The Borrower agrees not to transfer, assign, pledge or hypothecate any right or interest in any payment or advance due pursuant to this Loan Agreement, or any of the other benefits of this Loan Agreement, without the prior written consent of the Lender. Any assignment made or attempted by the Borrower without the prior written consent of the Lender shall be void. No consent by the Lender to an assignment by the Borrower shall release the Borrower as the party primarily obligated and liable under the terms of this Loan Agreement unless the Borrower shall be released specifically by the Lender in writing. No consent by the Lender to an assignment shall be deemed to be a waiver of the requirement of prior written consent by the Lender with respect to each and every further assignment and as a condition precedent to the effectiveness of such assignment.

2.10 Liability of the Lender.

The Lender shall in no event be responsible or liable to any person other than the Borrower for the disbursement of or failure to disburse the loan proceeds or any part thereof and neither the General Contractor or Construction Manager, if any, nor any subcontractor, laborer or material supplier shall have any right or claim against the Lender under this Agreement or the administration thereof.

2.11 Maintenance of Primary Account.

The Borrower shall maintain an operating bank account with respect to the project on the Mortgaged Property, with the Lender, and the Lender shall fund all advances made to the Borrower into that account.

2.12 Loan to Value Ratio.

The Borrower shall maintain a "Maximum Overall Loan To Value Ratio" of eighty percent (80%). The Maximum Overall Loan To Value Ratio of eighty percent (80%) means that the total funds to be advanced on account of each lot within the Mortgaged Property shall be no more than eighty percent (80%) of the appraised value of that lot improved with a completed house, including all renovations.

2.13 Intentionally Deleted.

2.14 Special Conditions. The following special conditions shall apply to the Loan:

(a) Subordinate Loans and Grants. The loans and grants referred to below, to be made in connection with the construction of twenty-seven (27) single family detached houses on the Mortgaged Property, shall be fully approved and committed pursuant to commitment letters which shall be satisfactory to the Lender in its sole and absolute discretion. Those loans and grants shall be fully

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subordinated to the Loan, and must be fully closed prior to or coincident with the closing of this Loan:

(i) $325,000.00 loan from the Local Initiatives Support Corporation ("LISC") and $171,000.00 in alley grant funds.

(b) The Lender reserves the right to approve the progress inspector/engineer retained by LISC and to review all inspection reports provided to LISC, which shall be satisfactory to the Lender, showing that all work completed at the time of the application for the LISC advance has been performed in a good and workmanlike manner and all materials and fixtures usually furnished and installed at that stage of development have been furnished and installed. During the period in which the LISC financing is being funded, the Lender also reserves the right to require more of the same type of inspections in addition to those required by LISC.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.0 Representations and Warranties by Borrower.

The Borrower hereby represents and warrants to the Lender, as of the date of the first advance of loan proceeds and at all times thereafter, that:

3.1 Plans and Specifications.

No work associated with the construction of the Improvements will be commenced by the Borrower unless and until the Plans and Specifications are satisfactory to the Borrower and the Lender and, to the extent required by applicable law and any effective restrictive covenants, have been approved by all governmental authorities having or claiming jurisdiction and by the beneficiaries of any such restrictive covenants, respectively.

3.2 Building Permits - Other Permits.

No work associated with the construction of the Improvements will be commenced by the Borrower unless and until all building, construction and other permits necessary or required in connection with the development of the Land and the construction of the Improvements have been validly issued and all fees and bonds required in connection therewith have been paid or posted, as the circumstances may require.

3.3 Utilities.

All utility services necessary for the development of the Land and the construction of the Improvements and the operation thereof

for their intended purpose are available at the boundaries of the Land, including, without limitation, telephone service, water supply, storm and sanitary sewer facilities, and natural gas or electric facilities.

3.4 Access - Roads.

All roads and other access necessary for the development of the Land and the construction and full utilization of the Improvements for their intended purposes have either been completed or the necessary rights of way therefor have either been acquired by the appropriate governmental authorities or have been dedicated to public use and accepted by such governmental authorities and all necessary steps have been taken by the Borrower or such governmental authorities to assure the complete construction and installation thereof by a time no later than the Completion Date.

3.5 Other Liens.

Except as otherwise provided for in the Security Documents, the Borrower has made no contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Mortgaged Property.

3.6 Financial Statements.

The financial statements heretofore delivered to the Lender are true and correct in all respects, have been prepared in accordance with generally accepted accounting practices consistently applied, and fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof. No materially adverse change has occurred in the financial conditions reflected therein since the respective dates thereof and no material additional liabilities have been incurred by the Borrower since the date thereof other than the borrowing contemplated herein or as approved in writing by the Lender.

3.7 Defaults.

There is no default on the part of the Borrower under the Note or the Security Documents and no event has occurred and is continuing which, with notice or the passage of time, or both, would constitute a default under the Note or the Security Documents.

3.8 Compliance in Zoning.

The current or anticipated use of the Mortgaged Property complies with applicable zoning ordinances, regulations and restrictive covenants affecting the Land, all use requirements of any governmental authority having jurisdiction have been satisfied,

and no violation of any law or regulation exists with respect thereto.

3.9 Year 2000 Compliance.

Borrower has reviewed and assessed its and its subsidiaries' computer applications. Borrower reasonably believes that those computer applications will be "Year 2000 compliant" (that is, able to perform properly date-sensitive functions involving dates prior to and after December 31, 1999) on a timely basis. Borrower has no reason to believe that the computer applications of its suppliers and vendors that are material to its and its subsidiaries' businesses, will not be "Year 2000 compliant". Borrower is aware that failure of any such computer applications to be "Year 2000 compliant" may cause disruption of Borrower's business, and Borrower will make such inquiries that it deems reasonably necessary to determine that such computer applications are "Year 2000 compliant". Borrower will promptly notify Lender if Borrower discovers that any of those computer applications (including those of its suppliers and vendors) will not be Year 2000 compliant on a timely basis.

ARTICLE IV

AFFIRMATIVE COVENANTS

4.0 Affirmative Covenants.

Borrower hereby affirmatively covenants and agrees as follows:

4.1 Construction.

Within thirty (30) days from the date hereof, the Borrower shall commence to develop the Land and/or construct the Improvements upon the Land and will prosecute the same in good faith with diligence and continuity in accordance with the Plans and Specifications.

4.2. Approval and Permits.

No work associated with the development of the Land or the construction of the Improvements shall be commenced by the Borrower unless and until the Plans and Specifications have been approved by the Lender and, to the extent required by applicable law or any effective restrictive covenant, by all governmental authorities having or claiming jurisdiction and by the beneficiary of any such restrictive covenant, and unless and until all building, construction and other permits necessary or required in connection with the development of the Land and the construction of the Improvements have been validly issued and all fees and bonds required in connection therewith have been paid or posted, as the circumstances may require.

4.3 Completion of Construction.

Construction of the Improvements shall be completed by the Borrower, free and clear of all liens and claims of liens for materials supplied and for services or labor performed in connection with the construction of the Improvements, on or before the Completion Date.

4.4 Compliance with Laws - Encroachments.

The Improvements shall be constructed by the Borrower in strict accordance with all applicable (whether present or future) laws, ordinances, rules, regulations, requirements and orders of any governmental or regulatory authority having or claiming jurisdiction. The Improvements shall be constructed entirely on the Land and will not encroach upon any easement or right-of-way, or upon the land of others. Construction of the Improvements shall be wholly within all applicable building restriction lines and set-backs, however established, and shall be in strict accordance with all applicable use or other restrictions and the provisions of any prior agreements, declarations, covenants and all applicable zoning and subdivision ordinances and regulations.

4.5 Surveys.

Upon the Lender's request from time to time, as construction progresses and upon the completion of the construction of the Improvements, the Borrower shall furnish the Lender with a plat of survey, currently certified to the Lender by a registered land surveyor of the jurisdiction in which the Land is located, which plat of survey shall clearly designate at least (i) the location of the perimeter of the Land by courses and distances; (ii) the location of all easements, rights-of-way, alleys, streams, waters, paths and encroachments; (iii) the location of all building restriction lines and set-backs, however established; (iv) the location of any streets or roadways abutting the Land; and (v) the "as-built" location of the Improvements and the relation of the Improvements by courses and distances to the perimeter of the Land, building restriction lines and set-backs.

At any time the Borrower is required to furnish a plat of survey to the Lender pursuant to the terms of this Loan Agreement, the Borrower shall also furnish an original print thereof to the title insurance company and such plat of survey shall not be sufficient for purposes of this Loan Agreement unless and until the title insurance company shall advise the Lender, by endorsement to the title insurance policy or otherwise, that the plat of survey discloses no violations, encroachments or other variances from applicable set-backs or other restrictions except such as the Lender and its counsel shall approve. All such plats of survey shall conform to the Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys jointly established and adopted by the

American Land Title Association and the American Congress on Surveying and Mapping in 1992.

4.6 Inspections; Cooperation; Payment of Progress Inspector.

The Borrower shall permit the Lender and its duly authorized representatives (including, without limitation, the Progress Inspector) to enter upon the Land and to inspect the Improvements and any and all materials to be used in connection with the construction thereof and to examine all detailed plans and shop drawings and similar materials relating to the development of the Land and the construction of the Improvements. The Borrower will at all times cooperate and cause the General Contractor or the Construction Manager, if any, and each and every of its subcontractors and materialmen, to cooperate with the Lender and its duly authorized representatives (including, without limitation, the Progress Inspector) in connection with or in aid of the performance of the Lender's functions under this Loan Agreement. The fees of any Progress Inspector engaged or employed by the Lender in connection with or in aid of the performance of the Lender's functions under this Loan Agreement shall be paid by the Borrower.

4.7 Vouchers and Receipts

The Borrower will furnish to the Lender, promptly on demand, any contracts, bills of sale, statements, receipted vouchers or agreements pursuant to which the Borrower has any claim of title to any materials, fixtures or other articles delivered or to be delivered to the Land or incorporated or to be incorporated into the Improvements. The Borrower will furnish to the Lender, promptly on demand, a verified written statement, in such form and detail as the Lender may require, showing all amounts paid and unpaid for labor and materials and all items of labor and materials to be furnished for which payment has not been made and the amounts to be paid therefor.

4.8 Payments for Labor and Materials.

The Borrower will pay when due all bills for materials supplied and for services or labor performed in connection with the development of the Land and the construction of the Improvements.

4.9 Correction of Construction Defects.

Promptly following any demand by the Lender, the Borrower will correct or cause the correction of any structural defects in the Improvements and any departures or deviations from the Plans and Specifications not approved in writing by the Lender.

4.10 Insurance.

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The original policy or policies of insurance, a certified true copy thereof or a binder followed by a policy within thirty (30) days, shall be deposited with the Bank, together with a paid receipt for the premiums thereunder for a one (1) year period. Certificates of Insurance are not acceptable as evidence of compliance with this section. All policies of insurance shall be written with a company or companies licensed to do business in the jurisdiction where the Mortgaged Property is located and with a company or companies satisfactory to the Lender. Each policy of insurance shall provide that such policy may not be surrendered, cancelled or substantially modified, (excluding cancellation for non-payment of premiums), without at least thirty (30) days' prior written notice to all parties named as insured therein, including the Lender. Each policy of insurance shall provide that such policy may not be cancelled for non-payment of premiums, without at least thirty (30) days prior written notice to all parties insured thereon, including the Lender.

At no cost to the Lender, the Borrower shall provide and maintain:

(a) BUILDER'S RISK INSURANCE - "Builder's Risk" insurance (non-reporting form) of the type customarily carried in the case of similar construction for the full replacement cost of work in place and material stored at or upon the Mortgaged Property, comprehensive broad form "all risk" casualty insurance and insurance for other risks of a similar or dissimilar nature, in such forms and amounts as the Lender may require. Each policy shall include a "guaranteed replacement cost" clause, which eliminates any deduction for depreciation, and an "agreed amount" clause, which removes the coinsurance provision. Such insurance policy shall name Lender as mortgagee.

(b) FIRE/HAZARD INSURANCE WITH EXTENDED COVERAGE - Insurance against any act or occurrence of any kind or nature that results in damage, loss or destruction to the Property under a policy or policies covering such risks as are ordinarily insured against by similar businesses, but in any event including fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke, vandalism and malicious mischief, upon the completion of the construction of the improvements or upon the occupancy thereof for the purposes intended, whichever shall first occur. Unless otherwise agreed in writing by the Lender, such insurance shall be for the full insurable value of the Property. The term "full insurable value" means the actual replacement cost of the Property (excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items). The deductible amount under such policy or policies shall not exceed $5,000.00. Each policy shall include a "guaranteed replacement cost" clause, which eliminates any deduction for depreciation, and an "agreed amount" clause, which removes the co-insurance provision. No policy of

insurance shall be written such that the proceeds thereof will produce less than the minimum coverage required by this section by reason of coinsurance provisions or otherwise. The "full insurable value" shall be determined from time to time at the request of the Lender (but not more frequently than once every three (3) years) by an appraiser or appraisal company or one of the insurers, who shall be selected and paid for by the Borrower but subject to the Lender's approval. Such insurance policy shall name Lender as mortgagee.

(c) LIABILITY INSURANCE - Comprehensive general public liability and indemnity insurance in such forms and in such amounts as the Lender may require, but in any event not less than $1,000,000 covering all claims for bodily injury or death and property damage arising out of a single occurrence and $2,000,000 for the aggregate of all occurrences during any given annual policy period. Such insurance policy shall name the Lender as an additional insured.

(d) WORKER'S COMPENSATION INSURANCE - Worker's Compensation Insurance for all employees (if any) of the Borrower in accordance with the applicable requirements of law.

(e) FLOOD INSURANCE - A separate policy or policies of flood insurance in an amount at least equivalent to the amount of the Note or the maximum limit of coverage available with respect to the Mortgaged Property, whichever is the lesser, from a company or companies satisfactory to the Lender and written in conformity with the Flood Disaster Protection Act of 1973, as amended, and all applicable regulations adopted pursuant thereto; provided, however, that in the alternative the Borrower may supply the Lender with written evidence, in form and substance satisfactory to the Lender, to the effect that such flood insurance is not available with respect to the Mortgaged Property. Such insurance policy shall name Lender as an additional insured.

4.11. [Intentionally Deleted].

4.12 Fees and Expenses - Indemnity.

The Borrower will pay to the Lender or as the Lender directs all fees, charges, costs and expenses required to satisfy the conditions of the Security Documents and the Commitment. The Borrower will hold the Lender harmless and indemnify the Lender from all claims of brokers and "finders" arising by reason of the execution and delivery hereof or the consummation of the transaction contemplated hereby.

4.13 Prompt Applications.

The Borrower shall cause application for advances of loan proceeds to be made and delivered to the Lender promptly in order

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to obtain advances of loan proceeds as they become available for disbursement pursuant to the terms of this Loan Agreement.

4.14 Hazardous Materials

The Borrower will immediately remove all Hazardous Materials from the Land and Improvements after the Borrower has been notified that Hazardous Materials have been used in the construction of the Improvements or are or have been stored or located upon the Land or the Improvements.

4.15 Financial Statements and Activity Report. At no expense to Lender, within 150 days following the close of each of its fiscal years, Borrower shall deliver to Lender its financial statement containing a balance sheet, statement of profit and loss, statement of Borrower's cash then on hand and a statement containing in reasonable detail an analysis of the kind and amount of other credit then available to Borrower, whether on a secured or an unsecured basis, and a separate income and expense statement pertaining to the Property. All such financial statements shall be prepared in accordance with generally accepted accounting principles, by an independent certified public accountant acceptable to Lender, and certified by the Borrower with an original signature and date.

In addition, within thirty (30) days following the close of each calendar quarter, the Borrower shall deliver to Lender internally prepared quarterly contract and settlement reports satisfactory to the Lender in all respects describing customer traffic at the Property, the status of completion of all development and construction, and the status of all purchase contracts, together with brief descriptions of all advertising and marketing efforts.

The term "financial statements" and "personal financial statements" shall include, unless waived by Lender, income tax returns including all schedules and K-1s, consolidated statements of related companies, interim statements, statements of contingent liabilities, detailed cash flow statements and operating statements for the Property and each project in which the Borrower and the Guarantor have an interest, and supporting schedules and documentation. Detailed cash flow statements shall include, as applicable, project name, location, percentage of Borrower's and/or Guarantor's ownership interest, leasing status, net operating income, current loan operating deficit, amount of and beneficiary of any cash distributions, and the amount of cash invested in or received from that enterprise. Detailed cash flow statements shall include such statements for the next fiscal year (twelve month period) for each project and/or entity. All statements shall bear an authorized signature attesting to the accuracy thereof.

4.16 Appraisal.

The Lender's obligation to make an advance or readvance of the Loan shall be further subject to receipt by the Lender of a "benchmark" appraisal for each model unit to be constructed within the Property (collectively, the "Appraisal") which, when reviewed by an independent appraiser retained by the Lender, indicates acceptable values for such model units. In addition, the Appraisal shall (a) be performed by an appraiser approved and engaged by the Lender pursuant to the terms of the Lender's form appraiser engagement letter, (b) comply with all of the applicable regulations adopted by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the currency regarding appraisals of real estate, (c) otherwise be satisfactory to the Lender in all respects in its sole discretion, and (d) be paid for by the Borrower. The Borrower acknowledges and agrees that, notwithstanding the fact that the appraiser has been or will be engaged by the Lender, the Borrower is obligated to pay all reasonable fees, expenses and other charges of the appraiser and other costs associated with the Appraisal (collectively, the "Appraisal Fee"), and all such amounts shall constitute a portion of the Borrower's obligations secured by the Deed of Trust and evidenced by the Note. In the event that the Borrower fails to take down a lot, and encumber it with the Deed of Trust, regardless of the reason therefor, any Appraisal Fee delivered to the Lender in connection with the Loan shall be deemed non-refundable and retained by the Lender. The Lender hereby reserves the right, in its sole discretion, to require an annual reappraisal of the Property, and all fees, expenses and other costs associated therewith shall be paid by the Borrower, and if not so paid, such amounts shall constitute a portion of the Borrower's obligations evidenced by the Note and secured by the Deed of Trust. If the Appraisal shall reveal that the Loan to Value Ratio requirement set forth in Section 2.12 above, has not been met, then within thirty (30) days after the Lender sends written notification of that deficiency to the Borrower, the Borrower shall immediately curtail the principal balance of the Indebtedness so that the Loan to Value Ratio requirement is fulfilled.

ARTICLE V

NEGATIVE COVENANTS

5.0 Negative Covenants.

Until the Indebtedness shall have been paid in full, the Borrower covenants and agrees as follows:

5.1 Other Liens; Transfers; "Due-on-Sale", etc.

The Borrower shall not, without the prior written consent of the Lender, create or permit to be created or remain with respect to the Mortgaged Property or any part thereof or income therefrom, any mortgage, pledge, lien, encumbrance, charge, security interest,

conditional sale or other title retention agreement, whether prior or subordinate to the lien of the Security Documents, other than in connection with the Security Documents or as otherwise provided for or permitted therein. Except for any grant, conveyance, sale, assignment or transfer in the ordinary course of the Borrower's business and which is specifically conditioned upon the release of record of the lien of the Deed of Trust and the other Security Documents as to that portion of the Mortgaged Property granted, conveyed, sold, assigned or transferred, the Borrower shall not, without the prior written consent of the Lender, make, create, permit or consent to any conveyance, sale, assignment or transfer of the Mortgaged Property or any part thereof, other than in connection with the Security Documents or as otherwise provided for or permitted therein.

5.2 Impairment of Security.

Borrower shall take no action which will in any manner impair the value of the Mortgaged Property or the validity, priority or security of the Deed of Trust.

5.3 Conditional Sales.

Borrower will not incorporate in the Improvements any property acquired under a conditional sales contract, or lease, or as to which the vendor retains title or a security interest, without the prior written consent of the Lender.

5.4 Changes to Plans and Specifications.

Except as permitted by this Agreement, no revisions to the Plans and Specifications shall be permitted without Lender's consent and a written change order signed by an authorized representative of Borrower and the project engineer or architect. If, in Lender's sole discretion, the proposed change order does not, individually or in the aggregate with prior change orders, (i) materially reduce the quality of the construction or quality of any materials, and (ii) increase the costs of construction by more than $10,000.00 for any individual change order or $25,000.00 for all change orders in the aggregate, the Lender shall approve such change order.

5.5 Bonds.

Borrower will not do or permit anything to be done that would affect the coverage or indemnities provided for pursuant to the provisions of any performance bond, labor and material payment bond or any other bond required pursuant to the provisions of the Security Documents.

5.6 Contract for Construction of Improvements - Construction Management.

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Borrower shall not execute any contract or agreement or become a party to any arrangement for the construction of the Improvements or for construction management services without the prior written consent of the Lender.

5.7 Condominium.

The Mortgaged Property, or any portion thereof, shall not be subjected to a condominium regime without the prior written consent of the Lender and until (a) construction of the Improvements has been completed to a stage satisfactory to the Lender, (b) all condominium instruments have been reviewed and approved by the Lender's counsel at the Borrower's expense, and (c) the Lender shall have received written evidence in form and substance satisfactory to it to the effect that all governmental authorities having or claiming jurisdiction have, if required, approved the condominium instruments and authorized establishment of the condominium regime. The Lender's consent to subjecting the Mortgaged Property to a condominium regime will be further conditioned upon the Lender's receipt of an endorsement of the Lender's title insurance policy which shall (a) update the title insurance policy to the date of the recording of the condominium declaration, (b) affirmatively insure that there has been no other change in the status of title, and (c) specifically insure that the loss or damage, costs, attorneys' fees and expenses, as those terms and expressions are used in the title policy, include loss or damage, costs, attorneys' fees and expenses incurred by the Lender by reason of any failure of the condominium instruments to comply with the provisions of applicable law. The Borrower shall pay all costs and expenses actually incurred by the Lender in connection with the foregoing.

5.8 Subordinate Financing.

Notwithstanding anything provided in the loan documents evidencing and securing that certain loan (the "Subordinate Lender Obligations") from Local Initiatives Support Corporation ("Subordinate Lender") to the Borrower for the amount of $325,000.00 (the "Subordinate Lender Documents"), to the contrary, so long as the Indebtedness and Obligations remain outstanding, unless Lender shall consent in writing: (A) all of the Indebtedness and Obligations shall be paid and satisfied in full before any payment is made on account of the Subordinate Lender Obligations; and (B) no prepayment of the Subordinate Lender Obligations shall be made. It shall be an Event of Default under the Security Documents if any payment is made to Subordinate Lender on account of the principal, interest, fees, or other amounts on or with respect to the Subordinate Lender Obligations which is not permitted hereunder.

Notwithstanding the provisions of this Section, provided there is no Event of Default under the Security Documents, and

provided that such payment by the Borrower will not result in an Event of Default under the Security Documents, the Borrower may pay to the Subordinate Lender, and the Subordinate Lender may accept or receive from the Borrower, only: (a) the regularly scheduled payments of interest provided for under the Subordinate Lender Documents (without giving effect to any amendment or modification thereof not approved by Lender which would have the effect of increasing the amount of any such payment); and (b) at the time of sale of lots of the Mortgaged Property, after Lender has received its required release prices as stated in the herein, a payment of principal for each such lot equal to One hundred percent (100%) of the sum of the principal amount of the indebtedness under the Subordinate Lender Documents allocated and advanced on account of the particular lot, in the approximate amount of$12,037.00 per lot.

Lender reserves the right to approve (which approval shall not be unreasonably withheld), the progress inspector/engineer retained by Subordinate Lender and to review all inspection reports provided to Subordinate Lender, which shall be satisfactory to Lender, showing that all work completed at the time of the application for the Subordinate Lender advance has been performed in a good and workmanlike manner and all materials and fixtures usually furnished and installed at that stage of development have been furnished and installed. During the period in which the Subordinate Lender financing is being funded, Lender also reserves the right to require more of the same type of inspections in addition to those required by Subordinate Lender.

Notwithstanding anything provided in the Subordinate Lender Documents to the contrary, so long as the Indebtedness and Obligations remain outstanding, unless Lender shall consent in writing, Borrower shall not amend or modify the provisions of the Subordinate Lender Documents.

ARTICLE VI

EVENTS OF DEFAULT

6.0 Events of Default.

The term "Event(s) of Default," as used in this Loan Agreement shall mean the occurrence or happening, from time to time, of any one or more of the following:

6.1 Payment of Indebtedness.

The failure of the Borrower to pay to the Lender any and all amounts payable by the Borrower to the Lender under the terms of the Note or any of the Security Documents, including but not limited to, any principal payment, interest payment, loan fee, extension fee or late charge.

6.2 Performance of Obligations.

If the Borrower shall default in the due observance or performance of any of the Obligations and such default shall continue for a period of twenty (20) days after written notice thereof is sent from the Lender to the Borrower, provided however, that if the Borrower immediately commences and is diligently pursuing the curing of such default, but such default is not reasonably capable of being cured within such twenty (20) day period, then the Borrower shall have a reasonable time, not to exceed an additional sixty (60) days, to cure such default.

6.3 Other Defaults.

If any other default shall occur under the Note or any of the Security Documents.

6.4 Representation and Warranties.

Any representation or warranty contained in this Loan Agreement, or in any other document, certificate or opinion delivered to the Lender in connection with the Loan, shall prove at any time to be incorrect or misleading in any material respect when made.

6.5 Progress of Construction.

Except for delays unavoidably occasioned by strikes, lockouts, war or civil disturbance, natural disaster or acts of God, if development of the Land and construction of the Improvements is not carried on in good faith and with reasonable dispatch or if the Borrower abandons the work or discontinues work for a period of more than fifteen (15) consecutive days.

6.6 Failure to Complete.

Except for delays unavoidably occasioned by strikes, lockouts, war or civil disturbance, natural disaster or acts of God, if the Borrower fails to complete the construction of the Improvements on or before the Completion Date.

6.7 Conditions Precedent to Any Advance.

Except for delays unavoidably occasioned by strikes, lockouts, war or civil disturbance, natural disaster or acts of God, if the Borrower is unable to satisfy any condition precedent to its right to receive an advance of loan proceeds for a period in excess of thirty (30) days.

6.8 Damage to Improvements.

If at any time the Improvements are substantially damaged or destroyed by fire or other casualty and the Lender determines that

the Improvements cannot be restored and completed by a date no later than the Completion Date in accordance with the terms and provisions of this Loan Agreement.

6.9 Proceeds Insufficient to Complete.

If at any time the Lender determines that the amount of undisbursed net proceeds of the Loan is less than the amount necessary or required to complete and pay for the development of the Land and the construction of the Improvements in accordance with the Plans and Specifications of units on which first advances have been made hereunder, by a date no later than the Completion Date and if, within twenty (20) days after a request in writing by the Lender, the Borrower shall not have deposited with Lender an amount equal to the difference between the estimated cost of completion of the development of the Land and the construction of the Improvements as determined by the Lender (including sufficient funds to pay interest on the Loan for the remaining term of the Loan) and the amount of the Loan which remains to be disbursed (excluding funds then unavailable for disbursement or advance pursuant to some special limitation or restriction set forth in this Agreement) or shall not have paid for construction costs in that amount from sources other than the proceeds of the Loan so that the amount of the Loan which remains to be disbursed (excluding funds then unavailable for disbursement or advance pursuant to some special limitation or restriction set forth in this Agreement) shall be sufficient to complete the development of the Land and the construction of the Improvements in accordance with the Plans and Specifications by a date no later than the Completion Date (including sufficient funds to pay interest on the Loan for the remaining term of the Loan).

6.10 Cross Defaults.

A default under any other loan secured by the Property shall be a default under this Loan.

6.11 Disclosure of Contractors.

The Borrower shall fail to disclose to the Lender, upon demand, the names of all persons with whom the Borrower has contracted or intends to contract for the construction of the Improvements or for the furnishing of labor or materials therefor.

6.12 Mechanic's Lien.

A lien for the performance of work or the supply of materials which is established against the Mortgaged Property remains unsatisfied or unbonded for a period of twenty (20) days after the date of notice is received by the Borrower.

6.13 Impairment of Security.

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The occurrence of any condition or situation which, in the sole determination of the Lender, constitutes a danger to or impairment of the security for the repayment of the Loan, if such condition or situation is not remedied within ten (10) days after written notice to the Borrower thereof or, if the situation or condition is such that it cannot be fully remedied within ten (10) days, if the Borrower has not commenced such remedy within such period or fails to diligently pursue it to completion thereafter.

ARTICLE VII

DEFAULT - REMEDIES

7.0 Remedies on Default

Lender shall have the right, upon the happening of any Event of Default, to terminate this Loan Agreement by notice in writing to the Borrower and, in addition to any rights or remedies avail able to it under the Deed of Trust or other Security Documents, to enter into possession of the Mortgaged Property and perform any and all work and labor necessary to complete the development of the Land and the construction of the Improvements (whether or not in accordance with the Plans and Specifications) and to employ watchmen to protect the Mortgaged Property and the Improvements.

All sums expended by Lender for such purposes shall be deemed to have been paid to Borrower and secured by the Deed of Trust. For this purpose, Borrower hereby constitutes and appoints Lender its true and lawful attorney-in-fact with full power of substitution to complete the work in the name of the Borrower, and hereby empowers said attorney or attorneys as follows:

(a) to use any funds of Borrower including any balance which may be held in escrow and any funds which may remain unadvanced hereunder for the purpose of completing the development of the Land and the construction of the Improvements, whether or not in the manner called for in the Plans and Specifications;

(b) to make such additions and changes and corrections in the Plans and Specifications which shall be necessary or desirable in the judgment of the Lender to complete the development of the Land and the construction of the Improvements;

(c) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for said purpose;

(d) to pay, settle or compromise all existing bills and claims which are or may be liens against the Mortgaged Property, or may be necessary or desirable for the completion of the work or the clearance of title;

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(e) to execute all applications and certificates which may be required in the name of Borrower; and

(f) to do any and every act with respect to the development of the Land or the construction of the Improvements which Borrower may do in its own behalf.

It is understood and agreed that this power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked. Said attorney-in-fact shall also have power to prosecute and defend all actions or proceedings in connection with the development of the Land and the construction of the Improvements and to take such actions and require such performance as is deemed necessary.

Upon the happening of an Event of Default, the Lender may, at its option, advance from the undisbursed portion of the Loan an amount equal to the then potential unfunded obligations of the Lender under any letters of credit now or hereafter issued by the Lender for the account of the Borrower. Any advance made pursuant to this paragraph shall be deemed to be an advance of the Loan and shall be made without notice to or request by the Borrower. The Lender is irrevocably authorized by the Borrower to make advances in accordance with this paragraph. The proceeds of any advance made pursuant to this paragraph shall be deposited by the Lender in a deposit account maintained by the Lender as collateral for all the obligations (whether contingent or otherwise) of the Borrower to the Lender with respect to the Loan and with respect to any note, letter of credit agreement, or other document evidencing or securing any such letter of credit.

The Borrower hereby irrevocably constitutes and appoints the Lender its true and lawful attorney-in-fact to execute, acknowledge and deliver such documents, instruments and certificates, and to take such other actions, in the name and on behalf of the Borrower and at the sole cost and expense of the Borrower, as the Lender in its sole discretion, deems necessary, desirable or appropriate to effectuate the provisions of this paragraph.

7.1 No Conditions Precedent to Exercise of Remedies.

Neither Borrower nor any guarantor of the payment of all or any part of the Indebtedness or the performance of any of the Obligations shall be relieved of any obligation by reason of the failure of the Lender to comply with any request of Borrower or of any other person to take action to foreclose on the Deed of Trust or otherwise to enforce any provisions of the Note or the Security Documents, or by reason of the release, regardless of consideration, of all or any part of the Mortgaged Property, or by reason of any agreement of stipulation between any subsequent owner of the Mortgaged Property and the Lender extending the time of payment or modifying the terms of the Note or the Security Documents without

first having obtained the consent of the Borrower or such guarantor; and in the latter event, the Borrower and all such guarantors shall continue to be liable to make payments according to the terms of any such extension or modification agreement, unless expressly released and discharged in writing by the Lender.

7.2 Remedies Cumulative and Concurrent.

No remedy herein conferred upon or reserved to the Lender is intended to be exclusive of any other remedies provided for in the Note or in the Security Documents, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or under the Note or the Security Documents, or now or hereafter existing at law or in equity or by statute. Every right, power and remedy given by the Note and the Security Documents to the Lender shall be concurrent and may be pursued separately, successively or together against the Borrower, any guarantor of the payment of all or any part of the Indebtedness or the performance of any of the Obligations, or the Mortgaged Property or any part thereof, or any one or more of them; and every right, power and remedy given by the Note or the Security Documents may be exercised from time to time as often as may be deemed expedient by the Lender.

7.3 Strict Performance.

No delay or omission of the Lender to exercise any right, power or remedy accruing upon the happening of an Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or any acquiescence therein. No delay or omission on the part of the Lender to exercise any option for acceleration of the maturity of the Indebtedness, or for foreclosure of the Deed of Trust following any Event of Default as aforesaid, or any other option granted to the Lender hereunder in any one or more instances, or the acceptance by the Lender of any partial payment on account of the Indebtedness shall constitute a waiver of any such Event of Default and each such option shall remain continuously in full force and effect.

ARTICLE VIII

MISCELLANEOUS

8.0 No Warranty by Lender.

By accepting or approving anything required to be observed, performed or fulfilled by the Borrower or to be given to Lender pursuant to this Loan Agreement, including, without limitation, any certificate, balance sheet, statement of profit and loss or other financial statement, survey, receipt, appraisal or insurance policy, the Lender shall not be deemed to have warranted or

represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, any such acceptance or approval thereof shall not be or constitute any warranty or representation with respect thereto by Lender.

8.1 Liability of Lender.

The Lender shall not be liable for any act or omission by it pursuant to the provisions of this Loan Agreement in the absence of fraud or gross negligence. The Lender shall incur no liability to the Borrower or any other party in connection with the acts or omissions of the Lender in reliance upon any certificate or other paper believed by the Lender to be genuine or with respect to any other thing which the Lender may do or refrain from doing, unless such act or omission amounts to fraud or gross negligence. In connection with the performance of its duties pursuant to this Loan Agreement, the Lender may consult with counsel of its own selection, and anything which the Lender may do or refrain from doing, in good faith, in reliance upon the opinion of such counsel shall be full justification and protection to the Lender.

8.2 No Partnership.

Nothing contained in this Loan Agreement shall be construed in a manner to create any relationship between the Borrower and the Lender other than the relationship of borrower and lender and the Borrower and the Lender shall not be considered partners or coventurers for any purpose.

8.3 Severability.

In the event any one or more of the provisions of this Loan Agreement shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event any one or more of the provisions of the Note or the Security Documents operate or would prospectively operate to invalidate this Loan Agreement, then and in either of those events, at the option of the Lender, such provision or provisions only shall be held for naught and shall not affect any other provision of the Note or the Security Documents or the validity of the remaining Obligations and the remaining provisions of the Note and the Security Documents shall remain operative and in full force and effect and shall in no way be affected, prejudiced or disturbed thereby.

8.4 Successors and Assigns.

Each and every of the covenants, terms, provisions and conditions of this Loan Agreement, the Note and the Security Documents shall apply to, bind and inure to the benefit of the Borrower, its successors and those assigns of the Borrower consented to in writing by the Lender, and shall apply to, bind and inure to the benefit of the Lender and the endorsees, transferees,

successors and assigns of the Lender, and all persons claiming under or through any of them.

8.5 Modification - Waiver.

None of the terms or provisions of this Loan Agreement may be changed, waived, modified, discharged or terminated except by instrument in writing executed by the party or parties against which enforcement of the change, waiver, modification, discharge or termination is asserted. None of the terms or provisions of this Loan Agreement shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

8.6 Third Parties - Benefit.

All conditions of the obligations of the Lender to make advances hereunder are imposed solely and exclusively for the benefit of the Lender and its assigns and no other persons shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that the Lender will refuse to make advances in the absence of strict compliance with any or all thereof and no other person shall, under any circumstances, be deemed to be beneficiary of such conditions, any or all of which may be freely waived in whole or in part by the Lender at any time in the sole and absolute exercise of its discretion. The terms and provisions of this Loan Agreement are for the benefit of the parties hereto and, except as herein specifically provided, no other person shall have any right or cause of action on account thereof.

The Lender shall in no event be responsible or liable to any person other than to the Borrower for any advance of or failure to advance the proceeds of the Loan or any part thereof and no contractor, subcontractor, materialman or other person shall have any right or claim against the Lender pursuant to this Loan Agreement or the administration thereof.

8.7 Conditions - Verification.

Any condition of this Loan Agreement which requires the submission of evidence of the existence or non-existence of a specified fact or facts implies as a condition the existence or non-existence, as the case may be, of such fact or facts and the ~~Lender shall, at all times, be free independently to establish to~~ its satisfaction and in its absolute discretion such existence or non-existence.

8.8 Captions and Headings.

The captions and headings contained in this Loan Agreement are included herein for convenience of reference only and shall not be

considered a part hereof and are not in any way intended to limit or enlarge the terms hereof.

8.9 Counterparts.

This Loan Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

8.10 Notices.

All notices, demands, requests and other communications required pursuant to the provisions of this Loan Agreement shall be in writing and shall be deemed to have been properly given or served for all purposes when presented personally or sent by United States Registered or Certified Mail - Return Receipt Requested, postage prepaid, to the respective addresses as follows:

(a) If to the Borrower, then to it at the address set forth next to the signature of the Borrower.

(b) If to the Lender, then to it at:

Bank of America, N.A.
730 15th Street, N.W., 8th Floor,
Washington, D.C. 20005
Attention: Community Development Banking Group

Any of the parties may designate a change of address by notice in writing to the other parties. Whenever in this Loan Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice.

8.11 Signs; Publicity.

At the Lender's request, and expense, the Borrower shall place a sign or signs at a location or locations on the Mortgaged Property satisfactory to the Lender, which signs shall recite, among other things, that the Lender is financing the construction of the Improvements. The Borrower shall obtain all of the permits, licenses and approvals from the appropriate governmental agency or association, which are necessary for the erection and existence of the sign or signs. The Borrower expressly authorizes the Lender to prepare and to furnish to the news media for publication from time to time news releases with respect to the Mortgaged Property, specifically to include but not limited to releases detailing the Lender's involvement with the financing of the Mortgaged Property.

8.12 Applicable Law.

This Agreement shall be governed by and construed, interpreted and enforced in accordance with and pursuant to the laws of the District of Columbia. In the event that the "choice of law" rules of the District of Columbia can be construed or interpreted to require the laws of another jurisdiction to govern, the "choice of law" rules of the District of Columbia shall not apply.

8.13 Time of Essence.

Time shall be of the essence of each and every provision of this Loan Agreement of which time is an element.

8.14 Commitment.

To the extent the terms of the Commitment are not incorporated in this Loan Agreement, the terms and conditions of the Commitment shall survive the execution of this Loan Agreement and shall continue to be the obligation of the Borrower until the Loan is paid in full. Any discrepancy between the terms of the Commitment and the terms of the Security Documents shall be construed in favor of the Security Documents. Borrower agrees, from time to time, to execute and acknowledge such amendments or modifications, as may reasonably be required, to add, delete or modify provisions to this Loan Agreement in order to cause this Loan Agreement to conform to the terms of the Commitment.

8.15 Construction Limitations.

In the event that an "EXHIBIT B", as modified from time to time, is attached to this Loan Agreement, then the provisions of such "EXHIBIT B" are hereby expressly made a part hereof.

8.16 Partial Releases.

In the event that an "EXHIBIT C", as modified from time to time, is attached to the Loan Agreement, then the provisions of such "EXHIBIT C" are hereby expressly made a part hereof.

IN WITNESS WHEREOF, the Borrower and the Lender have executed and delivered these presents or caused these presents to be executed and delivered as of the year and day first above written.

WITNESS/ATTEST:

BORROWER:

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.

By: _____ (SEAL)

Name: Loretta Tate

Title: President & CEO

Address of Borrower:
3939 Benning Road, N.E.
Washington, D.C. 20019

The address of Bank is:

730 15th Street, N.W.
8th Floor
Washington, D.C. 20005

BANK:

BANK OF AMERICA, N.A.

By: _____ (SEAL)
Timothy E. Martin,
Relationship Manager

STATE OF MARYLAND)
) ss:
COUNTY OF District of Columbia)

I HEREBY CERTIFY that on this 14th day of July, 1999, before me, the subscriber, a Notary Public in and for the jurisdiction aforesaid, personally appeared in said jurisdiction Loretta Tate, personally well known to me (or satisfactorily proven) to be the President/CEO of MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC., a District of Columbia not for profit corporation, and personally well known to me (or satisfactorily proven) to be the person who executed the foregoing instrument; and acknowledged that, having authority so to do, he executed the foregoing instrument as the act and deed of said corporation for the purposes therein contained, and delivered the same as such.

WITNESS my hand and Notarial Seal the year and day first above written.

Delta M. Payne
Notary Public

DELTA M. PAYNE
NOTARY PUBLIC OF DC
MY COMMISSION EXP.
APRIL 14th 2001

My Commission Expires:

STATE OF MARYLAND)
) ss:
COUNTY OF District of Columbia)

I HEREBY CERTIFY that on this 14th day of July, 1999, before me, the subscriber, a Notary Public in and for the jurisdiction aforesaid, personally appeared in said jurisdiction TIMOTHY E. MARTIN, personally well known to me (or satisfactorily proven) to be the Relationship Manager of Bank of America, N.A., a national banking association, and personally well known to me (or satisfactorily proven) to be the person who executed the foregoing instrument; and acknowledged that, having authority so to do, he executed the foregoing instrument as the act and deed of said national banking association for the purposes therein contained, and delivered the same as such.

WITNESS my hand and Notarial Seal the year and day first above written.

Delta M. Payne
Notary Public

DELTA M. PAYNE
NOTARY PUBLIC OF DC
MY COMMISSION EXP.
APRIL 14th 2001

My Commission Expires:

EXHIBIT A

LEGAL DESCRIPTION

Lots numbered 19 thru 40 in Square numbered 5410 in a subdivision made by Marshall Heights Community Development Organization, Inc. as per plat recorded in Liber 190 at folio 14 in the Office of the Surveyor for the District of Columbia.

ALSO

Lots numbered 4 thru 10 in Square numbered North of 5410 in a subdivision made by Marshall Heights Community Development Organization, Inc. as per plat recorded in Liber 192 at folio 200 in the Office of the Surveyor for the District of Columbia.

7/12/99

EXHIBIT B

CONSTRUCTION LIMITATIONS

Anything in the Commitment or the documents evidencing or securing the Loan to the contrary notwithstanding, during the term of the Loan, except for two (2) "speculative" units, and one (1) model unit, at any time, the Borrower shall not be permitted to commence construction of any unit upon the Property unless such unit has been "pre-sold. However, if within eight (8) months of the date hereof, at least eight (8) units are not under contract complying with the requirements of "pre-sold" units stated below, the Borrower shall be limited to commencing construction of or having under the Loan at any time, one (1) speculative unit and one (1) model unit. The construction of any other unit may only be commenced if such unit is "pre-sold". Each unit shall be considered "pre-sold" when (a) there has been a purchase of a unit within the Mortgaged Property, negotiated at arm's length between Borrower and a bona fide third-party purchaser not considered a related person to Borrower; (b) a copy of the pre-approval letter from the lender to whom such loan application was made is delivered to the Lender; (c) a copy of a sales contract with the third-party purchaser for the purchase of the lot contained within the Mortgaged Property, the form of which shall have been approved by Lender (the sole contingency under which shall be a financing contingency), has been delivered to the Lender; and (d) the sales contract shall be accompanied by a cash deposit of at least $500.00 of the contract purchase price. For purposes hereof, a "related person" shall be defined as a person (i) who bears a relationship to Borrower as specified in Section 267(b) or Section 707(b)(1) of the Internal Revenue Code of 1986 (and, in applying said Sections, "10%" shall be substituted for "50%") or (ii) who is engaged with Borrower in trades or businesses under common control within the meaning of Sections 52(a) and (b) of the Internal Revenue Code of 1986.

A "speculative" unit is a unit which is not "pre-sold".

If at any time after construction has commenced, a Contract ~~is cancelled or otherwise terminated for any reason, and such~~ termination causes the number of speculative units to exceed the number permitted as aforesaid, the Borrower will have ninety (90) days to obtain a replacement Contract or to repay the outstanding principal balance of Loan No. 2, which has been advanced for each speculative unit that exceeds the number permitted as aforesaid. Any such repayment by the Borrower will not entitle the Borrower to obtain the release of such unit, and such unit shall not be released from the lien of the Deed of Trust. While the Borrower is trying to obtain a replacement Contract, the Lender shall not

be obligated to advance any proceeds of Loan No. 2 to commence construction of other units. If the Borrower has not obtained a replacement Contract or has not made the required principal curtailment within the ninety (90) day period, it shall be deemed to be an Event of Default under all of the documents executed in connection with the Loan.

Any pre-sold unit must be conveyed by the Borrower and release price paid to the Lender, within six (6) months from the date of the first Loan No. 2 advance for that unit. If such a unit is not sold and settled within that time, that unit shall automatically become a "speculative" unit. Any speculative unit, including any previously sold unit converted to a speculative unit, must be conveyed by the Borrower and release price paid to the Lender, within twelve (12) months from the date of the first Loan No. 2 advance for that unit. All Loan No. 2 advances for model units shall be repaid upon the earlier to occur of (a) ninety (90) days after the Borrower withdraws from the Mortgaged Property or (b) ninety (90) days after the maturity date of the Note, a period which includes the 90-day extension referenced in the Note.

EXHIBIT C

PARTIAL RELEASES

Provided the Lender determines that the value of the portion of the Mortgaged Property, which shall remain encumbered, is sufficient to secure the Loan, and provided no event of default which remains uncured has occurred with respect to any document which evidences or secures the Loan, and further provided no event has occurred and is continuing which, with notice or the passage of time or both, would constitute an event of default with respect to any document which evidences or secures the Loan, the Lender, at the request and expense of the Borrower, will promptly authorize and direct the Trustee named in the Deed of Trust to release from the lien, legal effect and operation of the Deed of Trust and the other documents which secure the Loan, and to reconvey to the Borrower, any one or more of the individual subdivided lots contained within the Mortgaged Property, upon payment by the Borrower or for its account to the Lender of an amount for each such subdivided lot sought to be released equivalent to:

(a) One hundred twenty-five percent (125%) of the sum of the principal amount of Loan No. 1 advanced and allocated to the particular lot.

(b) One hundred percent (100%) of the sum of the principal amount of Loan No. 2 advanced on account of the particular lot.

(c) Together with the pro-rata share of interest and other indirect costs appurtenant thereto, as determined by the Lender in its sole discretion.

The sum paid to the Lender for partial releases shall be applied at the Lender's option to all or part of accrued and unpaid interest, the outstanding principal balance of the Loan, or unpaid and outstanding fees and expenses, all in the order in which the Lender shall decide to apply such funds in its sole discretion.

After payment of the release price stated, the subordinate Lender, Local Initiatives Support Corporation ("LISC"), shall be repaid its pro-rata shall of its development loan at 100% or approximately $12,037.00 per unit. After payment of LISC as aforesaid, the Borrower shall receive its pro-rata share of the repaid $75,000.00 LISC recoverable grant or approximately $2,777.00 per unit. Any remaining funds shall be held by the

Borrower as contingency funds and not disbursed until Loan No. 1 and Loan No. 2 are repaid in full.

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COPY

SUPERIOR COURT OF THE DISTRICT OF COLUMBIA

(Civil Division)

- - - - - - - - - - - - - - - - - - X

DOROTHY Y. DOUGLAS, :
:
Plaintiff, :
:
v. : Case No. 5299-02
:
MARSHALL HEIGHTS COMMUNITY :
DEVELOPMENT ORGANIZATION, INC., :
:
Defendant. :
:
- - - - - - - - - - - - - - - - - - X

Washington, D.C.

Friday, November 8, 2002

DEPOSITION OF DOROTHY Y. DOUGLAS, the witness herein, called for examination by counsel for the defendant in the above-entitled matter, pursuant to notice, the witness being duly sworn by DEBORAH S. CUBBAGE, a notary public in and for the District of Columbia, at the law offices of Scheuermann & Terhune, 700 E Street, S.E., Washington, D.C., commencing at 1:15 p.m., the proceedings being recorded by stenotype by DEBORAH S. CUBBAGE of DSC Reporting, Inc., and transcribed under her direction.

LASER STOCK FORM B
THE CORBY GROUP 1 800 255 5040

A. Because -- it pertains to the lawsuit according to the civil rights, Chapter 8, Title 1:8, 1968, in the Fair Housing Act. The issues are Marshall Heights should have provided those service, because I had those children with me under those -- under that act.

Q. What services are you alleging that Marshall Heights should have provided you with under the Fair Housing Act?

A. They should have provided me with services as far as house as they so promise and agreed to and also to build me a house and whatever service that was -- counseling, programs, all services pertaining to mortgage, mortgage lenders, and information that pertaining in order to get a house for me to meet to provide -- to get housing.

They have everything in place, according to Kinship Care; and that service should have been provided to assist me in any way of getting a house, written or buying, selling, or building a house.

Q. Ms. Douglas, what's your home address?

A. It's 4401 Minnesota Avenue, Northeast.

Q. Is that in Washington, D.C.?

A. Yes, it is.

Q. Do you own this house?

THE CORBY GROUP 1-800-255-5040 LASER STOCK FORM B

A. Yes, I do.

Q. How large a house is this? How many rooms does it have?

A. It's a two-bedroom house with a kitchen, a bath -- and that's it -- living room and front room combined together.

Q. When did you purchase this house?

A. In 1979.

Q. And what do you currently -- do you currently have a mortgage on this house?

A. Yes, I do.

Q. And what do you currently owe on the mortgage?

A. The mortgage or the monthly payments?

Q. How much left do you owe on the mortgage?

A. About -- I would say about 5,000.

Q. And what are your current monthly payments on the mortgage?

A. One ninety-six and some pennies.

Q. Do you know what the current assessed value of your house is, when you get your real estate tax bill?

A. No. I don't want to misquote the incorrect amount. I don't know, but I am looking for that information to give you; so I might have to -- one of the reason I might have to

LASER STOCK FORM B
THE CORBY GROUP 1 800-255 5040

security number?

Q. It's a question we generally ask during a deposition.

A. No. Because you are the first deposition I have ever known -- taken that you asked for a social security number unless you are trying to do a credit check or something like that or Marshall Heights is trying to get some additional information. I don't have no problem, but I just want to know that you were the first to ask for the social security number.

Q. When did you first contact Marshall Heights about a house?

A. In March of '98.

Q. And who did you first speak to at Marshall Heights?

A. Mr. David -- not David.

Dwayne Bradford.

Q. Was that contact in person or by telephone?

A. It was in person.

Q. And can you tell me what you and Mr. Bradford discussed?

A. We discussing and getting -- obtaining -- getting the house. I needed a larger house.

And he said no problem, and he helped me get a

LASER STOCK FORM B
THE COHBY GROUP 1 800.255 5040

house.

He gave me the papers to fill out and information, which I gave back to him; and he said that I qualify for the houses that they had available -- well, I guess what they had. So they had plenty of houses.

Q. What forms did Mr. Bradford give you to fill out?

A. I guess the form that you needed in order to -- the credit, to check your credit, all of those assets that you just asked me and income and things like that.

Q. Did you fill out those forms?

A. Yes, I did.

Q. And did you give them back to Mr. Bradford?

A. Yes, I did.

Q. When you and Mr. Bradford were speaking, were you -- did you discuss the size house that you wanted to buy?

A. I sure did.

Q. What size house did you tell him?

A. The same size I have been discussing all along, between the four- to five-bedroom house, five-bedroom at the most.

But he said -- to be honest, he said four-bedroom.

I told him but I needed a five. That's what I really needed.

THE CORBY GROUP 1-800-255-5040 LASER STOCK FORM B

Q. So you told Mr. Bradford that you needed a five-bedroom house.

A. Yes, I did.

Q. Did Mr. Bradford tell you that Marshall Heights had five-bedroom houses available?

A. No. Well, Mr. -- there were some that did have five bedrooms and some that had four bedrooms.

Q. Mr. Bradford told you that they had some five bedrooms and some four bedrooms.

A. Yes, he did.

Q. Were these houses in a particular place, a particular development?

A. They were around wards in the area, Ward Seven.

And to answer your question did I visit those houses: Yes.

Q. Were the houses part of a single development or were they houses spread out through the neighborhood in Ward Seven?

A. A combination of both.

Q. Did you and Mr. Bradford talk about a specific house at any time?

A. Yes, I did.

Q. What was the address of that house?

LASER STOCK FORM B
THE CORBY GROUP 1-800 255 5040

understanding, Ms. Harris had left. So they give her another job.

Q. Did you ever sign a contract with Marshall Heights to purchase this house that Mr. Smith had told you that Marshall Heights would build for you?

A. No, I did not sign no contract.

Q. At any time did Marshall Heights tell you that you needed to be preapproved for a mortgage --

A. No.

Q. -- to purchase the house?

A. No.

Q. Did Marshall Heights at any time tell you -- did anyone at Marshall Heights at any time tell you that you needed to apply for a mortgage?

A. No.

Q. Did --

A. The only information I got was from Mr. Bradford; and that was probably in 2000 maybe, around about May, that he gave me a sheet.

Q. Okay. In May of 2000 Mr. Bradford gave you a sheet.

What did the sheet say?

A. Prequalification.

LASER STOCK FORM B
THE CORBY GROUP 1-800-255-5040

A. Okay. I will do that.

Q. In the complaint that you filed in this court, you say that Marshall Heights has discriminated against you.

What exactly have they done that you say is discriminatory?

A. Well, one thing, it's discriminatory by not providing me with the five-bedroom house that they are supposed to build for me and sell my current home and to use those funds for that.

The job that I applied for with Marshall Heights where they took and threw my papers in the trash.

And also --

Q. What job did you apply for?

A. I have the information at home, too.

Q. Do you remember the job title or anything about the job?

A. No, I can't recall the job title right now; but I know --

Q. When did you apply for the job?

A. I'm not sure about the year.

I'll give you that information, too.

And also -- and I just related to you about the information about being discriminatory in reference to saying

THE COURT GROUP 1 800 255 5040 LASER STOCK FORM 1B

that my house won't have fair housing value because of the location where I live in and the condition of my house.

They have no right to say that.

By not providing -- by not providing me the service that I should have in this house.

Q. Okay. Not providing you services relating to your purchasing a house?

A. Right; and the programs that they didn't do and not giving my children an opportunity to -- my family, not accepting my family to be in that house, be in those houses. They denied them that right to be in that house because, I guess, me applying for those kids as a foster-care parent and my, you know, like disability. I guess they looked at that as a downfall.

And then saying that I might not have enough money to make -- got so -- went on for so long that now I don't have enough money to make mortgage payment; waited so long until I couldn't.

You know, when I had it, had an opportunity to get it, it's just like they played it out, played it out, until I wasn't able to get the house.

And then what else?

I mean, it's all written in my -- written down.

LASER STOCK FORM B
THE COBBY GROUP 1 800 255-5040

discriminated.

I don't know about nobody else.

I know I was, because I was -- they denied me for not getting the house.

Q. Why do you think they didn't give you the house?

A. You need to ask Marshall Heights that, because they didn't give it to me and know that they followed the process that they should have given me. Under the Kinship Care, I was entitled to the house.

Q. Why were you entitled to the house?

A. I just told you why I was entitled to it.

Because I need a larger house for my family, and the law says under Fair Housing Act that I'm entitled to that; and I'm entitled to that.

And also I went to Marshall Heights to ask them for a larger house, and they did not follow through; and they made an agreement, and they didn't fulfill that agreement. And, in other words, it was -- he did not keep his agreement what he was supposed to have done.

I don't know how else you want to say it.

Q. Do you have any idea why Marshall Heights didn't build a house for you?

A. I cannot -- I do not know. I don't have no idea.

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I know they didn't do it.

It's self-explanatory.

That's why I'm sitting here.

Q. Do you have any idea why Marshall Heights didn't provide you with the services relating to purchasing a house that you believe that they should have provided you with?

A. They didn't give me the house.

So the idea was they did not give it to me. They didn't provide for me as well as the other idea that they did not give it. I don't have they deny.

They deny. They deny.

Q. And you don't know why they denied it.

A. They gave me no information. They gave me no letters. They didn't tell me anything. They gave me nothing.

They gave me the runaround.

They know why.

With my family size and because, I guess, the income, my children, didn't want me to have the house. That's the bottom line. They didn't want me to have the house because of my disability; because I didn't have enough money to pay that mortgage. That made that perfectly clear.

When I had the money, I should have gotten that

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house. They went to everything -- I don't have nothing, so I won't be able to get anything.

He made an agreement to do it, and he did not follow through with his agreement. So the idea he should have done what he committed to do and he did not do. That's the idea.

Q. In the complaint that you filed with the court, you also said that Marshall Heights has retaliated against you.

What have they done to retaliate against you?

A. Well, Marshall Heights hired a lot of community people; and some of the neighbors and the people within the community have retaliated by throwing things into my yard, onto my house.

And I have been stalked.

I have been called names.

I had stuff thrown on my car.

So this -- every time -- I hate to say it. Even when I come here, these people know when I come here, going to the courts. I have people even following me at the courts, right there at the courts.

How do they know I'm going in to file the papers?

I have Marshall Heights person -- one of his person when I went to file a motion in court, she -- when I went to

file a motion, she came in the courthouse; and I happen to just turn around to look, and she was standing there. She said she was going across the street. And I asked her why was she over there.

She said, "Oh, I'm just going across the street."

"Then why are you here?"

She's across the street for something.

Obviously she was there to see what I was doing.

Q. What's the name of this person?

A. I can't think of her name.

But I was really -- when I went to file those, I was shocked.

I said, well, why is she here. I said somebody -- Marshall Heights or somebody must have sent her to follow me to see what I was doing.

Q. And what's the connection with Marshall Heights?

A. She's on the board. She's on the board and plus I think Marshall Heights helped her to get substance [sic] dwelling.

But I thought about that when I got home, and that was so strange; and I said I'll be dang.

Q. And you say that people have thrown things in your yard and onto your house.

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A. And my car.

Q. And your car.

Do you know what people have done this?

A. The neighbors.

Q. All right.

A. And other people can drive by in the cars and do it.

Q. People drive by your house and throw things in your yard.

A. That's right. That's right.

Q. Do you know the names of any of these people?

A. Some people I know, and some I don't.

Q. Could you give me the names of anyone whose name you know who has thrown anything at your house or into your car?

A. Of course, they are going to deny it. It's going to be my word against their word, but I have seen them do it.

Q. Okay. What are their names?

A. Do I have to give their names?

Q. Yes.

A. Is that right; by law I have to give their names?

Q. You have to answer my question unless it's an objectionable question.

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A. Okay. No. No.

I don't know the lady's name that was there, but I do know -- I wouldn't say her name wrong.

But Sarah McManus and her family has done it, because we were in court in reference to that, and her son.

So it's just a collective of people.

Q. And does Sarah McManus and her son have any connection to Marshall Heights?

A. Of course. Everybody know Marshall Heights. Marshall Heights is a broad name. Everybody is --

Q. Let me rephrase my question.

Does Sarah McManus work for Marshall Heights?

A. Oh, no. No, she does not work for them.

Q. Is she on the board?

A. No, she does not, not that I am aware of.

I can't say no -- I don't know, as far as I'm concerned.

Q. As far as you know, she does not work for Marshall Heights and she is not on the board.

A. As far as I know.

I can't say, now, what happened prior because I don't know. I haven't gotten any new list or anything.

And that's another thing. You mentioned the word

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"board."

I tried to get on the Marshall Heights Board as membership. I was denied that because they wanted -- discriminatory and told me they wouldn't accept my letter handwritten from me, but I had to get it from somebody else; and I was not -- I was appointed -- what you call -- voted to be on the board and was not accepted.

So that was another issue.

Q. When you say that you were voted to be on the board, do you mean that there was some kind of an election for the board?

A. Yes, there was an election. And then I got -- well, I was elected to be there and then I was told after I was elected -- after I got elected, then I was turned around and told, well, you're elected but now you have to come up with a letter saying that you have to have this from us.

But there was no guideline, no procedures after this.

So I asked for the information. If this is so true, then show me, Marshall Heights, what you're requesting.

Because I have been on the board before, and I have not seen these procedures stating what you're saying.

No one can show me anything, no one can give me;

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and to this day, I have not gotten anything. So I just --

Q. Did you --

A. I even approached Mr. Hamilton about it, and he sent me back to the person who was in charge and whatnot; and I shared that with him.

Q. Who -- after you were elected to the board -- by the way, when was this that you were elected to the board?

A. I don't know, but I will get that.

I don't know, Ms. Menist.

You look at me like -- I don't know, but I --

Q. Was it this year?

A. No, it wasn't this year.

Q. Was it last year?

A. I can't say.

That's home written down somewhere; because I have to go back and pull out when, too.

Q. After you were elected to the board, who told you that you also needed some kind of letter?

A. Whoever the nominating committee or whoever was in charge of the election -- I can't think of the person's name, but the female told me that I had to have this letter.

Q. And what was the -- who was the letter supposed to be from?

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A. It's supposed to be from the organization -- saying I had an organization or something.

I told her, well, yeah, I always had an organization but asked do you -- she just need a letter from the secretary signing and the director.

I told her I was a director.

She said she wasn't going to accept it from me. It had to be somebody else to sign it.

I told her, "That's all right. Forget it."

And then she wouldn't accept it because it was handwritten. It wasn't typed. It wasn't typed. She wouldn't accept it and because it was handwritten.

I said, "Well, forget it." That's -- just said, "Don't worry about it."

Q. Do you know of anyone else who was elected at the same time that you were elected?

Let me rephrase my question.

Was anyone else elected to the board at the same time as you were elected?

A. Yes. They'd have a listing of people that were elected during that same time; and I should have been able to have gotten that information, too, but I didn't get that. There were other groups and other people that were elected at

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that time, because they had election at the time.

Q. Did the other people who were elected also have to provide a letter from their organization?

A. As I recall, I was told no.

That's one of the questions I asked, too, was anybody else had to do one.

And then, you know, can I -- if that's so, I asked could I see that letter.

I didn't get anything. They didn't give me no answer.

Because I thought it was a new policy, new procedures.

Q. Were the other people who were elected also -- did they have any particular qualifications or were they representing other organizations in the community?

A. Well, there was -- there was little guidelines that you had to meet; and once you met those guidelines and submit your names, they lost the records of the information that I had asked.

So I was elected from the floor, so there was anything they could -- I was nominated from the floor. So from the floor, I was voted in from the floor.

So that's what it was.

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Q. Was anyone else voted in from the floor?

A. Yeah, there were other people.

Q. And do you know if any of those people also had to provide the kind of letter that you were asked to provide?

A. I'm not sure, but I know there were other groups there that had been -- but that's the next process -- all I know, I've seen other people been voted from the floor, not only from that election but other elections.

And I was told when I submit my papers -- first I was accepted saying in one status; then I got the paper back saying, well, no you can't, not being accepted, with no explanation as to why. And then that's what made me feel kind of strange.

And I said, well, then, look at the little booklet that they had that you can be -- I think the bylaws or something, a little booklet that they had to show you how you can become a member. So they have little guidelines that they had.

That's what it came from.

Q. Going back to your claims about people throwing things at your house and throwing things in your yard. We talked about Sarah McManus, and you mentioned that Ms. McManus has a son.

A. Kenneth McManus.

Q. And Kenneth McManus also threw things at your house.

A. Yes, ma'am.

Q. Does Kenneth McManus work for Marshall Heights?

A. I don't know. I can't say.

Q. Is Kenneth McManus on the board of Marshall Heights?

A. I don't know. I can't say. I haven't been to Marshall Heights. I don't know what board members they have at this time.

Q. Who else, to your knowledge, has thrown things at your house or thrown things --

A. There is a lot of people in the community or neighborhood. It goes on. You know, a lot of people. So --

Q. Are any of those people who you know have thrown things at your house or into your yard -- do any of those people work for Marshall Heights?

A. Either they work for Marshall Heights or they don't work for Marshall Heights, they have got family members that are associated with Marshall Heights.

I have gone to Safeway and had people follow me from Marshall Heights. As soon as I get there, they are

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there. So I have seen that same car parked right across the street from Marshall Heights, and that's not a coincidence. So I just --

Q. If the Safeway is across the street from Marshall Heights, what you are saying is -- do I understand you correctly to say that people are following you in the Safeway?

A. That's what I just said. I mean, they --

Q. Are these people employees of Marshall Heights?

A. They have, yes.

Q. What are the names of the employees from Marshall Heights?

A. I don't know their names. I know them when I see them by face. I don't know their name.

Q. Okay. And what have they done when they follow you in the Safeway?

A. They been doing little things, plucking things or doing other little things that people think I don't see that they be doing.

Q. Plucking things. I don't understand.

What are they plucking?

A. Some substance. They be taking their hand and plucking their hand, doing stuff like that; or they follow

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you, see what you doing, I guess. That happens too. I've been followed around in the store.

Q. So while you are shopping, they are following you around in the store and they are -- I don't understand.

What's the substance, and what are they doing?

A. There is nothing to understand.

I just said that that's what they do.

I don't know what the substance that they had. I don't know, but I know that they do it.

Why you'd be plucking your fingers, you know, like that (Indicating).

Pluck. Plucking your fingers, Ms. Menist.

I'm not going to sit here and lie to you. I'm just telling you.

Q. I'm sorry, Ms. Douglas. I am just not understanding. I have never seen someone do what you seem to be describing.

A. Yeah, well, it happened.

I'm not saying -- and I don't know why you look at her as if to say I don't know what I'm saying or what is happening to me.

I know what's happening.

Q. Other than following you in the Safeway and the

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woman who you said you saw in the courthouse the day you were filing a motion in this case and --

A. Or doing some kind of paper.

Q. -- doing something at the court in connection with this case --

A. Yes.

Q. -- and other than the people who have thrown things at your house or in your yard, is there anything else that you are alleging in this lawsuit is something that Marshall Heights has done to retaliate against you?

A. Well, that's basically what I shared with you.

Q. There is nothing else that you haven't shared.

A. That I can recall. I'm not saying there is nothing else, but that's what I can recall.

Q. And what do you believe that these actions are in retaliation for?

A. Filing this lawsuit.

Q. Okay. In your complaint you also allege that Marshall Heights has harassed you.

What has Marshall Heights done to harass you?

A. People call my name, call me names, and things like that. So --

Q. People call you names.

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Who has called you names?

A. Neighbors. People say little things, you know; so -- I see things are happening to my family.

Q. What happens to your family?

A. They go through the same situation, too. Because my family say, well, Mom, did you see such such thing do -- a certain person do something.

I tell them, yeah, I see; but what can I say.

When I go to the store, they're there. They stalk you. They have got people to do it.

So they retaliate in that sense. They have got other people to do for them.

Q. Can you name for me --

A. I cannot name --

Q. -- any person who has stalked you?

A. No, I can't name them.

Q. Can you name any person who has called you names or said anything else to you that you find offensive?

A. No, not at this time.

Q. Can you name any person who has done anything to any member of your family that you are complaining about here in this lawsuit?

A. No.

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any medication for you?

A. No, I didn't get any medication.

Q. Was this doctor a medical doctor or some other kind of health-care professional?

A. Probably a combination of both, medical doctor and some other doctor maybe. I have to check to see because sometimes I talk to my doctors in confidentiality about things, so I will just have to go back and check and get that information through records.

MS. DOUGLAS: Can we go off the record. I'm just going to take a couple of minutes.

(A recess was taken.)

BY MS. DOUGLAS: (Resuming)

Q. Ms. Douglas, in 1998, you told me that you had four foster children living with you; is that correct?

A. Yes.

Q. Did you have anyone else living with you aside from yourself and the four foster children?

A. My daughter and my son.

Q. So two other children.

A. Yes.

Q. In 1999 --

A. The same.

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But I talked to Mrs. Anthony -- what's her name -- that's how she spelled her name, S-a-m-i-l-a Anthony -- more than I did her.

Q. As you sit here today, without looking at any documents, do you have any recollection of your conversation with Bettina Falwell?

A. Not at this point. I have to look at my records.

Q. Ms. Douglas, was Marshall Heights aware that you had a disability?

A. Yes, they were.

Q. And how did they become aware that you had a disability?

A. Because I told them.

Q. When did you tell them?

A. In the beginning.

Q. And who did you tell?

A. I told Mr. Bradford, and I told Mr. Lloyd Smith.

Q. Did you tell -- what did you tell them about your disability?

A. I told them what was wrong with me. That's what I told them what my disability was.

Q. And what is your disability?

A. I have carpal tunnel; I had two knee operations,

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and I had a bone took out of my side of my knee; I can't do a lot of standing; and some other information.

I didn't tell them about exactly; but I told them that I -- my knees and I had this disability because of these operations that I had.

(The following document referred to was marked as Douglas Deposition Exhibit No. 2 for identification.)

BY MS. MENIST: (Resuming)

Q. Ms. Douglas, I am showing you what the court reporter is going to mark as Deposition Exhibit 2.

Have you seen this document before?

A. Let me read it to be sure.

I don't think I have seen this one.

There is another one that I have seen.

This one I had not -- I might have. I'm not for sure.

Is this the one that came in the first package that you sent me on November the 8th?

I mean on the --

Q. Yes. I sent you this document on October the 8th along with the interrogatories and request for production of

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