

From: Terry Eakin
To: Albert Neil (EOM); neilalbert@yahoo.com
Cc: Jannarone, David (EOM); jkl@jairlynch.com; Jackson, McClinton (EOM); Bob Youngentob; Aakash Thakkar
Subject: EYA Update on McMillan
Date: Friday, March 20, 2009 10:36:42 AM

Neil,

It was good to see you recently at both the Shakespeare Theater and at the DCBIA meeting. Glad you are getting around town. Thanks for inviting us to join you and DCHA later today (Bob Youngentob will be there) to try to solve public right of way funding issues for our Capital Quarter townhomes on the old Capper Carrollsburg site. And thanks also for the support you indicated at the DCBIA meeting that you have for McMillan and for your Office's efforts to secure public funding for McMillan. In this tough economic environment McMillan will definitely now need public dollars for its public infrastructure in order for the project to move forward. As you know, the chief challenge at McMillan is the hefty price tag (\$50 million or so) to both entitle the site and prepare it for development. Aakash tells me that David Jannarone and Clint Jackson have been pushing hard to locate dollars to support the project. The purpose of this email is to again update you on our progress at McMillan.

As you well know, in this great recession it is much more difficult to make new construction projects work. One new major "use" that can definitely go forward today at McMillan is a large new medical office building serving the doctors at the Washington Hospital Center and Children Hospital Center. It is important for the City to strengthen the "life sciences" uses in this area and there is a major need for more medical related space. Both the Old Soldier's Home development and a planned new medical office building on the Veteran's Hospital property appear stalled. A 300,000 square foot medical office building at McMillan could bring DC over 300 permanent new jobs and over \$2 million in incremental property taxes, as well as dramatically strengthen DC's position the regional healthcare market. After many discussions, we now believe the Trammel Crow Company should be added to our development team to help us make this new medical office building a reality. Trammel Crow has the combination of deep experience in developing medical office buildings, strong relationships with the local hospital players, economic strength, good chemistry with us, and a willingness to invest capital now into this project. We have kept Clint and David aware of our progress with Trammel Crow. Trammel Crow would, of course, honor all District requirements regarding LSDBE/CBE participation, including the 20% equity

participation. As you are aware, part of the overall strategy for this project is to include additional LSDBE/CBE developers, beyond the already strong participation of Jair Lynch Development Partners, Smoot Construction, and Urban Service Systems Corporation. The addition of Trammell Crow will in no way hinder the addition of LSDBE/CBE developers for some of the interior sites, but would be very important to getting a critical mass now for Phase I. Our executed Summary Terms Sheet with you gives our team the ability to add team members with the consent of the District, and we would like to schedule a meeting with you as soon as possible to introduce you to Trammell Crow, so you can get as excited as we are about how a medical office building can both move forward in this tough environment and help the City. Bottom line, we need the City to approve of the addition of Trammell Crow to our team. Upon District Approval of Trammell Crow, both Trammell Crow and Smoot Construction/Urban Services Systems Corporation have pledged to invest major new dollars and effort to push McMillan forward. Aakash will call Clint to set up a time for you to meet with Trammell Crow, Jair Lynch and us so that we can hopefully soon receive your approval.

EYA remains confident in our ability to sell townhomes at McMillan, and Jair Lynch is bullish in his ability to go forward on residential, hotel, and retail. Interestingly EYA, Jair Lynch and Trammell Crow all now want to be able to unilaterally go forward with initial developments at McMillan, even if the economy were to torpedo some portions of the development. Aakash and Clint have discussed this and both parties believe that this strengthens the likelihood that we can soon break ground. We are working with him on the details of this “phasing” issue. We think we have made some good progress with the neighborhood on our plans (there is still more work to be done, and we’re doing it) and we have ordered an appraisal to start to firm up the final terms of the LDA.

Although changes in the economy have resulted in making McMillan more financially challenging, the addition of Trammell Crow will bring a critical use to site and should allow us to move forward more quickly. We remain excited about our opportunity and look forward to meeting you soon.

Terry

Terry Eakin | Chairman

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