execution and delivery by Tenant of a Lease that is acceptable to the County Manager, he shall use reasonable efforts to promptly obtain the approval of the County Board to this Lease consistent with the County process for the review and submission of documents to the County Board for consideration. If this Lease is not approved by the County Board as evidenced by the execution hereof by the County Manager or his designee, then no liability whatsoever shall accrue to Landlord or Tenant and Landlord and Tenant shall have no obligations whatsoever to each other hereunder.

Section 21.21 Appropriation of Funds. All of Landlord's obligations under this Lease shall be fully subject to the appropriation of funds by The County Board of Arlington County, Virginia for the specific purpose of satisfying the obligations of Landlord hereunder.

Section 21.22 No Waiver of Sovereign Immunity by Landlord. Notwithstanding any other provision of this Lease to the contrary, nothing in this Lease nor any action taken by Landlord pursuant to this Lease nor any document which arises out of this Lease shall constitute or be construed as a waiver of either the sovereign immunity or governmental immunity of

Landlord, or of its elected and appointed officials, officers and employees in its capacity as a Governing Authority.

IN WITNESS WHEREOF, each party hereto has executed and ensealed this Lease or caused it to be executed and ensealed on its behalf by its duly authorized representatives, the day and year first above written.

Approved as to form:

_____
County Attorney

LANDLORD:

THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA, a body politic

By: _____(seal)
Name: _____
Title: _____

TENANT:

BUCKINGHAM VILLAGE LIMITED PARTNERSHIP, a Delaware limited partnership

By: Buckingham Village LLC, a District of Columbia limited liability company, its general partner

By: ER Buckingham Corporation, a Delaware corporation, its co-managing member

By: _____(seal)
Marilyn Melkonian, President

By: NHTE Buckingham LLC, a Virginia limited liability company, its co-managing member

By: _____(seal)
Scott Kline, Executive Manager

SEEN AND AGREED:

BUCKINGHAM VILLAGE LLC, a Delaware limited liability company

By: Neighborhood Associates Corporation, a district of Columbia non-profit corporation, its sole member

By: _____
Marilyn Melkonian, President

EXHIBITS ATTACHED:

Exhibit A – Description of Land
Exhibit B – Insurance Requirements
Exhibit C –Renovation, Finance and Management Plan
Exhibit D– [*Intentionally Omitted*]
Exhibit E – Affordable Housing Program
Exhibit F - Annual Supplemental Rent Installments Schedule
Exhibit G - Form of Memorandum of Lease